

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2012

For Fiscal Year Ended
June 30, 2012
Santa Clara County, California



Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

for Fiscal Year Ended June 30, 2012



BART – VTA breaks ground on BART Silicon Valley Berryessa Extension Project in San Jose in April 2012.



VTA Express Bus – Express buses were added to VTA’s fleet featuring Wi-Fi on board, reclining high-back seats and reading lights.



Silicon Valley Express Lanes – SR 237 Express Lanes opened in March 2012 providing congestion relief to motorists through more effective use of the existing HOV lanes.



Solar Panels – VTA, in partnership with SunPower Corp., Joint Venture Silicon Valley, and Wells Fargo, installed solar parking canopy systems at three bus maintenance divisions and is anticipated to save \$2.7 million in electricity costs over the next 20 years.



Tully Road Interchange – The U.S. 101 Improvement Project at Tully Road reduces traffic congestion and improves safety along the U.S. 101 corridor in east San Jose.



Pedestrian Crossing – The Blossom Hill Pedestrian Crossing opened in September 2012 allowing safe access between residential neighborhoods and commercial developments.



Light Rail – VTA’s Light Rail service, first mass transit in the world to offer riders free 4G Wi-Fi on board, runs 42.2 miles with stations throughout Santa Clara County.



Bike Locker Program – VTA is currently implementing e-locker system to manage parking at high demand Park & Ride lots.



**SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY**

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2012

Prepared by:
Fiscal Resources Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Sandison

President

Jeffrey R. Enos

Executive Director

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SECTION 1 - **INTRODUCTION**

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

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LETTER OF TRANSMITTAL

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October 19, 2012

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, 2012. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness, and fairness of the data and the clarity of the presentation, including all disclosures, rests with VTA. To the best of our knowledge, the enclosed data is reported in a manner designed to present fairly, in all material respects, VTA's financial position, changes in financial position, and cash flows, where applicable, in accordance with the requirements of accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

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 unqualified opinion for the fiscal year ended June 30, 2012, and that the financial statements are fairly presented 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 statements, agency's internal controls and compliance with legal requirements.

REPORTING ENTITY

VTA is an independent public agency responsible for bus and light rail operations in Santa Clara County (County), regional commuter and inter-city rail service, Americans with Disabilities Act (ADA) paratransit service, congestion management, specific highway improvements, and other transportation projects, as well as countywide transportation planning and funding. A map showing VTA's bus and rail transit service area is set forth on page 1-15. VTA 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 VTA's Board of Directors. Effective January 1, 1995, pursuant to state of California (State) legislation, VTA has operated under a separate Board of Directors composed of county and city representatives. On January 1, 2000, pursuant to the state legislation, VTA's name was officially changed from the Santa Clara County Transit District to Santa Clara Valley Transportation Authority.

VTA is governed by a Board of Directors (the "Board" or the "Board of Directors") consisting of 12 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 and 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 and 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 Board of Supervisors of the County. The allocation of Board representation is generally based on population.

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. The per capita income in Santa Clara County is \$59,184, and the average salary per worker is the highest in the state at \$98,430¹. The northwest portion of the County, known as Silicon Valley, is home

¹ Santa Clara County Economy (www.Californiaforecast.com)

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 diverse employment and revenue base.

Though the economy showed optimism during the early months of calendar year 2012, its recovery continues to be slow. According to the US Department of Labor report in June 2012, the national unemployment rate remained at 8.2% and the number of unemployed persons was 13 million². Compared to the prior year's statistics during the same period, when unemployment rate was 9.1% and the number of unemployed persons was 14 million, the recent numbers are showing positive trend out of depths of the previous years' economic downturn. Although sales of new and previously occupied homes are up from the same time last year, the recent housing indicators indicate that modest recovery is underway³.

Relative to last year's statistics, the County and State continue to show signs of recovery. In July 2012, the County's unemployment rate dropped to 8.7% from 10.3% in the prior year, and the state's unemployment dropped to 10.8% from 11.9% in the prior year⁴. As of July 2012, it is estimated that the number of Californians holding jobs was up 277,000 from employment total in July of last year.

The State continues to have its own financial challenges which negatively impact local governments and agencies. The State Transit Assistance Program (STA), the only State program that directly provides funds to operate bus and rail systems in California, was lower in FY 2012 by \$2.6 million, to \$14.1 million.

On a brighter note, the County's taxable sales activity showed positive signs in FY 2012 especially in the business to business, transportation, and general retail sectors. VTA's largest revenue sources for operations and capital activity, 1976 Half-Cent Sales Tax and 2000 Measure A Sales Tax, grew approximately 8.4% and 8.8%, respectively, in FY 2012.

CURRENT YEAR FINANCIAL HIGHLIGHTS

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 2-3 and should be read in conjunction with it.

² Bonmarito, Sal. Business Labor, July 2012.

³ The Associated Press. June 27, 2012.

⁴ Department of Numbers. July 2012.

The following presents supplemental information to the MD&A, providing comparative financial data for VTA's Enterprise Fund for FY 2012 and FY 2011 (in thousands).

Enterprise Funds	FY 2012	FY 2011	Changes	
			Favorable/(Unfavorable)	
			Amount	%
Operating Revenues	\$ 40,070	\$ 40,014	\$ 56	0.14 %
Operating Expenses	(374,944)	(353,812)	(21,132)	(5.97)%
Sales Tax- 1976 Half-Cent	166,567	153,601	12,966	8.44 %
Sales Tax- 2000 Measure A Half-Cent	166,280	152,855	13,425	8.78 %
Federal and State Operating Grants	140,419	137,804	2,615	1.90 %
Federal subsidy for Build America Bonds	9,399	5,848	3,551	60.72 %
Investment and Other Income	30,450	17,204	13,246	76.99 %
Other Non-Operating Expenses	(132,363)	(122,593)	(9,770)	(7.97)%
Capital Contributions	115,584	148,303	(32,719)	(22.06)%
Special Item	-	32,650	(32,650)	N/A
Change in Net Assets	161,462	211,874	(50,412)	(23.79)%
Net assets, beginning of year	3,006,516	2,794,642	211,874	7.58 %
Net assets, end of year	\$ 3,167,978	\$ 3,006,516	\$ 161,462	5.37 %

As reflected above, Enterprise Funds net assets increased by \$161.5 million to \$3.2 billion. Net assets in the 2000 Measure A Transit Improvement Program, which can only be expended on projects included on the 2000 Measure A ballot approved by the voters, increased by \$137.7 million. For VTA Transit Fund, net assets increased by \$17.1 million to \$2.1 billion. VTA's largest revenue sources for operating and capital funding – 1976 Half-Cent Sales Tax and 2000 Measure A Half-Cent Sales Tax, were \$13.0 million and \$13.4 million higher compared to FY 2011, reflecting an increase of taxable activity in the County. The increase in operating expenses in FY 2012 is a result primarily of higher costs in salary and benefits, as well as materials (diesel fuel and gasoline), services, and depreciation expenses. The depreciation expense increased in FY 2012 due to the capitalization of 20 new hybrid buses and recognition of a full year of depreciation expense for the 70 hybrid buses purchased in FY 2011. The increase in investment and other income is primarily due to an increase in investment trading gain and a decrease in unrealized loss in investments, as well as recognition of the 1996 Measure B income in FY 2012.

Total FY 2012 net assets consisted of the following (in thousands):

Invested in capital assets, net of related debt		\$ 2,351,676
Restricted:		
2000 Measure A projects	\$ 318,895	
SWAP/lease collateral	112,899	
Debt service	65,114	
Inventory, prepaid expenses, and issuance costs	32,551	
Retention	17,263	
1996 Measure B Projects	<u>1,645</u>	548,367
Unrestricted:		
Debt reduction	\$ 114,331	
Operating reserve	56,268	
Sales tax stabilization	35,000	
Local share of capital projects	33,846	
OPEB liability reduction	20,650	
Joint Development	7,622	
Express Lane	<u>218</u>	<u>267,935</u>
Total Net Assets		<u>\$ 3,167,978</u>

SIGNIFICANT FINANCIAL POLICIES

Biennial Budget and Long-Range Planning

To comply with the legal requirements of State of California and the VTA Administrative Code, VTA management proposes and the Board of Directors adopts an Operating Budget at the fund level and a capital budget on a project basis. The General Manager may reallocate appropriation between budget units and objects within each fund up to the limits of each fund's annual appropriations. Any net increase in authorized appropriation to any fund (including an 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. VTA annually updates and incorporates the VTA Financial Forecasting Model as part of its long-range planning process.

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 cost 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

The VTA's accounting records are maintained on an accrual and modified accrual basis of accounting. The activities are reported through the use of a fund accounting system.

Reserve Policies

The VTA Board has established an operating reserve goal of 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. As of June 30, 2012, the operating reserve is at \$56.3 million, 15% of the FY 2013 adopted operating budget. The detailed calculation and information on the operating reserve is shown on page 3-8.

The reserves for Other Post-Employment Benefit (OPEB) Liability Reduction and Sales Tax Stabilization were set up in FY 2011. The OPEB Liability Reduction Reserve is designed to enhance VTA's fiduciary governance practices and to reduce the levels of unfunded OPEB obligations. As of June 30, 2012, VTA allocated \$20.6 million to the OPEB liability reduction reserve.

The VTA 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 VTA Transit Fund include the 1976 half-cent local sales tax, a quarter-cent state sales tax (from Transportation Development Act or TDA), and 2000 Measure A Sales Tax-Operating Assistance which is derived from 18.5% of 2000 Measure A half-cent sales tax revenues. The VTA Transit Sales Tax Stabilization Fund is distinguished from the 15% Transit Enterprise Operating Reserve in that the Operating Reserve is designed to ensure that sufficient funds are available in the event of either unavoidable expenditure needs or unanticipated revenue shortfalls from sources other than sales tax based revenues. As of June 30, 2012, the VTA Transit Sales Tax Stabilization Fund has a reserve balance of \$35.0 million.

Cash and Investment Management Policies and Practices

VTA's cash and investments are managed in accordance with California Government Code Section 53601 and other applicable state law. The Restricted and Unrestricted Investment Policy is periodically reviewed by staff and approved by the Board of Directors when changed or modified. The Investment Policy defines permitted investments and prescribes investment strategies. Risk tolerance and performance expectations are defined by benchmark indices. VTA contracts with professional money managers to manage its investment portfolio and their performance is overseen by VTA staff.

The VTA/ATU Pension Plan (Pension Plan) Investment Policy utilizes asset allocation ranges and targets. The Pension Plan Trustees review and approve the Pension Plan Investment Policy (pursuant to California State Proposition 162 enacted in November 1992). The Pension Plan is a defined benefit plan and its financial position and changes in financial position are reported in separately issued stand-alone financial statements. The Plan's asset allocations are reviewed relative to the targets on a monthly basis and action is taken to rebalance within the target ranges by means of asset transfers among categories. When necessary and/or available, cash inflows/outflows are managed in a manner consistent with the strategic asset allocation.

Risk Management and Self-Insurance

VTA is exposed to various risks of loss related to tort claims, theft, damage and destruction of VTA assets and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by VTA to manage its risks. Further details on the types and amounts of coverage are addressed in Note 16 in the Notes to the Basic Financial Statements. For self-insured retentions, VTA records the liabilities, including losses incurred but not reported, at 100% of the net present value. The goal is to maintain restricted cash balances in amounts equal to the present value of estimated liabilities but in no event less than the next year's projected cash outflows. An actuarial review of self-insured liabilities is conducted annually.

TRUST FUNDS

Pension and Other Post-Employment Benefits

There are two specific pension plans offered by the VTA. All Amalgamated Transit Union (ATU) represented employees are covered under the Santa Clara Valley Transportation

Authority Amalgamated Transit Union Pension Plan. The plan provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. The second pension plan is the state's Public Employees' Retirement System (CalPERS) for non-ATU represented employees. Further information on the two plans can be obtained in Notes 11 and 12 in the Notes to the Basic Financial Statements. In addition, there are Schedules of Funding Progress for the two plans within the Required Supplementary Information.

There are three health benefits programs for employees who retire directly from VTA as follows:

- ATU Retiree Health Care Program
- Non-ATU Retiree Health Care Program
- ATU Spousal Medical and Retiree Vision and Dental Program (a defined contribution program funded by ATU represented employees)

MAJOR INITIATIVES

Bay Area Rapid Transit (BART) Silicon Valley

The 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 Berryessa Extension, is a 10-mile, two-station extension, beginning in Fremont south of the future BART Warm Springs Station and proceeding in 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. 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.

The cost of the Silicon Valley Berryessa Extension Project is approximately \$2.4 billion, which includes \$900 million in federal assistance, \$350 million in state funding and \$1.171 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 appropriation, 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 was the final step before construction on the 10-mile, two station BART extension can begin.

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.

Express Lanes

VTA partnered with the Caltrans to convert carpool lanes at the State Route (SR) 237/I880 interchange in Milpitas to express lanes in March 2012. The SR 237 Express Lanes extend from south of Dixon Landing Road in Milpitas to Lawrence Expressway in San Jose.

Tolls from solo drivers are collected electronically using FasTrak technology already in use on Bay Area bridges and express lanes throughout California. Tolls are based on the level of congestion and are adjusted to maintain a free flow of traffic. Revenue from these tolls remains in Santa Clara County and will be used for operation, maintenance, enforcement costs, and transit improvements within the corridors. For FY 2012, total revenue collections from SR237 Express lanes amount to approximately \$218 thousand.

The cost of the 237 Express Lanes Project is \$11.8 million. Approximately 65% of the project was funded by federal grant programs: \$3.5 million through the American Recovery and Reinvestment Act (ARRA) and \$4 million through the Federal Value Pricing Pilot Program (VPPP). The balance of \$4.3 million came from local funds.

AWARDS AND ACKNOWLEDGEMENTS

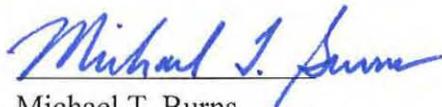
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2011 Comprehensive Annual Financial Report. This is the 16th consecutive year that VTA achieved this prestigious award.

In order to receive the prestigious 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.

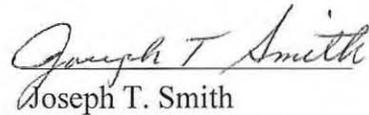
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR required a concerted team effort throughout VTA, including staff from General Accounting, Capital and Revenue Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Investment Services, and Finance Department. 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, special thanks 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.



Michael T. Burns
General Manager



Joseph T. Smith
Chief Financial Officer

2012 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own board of Directors. The Board of Directors consists of 12 voting members, 6 alternates, and 2 ex-officio members, all of whom are elected officials appointed to serve by the jurisdictions they represent. Membership is based on population as follows:

Group 1 (San Jose)	Six council members: 5 Members, 1 Alternate
Group 2 (Northwest)	Two council members: 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)	Two council members: 1 Member, 1 Alternate from the Cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos.
Group 4 (South County)	Two council members: 1 Member, 1 Alternate from the Cities of Gilroy and Morgan Hill.
Group 5 (Northeast)	Three council members: 2 Members, 1 Alternate from the Cities of Milpitas, Santa Clara, and Sunnyvale.
Group 6	Three members: 2 Members, 1 Alternate from the Santa Clara (County of Santa Clara) County Board of Supervisors
Ex-Officio	Santa Clara County's representatives to the Metropolitan Transportation Commission (MTC): 2 Member Representatives, 1 Member representing the County of Santa Clara and 1 Member representing the Cities of Santa Clara County.

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

Ken Yeager, Chairperson Joe Pirzynski, Vice Chairperson			
GROUP 1 City of San Jose	Xavier Campos Sam Liccardo Rose Herrera Nancy Pyle Ash Kalra TBD, Alternate	GROUP 4 City of Gilroy City of Morgan Hill	Perry Woodward Larry Carr, Alt.
GROUP 2 City of Los Altos Town of Los Altos Hills City of Mountain View City of Palo Alto	Margaret Abe-Koga Gail A. Price, Alt.	GROUP 5 City of Milpitas City of Santa Clara City of Sunnyvale	Pete McHugh Jamie Matthews David Whittum, Alt.
GROUP 3 City of Campbell City of Cupertino Town of Los Gatos City of Monte Sereno City of Saratoga	Evan Low, Alt. Joe Pirzynski	GROUP 6 County of Santa Clara	Ken Yeager Liz Kniss George Shirakawa, Alt.
Ex-Officio Metropolitan Transportation Commission	Dave Cortese Sam Liccardo*		

Dave Cortese represents the County of Santa Clara on the Metropolitan Transportation Commission (MTC).

** Sam Liccardo also serves on the Metropolitan Transportation Commission representing the Cities of Santa Clara County.*

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, and fiscal issues.
2. **Audit Committee** manages and monitors VTA's auditing and financial reporting activities in order to fulfill the Board's financial oversight responsibilities. 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.

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** 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. The 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).
2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee** 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 countywide transportation plan.
3. **Bicycle and Pedestrian Advisory Committee (BPAC)** consists of 16 voting members comprised of one member appointed by each of the 15 cities within Santa Clara County and one member appointed by the County of Santa Clara. In addition, the Silicon Valley Bicycle Coalition appoints one ex-officio, non-voting representative. The BPAC advises the VTA Board of Directors on planning and funding issues related to bicycle and pedestrian mobility and access. The BPAC also serves as the bicycle and pedestrian advisory committee for the County of Santa Clara.

4. **Technical Advisory Committee (TAC)** is a 16 voting member committee comprised of one staff member (usually a public works, planning, 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**

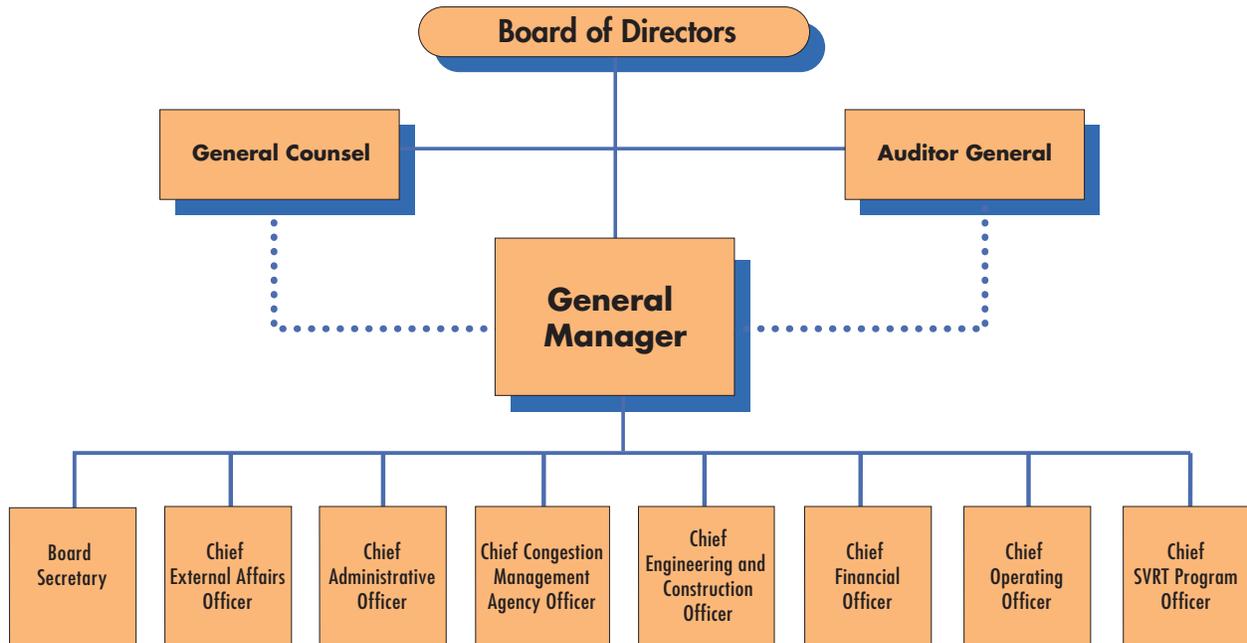
- **El Camino Real Rapid Transit Policy Advisory Board**

- **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

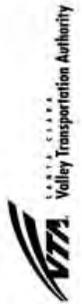
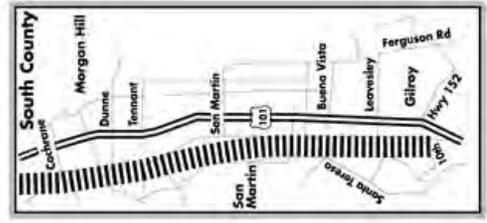
As of June 30, 2012



Principal Officials as of June 30, 2012

General Manager.....	Michael T. Burns
General Counsel.....	Robert Fabela
Board Secretary	Sandra A. Weymouth
Auditor General	Vacant
Chief External Affairs Officer	Greta Helm
Chief Administrative Officer	Bill Lopez
Chief Congestion Management Agency Officer	John H. Ristow
Chief Engineering and Construction Officer.....	Mark S. Robinson
Chief Financial Officer.....	Joseph T. Smith
Chief Operating Officer.....	Michael A. Hursh
Chief SVRT Program Officer	Carolyn Gonot

Santa Clara County Bus and Rail Transit Service Area



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SECTION 2 – FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

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- 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
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- Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
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- Budgetary Comparison Schedule

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- Combining Statement of Changes in Fiduciary Net Assets – Retiree Trust Funds
- Combining Statement of Fiduciary Assets and Liabilities – Agency Funds
- Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the fiscal year ended June 30, 2012. These financial statements are the responsibility of the VTA's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of VTA as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2012, on our consideration of the VTA's internal control over financial reporting and our tests of its compliance with certain provisions of law, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the VTA's financial statements as a whole. The introductory section, combining and comparative individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. With respect to the June 30, 2011 comparative information presented in the combining statements and schedules, we have previously audited, in accordance with auditing standards generally accepted in the United States, the VTA's basic financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated October 7, 2011, we expressed an unqualified opinion on the respective basic financial statements of the business-type activities, governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the June 30, 2011 information is fairly stated in all material respects in relation to the June 30, 2011 audited financial statements as a whole.

The introductory and statistical section 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.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
October 18, 2012



**MANAGEMENT'S DISCUSSION AND
ANALYSIS
(Required Supplementary Information)**

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Management's Discussion and Analysis

Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY 2012. 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, 2012, VTA's assets exceeded liabilities by approximately \$3.2 billion. Of the \$3.2 billion in net assets, approximately \$2.4 billion was invested in capital assets net of related debt which is associated with VTA's capital expansion program.
- Enterprise Fund operating revenues mainly from passenger fares were \$40.1 million, an increase of \$56 thousand or 0.1% compared to FY 2011.
- As of June 30, 2012, VTA has total outstanding bonds in the amount of \$1.2 billion compared to \$1.3 billion in the prior fiscal year. During FY 2012, VTA issued \$47.5 million (par value) of 2011 Series A Bonds to refund the 1998 Series A and 2000 Series A Junior Lien bonds.
- In FY 2012, VTA Transit Fund net assets increased \$17.1 million to \$2.1 billion. The four board-designated reserves: Transit Operating Reserve, Debt Reduction Fund, Sales Tax Stabilization Reserve, and Other Post-Employment Benefits (OPEB) Liability Reduction Reserve were \$56.3 million, \$114.3 million, \$35.0 million, and \$20.7 million, respectively.
- In FY 2012, VTA Measure A Fund net assets increased \$137.7 million to a total of \$1.0 billion. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenues increased \$13.0 million or 8.4% to \$166.6 million in FY 2012 compared to FY 2011 reflecting an improvement in taxable sales activity in the County.
- The 2000 Measure A Sales Tax revenues increased \$13.4 million or 8.8% to \$166.3 million in FY 2012 compared to FY 2011.
- Federal, state and local operating assistance were \$2.6 million or 1.9% higher in FY 2012 mainly due to increased Transportation Development Act (TDA) revenues. The total increase in TDA was offset by the decline in STA revenue.
- Capital grants decreased by \$32.7 million compared to FY 2011. This decrease was mainly due to lesser Traffic Congestion Relief Program (TCRP) grant receipts for the BART Silicon Valley project, and the exhaustion of grant revenues received under the American Recovery and Reinvestment Act (ARRA) for the procurement of 70 diesel-electric hybrid buses.

- In FY 2012, VTA created a new enterprise fund to account for the express lane activities. As of June 30, 2012, the fund has total net assets of \$218 thousand.

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 Assets* presents information on all of VTA's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets 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 assets during the most recent fiscal year. All changes in net assets 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, 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 fund and internal service fund), 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 Capital Project programs, and the 1996 Measure B Highway Capital Project programs.

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, Joint Development Program, and Express Lanes Program.

The combination of the enterprise fund 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 (SB83 VRF) program, The Bay Area Air Quality Management District (BAAQMD) program and the 1996 Measure B Ancillary Programs, which includes the Pavement Management and Bicycle Programs, are accounted for in an agency fund. Agency funds are used to account for assets held solely in a custodial capacity.

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 2-31 through 2-83 of this report.

In addition to the basic financial statements and notes, *required supplementary information* is presented as required by GAAP. 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 2-84 through 2-88 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 2-89 through 2-99 of this report.

4. **Government-wide Financial Analysis.** The Government-Wide Statement of Net Assets and the Statement of Activities reports a \$161.9 million increase in net assets. The increase was mainly in the Business-Type activities as the Government-type activities only experienced \$497 thousand increase in its net assets. The business-type net asset increase was primarily due to Measure A sales tax receipts and capital grants related to the BART Silicon Valley project as the locally funded capital expenditures were lower compared to the revenue receipts. During FY 2012, VTA enterprise funds acquired or built total capital assets of approximately \$226.7 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 Assets
FY 2012 and FY 2011
(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 1,626,494	\$ 1,572,862	\$ 25,347	\$ 23,772	\$ 1,651,841	\$ 1,596,634
Capital assets, net	3,078,174	2,909,780	-	-	3,078,174	2,909,780
Total assets	4,704,668	4,482,642	25,347	23,772	4,730,015	4,506,414
Liabilities:						
Current liabilities	151,991	130,289	23,903	22,825	175,894	153,114
Long-term liabilities outstanding	1,389,731	1,350,817	-	-	1,389,731	1,350,817
Total liabilities	1,541,722	1,481,106	23,903	22,825	1,565,625	1,503,931
Net assets:						
Invested in capital assets, net of related debt	2,351,676	2,220,118	-	-	2,351,676	2,220,118
Restricted	548,367	572,054	1,444	947	549,811	573,001
Unrestricted	262,903	209,364	-	-	262,903	209,364
Total net assets	\$ 3,162,946	\$ 3,001,536	\$ 1,444	\$ 947	\$ 3,164,390	\$ 3,002,483

The largest portion of VTA's net assets (approximately 74.4%) 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 assets represent mainly the funds set aside for the Measure A and B Transit Improvement Programs, debt service with the bond trustees, SWAP/Lease collateral, reserve for inventory, prepaid expenses, and bond issuance unamortized costs. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects, VTA transit operating reserve, debt reduction, joint development program fund, sales tax stabilization, OPEB liability reduction and for workers' compensation and general liability claims. The unrestricted net assets are available for appropriation with Board approval. The details of net assets categories are shown on page 2-23 and Note 2(j).

Santa Clara Valley Transportation Authority
Condensed Statement of Activities
FY 2012 and FY 2011
(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses:						
Operations, support services, and CMP program	\$ 364,723	\$ 343,302	\$ 6,692	\$ 7,196	\$ 371,415	\$ 350,498
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	90,290	80,917	-	-	90,290	80,917
Altamont Commuter Express subsidy	2,707	2,706	-	-	2,707	2,706
Interest Expense	31,307	23,536	-	-	31,307	23,536
Other non-operating expenses	8,059	15,434	-	-	8,059	15,434
Claims and change in future claim estimates	11,419	8,410	-	-	11,419	8,410
Contribution to agencies	-	-	37	867	37	867
Capital outlay on behalf of other agencies	-	-	19,052	21,091	19,052	21,091
Total expenses	508,505	474,305	25,781	29,154	534,286	503,459
Program revenues:						
Charges for services	40,070	40,014	2,503	2,520	42,573	42,534
Operating grants	140,419	137,804	2,110	2,127	142,529	139,931
Capital grants	115,584	148,303	21,530	24,051	137,114	172,354
Total program revenues	296,073	326,121	26,143	28,698	322,216	354,819
Net program revenues (expenses)	(212,432)	(148,184)	362	(456)	(212,070)	(148,640)
General revenues:						
Sales tax revenue	332,847	306,456	-	-	332,847	306,456
Investment income	19,289	11,039	31	10	19,320	11,049
Federal subsidy for Build America Bonds	9,399	5,848	-	-	9,399	5,848
Other income	12,307	7,507	104	1,106	12,411	8,613
Total general revenues	373,842	330,850	135	1,116	373,977	331,966
Excess (deficiency) before special items	161,410	182,666	497	660	161,907	183,326
Special items:						
Change in provisions for general liability & workers' compensation claims	-	5,716	-	-	-	5,716
Change in net assets	161,410	188,382	497	660	161,907	189,042
Net assets, beginning of year	3,001,536	2,813,154	947	287	3,002,483	2,813,441
Net assets, end of year	\$ 3,162,946	\$ 3,001,536	\$ 1,444	\$ 947	\$ 3,164,390	\$ 3,002,483

Business-Type Activities. Total net assets were \$3.2 billion in FY 2012, an increase of \$161.4 million compared to FY 2011. Net program expenses (total expenses minus program revenues) were \$212.4 million during FY 2012 compared to \$148.2 million in FY 2011. Total expenses increased \$34.2 million compared to FY 2011. Major increases were operation and support services, which include labor, material and supplies, utilities, and other operating expenses (\$21.4 million), capital expenditures on behalf of, and contributions to other agencies (\$9.4 million), interest expenses on bonds (\$7.8 million), and claim payments for self-insured programs (\$3.0 million). They were offset by a \$7.4 million decrease in other non-operating expenses.

In the program revenue categories, charges for services increased \$56 thousand mainly due to the newly created express lane revenues that was offset by a decrease in shuttle revenues. Operating assistance grants increased slightly due to an increase in TDA revenues received, partially offset by a decrease in STA revenues. Capital grants decreased by \$32.7 million primarily due to the exhaustion of the federal ARRA grant for the procurement of hybrid buses granted for FY 2011 as well as lower TCRP grant receipts for

the BART Silicon Valley project. Total general revenues increased \$43.0 million resulting from higher sales tax (\$26.4 million), investment income (\$8.2 million), federal subsidy for newly issued Build America Bonds (\$3.6 million), and other income (\$4.8 million).

Governmental Activities. Total net assets for the governmental funds increased \$497 thousand in FY 2012, with an ending balance of \$1.4 million, all in the Special Revenue Fund. Major elements of changes in net assets were as follows:

- In the Capital Projects Funds, total federal, state, and local grant revenues were \$21.5 million and capital expenses and labor/overhead costs were also \$21.5 million, with no net assets.
- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were \$4.7 million, a decrease of \$1.0 million compared to FY 2011. The decrease was mainly due to a one time reimbursement of SB83 VRF ballot measure election expenditures from local program reserve that CMP received in FY 2011. Total expenditures were \$4.3 million reflecting \$0.8 million lower expenses (again due to payment of SB83 VRF election costs in FY 2011), with a net change in net assets of \$497 thousand. CMP projects are funded only 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.

Proprietary funds. VTA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The VTA maintains two types of proprietary funds – *Enterprise Funds* and *Internal Service Funds*.

**Comparison of
Proprietary Funds Revenue
FY 2012 and FY 2011
(In thousands)**

Proprietary Funds Revenue	2012	2011	Changes	
			Favorable/(Unfavorable) Amount	Percent
Charges for services	\$ 40,070	\$ 40,014	\$ 56	0.14 %
Operating grants	140,419	137,804	2,615	1.90 %
Capital grants	115,584	148,303	(32,719)	(22.06)%
1976 half-cent sales tax	166,567	153,601	12,966	8.44 %
2000 Measure A half-cent sales tax	166,280	152,855	13,425	8.78 %
Investment earnings	19,289	11,039	8,250	74.74 %
Federal subsidy for Build America Bonds	9,399	5,848	3,551	60.72 %
Other income	12,307	7,507	4,800	63.94 %
Special Item	-	5,716	(5,716)	N/A
TOTAL	\$ 669,915	\$ 662,687	\$ 7,228	1.09 %

Charges for Services

Charges for services, derived from bus fare box receipts, light rail ticket sales, the sale of monthly passes (including Eco Pass and tokens) and advertisement income, were \$40.1 million in FY 2012, \$56 thousand or 0.1% higher compared to FY 2011. The slight increase was due to implementation of Express Lane in FY 2012 that was partially offset by lower shuttle revenues collected in FY 2012. In March 2012, VTA partnered with Caltrans to convert carpool lanes at the State Route (SR) 237/I880 interchange in Milpitas to express lanes, and VTA started collecting toll revenues from solo drivers who wished to use the express lanes. As of June 30, 2012, toll revenues collected from the express lanes amount to approximately \$218 thousand.

Operating Grants

Operating grants include California Transportation Development Act (TDA), State Transit Assistance (STA) grant, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), and federal planning grants. In FY 2012, total operating grants increased \$2.6 million or 1.9% higher compared to FY 2011. This is primarily due to increase in TDA revenues, partially offset by a decrease in STA revenues.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 96.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenues are VTA's second largest sources of revenue for operations. For FY 2012, the actual TDA receipts were \$82.0 million, reflecting \$7.5 million or 10.0%

increase over the prior fiscal year as the taxable sales activity improved in the County during FY 2012.

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 2012, VTA received \$14.1 million compared to \$16.7 million in FY 2011.

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 treats a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenditures. For FY 2012, total grant revenues under this program were \$41.9 million, a \$0.4 million increase from FY 2011.

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. In FY 2012, total capital grants decreased \$32.7 million or 22.0% to \$115.6 million. This was primarily due to lower grant revenues received from the federal ARRA program and state TCRP. VTA received additional funding from the federal ARRA program for the procurement of 70 diesel-electric hybrid buses in FY 2011 while FY 2012 recorded ARRA funding for only 20 hybrid vehicles.

1976 Half-Cent Sales Tax Revenues

The 1976 Sales Tax is VTA's single largest source of revenue for operations. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenue. For FY 2012, total sales tax revenues were \$166.6 million, \$13.0 million or 8.4% higher compared to the prior fiscal year.

2000 Measure A Half-Cent Sales Tax Revenues

The 2000 Measure A Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The collection of the Measure A half-cent sales tax revenue occurred after the expiration of 1996 Half-Cent Measure B Sales Tax on March 31, 2006.

FY 2012 revenues of \$166.3 million were \$13.4 million or 8.8% higher than the prior year. The 2000 Sales Tax revenues are restricted for projects and operational activities included on the 2000 Measure A ballot.

Investment Earnings

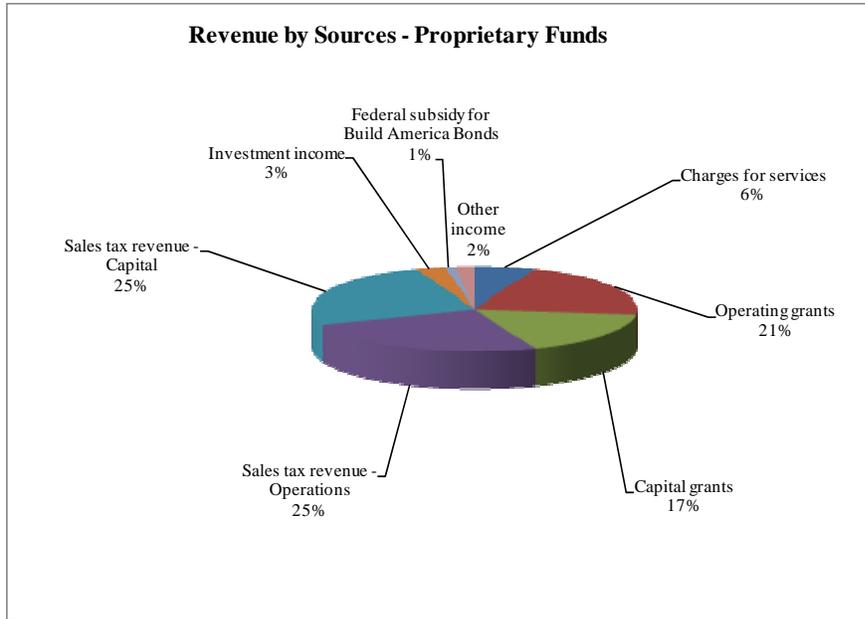
The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. In FY 2012, the investment earnings were \$8.2 million or 74.7% higher than the prior year. This was mainly due to a \$7.7 million net trading gain and decreased unrealized loss in investments, as well as an additional \$0.5 million in interest earned for FY 2012.

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. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. As per Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item on its financial statements. In FY 2012, total BABs subsidy was \$3.6 million or 60.7% higher than FY 2011. This was a result of recognizing one full year of BABs subsidy in FY 2012 compared to eight months in FY 2011.

Other Income

In FY 2012, total other income was \$12.3 million; \$4.8 million or 63.9% higher than the prior fiscal year. This was a result of revenue increases in permit fees, sale of scrap, insurance proceeds, land sale proceeds, and the recognition of the 1996 Measure B income in FY 2012.



Total expenses for Proprietary Funds increased \$34.2 million or 7.2% in FY 2012. A detail analysis of major expense categories is discussed below.

**Comparison of
Proprietary Funds Expenses
for FY 2012 and FY 2011
(In thousands)**

Proprietary Funds Expenses	2012	2011	Changes Favorable/(Unfavorable)	
			Amount	Percent
Operations and support services	\$ 364,723	\$ 343,302	\$ (21,421)	(6.24)%
Caltrain and ACE subsidy	12,914	16,841	3,927	23.32 %
Capital contributions to/or expenses on-behalf of other agencies	80,083	66,782	(13,301)	(19.92)%
Interest expense	31,307	23,536	(7,771)	(33.02)%
Other non-operating expenses	8,059	15,434	7,375	47.78 %
Claims and change in future claim estimates	11,419	8,410	(3,009)	(35.78)%
TOTALS	\$ 508,505	\$ 474,305	\$ (34,200)	(7.21)%

Operations and Support Services

Operations and support services expenses are incurred for labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services, and support programs. For FY 2012, they were \$21.4 million or 6.2% higher compared to FY 2011. Labor and benefit costs increased \$14.2 million or 5.7% in FY 2012 as VTA's furlough programs and wage increase freezes for various employee categories ended in FY 2011. Other major categories which increased in FY 2012 were the cost of materials (diesel fuel and gasoline), services, and depreciation.

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 was \$10.2 million in FY 2012; \$3.9 million lower than contributed in FY 2011.

The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRRC). VTA's subsidy to ACE commuter rail service totaled \$2.7 million in FY 2012. Approximately the same amount was contributed in FY 2011. The annual subsidy was based on the joint power agreements with these agencies.

Capital Expenses to/or On Behalf of Other Agencies

As a 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 2012, total capital contributions and expenses were \$80.1 million, an increase of \$13.3 million compared to FY 2011. The FY 2012 contribution included \$7.8 million swap payment to Congestion Management and Highway Program Fund and other agencies in the Measure A Transit Improvement Fund. In addition, VTA Transit and Measure A Transit Improvement Fund expended \$72.3 million to/or on behalf of other agencies. VTA was partially reimbursed for these capital expenses by other agencies and the reimbursements are reported as capital contributions.

Interest Expense

Bond interest expense was \$31.3 million, \$7.8 million higher compared to prior year primarily due to recognition of a full year of interest expense for 2010 Bonds issued in November 2010.

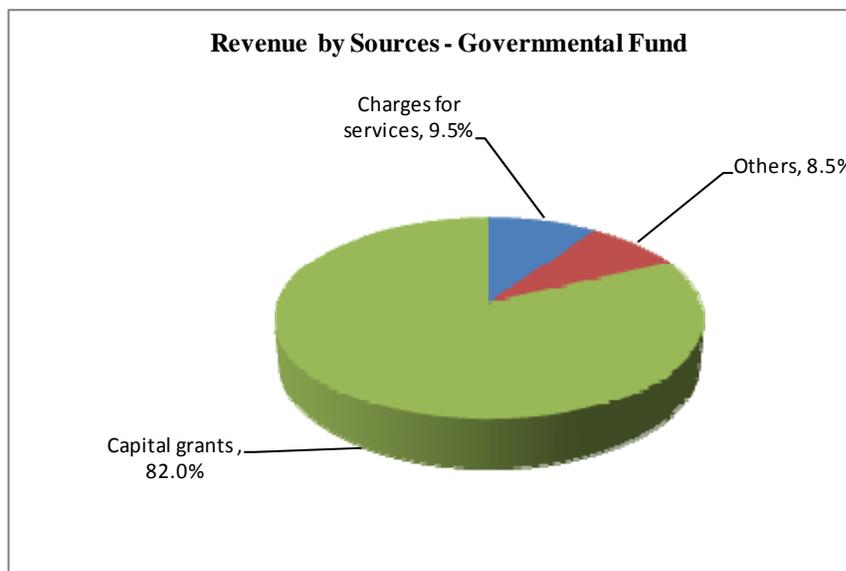
Other Non-Operating Expenses

Other non-operating expenses were \$8.1 million, \$7.4 million lower in FY 2012 compared to the prior year. This was mainly due to an accrual for the right-of-way acquisition loan payment to SamTrans in VTA Transit Fund in FY 2011 that didn't occur again in FY 2012.

Claims and Change in Future Claim Estimates

Claim payments in FY 2012 were \$11.4 million, \$3.0 million higher than FY 2011 due to payments made for workers' compensation and liability claims. VTA also recorded additional expenses to increase the claims liability reserve to the actuarially determined amount.

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, 2012, the total deficit for this fund category was \$5 million, a decrease of \$52 thousand from the prior year.



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. In particular, unreserved fund balance may serve as a useful measure of VTA's net resources available for spending at the end of the fiscal year. VTA maintains two governmental fund types – *Special Revenue Fund* and *Capital Project 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 net assets between the current and prior fiscal year:

**Comparison of
Special Revenue Fund
FY 2012 and FY 2011
(In thousands)**

<u>Special Revenue Fund</u>	<u>2012</u>	<u>2011</u>	<u>Changes</u>	
			<u>Favorable/(Unfavorable)</u>	<u>Amount</u>
Member agency assessment revenues	\$ 2,407	\$ 2,407	\$ -	0.00%
Federal technical studies operating assistance grants	1,367	1,398	(31)	(2.22)%
State and local assistance grants	743	729	14	1.92%
Other revenues	104	1,106	(1,002)	(90.60)%
Administrative fees	96	113	(17)	(15.04)%
Investment earnings	31	10	21	210.00%
Total Revenues	<u>4,748</u>	<u>5,763</u>	<u>(1,015)</u>	<u>(17.61)%</u>
Salaries and benefits	(3,767)	(3,854)	87	2.26%
Professional services	(436)	(374)	(62)	(16.58)%
Contribution to other agencies	(37)	(867)	830	95.73%
Material and services	(6)	(8)	2	25.00%
Miscellaneous	(5)	-	(5)	N/A
Total Expenses	<u>(4,251)</u>	<u>(5,103)</u>	<u>852</u>	<u>16.70%</u>
Change in Net Assets	497	660	(163)	(24.70)%
Net assets, beginning of year	947	287	660	
Net assets, end of year	<u>\$ 1,444</u>	<u>\$ 947</u>	<u>\$ 497</u>	<u>52.48%</u>

Total fund revenues, which mainly include member assessments, and grants were \$4.7 million in FY 2012, \$1.0 million lower than the prior year. The decrease was mainly due to a one-time transfer of \$867 thousand from local program reserve to pay for the cost of a ballot measure in November 2010 recorded in FY 2011. In addition, federal and state operating assistance grants were also lower in FY 2012 compared to FY 2011. Total expenses were \$4.3 million, a decrease of \$852 thousand mainly due to a contribution to other agency related to the cost of ballot measure election. The ending fund balance was \$1.4 million.

Capital Project 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 net assets between the current and prior fiscal year:

**Comparison of
Capital Project Funds
FY 2012 and FY 2011
(In thousands)**

<u>Capital Projects Funds</u>	<u>2012</u>	<u>2011</u>	<u>Changes</u>	
			<u>Favorable/(Unfavorable)</u>	<u>Amount</u>
Federal, state, and local capital grant revenues	\$ 21,530	\$ 24,051	\$ (2,521)	(10.48)%
VTA labor and overhead costs	(2,478)	(2,960)	482	16.28%
Capital expenditures on behalf of other agencies	(19,052)	(21,091)	2,039	9.67%
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

As of June 30, 2012, total revenues were \$21.5 million which represent the total amount expended on the projects during the fiscal year and billed to other governmental agencies. The VTA labor and overhead costs were \$482 thousand lower in FY 2012.

Capital Assets and Debt Administration

Capital assets. VTA's investment in capital assets for its business-type activity as of June 30, 2012, amounts to \$3.1 billion, net of accumulated depreciation. VTA has no capital assets invested in the governmental activities. 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 2012, VTA expended \$226.7 million on the acquisition and construction of capital assets.

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

	<u>2012</u>	<u>2011</u>
Land and Right-of-way	\$ 1,122,495	\$ 1,122,805
Construction in Progress	1,107,386	902,026
Buildings & Improvements		
Equipment & Fixtures	280,569	288,264
Vehicles	310,103	318,280
Caltrain-Gilroy Extension	37,426	39,061
Light Rail Tracks/Electrification	198,919	216,057
Other Operating Equipment	13,620	15,189
Leasehold Improvements	7,656	8,098
Total	<u>\$ 3,078,174</u>	<u>\$ 2,909,780</u>

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 versus \$1.3 billion in FY 2011. In FY 2012, VTA issued \$47.5 million (notional amount) in Sales Tax

Revenues Bonds to refund the 1998 Series A and 2000 Series A Junior Lien bonds in October 2011. The total debt payment made for FY 2012 was approximately \$74.4 million, which includes the amount due in FY 2012 and the refunded debts.

Outstanding Debt Proprietary Funds (In thousands)		
	<u>2012</u>	<u>2011</u>
Jr. Lien Sales Tax Revenue Bonds (1976 Tax)	\$ -	\$ 64,595
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	219,399	173,222
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	1,029,105	1,036,892
Total	<u>\$1,248,504</u>	<u>\$1,274,709</u>

More information on this transaction is included in Note 7a – Long-Term Debt and Liabilities.

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

The ratings for Sales Tax Revenue Bonds secured by the 2000 Measure A sales tax are “Aa2” from Moody’s and “AA+” from S&P. The 2007 Series A Measure A bonds have underlying (insured) ratings of AA+ and Aa2 from S&P and Moody’s, respectively.

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

VTA Transit Fund Budgetary Highlights

In June 2011, VTA Board of Directors adopted a biennial budget for Fiscal Years 2012 and 2013. The FY 2012 and FY 2013 Biennial Budget reflect an improved, although somewhat tenuous, economic outlook with lower unemployment rates, increased sales tax revenues, and improved ridership. The budget invests in service, infrastructure, and the Measure A capital program promised to voters in 2000.

As shown on the Budgetary Comparison Schedule for the VTA Transit Fund (pages 2-94 & 2-95), the FY 2012 actual results for revenues and expenses were favorable compared to both the Adopted and Final Budget.

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.

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BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Assets

June 30, 2012

(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS			
Cash and investments	\$ 249,032	\$ -	\$ 249,032
Receivables, net	3,217	-	3,217
Internal balances	(765)	765	-
Due from other agencies	87,133	-	87,133
Inventories	19,389	-	19,389
Other current assets	881	-	881
<i>Restricted assets:</i>			
Cash and investments	1,046,073	19,026	1,065,099
Receivables, net	2,172	-	2,172
Due from other agencies	89,796	5,553	95,349
Other current assets	231	3	234
<i>Long-term assets:</i>			
Deferred charges	12,412	-	12,412
Deferred outflow of resources	116,923	-	116,923
Capital assets - nondepreciable	2,229,881	-	2,229,881
Capital assets - depreciable, net of accumulated depreciation	848,293	-	848,293
Total assets	4,704,668	25,347	4,730,015
LIABILITIES			
Accounts payable and accrued expenses	16,304	-	16,304
Deposits	532	-	532
Accrued payroll and related liabilities	4,719	-	4,719
Bond interest and other fee payable	653	-	653
Deferred revenues	2,264	-	2,264
Due to other agencies	5,327	-	5,327
<i>Liabilities payable from restricted assets:</i>			
Accounts payable and accrued expenses	32,651	3,156	35,807
Bond interest and other fee payable	12,439	-	12,439
Deferred revenues	35	-	35
Due to other agencies	54,175	20,747	74,922
<i>Long-term liabilities:</i>			
Derivative instruments	116,923	-	116,923
Due within one year	22,892	-	22,892
Due in more than one year	1,272,808	-	1,272,808
Total liabilities	1,541,722	23,903	1,565,625
NET ASSETS			
Invested in capital assets, net of related debt	2,351,676	-	2,351,676
<i>Restricted:</i>			
Transit debt service	1,586	-	1,586
SWAP/lease collateral	112,899	-	112,899
2000 Measure A debt service	63,528	-	63,528
Retention	17,263	-	17,263
2000 Measure A projects	318,895	-	318,895
1996 Measure B projects	1,645	-	1,645
Inventory, prepaid expenses, and issuance cost	32,551	-	32,551
Congestion management program	-	1,444	1,444
<i>Unrestricted (Note 2j)</i>	262,903	-	262,903
Total net assets	\$ 3,162,946	\$ 1,444	\$ 3,164,390

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

For the Year ended June 30, 2012

(In thousands)

	Business-Type <u>Activities</u>	Governmental <u>Activities</u>	<u>Total</u>
Expenses:			
Operations, support services, and CMP program	\$ 364,723	\$ 6,692	\$ 371,415
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	90,290	-	90,290
Altamont Commuter Express subsidy	2,707	-	2,707
Interest expense	31,307	-	31,307
Other non-operating expenses	8,059	-	8,059
Claims and change in future claim estimates	11,419	-	11,419
Contribution to agencies	-	37	37
Capital outlay on behalf of other agencies	-	19,052	19,052
Total expenses	<u>508,505</u>	<u>25,781</u>	<u>534,286</u>
Program revenues:			
Charges for services	40,070	2,503	42,573
Operating grants	140,419	2,110	142,529
Capital grants	115,584	21,530	137,114
Total program revenues	<u>296,073</u>	<u>26,143</u>	<u>322,216</u>
Net program revenues (expenses)	<u>(212,432)</u>	<u>362</u>	<u>(212,070)</u>
General revenues:			
Sales tax revenue	332,847	-	332,847
Investment income	19,289	31	19,320
Federal subsidy for Build America Bonds	9,399	-	9,399
Other income	12,307	104	12,411
Total general revenues	<u>373,842</u>	<u>135</u>	<u>373,977</u>
Change in net assets	161,410	497	161,907
Net assets, beginning of year	<u>3,001,536</u>	<u>947</u>	<u>3,002,483</u>
Net assets, end of year	<u>\$ 3,162,946</u>	<u>\$ 1,444</u>	<u>\$ 3,164,390</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012
(In thousands)

	Enterprise Funds						Internal Service Fund
	VTA	Measure B	Express	Measure A	Joint	Total	
	Transit Fund	Transit Fund	Lanes Fund	Transit Fund	Development Fund	Enterprise Funds	
ASSETS							
<i>Current assets:</i>							
Cash and cash equivalents	\$ 24,580	\$ -	\$ 200	\$ -	\$ 25	\$ 24,805	\$ 376
Investments	174,355	-	-	-	7,618	181,973	41,878
Receivables, net	3,207	-	-	-	5	3,212	5
Due from other funds	385	-	-	-	-	385	-
Due from other agencies	87,115	-	18	-	-	87,133	-
Inventories	19,389	-	-	-	-	19,389	-
Other current assets	881	-	-	-	-	881	-
<i>Restricted assets:</i>							
Cash and cash equivalents	-	3,081	-	23	-	3,104	-
Cash and cash equivalents with fiscal agent	1,596	-	-	602,787	-	604,383	-
Investments	58,656	-	-	379,930	-	438,586	-
Receivables, net	-	-	-	2,172	-	2,172	-
Due from other agencies	-	-	-	89,796	-	89,796	-
Other current assets	-	-	-	231	-	231	-
TOTAL CURRENT ASSETS	370,164	3,081	218	1,074,939	7,648	1,456,050	42,259
<i>Noncurrent assets:</i>							
Deferred charges	1,226	-	-	11,186	-	12,412	-
Deferred outflow of resources	25,566	-	-	91,357	-	116,923	-
<i>Capital assets - Non-depreciable:</i>							
Land and right of way	1,122,495	-	-	-	-	1,122,495	-
Construction in progress	68,996	733	-	1,037,657	-	1,107,386	-
<i>Capital assets - Depreciable:</i>							
Caltrain - Gilroy extension	53,307	-	-	-	-	53,307	-
Buildings, improvements, furniture, and fixtures	511,853	-	-	-	-	511,853	-
Vehicles	481,014	-	-	-	-	481,014	-
Light-rail tracks and electrification	403,394	-	-	-	-	403,394	-
Leasehold Improvements	9,686	-	-	-	-	9,686	-
Other	46,152	-	-	-	-	46,152	-
Less accumulated depreciation	(657,113)	-	-	-	-	(657,113)	-
<i>Net capital assets</i>	<i>2,039,784</i>	<i>733</i>	<i>-</i>	<i>1,037,657</i>	<i>-</i>	<i>3,078,174</i>	<i>-</i>
TOTAL NONCURRENT ASSETS	2,066,576	733	-	1,140,200	-	3,207,509	-
TOTAL ASSETS	2,436,740	3,814	218	2,215,139	7,648	4,663,559	42,259

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Assets (continued)

Proprietary Funds

June 30, 2012

(In thousands)

	Enterprise Funds						Internal Service Fund
	VTA	Measure B	Express	Measure A	Joint	Total	
	Transit Fund	Transit Fund	Lanes Fund	Transit Fund	Development Fund	Enterprise Funds	
LIABILITIES							
<i>Current liabilities:</i>							
Accounts payable and accrued expenses	16,078	-	-	-	-	16,078	226
Deposits	527	-	-	-	5	532	-
Accrued payroll and related liabilities	4,719	-	-	-	-	4,719	-
Bond interest and other fee payable	653	-	-	-	-	653	-
Deferred revenues	2,243	-	-	-	21	2,264	-
Due to other agencies	5,327	-	-	-	-	5,327	-
Claims liability	-	-	-	-	-	-	2,767
Compensated absences	-	-	-	-	-	-	7,100
Liabilities payable from restricted assets:							
Current portion of long-term debt	10,400	-	-	2,625	-	13,025	-
Accounts payable and accrued expenses	-	-	-	32,651	-	32,651	-
Bond interest and other fee payable	-	-	-	12,439	-	12,439	-
Deferred revenues	-	-	-	35	-	35	-
Due to other funds	-	7	-	1,143	-	1,150	-
Due to other agencies	37,114	1,429	-	15,632	-	54,175	-
TOTAL CURRENT LIABILITIES	77,061	1,436	-	64,525	26	143,048	10,093
<i>Non-current liabilities:</i>							
Long-term debt, excluding current portion	208,999	-	-	1,026,480	-	1,235,479	-
Derivative instruments	25,566	-	-	91,357	-	116,923	-
Claims liability	-	-	-	-	-	-	18,267
Compensated absences	-	-	-	-	-	-	18,931
Other accrued expenses	131	-	-	-	-	131	-
TOTAL NON-CURRENT LIABILITIES	234,696	-	-	1,117,837	-	1,352,533	37,198
TOTAL LIABILITIES	311,757	1,436	-	1,182,362	26	1,495,581	47,291
NET ASSETS							
Invested in capital assets, net of related debt	1,820,385	733	-	530,558	-	2,351,676	-
<i>Restricted:</i>							
Transit debt service	1,586	-	-	-	-	1,586	-
SWAP/lease collateral	21,542	-	-	91,357	-	112,899	-
2000 Measure A Debt service	-	-	-	63,528	-	63,528	-
Retention	10	-	-	17,253	-	17,263	-
2000 Measure A projects	-	-	-	318,895	-	318,895	-
1996 Measure B projects	-	1,645	-	-	-	1,645	-
Inventory, prepaid expenses, and issuance cost	21,365	-	-	11,186	-	32,551	-
<i>Unrestricted (Note 2j)</i>	260,095	-	218	-	7,622	267,935	(5,032)
TOTAL NET ASSETS	\$ 2,124,983	\$ 2,378	\$ 218	\$ 1,032,777	\$ 7,622	\$ 3,167,978	\$ (5,032)

Reconciliation of the Statement of Fund Net assets to the Statement of Net Assets to:

Net Assets of Enterprise Fund	\$ 3,167,978
Net Assets of Internal Service Fund, which benefits Business-type Activities	(5,032)
Net Assets (Page 2-20)	<u>\$ 3,162,946</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year ended June 30, 2012

(In thousands)

	Enterprise Funds						
	Measure		Express Lanes	Measure A	Joint Development	Total Enterprise	Internal Service
	VTA Transit Fund	B Transit Fund					
OPERATING REVENUE:							
Passenger fares	\$ 37,744	\$ -	\$ -	\$ -	\$ -	\$ 37,744	\$ -
Toll revenues collected	-	-	218	-	-	218	-
Advertising and other	2,108	-	-	-	-	2,108	-
Charges for services	-	-	-	-	-	-	12,531
Total Operating Revenues	39,852	-	218	-	-	40,070	12,531
OPERATING EXPENSE:							
Labor cost	262,556	-	-	-	-	262,556	-
Materials and supplies	30,912	-	-	-	-	30,912	-
Services	20,094	-	-	-	147	20,241	-
Utilities	6,983	-	-	-	-	6,983	-
Casualty and liability	4,862	-	-	-	-	4,862	-
Purchased transportation	18,923	-	-	-	-	18,923	-
Leases and rentals	552	-	-	-	-	552	-
Miscellaneous	1,481	-	-	-	-	1,481	2,310
Depreciation expense	57,886	-	-	-	-	57,886	-
Costs allocated to capital and other programs	(29,452)	-	-	-	-	(29,452)	-
Claims and change in future claims estimates	-	-	-	-	-	-	11,419
Total Operating Expense	374,797	-	-	-	147	374,944	13,729
Operating Income/(Loss)	(334,945)	-	218	-	(147)	(334,874)	(1,198)
NON-OPERATING REVENUES (EXPENSES):							
Sales tax revenue	166,567	-	-	166,280	-	332,847	-
Measure A operating assistance	30,691	-	-	(30,691)	-	-	-
Federal operating assistance and other grants	42,286	-	-	-	-	42,286	-
Federal subsidy for Build America Bonds	-	-	-	9,399	-	9,399	-
State and local operating assistance grants	98,133	-	-	-	-	98,133	-
Caltrain subsidy	(10,207)	-	-	-	-	(10,207)	-
Capital expenditure on behalf of, and contribution							
to other agencies	(12,123)	(3,600)	-	(64,360)	-	(80,083)	-
Altamont Commuter Express subsidy	(2,707)	-	-	-	-	(2,707)	-
Investment earnings	5,299	-	-	13,151	144	18,594	695
Interest expense	(8,153)	-	-	(23,154)	-	(31,307)	-
Measure A repayment obligations	10,843	-	-	(10,843)	-	-	-
Other income	11,248	-	-	440	168	11,856	451
Other expense	(3,751)	-	-	(4,308)	-	(8,059)	-
Total Non-operating Revenues (Expenses)	328,126	(3,600)	-	55,914	312	380,752	1,146
Income (loss) before capital contributions and transfers	(6,819)	(3,600)	218	55,914	165	45,878	(52)
Capital grants and contributions	30,207	3,618	-	81,759	-	115,584	-
Transfer in/(out)	(6,300)	-	-	-	6,300	-	-
Change in net assets	17,088	18	218	137,673	6,465	161,462	(52)
Net assets, beginning of year	2,107,895	2,360	-	895,104	1,157	3,006,516	(4,980)
Net assets, end of year	\$ 2,124,983	\$ 2,378	\$ 218	\$ 1,032,777	\$ 7,622	\$ 3,167,978	\$ (5,032)

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

Change in net assets of the Enterprise Fund	\$ 161,462
Change in net assets of the Internal Service Fund, which benefits Business-type Activities	(52)
Change in net assets of Business-type Activities (Page 2-21)	<u>\$ 161,410</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

(In thousands)

	Enterprise Funds						
		Measure	Express	Measure A	Joint	Total	Internal
	VTA Transit	B	Lanes	Transit	Development	Enterprise	Service
Fund	Transit	Fund	Fund	Fund	Fund	Funds	Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>							
Cash received from passenger fares	\$ 38,414	\$ -	\$ -	\$ -	\$ -	\$ 38,414	\$ -
Cash received from toll revenues collected	-	-	200	-	-	200	-
Cash received from advertising	2,074	-	-	-	-	2,074	-
Cash paid to employees	(234,904)	-	-	-	-	(234,904)	-
Cash paid to suppliers	(63,392)	-	-	-	(147)	(63,539)	-
Cash paid for purchased transportation	(18,923)	-	-	-	-	(18,923)	-
Cash received from contributions	-	-	-	-	-	-	12,526
Payments made to beneficiaries	-	-	-	-	-	-	(9,206)
Payments made to third party contractors	-	-	-	-	-	-	(475)
Other non-operating receipts	9,227	-	-	9,490	704	19,421	520
Net cash provided by/(used in) operating activities	(267,504)	-	200	9,490	557	(257,257)	3,365
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>							
Operating grants received	143,904	-	-	-	-	143,904	-
Sales tax received	163,878	-	-	163,441	-	327,319	-
Measure A operating assistance	30,473	-	-	(30,473)	-	-	-
Measure A repayment obligations	10,843	-	-	(10,843)	-	-	-
Caltrain subsidy	(10,207)	-	-	-	-	(10,207)	-
Altamont Commuter Express subsidy	(2,707)	-	-	-	-	(2,707)	-
Capital contributions to other agencies	(12,728)	(3,600)	-	(64,807)	-	(81,135)	-
Transfer in	-	-	-	-	6,300	6,300	-
Transfer out	(6,300)	-	-	-	-	(6,300)	-
Net cash provided by/(used in) non-capital financing activities	317,156	(3,600)	-	57,318	6,300	377,174	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>							
Payment of long-term debt	(71,920)	-	-	(2,525)	-	(74,445)	-
Proceeds from issuance of long-term debt	47,485	-	-	-	-	47,485	-
Premium on issuance of long-term bonds	5,108	-	-	-	-	5,108	-
Issuance and other cost	(360)	-	-	-	-	(360)	-
Advance (to)/from other governments	6,671	(3,558)	-	1,850	-	4,963	-
Interest and other fees paid on long-term debt	(8,560)	-	-	(30,469)	-	(39,029)	-
Acquisition and construction of capital assets	(31,297)	(17)	-	(203,400)	-	(234,714)	-
Capital contribution from other governments	31,099	3,617	-	84,664	-	119,380	-
Net cash provided by/(used in) capital and related financing activities	(21,774)	42	-	(149,880)	-	(171,612)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>							
Proceeds from sale of investments	593,662	-	-	1,018,996	18,026	1,630,684	106,881
Purchase of investments	(630,400)	-	-	(1,012,813)	(25,137)	(1,668,350)	(110,565)
Interest income received	5,286	-	-	13,151	144	18,581	695
Net cash provided by/(used in) investment activities	(31,452)	-	-	19,334	(6,967)	(19,085)	(2,989)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,574)	(3,558)	200	(63,738)	(110)	(70,780)	376
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,750	6,639	-	666,548	135	703,072	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 26,176	\$ 3,081	\$ 200	\$ 602,810	\$ 25	\$ 632,292	\$ 376
<u>Reconciliation to Fund Balance Sheet</u>							
<i>Unrestricted:</i>							
Cash and cash equivalents	\$ 24,580	\$ -	\$ 200	\$ -	\$ 25	\$ 24,805	\$ 376
<i>Restricted:</i>							
Cash and cash equivalents	-	3,081	-	23	-	3,104	-
Cash and cash equivalents with fiscal agent	1,596	-	-	602,787	-	604,383	-
\$ 26,176	\$ 3,081	\$ 200	\$ 602,810	\$ 25	\$ 632,292	\$ 376	

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows *(Continued)*
Proprietary Funds
For the Year Ended June 30, 2012
(In thousands)

	Enterprise Funds						
	Measure		Express Lanes Fund	Measure A Transit Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
	VTA Transit Fund	B Transit Fund					
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:							
Operating income/(loss)	\$ (334,945)	\$ -	\$ 218	\$ -	\$ (147)	\$ (334,874)	\$ (1,198)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:							
Depreciation	57,886	-	-	-	-	57,886	-
Changes in operating assets and liabilities:							
Other current assets	(200)	-	-	-	-	(200)	-
Receivables	294	-	-	-	-	294	(4)
Due from other agencies	-	-	(18)	-	-	(18)	-
Inventories	246	-	-	-	-	246	-
Accounts payable	1,683	-	-	-	-	1,683	-
Other accrued liabilities	(2,065)	-	-	-	-	(2,065)	4,047
Deposits from others	27	-	-	-	-	27	-
Deferred revenue	343	-	-	-	-	343	-
Other non operating receipts	9,227	-	-	9,490	704	19,421	520
Net cash provided by/(used in) operating activities	\$ (267,504)	\$ -	\$ 200	\$ 9,490	\$ 557	\$ (257,257)	\$ 3,365
Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:							
Cash and cash equivalents, end of year:							
Unrestricted	\$ 24,580	\$ -	\$ 200	\$ -	\$ 25	\$ 24,805	\$ 376
Restricted	1,596	3,081	-	602,810	-	607,487	-
	\$ 26,176	\$ 3,081	\$ 200	\$ 602,810	\$ 25	\$ 632,292	\$ 376
NONCASH ACTIVITIES:							
Increase/(Decrease) in fair value of investments	\$ (197)	\$ -	\$ -	\$ (304)	\$ (6)	\$ (507)	\$ (20)
Noncash capital contributions in Due from Other Agencies	3,323	-	-	31,513	-	34,836	-
Amortization expense of Caltrain Access Fee	-	-	-	(881)	-	(881)	-
Total non-cash activities	\$ 3,126	\$ -	\$ -	\$ 30,328	\$ (6)	\$ 33,448	\$ (20)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Balance Sheet
 Governmental Funds
 June 30, 2012
 (In thousands)

	Special Revenue Fund	Capital Projects Funds		
		Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
<u>ASSETS</u>				
<i>Restricted assets:</i>				
Cash and cash equivalents	\$ 691	\$ 13,920	\$ 3,415	\$ 18,026
Investments	1,000	-	-	1,000
Due from other funds	-	937	-	937
Due from other agencies	456	5,097	-	5,553
Other Current Asset	-	3	-	3
TOTAL ASSETS	\$ 2,147	\$ 19,957	\$ 3,415	\$ 25,519
<u>LIABILITIES</u>				
Liabilities payable from restricted assets:				
Accounts payable	\$ 81	\$ 3,008	\$ 29	\$ 3,118
Other accrued liabilities-current	-	38	-	38
Due to other funds	12	151	9	172
Due to other agencies	610	16,760	3,377	20,747
TOTAL LIABILITIES	703	19,957	3,415	24,075
<u>FUND BALANCES</u>				
Restricted for congestion management program	1,444	-	-	1,444
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,147	\$ 19,957	\$ 3,415	\$ 25,519

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2012
(In thousands)

	Special Revenue Fund	Capital Projects Funds		Total Governmental Funds
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	
<u>REVENUES:</u>				
Assessment to member agencies	\$ 2,407	\$ -	\$ -	\$ 2,407
Federal grant revenues	1,367	-	-	1,367
Administrative fees	96	-	-	96
State and local operating assistance grants	743	-	-	743
Federal capital grant revenues	-	9,077	-	9,077
State and local capital grant revenues	-	12,005	448	12,453
Other revenues	104	-	-	104
Investment earnings	31	-	-	31
TOTAL REVENUES	<u>4,748</u>	<u>21,082</u>	<u>448</u>	<u>26,278</u>
<u>EXPENDITURES:</u>				
VTA labor and overhead costs	3,767	2,478	-	6,245
Professional services	436	-	-	436
Material and services	6	-	-	6
Miscellaneous	5	-	-	5
Contribution to agencies	37	-	-	37
Capital expenditures on behalf of other agencies	-	18,604	448	19,052
TOTAL EXPENDITURES	<u>4,251</u>	<u>21,082</u>	<u>448</u>	<u>25,781</u>
NET CHANGES IN FUND BALANCES	497	-	-	497
FUND BALANCES, BEGINNING OF YEAR	947	-	-	947
FUND BALANCES, END OF YEAR	<u>\$ 1,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,444</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(In thousands)

	Retiree Trust Funds	Agency Funds
<u>ASSETS</u>		
<i>Restricted assets:</i>		
Cash and Cash Equivalents	\$ 1,410	\$ 4,065
Corporate Bond	85,148	-
U.S. Government Securities	28,109	-
U.S. Agency notes	78,502	-
Equity Based	91,711	-
Mutual Funds	266,342	-
Money Market Funds	6,222	-
Investment Pool	2,673	14,303
Receivables	1,848	-
TOTAL ASSETS	561,965	18,368
<u>LIABILITIES</u>		
<i>Liabilities payable from restricted assets:</i>		
Accounts payable	873	19
Program payable	-	18,349
TOTAL LIABILITIES	873	\$ 18,368
NET ASSETS		
<i>Net assets held in trust for:</i>		
ATU Pension benefits	376,724	
Retiree medical benefits	168,414	
ATU Retiree spousal medical benefits	9,798	
ATU Retiree dental and vision benefits	6,156	
TOTAL NET ASSETS	\$ 561,092	

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year ended June 30, 2012
(In thousands)

	Retiree Trust Funds
<u>ADDITIONS</u>	
Employer Contributions	\$ 38,109
<i>Investment earnings:</i>	
Investment income	19,688
Net depreciation in the fair value of investments	(2,411)
Investment expense	(1,932)
Net investment income	15,345
Other revenue	210
TOTAL ADDITIONS	53,664
 <u>DEDUCTIONS</u>	
Benefit payments	34,791
Administrative expenses	282
TOTAL DEDUCTIONS	35,073
 NET INCREASE	 18,591
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	542,501
End of year	\$ 561,092

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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 Congestion Management Program. It is also responsible for the programming and oversight of discretionary federal, state, and local funds, and for serving as the program manager for certain 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's 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 Assets 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.

Fund Financial Statements

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

VTA reports the following major funds:

- The *Proprietary Funds (Enterprise Funds)* are used to account for activities for which a fee is charged to external users for goods or services where:
 - (a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
 - (b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or
 - (c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

VTA reports the activities of its transit operations, 1996 Measure B Transit Improvement Program, 2000 Measure A Transit Improvement Program, Express Lanes Program and Joint Development Program as major funds in the Enterprise Fund.

- 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.
- 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.

VTA reports the following additional funds:

- The *Proprietary Funds (Internal Service Fund)* are used to account for activities that provide goods or 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 Fund.
- 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. VTA's trust and agency funds include the VTA/ATU Pension Plan, Retirees' Other Post Employment Benefits Trust (OPEB Trust), ATU Spousal Medical and Retiree Dental Vision Fund, Bay Area Air Quality Management District (BAAQMD) Program, Senate Bill 83 Vehicle Registration Fee (SB83 VRF) Program, and Measure B Ancillary Program. The VTA/ATU Pension Plan, OPEB Trust, and the ATU Medical and Retiree Dental Vision Fund are reported as Retiree Trust Funds. The BAAQMD, SB83 VRF, and the Measure B Ancillary Programs are reported as agency funds. The BAAQMD agency fund accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) Program. The Measure B Ancillary Program agency fund was established to administer the 1996 Measure B funds. The SB83 VRF fund was established to administer the vehicle registration fee collected under California Senate Bill 83 and approved by voters in 2010.

(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 receipt occurs 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. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

VTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and

Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units. VTA has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

(c) *Cash and Investments*

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

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

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

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

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

(d) *Inventories*

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

(e) ***Restricted Assets***

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

(f) ***Bond Issuance Costs, Discounts, Premiums and Deferred Amount on Refundings***

Bond issuance costs and deferred amount on refundings for the government-wide statement of net assets and the enterprise funds are deferred 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 deferred amount on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as a deferred cost (asset).

(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 repairs 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:

<u>Asset being Depreciated</u>	<u>Useful Life</u>
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 assets.

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 \$23.0 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 Assets*

The government-wide and proprietary funds financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt (including deferred bond issuance costs) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category consists of debt service reserve, SWAP/lease collateral, net assets restricted for Measure B Transit, 2000 Measure A capital programs, carrying balances of inventory, retention payable, prepaid expenses and unamortized bond issuance cost, and Congestion Management Program.

The Statement of Fund Net Assets on pages 2-22 & 23 reports that enterprise fund net assets amount to \$3.2 billion as of June 30, 2012, of which \$1.0 billion is restricted by enabling legislation for the 2000 Measure A Sales Tax Programs. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation related projects.

- *Unrestricted Net Assets* – The remaining unrestricted net assets, 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 Assets consist of the following:

	Proprietary Funds				
	VTA	Express	Joint	Total	Internal
	Transit Fund	Lanes Fund	Development Fund	Enterprise Funds	Service Fund
Local share of capital projects	\$ 33,846	\$ -	\$ -	\$ 33,846	\$ -
Debt reduction	114,331	-	-	114,331	-
Express Lane	-	218	-	218	-
Joint Development	-	-	7,622	7,622	-
OPEB liability reduction	20,650	-	-	20,650	-
Sales tax stabilization	35,000	-	-	35,000	-
Operating reserve	56,268	-	-	56,268	-
Workers' compensation, general liability and compensated absences	-	-	-	-	(5,032)
Total	<u>\$ 260,095</u>	<u>\$ 218</u>	<u>\$ 7,622</u>	<u>\$267,935</u>	<u>\$ (5,032)</u>

(k) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses and Changes in Net Assets, the VTA Transit Fund reports \$29.5 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, expenditures 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

In FY 2011, VTA implemented the GASB Statement 54, "*Fund Balance Reporting and Governmental Fund-Type Definitions*". The Congestion Management Program net assets are classified 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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, VTA considers restricted funds to have been spent first.

(o) **Transfer In/(Out)**

The transfer represents the interfund transaction between funds. During FY 2012, total transfer in and out consists of transfer from VTA Transit to Joint Development Fund of \$6.3 million. This transfer relates to proceeds for the sale of land per the Board policy.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2012, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Fund	Internal Service Fund	Governmental Fund	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	\$ 24,805	\$ 376	\$ -	\$ -	\$ -	\$ 25,181
Investments	181,973	41,878	-	-	-	223,851
Total unrestricted	<u>206,778</u>	<u>42,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,032</u>
Restricted:						
Cash and Cash Equivalents	3,104	-	18,026	1,410	4,065	26,605
Cash and Cash Equivalents with Fiscal Agents	604,383	-	-	-	-	604,383
Investments	438,586	-	1,000	558,707	14,303	1,012,596
Total restricted	<u>1,046,073</u>	<u>-</u>	<u>19,026</u>	<u>560,117</u>	<u>18,368</u>	<u>1,643,584</u>
Total Cash and Investments	<u>\$ 1,252,851</u>	<u>\$ 42,254</u>	<u>\$ 19,026</u>	<u>\$560,117</u>	<u>\$ 18,368</u>	<u>\$1,892,616</u>

As of June 30, 2012 total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	\$ 51,786
Cash & Cash Equivalents with Fiscal Agents	604,383
Investments	1,236,447
Total	<u>\$ 1,892,616</u>

Cash and Cash Equivalents

VTA maintains checking accounts for its operations, 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, 2012, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	\$	34,785
CM&HP Account		13,920
Measure B Account		3,081
Total Deposits	<u>\$</u>	<u>51,786</u>

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. Further, 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 (Unrestricted/Restricted Funds and retiree plan) 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, 2012, investment in LAIF is \$50.0 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2012 was approximately \$60.5 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 weighted-average to maturity of the investments in PMIA at June 30, 2012 was 268 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.

Interest Rate Risk – 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) \$1.24 billion in investments, 16.0% of the investments have a maturity of less than 1 year. Only 7.1% 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.

Credit Risk – 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. Table on page 2-43 shows the credit quality of VTA's investments as of June 30, 2012.

Custodial Credit Risk – Deposits - 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. 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 percent of the deposit as collateral for these deposits. At June 30, 2012, VTA deposits were collateralized by securities held by the financial institutions, which was not in VTA's name.

Custodial Credit Risk – Investments – 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, 2012, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk – 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. Forty one and eight tenths percent (41.8%) of VTA's investments at year-end are in U.S. Government or Agency investments. There is no limitation on amounts invested in these types of issues. At June 30, 2012, VTA had \$138.0 million representing 11% of VTA's portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2012, VTA had \$64.3 million, \$44.7 million and \$11.9 million representing 5.2%, 3.6% and 1.0% of VTA's portfolio invested in debt securities issued by the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLM), and Federal Home Loan Banks (FHLB), 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 interest rate and credit risk at June 30, 2012 (in thousands):

Investment Type	Maturity				Market Value
	Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	
Corporate Bonds - Commingled ⁽¹⁾	\$ 33,315	\$ 187,548	\$ -	\$ 100	\$ 220,963
Corporate Bonds - Pension Plan	1,665	12,609	27,005	13,864	55,143
Corporate Bonds - OPEB Trust	563	6,053	16,909	6,359	29,884
US Government Agency Bonds					
Commingled ⁽¹⁾	18,245	41,126	-	-	59,371
Pension Plan	488	2,781	4,969	42,407	50,645
OPEB Trust	50	824	2,420	24,685	27,979
US Treasury					
Commingled ⁽¹⁾	71,118	219,348	59,944	-	350,410
Pension Plan	10,134	6,554	-	-	16,688
OPEB Trust	6,276	5,145	-	-	11,421
SUB TOTAL	141,854	481,988	111,247	87,415	822,504
Money Market Funds - Commingled ⁽¹⁾⁽²⁾	(329)	-	-	-	(329)
Money Market Funds - Pension	5,164	-	-	-	5,164
Money Market Funds - OPEB Trust	1,057	-	-	-	1,057
Cash with Fiscal Agents - Commercial Paper/CD	241,252	-	-	-	241,252
Cash with Fiscal Agents - Money Market Funds	249,249	-	-	-	249,249
Cash with Fiscal Agents - LAIF	112,826	-	-	-	112,826
TOTAL INVESTMENTS with Money Manager	751,073	481,988	111,247	87,415	1,431,723
LAIF ⁽¹⁾	50,000	-	-	-	50,000
TOTAL INVESTMENTS	\$ 801,073	\$ 481,988	\$ 111,247	\$ 87,415	1,481,723
Equity-Based Investments					358,051
Retention Fund at Escrow Agents (Deposits)					1,056
Cash Deposits ⁽¹⁾					51,786
TOTAL					\$ 1,892,616

¹ \$4,084 thousand in Retirees, ATU, ATU Spousal Medical Plan are included in these line items.

² This is to record trades on June 30, 2012. GASB requires that investments be stated at the trade date.

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

Ratings	Fair Value (In Thousands)	Percentages of Portfolios
Unrated	\$ 966,856	51.08%
Not Applicable	378,519	20.00%
BBB	23,644	1.25%
BBB-	5,149	0.27%
BBB+	12,210	0.65%
A-1	241,252	12.75%
A	51,781	2.74%
A-	78,831	4.17%
A+	35,296	1.86%
AA	11,371	0.60%
AA-	22,215	1.17%
AA+	49,217	2.60%
AAA	16,275	0.86%
TOTAL	\$ 1,892,616	100.00%

As of June 30, 2012, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan Investments	\$	374,842
ATU Spousal Medical Investments		15,909
Retirees Medical Trust		167,956
Total	\$	<u>558,707</u>

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2012 is as follows (in thousands):

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
VTA Transit Fund	Congestion Management & Highway Program Fund	\$ 151 ¹
VTA Transit Fund	Measure B Transit Fund	7 ²
VTA Transit Fund	Measure B Highway Program Fund	9 ²
VTA Transit Fund	Measure A Transit Fund	218 ³
Congestion Management & Highway Program Fund	Measure A Transit Fund	925 ⁴
Congestion Management & Highway Program Fund	Congestion Management Program Fund	12 ⁵
		<u>\$ 1,322</u>

¹ represents \$302K labor cost transfer net of \$151K collection for project billing

² represents mainly labor cost transfer

³ represents Measure A operating assistance

⁴ represents the swap project cost

⁵ represents Community Development Transportation (CDT) planning grant reimbursement

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2012 consisted of the following (in thousands):

	Business- Type Activities	Governmental Activities		Total
		Congestion Management Program	Congestion Management & Highway Program	
DUE FROM OTHER AGENCIES	Enterprise Funds			
Federal Government	\$ 47,139	\$ -	\$ 2,966	\$ 50,105
State Government	128,193	456	1,325	129,974
Others	1,597	-	806	2,403
Total	<u>\$ 176,929</u>	<u>\$ 456</u>	<u>\$ 5,097</u>	<u>\$ 182,482</u>

Due from other agencies as of June 30, 2012, is reported in the accompanying general-purpose financial statements as follows (in thousands):

	Business- Type Activities	Governmental Activities			Total	
		Congestion				
		Enterprise Funds	Congestion	Management		& Highway Program
			Management	Program		
ASSETS						
Current assets - unrestricted	\$ 87,133	\$ -	\$ -		\$ 87,133	
Current assets - restricted	89,796	456	5,097		95,349	
Total	<u>\$176,929</u>	<u>\$ 456</u>	<u>\$ 5,097</u>		<u>\$ 182,482</u>	

Due to other agencies as of June 30, 2012, consisted of the following (in thousands):

	Business- Type Activities	Governmental Activities			Total	
		Congestion				
		Enterprise Funds	Congestion	Management		Measure B
			Management	& Highway		Highway
DUE TO OTHER AGENCIES						
State	\$48,526	\$ -	\$ 760	\$ -	\$ 49,286	
Caltrain	5,177	-	-	-	5,177	
County of Santa Clara	1,428	610	10,986	3,377	16,401	
City of San Jose	97	-	4,882	-	4,979	
City of Fremont	684	-	-	-	684	
Outreach	3,588	-	-	-	3,588	
Misc.	2	-	132	-	134	
Total	<u>\$59,502</u>	<u>\$ 610</u>	<u>\$ 16,760</u>	<u>\$ 3,377</u>	<u>\$ 80,249</u>	

Due to other agencies as of June 30, 2012, is reported in the accompanying basic financial statements as follows (in thousands):

	Business- Type Activities	Governmental Activities			Total	
		Congestion				
		Enterprise Funds	Congestion	Management		Measure B
			Management	& Highway		Highway
LIABILITIES						
Current Liabilities - unrestricted	\$ 5,327	\$ -	\$ -	\$ -	\$ 5,327	
Current Liabilities - restricted	54,175	610	16,760	3,377	74,922	
Total	<u>\$ 59,502</u>	<u>\$ 610</u>	<u>\$ 16,760</u>	<u>\$ 3,377</u>	<u>\$ 80,249</u>	

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA’s business-type activities for the year ended June 30, 2012 were as follows (in thousands):

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
Capital assets, not being depreciated:					
Land and right of way	\$ 1,122,805	\$ -	\$ (310)	\$ -	\$ 1,122,495
Construction in progress	902,026	226,415	-	(21,055)	1,107,386
Total capital assets, not being depreciated	<u>2,024,831</u>	<u>226,415</u>	<u>(310)</u>	<u>(21,055)</u>	<u>2,229,881</u>
Capital assets, being depreciated					
Caltrain - Gilroy extension	53,307	-	-	-	53,307
Buildings improvements, furniture and fixtures	504,531	233	(224)	7,313	511,853
Vehicles	485,590	-	(18,755)	14,179	481,014
Light-rail tracks and electrification	403,831	-	-	(437)	403,394
Leasehold improvement	9,686	-	-	-	9,686
Other operating equipment	46,065	87	-	-	46,152
Total capital assets, being depreciated	<u>1,503,010</u>	<u>320</u>	<u>(18,979)</u>	<u>21,055</u>	<u>1,505,406</u>
Accumulated Depreciation					
Buildings, improvements, furniture and fixtures	(216,267)	(15,743)	220	506	(231,284)
Vehicles	(167,310)	(21,709)	18,614	(506)	(170,911)
Light-rail tracks and electrification	(187,774)	(16,701)	-	-	(204,475)
Caltrain - Gilroy extension	(14,246)	(1,635)	-	-	(15,881)
Other operating equipment	(30,876)	(1,656)	-	-	(32,532)
Leasehold improvement	(1,588)	(442)	-	-	(2,030)
Total accumulated depreciation	<u>(618,061)</u>	<u>(57,886)</u>	<u>18,834</u>	<u>-</u>	<u>(657,113)</u>
Total capital assets, being depreciated, net	<u>884,949</u>	<u>(57,566)</u>	<u>(145)</u>	<u>21,055</u>	<u>848,293</u>
Total capital assets, net	<u>\$ 2,909,780</u>	<u>\$ 168,849</u>	<u>\$ (455)</u>	<u>\$ -</u>	<u>\$ 3,078,174</u>

Construction in progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2012 (in thousands):

Silicon Valley Rapid Transit	\$ 952,033
Light Rail Program	66,254
Light Rail-Way, Power & Signal	32,254
Bus Program	15,976
Revenue Vehicle & Equipment	12,744
Information Systems Technology	11,437
Operating Facilities & Equipment	10,173
Vasona Corridor Projects	3,813
Passenger Facilities	1,370
Commuter Rail Program	1,332
Total project costs expended to date	<u>\$ 1,107,386</u>

Additional information regarding projects in progress as of June 30, 2012 is as follows (in thousands):

<u>Information Regarding Capital Expenditures:</u>	<u>Costs</u>
Total Board approved capital budget	\$ 3,913,999
Capital expenditures settling to CIP	(1,107,386)
Capital expenditures settling to CIP re: court deposits	(24,147)
Capital expenditures settling to fixed assets	(421,452)
Capital expenditures settling to expense	(285,840)
Remaining capital budget available	<u>\$ 2,075,174</u>
<u>Anticipated funding sources are as follows:</u>	
Federal, state, and other local assistance	\$ 1,444,894
Local contributions	630,280
Total funding sources	<u>\$ 2,075,174</u>

VTA has outstanding commitments of about \$223.5 million as of June 30, 2012, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2012, consisted of the following (in thousands):

Secured by VTA's 1976 1/2 cent Sales Tax

2007 Series A Refunding (\$20,725 plus unamortized premium of \$522 less unamortized loss in refunding of \$1,706)	\$ 19,541
2008 Series A-C Refunding (\$160,210 less unamortized deferred amount in refunding of	147,959
2011 Series A Refunding (\$46,790 plus unamortized premium of \$5,109)	51,899

Secured by VTA's 2000 Measure A 1/2 cent Sales Tax

2007 Series A Measure A Refunding (\$115,140 plus unamortized premium of \$3,007 and deferred amount in refunding of \$4,142)	122,289
2008 Series A-D Measure A Refunding (\$235,875 plus unamortized deferred amount in refunding of \$4,649)	240,524
2010 Series A-B Measure A (\$645,890 plus unamortized premium of \$20,402)	666,292
Total long-term debt	<u>1,248,504</u>
Less current portion of long-term debt	(13,025)
Long-term debt, excluding current portion	<u>\$ 1,235,479</u>

(a) Sales Tax Revenue Bonds, secured by 1976 1/2 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 LIBOR¹ or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.
- \$47.5 million of 2011 Series A Sales Tax Revenue Refunding Bonds (2011 Bonds) were issued, at a true interest cost of 2.73%, to refund the 1998 Series A Sales Tax Revenue Bonds and the 2000 Series A Sales Tax Revenue Bonds (collectively, the “Refunded Bonds”), maturing in series on each June 1st from 2012 – 2028. The Refunded Bonds were variable rate bonds, which were issued through the California Transit Finance Authority (CTFA) (Note 20d). The bonds were refunded in order to reduce bank and interest rate risk associated with variable rate demand bonds.

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.

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, the four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.
- \$645.9 million of 2010 Measure A Bonds (2010 Measure A Bonds) were issued, at a true interest cost of 3.54%, to fund certain Measure A transit capital improvement projects, most notably the BART extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Build America Bonds are subject to 35% Federal subsidy on its interest cost. Both are fixed interest bonds. The bonds have a final maturity date of April 1, 2032. The 2010 Measure A Bonds, Series A (taxable Build America Bonds) are subject to mandatory and optional redemption provisions prior to their stated maturity dates. The 2010 Measure A Bonds Series B (tax-exempt) are not subject to redemption prior to their maturity date.

(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.

Objective of the Swaps: 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.

(d) **Summary:** The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2012 were as follows (dollars in thousands):

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating ^{CR}
2008A	\$ 64,180	7/7/2005 ^{ED}	3.145%	Cal-E ^{VR}	\$ (10,239)	6/1/2026	Aa2, AAA, ---
2008B	48,015	7/7/2005 ^{ED}	3.145%	Cal-E ^{VR}	(7,663)	6/1/2026	A3, A, ---
2008C	48,015	7/7/2005 ^{ED}	3.145%	Cal-E ^{VR}	(7,663)	6/1/2026	Baa1, A-, --
MA2008A	85,875	8/10/2006	3.765%	LIBOR	(33,260)	4/1/2036	A3, A, --
MA2008B	50,000	8/10/2006	3.765%	LIBOR	(19,366)	4/1/2036	A3, A, --
MA2008C	50,000	8/10/2006	3.765%	LIBOR	(19,366)	4/1/2036	Aa2, AAA, --
MA2008D	50,000	8/10/2006	3.765%	LIBOR	(19,366)	4/1/2036	Baa1, A-, --
	\$ 396,085				\$ (116,923)		

^{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 55.5% of 1 month LIBOR plus 0.44%.

Fair Values: At June 30, 2012, the swaps had a negative fair value of \$116.9 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, 2012. 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, 2012, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.12%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.24%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A VRDO Bonds was 0.15%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.30%.

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 two of the 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, 2012, VTA had \$16,207,309 of cash collateral posted among four different counterparties (all related to the swaps 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, 2012, 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	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2013	\$ 4,760	\$ 532	\$ 12,801	\$ 18,093
2014	4,555	526	12,664	17,745
2015	4,570	521	12,532	17,623
2016	10,165	515	12,386	23,066
2017	10,465	503	12,090	23,058
2018-2022	60,170	2,329	55,986	118,485
2023-2027	65,525	1,925	45,504	112,954
2028-2032	-	1,740	40,836	42,576
2033-2036	235,875	799	18,753	255,427
	<u>\$396,085</u>	<u>\$ 9,390</u>	<u>\$ 223,552</u>	<u>\$ 629,027</u>

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, 2012 are as follows:

(Dollars in thousands)

Year ending June 30:	Principal	Interest	Total
2013	\$ 13,025	\$ 57,853	\$ 70,878
2014	35,030	57,064	92,094
2015	36,480	55,479	91,959
2016	41,275	53,855	95,130
2017	42,980	52,119	95,099
2018-2022	245,040	230,171	475,211
2023-2027	283,815	167,275	451,090
2028-2032	261,580	94,262	355,842
2033-2036	265,405	23,903	289,308
	<u>1,224,630</u>	<u>\$791,981</u>	<u>\$2,016,611</u>
Unamortized bond discount, premium and deferred amount on refunding, net	23,874		
Total debt	<u>1,248,504</u>		
Less current portion	(13,025)		
Long-term portion of debt	<u>\$1,235,479</u>		

(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, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Sales Tax Revenue Bonds					
Secured by 1976 ½ Cent Sales Tax					
1998 Series A	\$ 35,585	\$ -	\$ (35,585)	\$ -	\$ -
2000 Series A	29,010	-	(29,010)	-	-
2007 Series A	22,685	-	(1,960)	20,725	2,085
2008 Series A-C	164,880	-	(4,670)	160,210	4,760
2011 Series A	-	47,485	(695)	46,790	3,555
Sales Tax Revenue Bonds: Secured by 2000 Measure A ½ Cent Sales					
2007 Series A	117,665	-	(2,525)	115,140	2,625
2008 Series A-D	235,875	-	-	235,875	-
2010 Series A-B	645,890	-	-	645,890	-
Total Outstanding Debt	1,251,590	47,485	(74,445)	1,224,630	13,025
Plus (less) premiums, deferred amount on refundings and discounts	23,119	5,109	(4,354)	23,874	-
Outstanding Debt, Net	1,274,709	52,594	(78,799)	1,248,504	13,025
Derivative Instruments Liability	55,639	61,284	-	116,923	-
Arbitrage Liability	392	-	(261)	131	-
Claims Liability:					
General Liability	3,703	-	(193)	3,510	852
Worker's Compensation	17,189	335	-	17,524	1,915
Compensated Absences	22,125	3,906	-	26,031	7,100
Total Long-Term Liabilities	\$ 1,373,757	\$ 118,119	\$ (79,253)	\$ 1,412,623	\$ 22,892

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 expenditures except that portion which is to be used to repay long-term debt as described in Note 7. The amount of the 1976 Sales Tax and 2000 Measure A Sales Tax recognized during FY 2012 was \$166.6 million and \$166.3 million respectively, totaling \$332.9 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.

In March 1999, the VTA Board of Directors and the County Board of Supervisors approved a Memorandum of Understanding (MOU) formalizing the partnership to implement Measure A. With this partnership in place, the County and VTA are in a position to complete a transportation program valued at \$2.1 billion. The County will administer the funding, and VTA will be responsible for the project management of the transit and highway projects and will assist in the administration of the pavement management and bicycle elements of the program.

The Measure B Transit Projects, which consist mainly of light-rail extensions and new rail vehicles, become the property of VTA. The Measure B Highway projects, which consist primarily of widening highways and improvements become the property of the State. The accompanying basic financial statements include the financial activities of the Measure B Transit Projects in the Enterprise Fund and in the business-type activity, Measure B Highway Projects in a capital projects fund and in governmental activity and the Measure B Ancillary Program, which includes pavement and bicycle elements, in an agency fund. The Ancillary Program was created to administer the Measure B Pavement & Bikeways Program and Measure B Ancillary Fund, also known as the Local Program Reserves.

In fiscal year 2001, VTA and the County entered into two agreements for Fund Swap arrangements, whereby VTA agreed to secure Federal and/or State grant funds and program them for certain 1996 MBTIP Projects in exchange for the County to release the corresponding 1996 MBTIP Project funds for other local projects. The Tasman East Light Rail Project was programmed for \$72.8 million with \$67.9 million being available for other local projects, the Vasona Light Rail Project was programmed for \$51.6 million with the same amount being available for other local projects, and the Route 237/880 Interchange Hwy Project was programmed for \$22.5 million with the same amount being available for other local projects.

A third agreement was provided for a simultaneous exchange of funds. VTA secured 2001 Series A Senior Lien Sales Tax Revenue Bonds to reimburse the County approximately \$184.1 million of 1996 MBTIP project costs, namely the Tasman East, Vasona, and Capitol Corridor Light Rail Projects. The reimbursement of 1996 MBTIP project costs made \$184.1 million available for the acquisition of low floor vehicles. On February 15, 2002 amendment#1 to the agreement was executed to increase the amount of reimbursement to

\$198.3 million. As of June 30, 2002, full reimbursement of the \$198.3 million was made to the Measure B Ancillary Program Agency Fund. As of June 30, 2007, the full amount of \$198.3 million have been expended out of the agency fund for the acquisition of low floor vehicles.

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.

During the current fiscal year, VTA paid approximately \$8.1 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: \$3.6 million of Measure B fund for transit projects in the Enterprise Fund; \$0.5 million of Measure B fund for highway projects in the Measure B Highway Capital Projects Fund; and \$4.0 million for the Ancillary Program (Measure B & Fund Swap Projects, Pavement and Bikeways).

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.

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, final engineering is underway and right-of-way acquisition has begun. The procurement of new BRT vehicle is in progress. Service is scheduled to begin in late 2014. On the El Camino Real Transit Improvement Project, conceptual engineering for BRT is nearing completion. Different cross sections have been analyzed, and preliminary and traffic projections have been developed. Full BRT service is estimated

to start in late 2016. On the Stevens Creek/West San Carlos Corridor, conceptual engineering has begun.

- Substantially completed fiber optic cable relocation on Phase 1 of the South County Improvements, consisting of grading and crossing work in preparation for eight miles of double-track installation in the UPRR corridor from Coyote to Morgan Hill.
- With the execution of the Federal Funding Grant Agreement (FFGA), the Berryessa Extension Project has moved to the Construction Phase. The SVBX is the first ten-mile segment that runs from Warm Springs in Fremont to Las Plumas Avenue in San Jose and includes two stations. Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Freight Railroad Relocation (FRR) activities fulfill VTA's obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminate ongoing freight operations on VTA property. The FRR activities are compatible with the eventual use of the property as a transportation corridor but do not include SVRT project-level elements. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contract are substantially complete.
- Initiated preparation of a Federal Environmental Impact Statement for the Capitol Expressway Light Rail Extension to Eastridge. Pedestrian Improvements (sidewalk and landscaping) and the Eastridge Transit Center are underway as the initial stage of the light rail project.
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Light Rail Improvement Plan serves as an action plan for future implementation and an investment program which identifies capital and operating improvements for the system over the next 20 years.
- Finished safety improvements to eight JPB crossings from Sunnyvale to Palo Alto for the Caltrain Safety Improvements – JPB Crossings project.
- Construction for the Blossom Hill Pedestrian Grade Separation is underway and scheduled for completion in late 2012.
- Received TCRP funds as reimbursements for the preliminary engineering and construction phase on the BART extension.
- Continued to provide operating assistance to VTA Transit operations.

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

tax for the privilege of selling tangible personal property sold at retail upon a retailer in Santa Clara County, at the rate of one-eighth of one percent on the gross receipts of the retailer. Collection of the tax took effect on July 1, 2012, for a period not to exceed 30 years. This ordinance is also known as the Santa Clara Valley Transportation Authority BART Operating and Maintenance Transactions and Use Tax Ordinance.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) Federal Grants

Federal grants are approved principally by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2012 are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Fund	Capital Project Funds
Operating Assistance Grants:			
FTA Section 9	\$ 41,925	\$ -	\$ -
Guaranteed Ride Home	93	-	-
Department of Labor	23	-	-
Mobility Options Travel Training Program	52	-	-
Security Plan Revision	193	-	-
Federal Technical Studies/Training Grants	-	1,367	-
Total Operating Assistance Grants	42,286	1,367	-
Capital Grants:			
FTA Section 3	3,496	-	-
FTA Section 9	14,783	-	-
Pass-through Grants	-	-	9,077
Total Capital Grants	18,279	-	9,077
Total Operating Assistance and Capital Grants	\$ 60,565	\$ 1,367	\$ 9,077

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

VTA's management believes the results of such audits would not have a material adverse effect on 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, 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 VTA's various 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 Guaranteed Ride Home Program is provided by FHWA Surface Transportation Project funds. This project provides CalWorks participants and low income residents in Santa Clara County a guaranteed ride home. The program is being administered by Outreach, a community-based non-profit organization that is currently under contract with the VTA to provide paratransit brokerage service.

The Department of Labor grant under the Enterprise Fund represents an agreement to provide skills upgrade training for VTA operators and maintenance mechanics.

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

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

The Federal technical studies grant under the Special Revenue Fund represents an interagency agreement with the Metropolitan Transportation Commission (MTC) for the purpose of conducting specific planning and programming activities to assist

MTC in meeting the requirements of federal legislation and related State and regional planning and programming policies and guidelines.

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

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 passthrough fund agreements are presented as part of the Capital Grants – FTA Section 9:

- The Transit Security Grant Program (TSGP) award comes from the State Governor’s Office of Homeland Security 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 attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide. The Transportation Equity Act for the 21st Century (TEA-21) also allows CMAQ funding to be expended in particulate matter nonattainment and maintenance areas.

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, 2012, are summarized as follows (in thousands):

	Business-type		
	Activities	Governmental Activities	
	Enterprise Fund	Special Revenue Fund	Capital Projects Funds
Operating assistance grants:			
Transportation Development Act	\$ 81,928	\$ -	\$ -
State Transit Assistance	14,056	-	-
State Operating Assistance Grants AB434	402	743	-
Other	1,497	-	-
	250	-	-
Total Operating Assistance Grants	98,133	743	-
Capital grants:			
Traffic Congestion Relief Program	51,549	-	-
Public Transportation Modernization Improvement and Service Enhancement Act	15,026	-	-
Proposition 1B Fund	2,391	-	-
PTA	16,055	-	-
HRCSA	5,141	-	-
Regional Measure 2	843	-	-
Congestion Management Highway Program	-	-	12,005
Other Local Grants:			
Santa Clara County (Measure B Program) [Note 9]	3,623	-	448
Various cities, counties and others	2,677	-	-
Total Capital Grants	97,305	-	12,453
Total State and Local Grants	\$ 195,438	\$ 743	\$ 12,453

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

State Transit Assistance (STA) represents funds received pursuant to the STA Program, whereby, a portion of diesel 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 and (b) 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.

AB434 fees represent funds received from the Bay Area Air Quality Management District. These funds are used for shuttle services and projects promoting clean air in the South Bay.

Other local assistance includes grants received from Metropolitan Transportation Commission for marketing and communications activities relative to adoption and use of Clipper Cards by VTA customers.

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 CTC approved TCRP for the Silicon Valley Rapid Transit (SVRT) project.

PTMISEA or Public Transportation Modernization, Improvement, and Service Enhancement Account Program was created by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond of 2006. The program is being administered by the California Department of Transportation.

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

PTA or Public Transportation Account was established by the Transportation Development Act of 1971 to promote the development of public transportation infrastructure by providing funds to local and state transportation agencies primarily for transit (including bus and rail) purposes.

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

Regional Measure 2 was passed in March 2004 to raise toll fee on the seven-State-owned to 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 the Metropolitan Transportation Commission.

Congestion Management and Highway Program includes state grants with the State of California such as Corridor Mobility Improvement Account (CMIA) and State Transportation Improvement Program (STIP). It also includes local grants relating to Santa Clara County Fund Swap. This relates to Measure B revenue received by VTA for local projects in exchange for federal and state grant funds programmed for certain 1996 MBTIP Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Capital Projects revenues consist of state, and local grant revenues pertaining to Congestion Management and Highway Program of \$12.0 million and Measure B Highway Program of \$0.4 million.

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

Various cities, counties and others 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 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, Fiscal Resources, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

The membership of the Plan as of June 30, 2012 is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,065
Terminated vested members not yet receiving benefits	156
Active Members	1,391
Total	2,612

(b) Basis of Accounting

Contributions are recognized as revenue in the period in which employee services are performed. 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 Advisers, S&P 500 Conservative Index Fund and MFS Investment Management represented 13.57% and 13.96%, respectively, of the Plan's investments as of June 30, 2012.

(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 \$19.1 million for the year ended June 30, 2012 was made in accordance with actuarially determined requirements computed as of January 1, 2011. VTA's contribution as a percentage of payroll was 19.1% for fiscal year 2012.

(e) **Net Pension Obligation**

VTA's net pension obligation to the Plan was zero as of June 30, 2012. The three-year trend information is shown below (in thousands):

<i>Net Pension Obligation</i>			
<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2012	\$ 19,148	100%	\$ -
6/30/2011	17,807	100%	-
6/30/2010	17,905	100%	-

(f) **Funding Status & Progress**

As of January 1, 2012, the most recent actuarial valuation date, the plan was 72.2% funded. The actuarial accrued liability was \$517.2 million and the actuarial value of assets was \$373.2 million resulting in an unfunded actuarial accrued liability (UAAL) of \$144.0 million. The total covered payroll was \$100.4 million which resulted in a UAAL percentage of 143.5% of total covered payroll. The schedule of funding progress is presented on page 2-84, in the required supplementary information following the notes to the financial statements.

(g) **Actuarial Methods and Assumptions**

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

<u>Description</u>	<u>Methods/Assumptions</u>
Valuation date	January 1, 2012
Actuarial cost method	Individual Entry Age Normal (Individual Entry Age Normal for Prior Valuation)
Amortization method	Level dollar open
Remaining amortization period	20 years
Actuarial asset valuation method	Market value less unrecognized investment gain or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value.
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	3.50% to 15.60%, depending on service
Inflation rate	3.25%
Cost of living adjustments	None

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 \$52,300,000 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 (depending on hire date) of the employee contribution to the CalPERS Plan. Starting in FY 2012, employees hired prior to the first full pay period in January 2012 pay 1% toward the required employee share while employees hired in or after the first full pay period in January 2012 pay 6%. VTA pays the remaining portion of the employee contribution and the entire employer contribution for active members. The contribution rate from July 1, 2011 through June 30, 2012, was 13.349% for the employer and 7% for employees. The required contribution for FY 2012 was determined as part of the June 30, 2009 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, 2012. For FY 2012, VTA's annual pension cost was approximately \$7.2 million, which was fully contributed. The three-year trend information of the actuarially required employer contribution is as follows (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 7,159	100%	\$ -
6/30/2011	6,090	100%	-
6/30/2010	6,167	100%	-

(d) Funding Status and Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.0% funded. The actuarial accrued liability was \$252.6 million and the actuarial value of assets was \$217.3 million resulting in an Unfunded Accrued Actuarial Liability (UAAL) of \$35.3 million. The total covered payroll was \$53.2 million which resulted in a 66.4% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-85, 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:

<i>Description</i>	<i>Methods/Assumptions</i>
Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Average remaining period	25 years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Actuarial assumptions	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on Age, Service, and Type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% 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 employee plans. As of June 30, 2012, VTA had net assets of approximately \$9.8 million for the ATU Spousal Medical Fund and \$6.2 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 Fund was changed from \$0.20 to \$0.35 per hour worked. In May 2010, the contribution was increased to \$0.40 per hour worked. As of June 30, 2012, there were 265 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2012 contributions were approximately \$1.3 million while benefit payments made by the Fund were approximately \$1.2 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 worked. As of June 30, 2012, there were 844 eligible participants. Contributions for the fiscal year were approximately \$327 thousand while there was no payment made for the Retiree Vision and Dental Fund.

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2012, 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	\$ 19,272	\$ 5,354	\$ 17,633	\$ 42,259
Liabilities	17,703	3,556	26,032	47,291
Net Assets	<u>\$ 1,569</u>	<u>\$ 1,798</u>	<u>\$ (8,399)</u>	<u>\$ (5,032)</u>

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 studies for both activities are obtained on an annual basis.

Actuarial Information

An actuarial analysis as of June 30, 2012 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 60% confidence level, are \$17.5 million and \$3.5 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, 2012, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2010	\$ 21,937	\$ 4,963
Provision for claims and claims adjustment expense	5,872	2,726
Changes in estimates for provision for future claims	(5,928)	(1,704)
Payment for claims and other adjustments	<u>(4,692)</u>	<u>(2,282)</u>
Unpaid claims at June 30, 2011	17,189	3,703
Provision for claims and claims adjustment expense	6,021	2,226
Changes in estimates for provision for future claims	(731)	(394)
Payment for claims and other adjustments	<u>(4,955)</u>	<u>(2,025)</u>
Unpaid claims at June 30, 2012	<u>\$ 17,524</u>	<u>\$ 3,510</u>

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, 2012, the outstanding balance of compensated absence liability was \$26.0 million.

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

(a) OPEB Trust Description

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

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements relating to age and service, and haven't opted 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 either 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 retire on or after January 1, 2011 pay \$35 or the excess above the Kaiser Medicare out of area (OOA) rate. As of June 30, 2012, 844 retirees met the eligibility requirements for the ATU Program.

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 2/11/08 (5 years), hired between 2/11/08 and 10/31/09 (8 years), and on or after November 1, 2009 (15 years).

Non ATU employees who retired before 1/2/06 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, 2012, 381 retirees met the eligibility requirements for the administrative retiree program.

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) *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, 2012, VTA had assets of \$168.9 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust. Separate financial statements are also prepared for the trust.

(c) **Annual OPEB Cost and Net OPEB Obligations**

VTA's Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution of the employer (ARC), 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.

Plan cost which was estimated using the level dollar method, the percentage of annual cost contributed to the Plan, and the net Plan obligation for the year is as follows (in thousands):

Annual Required Contributions	\$	(17,321)
Interest on Net Plan Asset		-
Annual Plan Cost (Expense)		<u>(17,321)</u>
Contributions Made		17,321
Net Plan Assets, Beginning of Year		-
Net Plan Assets, End of Year	\$	<u><u>-</u></u>

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan assets for the year ended June 30, 2012 is presented below (in thousands):

Net Other Post Employment Benefit Obligation

Fiscal Year Ended	Annual Other Post Employment Benefit (OPEB) Cost	Percentage of Annual OPEB Contributed	Net Other Post Employment Benefit Asset
6/30/12	\$ 17,321	100%	\$ -
6/30/11	16,208	95%	-
6/30/10	15,187	102%	837

(d) **Funding Status and Funding Progress**

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

actual results are compared with past expectations and new estimates are made about the future.

As of June 30, 2011, the most recent actuarial valuation date, the plan was 59.3% funded. The actuarial accrued liability was \$254.2 million and the actuarial value of assets was \$150.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$103.5 million. The covered payroll was \$137.0 million which resulted in a 75.5% UAAL as a percent of 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.

NOTE 16 –INSURANCE

MTA 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. 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, 2012, 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	\$47,000,000 per incident
Excess public liability/property damage	\$3,000,000	\$47,000,000
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	\$47,000,000

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 2020. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately \$269 thousand in FY 2012. Other leases were charged to capital project expenditures and were capitalized in FY 2012. The future lease payments under noncancellable lease agreements are as follows (in thousands):

<u>Years ending June 30,</u>	<u>Future Lease Payments</u>
2013	\$ 1,100
2014	916
2015	923
2016	944
2017	965
2018-2020	1,364
Total	<u>\$ 6,212</u>

NOTE 18 – LITIGATION

As of September 17, 2012, VTA has no open claims which will have any adverse financial impact or liability. VTA’s management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2012.

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, 2012, the support services totaled \$5.3 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 2012, 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, 2012, VTA paid \$10.2 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, 2011 and 2010 (in thousands), are as follows¹:

PCJPB Financial Information	2011	2010
Total assets	\$1,261,456	\$1,222,379
Total liabilities	(81,272)	(75,380)
Total net assets	\$1,180,184	\$1,146,999
Operating revenues	\$ 53,295	\$ 46,462
Operating expenses	(157,747)	(145,983)
Non-operating revenues, net	45,803	44,535
Capital contributions	91,834	71,579
Change in net assets	\$ 33,185	\$ 16,593

¹ Latest audited 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 (SJRRRC) and the Alameda County Congestion Management Agency (ACCMA) 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, SJRRRC and ACCMA. Per the cooperative agreement, VTA’s financial subsidy is the amount paid in fiscal year 2003, increased annually by the CPI. During the year ended June 30, 2012, VTA contributed approximately \$2.7 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, 2011 and 2010 (in thousands), are as follows¹:

ACE Financial Information	2011	2010
Total assets	\$ 126,496	\$ 97,815
Total liabilities	(46,012)	(15,021)
Total net assets	\$ 80,484	\$ 82,794
Operating revenues	\$ 4,293	\$ 3,937
Operating expenses	(24,265)	(21,372)
Non-operating revenues, net	5,741	4,248
Capital contributions	5,785	8,601
Transfer in/(out)	650	11,974
Change in net assets	\$ (7,796)	\$ 7,388

¹ Latest audited information available. 2010 financial statements were restated in 2011.

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 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.

(d) *California Transit Finance Authority*

VTA is a participant of the California Transit Finance Authority (CTFA), which was formed in 1997 through a joint powers agreement for the purpose of establishing the California Transit Variable Rate Finance Program (Program). The Program makes low-cost, variable rate financing available to the members of the California Transit Association for the acquisition of transit equipment and facilities. In December 1997, the CTFA issued \$200,000,000 of variable rate demand bonds (the “CTFA Bonds”) to fund the Program. In March 1998, VTA borrowed \$50,000,000 under the Program and evidenced its borrowing through the issuance of \$50,000,000 Junior Lien Sales Tax Revenue Bonds, 1998 Series A held by the CTFA Bond trustee. In November 2000, VTA borrowed an additional \$40,000,000 under the Program and evidenced its borrowing through the issuance of \$40,000,000 Junior Lien Sales Tax Revenue Bonds, 2000 Series A held by the CTFA Bond trustee. In September 2011, VTA issued the 2011 Bonds to refund the 1998 Series A and 2000 Series A bonds in October 2011 (Note 7 – Long-Term Liabilities).

In September 2012, CTFA concluded the steps to wind up the affairs of the organization. Statements on its dissolution can be obtained from Shaw/Yoder Inc., 1414 K Street, Suite 320, Sacramento, California 95814.

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”). The Lease Agreements and Subleases terminate in 2025 and 2026, subject to VTA’s option to buy-out the remaining terms in 2015 and 2017, as the case may be (the “Early Buy-out”). During the terms of the Lease Agreements and Subleases, VTA retains ownership of and is obligated to insure and maintain the UTDC LRVs.

VTA received approximately \$92,286,000, which represented the prepayment of the rental obligations owed by the Trusts as Lessees under the Lease Agreements. The equity investors made equity contributions of approximately 20% 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 Subleases.

To provide for the funding of the debt portion of its rental payments under the Subleases and the debt portion of the Early Buy-out, VTA entered into debt payment agreements 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 agreements, VTA made an aggregate payment of \$68,149,000 in consideration of AIG Special Finance’s agreement to make payments equal to the debt portion of VTA’s rental payments under the Subleases and the debt portion of VTA Early Buy-out. VTA is obligated to replace AIG if the credit rating assigned to it by Standard & Poor’s or Moody’s falls below Baa1/BBB+. As of June 30, 2012, AIG is rated Baa1/A-.

VTA also used \$16,853,000 of the amounts received from the Trusts 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 Subleases 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. VTA is obligated to replace AGM if its credit rating by Standard & Poor’s or Moody’s falls below Aa3/AA-. On June 30, 2012, AGM was rated Aa3/AA-, although Moody’s has placed AGM’s rating under review for potential downgrade.

VTA reported revenue of \$5,600,000 from these transactions in FY 1999, net of \$1,683,000 in transaction costs.

In September 2011, VTA terminated one of the Lease/Sublease transactions by transferring its rights in the United States Treasury obligations to the equity investor, which agreed to pay all transaction costs associated with the termination process. The market value of the US Treasury securities held by the custodian as of June 30, 2012 was \$24,608,268, compared to the scheduled termination value of the remaining Lease/Sublease transaction of \$24,423,577.

(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-sublease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sub-sublease of 50 UTDC LRVs for terms of 13 years, with sublease renewal terms of 9 years thereafter. UTA and RT prepaid rent owing under the sub-subleases in an aggregate amount of \$9.3 million.

The sub-subleases to UTA and RT were recorded as capital leases in FY 2004. VTA subtracted \$23 million and \$10 million in net book value of 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.

(c) *Lease to Service Contracts*

In August and December 2003, VTA entered into four “lease to service” contract arrangements over 66 Kinkisharyo low floor light rail vehicles (the “Low Floor LRVs”) whereby VTA leased the Low Floor LRVs under four 65 year head leases (the “Head Leases”) to statutory trusts (the “Trusts”) created by equity investors and simultaneously leased back such LRVs under separate lease agreements (the “Leases”) that terminate in 2027 or 2034, as the case may be. At the expiration of the

Lease terms, VTA has the option to purchase the remaining interest of the Trusts in their respective Head Leases or enter into service contracts with respect to the Low Floor LRVs. The Leases provide for VTA's right to continue to use and control such LRVs, and VTA is obligated to insure and maintain them.

VTA received Head Lease prepayments in the aggregate amount of approximately \$291.2 million, of which \$221.5 million was invested with debt payment undertakers to provide funding for the scheduled rent payments under the Leases and \$33.5 million was used to purchase US Treasury or Agency securities or invest in payment undertakers to fund purchase options at the end of the lease terms, should VTA decide to exercise its purchase options. Approximately \$30.0 million represents considerations for tax benefits net of \$6.2 million in expenses, and was reported as revenue from head lease in the enterprise fund.

VTA also purchased a surety bond policy from Ambac Assurance Corporation ("Ambac") and credit default options guaranteed by AIG (collectively, "Strip Coverage") that guaranteed payment of certain liquidated damages in the event a Low Floor LRV was destroyed or an event causing early termination of the Leases occurred. VTA has an obligation to replace Ambac or AIG, as the case may be, if their ratings fall below Aa3/AA- by Moody's or Standard & Poor's.

During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. The downgrade of AIG impacted three of four leases to service contracts. Although each equity investor had the right to demand that VTA replace AIG as guarantor, one of the investors decided to exercise the option to terminate a transaction. VTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account plus a return of \$3.0 million (equal to 24% of the original net benefit received by VTA for the transaction). The negotiations were finalized in FY 2009 and final payment was made and a termination agreement was executed. During FY 2012, VTA concluded negotiations with the other equity investor (covering two transactions) to determine a mutually agreeable resolution as no replacements for AIG are available in the current market. The equity investor accepted a one-time payment of \$35,000 in consideration for permanently waiving the requirement to replace AIG as strip coverage provider for the transaction.

Also during 2008, Ambac's credit rating was reduced, impacting the fourth lease to service contract. In June 2010, VTA and the equity investor entered into a Collateral Delivery and Pledge Agreement (Pledge Agreement). Under the terms of the Pledge Agreement the equity investor waived the requirement to replace Ambac as the surety

provider in the transaction, in exchange for a pledge of collateral in an amount equal to 50% of Ambac's scheduled obligations, which is adjusted on an annual basis pursuant to transaction documents and market values. Pledged collateral is held by VTA's custodian and is included in the Statement of Fund Net Assets as a restricted investment. Also in June 2010, one light rail vehicle was removed from this transaction due to loss and as of June 30, 2012, VTA had \$7.2 million of pledged collateral.

VTA is obligated to insure and maintain the light rail vehicles. The lease agreements provide for VTA's right to continue to use and control the light rail vehicles. VTA has also agreed to indemnify the lessor from any taxes imposed by United States taxing authorities and from any other increased costs.

NOTE 22 – SUBSEQUENT EVENT

In July 2012, 2000 Measure A recorded a \$50.44 million revenue as a result of VTA's assignment to Bay Area Rapid Transit (BART) of Santa Clara County Regional Improvement Program funds currently programmed in the State Transportation Improvement Program (STIP) for construction of the BART extension to San Jose – Warm Springs to Berryessa in FY 2013. This is to relieve VTA of its funding obligation relative to the construction of BART's Hayward Maintenance Center (HMC) and Hayward Shop Modification. Similar amount of expenditure was recorded for this purpose.

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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, 2012

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
1/1/2012	\$ 373,170	\$ 517,200	\$ 144,030	72.2%	\$ 100,376	143.5%
1/1/2011	368,134	486,771	118,637	75.6%	97,569	121.6%
1/1/2010	354,785	462,912	108,127	76.6%	102,626	105.4%

⁽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, 2012

California Public Employees' Retirement System
 (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
6/30/2010	\$ 217,335	\$ 252,655	\$ 35,320	86.0%	\$ 53,231	66.4%
6/30/2009	203,338	238,083	34,745	85.4%	54,589	63.6%
6/30/2008	188,898	214,451	25,553	88.1%	51,043	50.1%

⁽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, 2012

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$150,716	\$ 254,187	\$ 103,471	59.3%	\$ 137,050	75.5%
6/30/2010	119,687	226,022	106,335	53.0%	140,601	75.6%
6/30/2008	104,404	225,482	121,078	46.3%	155,426	77.9%

⁽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, 2012
 (In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Revenues:				
Assessments to member agencies	\$ 2,407	\$ 2,407	\$ 2,407	\$ -
Federal grant revenues	1,367	1,367	1,367	-
Administrative fees	110	110	96	(14)
State and local operating assistance grants	770	770	743	(27)
Other revenues	170	170	104	(66)
Investment earnings	12	12	31	19
TOTAL REVENUES	4,836	4,836	4,748	(88)
Expenditures:				
VTA labor and overhead costs	3,727	3,852	3,767	85
Services and other:				
Professional services	693	568	434	134
Other services	13	13	2	11
Data processing	51	51	6	45
Miscellaneous	9	9	5	4
Contribution to other agencies	-	-	37	(37)
TOTAL EXPENDITURES	4,493	4,493	4,251	242
Changes in fund balance, on a budgetary basis	\$ 343	\$ 343	497	\$ 154
Revenues and Expenditures not budgeted:				
Change in fund balance, on a GAAP basis			497	
Fund Balance, Beginning of Year			947	
Fund Balance, End of Year			\$ 1,444	

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.

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 Assets

Enterprise Funds

June 30,

(In thousands)

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,805	\$ 17,028
Investments	181,973	137,747
Receivables, net	3,212	3,488
Due from other funds	385	762
Due from other agencies	87,133	88,803
Inventories	19,389	19,637
Other current assets	881	680
Total current assets	317,778	268,145
Restricted assets:		
Cash and cash equivalents	3,104	21,317
Cash and investments with fiscal agent	604,383	664,727
Investments	438,586	445,147
Receivables, net	2,172	1,634
Due from other agencies	89,796	65,649
Other current assets	231	185
Total restricted current assets	1,138,272	1,198,659
Non-current assets:		
Deferred charges	12,412	13,837
Deferred outflow of resources	116,923	55,639
Capital Assets		
<i>Nondepreciable:</i>		
Land and right-of-way	1,122,495	1,122,805
Construction in progress	1,107,386	902,026
<i>Depreciable:</i>		
Caltrain - Gilroy extension	53,307	53,307
Buildings, improvements, furniture, and fixtures	511,853	504,531
Vehicles	481,014	485,590
Light-rail tracks and electrification	403,394	403,831
Leasehold improvement	9,686	9,686
Other	46,152	46,065
Less: Accumulated depreciation	(657,113)	(618,061)
Net capital assets	3,078,174	2,909,780
TOTAL ASSETS	4,663,559	4,446,060

(Continued)

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

	2012	2011
LIABILITIES		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	16,078	14,395
Deposits	532	499
Accrued payroll and related liabilities	4,719	6,519
Bond interest and other fee payable	653	647
Deferred revenues	2,264	1,900
Due to other funds	-	1,362
Due to other governmental agencies	5,327	8,159
Other accrued liabilities	-	3
Total current liabilities	29,573	33,484
 <i>Liabilities payable from restricted assets:</i>		
Current portion of long-term debt	13,025	12,045
Accounts payable and accrued expenses	32,651	16,230
Bond interest and other fee payable	12,439	12,444
Deferred revenues	35	15
Due to other funds	1,150	251
Due to other governmental agencies	54,175	46,380
Total current liabilities payable from restricted assets	113,475	87,365
 <i>Non-current liabilities</i>		
Long-term debt, excluding current portion	1,235,479	1,262,664
Derivative instruments	116,923	55,639
Other accrued liabilities	131	392
Total non-current liabilities	1,352,533	1,318,695
TOTAL LIABILITIES	1,495,581	1,439,544
NET ASSETS	\$ 3,167,978	\$ 3,006,516

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

	2012	2011
OPERATING REVENUES:		
Passenger fares	\$ 37,744	\$ 38,106
Toll revenues collected	218	-
Advertising and other	2,108	1,908
TOTAL OPERATING REVENUES	40,070	40,014
OPERATING EXPENSES:		
Labor cost	262,556	248,373
Materials and supplies	30,912	29,765
Services	20,241	18,116
Utilities	6,983	6,787
Casualty and Liability	4,862	4,962
Purchased transportation	18,923	20,768
Leases and rentals	552	495
Miscellaneous	1,481	1,313
Depreciation expense	57,886	55,060
Costs allocated to capital and other programs	(29,452)	(31,827)
TOTAL OPERATING EXPENSE	374,944	353,812
OPERATING LOSS	(334,874)	(313,798)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	332,847	306,456
Federal operating assistance and other grants	42,286	42,225
Federal subsidy for Build America Bonds	9,399	5,848
State and local operating assistance grants	98,133	95,579
Caltrain subsidy	(10,207)	(14,135)
Capital expenses on behalf of, and contribution to, other agencies	(80,083)	(66,782)
Altamont Commuter Express subsidy	(2,707)	(2,706)
Investment earnings	18,594	10,067
Interest expense	(31,307)	(23,536)
Other income	11,856	7,137
Other expense	(8,059)	(15,434)
NON-OPERATING REVENUE, NET	380,752	344,719
INCOME (LOSS) BEFORE CONTRIBUTIONS	45,878	30,921
CAPITAL CONTRIBUTIONS	115,584	148,303
TRANSFER IN/(OUT)	-	32,650
CHANGE IN NET ASSETS	161,462	211,874
NET ASSETS, BEGINNING OF YEAR	3,006,516	2,794,642
NET ASSETS, END OF YEAR	\$ 3,167,978	\$ 3,006,516

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from passenger fares	\$ 38,414	\$ 38,106
Cash received from toll revenues collected	200	-
Cash received from advertising	2,074	1,908
Cash paid to employees	(234,904)	(216,546)
Cash paid to suppliers	(63,539)	(60,620)
Cash paid for purchased transportation	(18,923)	(20,768)
Other non-operating receipts	19,421	1,354
Net cash provided by/(used in) operating activities	<u>(257,257)</u>	<u>(256,566)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating grants received	143,904	132,711
Sales tax received	327,319	301,597
Caltrain subsidy	(10,207)	(14,135)
Altamont Commuter Express subsidy	(2,707)	(2,706)
Capital contribution to other agencies	(81,135)	(66,782)
Transfers in	6,300	33,165
Transfers out	(6,300)	(515)
Net cash provided by/(used in) non-capital financing activities	<u>377,174</u>	<u>383,335</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payment of long-term debt	(74,445)	(11,800)
Proceeds from issuance of long-term debt	47,485	645,890
Premium on issuance of long-term bonds	5,108	27,262
Issuance and other cost	(360)	(3,272)
Advance (to)/from other governments	4,963	1,522
Interest and other fees paid on long-term debt	(39,029)	(19,070)
Acquisition and construction of capital assets	(234,714)	(164,147)
Capital contribution from other governments	119,380	138,257
Net cash provided by/(used in) capital and related financing activities	<u>(171,612)</u>	<u>614,642</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	1,630,684	1,149,348
Purchases of investments	(1,668,350)	(1,230,832)
Interest income received	18,581	15,120
Net cash provided by/(used in) investing activities	<u>(19,085)</u>	<u>(66,364)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(70,780)	675,047
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>703,072</u>	<u>28,025</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 632,292</u>	<u>\$ 703,072</u>

(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)

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	\$ (334,874)	\$ (313,798)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	57,886	55,060
Changes in operating assets and liabilities:		
Other current assets	(200)	1,465
Receivables	294	38
Due from other agencies	(18)	-
Inventories	246	1,184
Accounts payable	1,683	(1,397)
Other accrued liabilities	(2,065)	(491)
Deposits from others	27	19
Deferred revenue	343	-
Other non operating receipts	19,421	1,354
Net cash provided by/(used in) operating activities	<u>\$ (257,257)</u>	<u>\$ (256,566)</u>
 Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:		
Cash and cash equivalents, end of year:		
Unrestricted	\$ 24,805	\$ 17,028
Restricted	607,487	686,044
	<u>\$ 632,292</u>	<u>\$ 703,072</u>
 <u>NONCASH ACTIVITIES:</u>		
Increase/(Decrease) in fair value of investments	\$ (507)	\$ (4,615)
Noncash capital contributions in Due from Other Agencies	34,836	38,632
Amortization expense of Caltrain Access Fee	(881)	(881)
Total non-cash activities	<u>\$ 33,448</u>	<u>\$ 33,136</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the Year ended June 30, 2012

(In thousands)

	FY12 Adopted Budget	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES				
Fares	\$ 37,755	\$ 37,755	\$ 37,744	\$ (11)
1976 1/2 Cent Sales Tax	156,242	156,242	166,567	10,325
Transportation Development Act funds	73,434	73,434	81,928	8,494
Measure A Sales Tax Oper Assistance	28,706	28,706	30,691	1,985
STA	13,307	13,307	14,055	748
Federal Operating Grants	42,351	42,351	42,286	(65)
Less: Transfer for Capital	(4,190)	(4,190)	(4,193)	(3)
State Operating Grants	2,268	2,268	2,149	(119)
Investment Earnings	854	854	3,031	2,177
Advertising Income	1,648	1,648	1,739	91
Other Income	13,736	13,736	16,160	2,424
Total revenues	366,110	366,110	392,157	26,047
OPERATING EXPENSES				
Labor Costs	261,570	263,870	262,556	1,314
Materials & Supplies	16,671	16,671	16,110	561
Security	7,910	7,910	7,745	165
Professional & Special Services	3,628	4,075	2,672	1,403
Other Services	7,927	7,802	6,370	1,432
Fuel	16,602	16,602	13,881	2,721
Traction Power	3,441	3,441	3,151	290
Tires	1,569	1,569	1,494	75
Utilities	2,604	2,604	2,734	(130)
Insurance	4,433	4,433	4,862	(429)
Data Processing	2,881	2,859	2,651	208
Office Expense	324	324	313	11
Communications	1,211	1,211	1,098	113
Employee Related Expense	717	717	643	74
Leases & Rents	564	564	552	12
Miscellaneous	746	746	643	103
Reimbursements	(37,449)	(36,391)	(36,732)	341
Total operating expenses	295,350	299,007	290,743	8,264
OTHER EXPENSES				
Paratransit ¹	25,723	20,082	20,007	75
Caltrain ¹	15,947	12,276	11,516	760
Light Rail Shuttles ¹	40	40	20	20
Altamont Commuter Express ¹	4,384	4,384	4,377	7
Highway 17 Express ¹	394	394	122	272
Dumbarton Express ¹	451	451	538	(87)
Monterey-San Jose Express Service ¹	40	40	39	1
Contribution to Other Agencies	590	590	605	(15)
Debt Service	19,637	19,637	19,477	160
Contingencies	1,410	-	-	-
Total other expenses	68,617	57,895	56,701	1,194
Total operating and other expenses	363,967	356,902	347,444	9,458
Net change in net assets, on a a budgetary basis	\$ 2,143	\$ 9,208	\$ 44,713	\$ 35,505

(continued on next page)

¹ Includes allocation of indirect costs.

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, 2012

(In thousands)

	<u>Adopted</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Net change in net assets, on a budgetary basis	\$ 2,143	\$ 9,208	\$ 44,713	\$ 35,505
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			30,207	
Project Expenditure			(3,119)	
Capital Contributions to Other Agencies			(12,123)	
Bond Principal Payment			10,215	
Amortization of Bond Premium			(840)	
Unrealized Loss on investment			(197)	
Debt Reduction Fund Interest Earnings			2,465	
Other non-budgetary revenues/(expenses)			(83)	
Gain/(Loss) on Disposal of assets			(457)	
Transfer for Capital			4,193	
Depreciation			<u>(57,886)</u>	
Net change in net assets, on a GAAP Basis			<u>\$ 17,088</u>	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Assets

Retiree Trust Funds

June 30, 2012

(In thousands)

			ATU Medical Trusts			Total
	ATU				Total	
	Pension Trust	OPEB Trust	Spousal Medical	Vision/Medical	Medical Trusts	
ASSETS						
<i>Restricted assets:</i>						
Cash and cash equivalents	\$ 1,076	\$ 288	\$ 28	\$ 18	\$ 46	\$ 1,410
Investments	374,842	167,956	9,771	6,138	15,909	558,707
Receivables	1,181	667	-	-	-	1,848
Total assets	<u>377,099</u>	<u>168,911</u>	<u>9,799</u>	<u>6,156</u>	<u>15,955</u>	<u>561,965</u>
LIABILITIES						
<i>Restricted liabilities:</i>						
Accounts payable	375	497	1	-	1	873
NET ASSETS						
<i>Net assets held in trust for:</i>						
Pension benefits	376,724	-	-	-	-	376,724
Other post-employment benefits	-	168,414	-	-	-	168,414
Spousal medical benefits	-	-	9,798	-	9,798	9,798
Retiree dental and vision benefits	-	-	-	6,156	6,156	6,156
TOTAL NET ASSETS	<u>\$376,724</u>	<u>\$168,414</u>	<u>\$ 9,798</u>	<u>\$6,156</u>	<u>\$ 15,954</u>	<u>\$561,092</u>

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year ended June 30, 2012
(In thousands)

	ATU		ATU Medical Trusts			Total
	Pension Trust	OPEB Trust	Spousal Medical	Vision/Dental	Total Medical Trusts	
ADDITIONS						
Contributions	\$ 19,148	\$ 17,321	\$ 1,313	\$ 327	\$ 1,640	\$ 38,109
<i>Investment earnings:</i>						
Investment income	15,606	4,063	11	8	19	19,688
Net appreciation/(depreciation) in the fair value of investments	(8,137)	4,910	507	309	816	(2,411)
Investment expense	(1,776)	(153)	(2)	(1)	(3)	(1,932)
Net investment income	<u>5,693</u>	<u>8,820</u>	<u>516</u>	<u>316</u>	<u>832</u>	<u>15,345</u>
Other revenue	-	210	-	-	-	210
TOTAL ADDITIONS	<u>24,841</u>	<u>26,351</u>	<u>1,829</u>	<u>643</u>	<u>2,472</u>	<u>53,664</u>
DEDUCTIONS						
Benefit payments	24,956	8,623	1,212	-	1,212	34,791
Administrative expenses	238	29	9	6	15	282
TOTAL DEDUCTIONS	<u>25,194</u>	<u>8,652</u>	<u>1,221</u>	<u>6</u>	<u>1,227</u>	<u>35,073</u>
NET INCREASE	(353)	17,699	608	637	1,245	18,591
NET ASSETS HELD IN TRUST						
BEGINNING OF YEAR	<u>377,077</u>	<u>150,715</u>	<u>9,190</u>	<u>5,519</u>	<u>14,709</u>	<u>542,501</u>
END OF YEAR	<u>\$ 376,724</u>	<u>\$ 168,414</u>	<u>\$ 9,798</u>	<u>\$ 6,156</u>	<u>\$ 15,954</u>	<u>\$ 561,092</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2012

(In thousands)

	Measure B			
	BAAQMD	SB83 VRF	Ancillary	
	<u>Program</u>	<u>Agency</u>	<u>Program</u>	<u>Total</u>
<u>Assets</u>				
<i>Restricted assets:</i>				
Cash and cash equivalents	\$ 537	\$ 2,428	\$ 1,100	\$ 4,065
Investments	2,788	11,515	-	14,303
Total Assets	<u>3,325</u>	<u>13,943</u>	<u>1,100</u>	<u>18,368</u>
<u>Liabilities</u>				
<i>Liabilities payable from restricted assets:</i>				
Accounts Payable	19	-	-	19
Program payable	3,306	13,943	1,100	18,349
Total Liabilities Payable from Restricted Assets	<u>\$ 3,325</u>	<u>\$ 13,943</u>	<u>\$ 1,100</u>	<u>\$ 18,368</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

June 30, 2012

(In thousands)

	Balance			Balance
	July 1, 2011	Increase	Decrease	June 30, 2012
BAAQMD Program				
Restricted assets:				
Cash and cash equivalents	\$ 401	\$ 136	\$ -	\$ 537
Investments	3,103	-	315	2,788
Total restricted assets	\$ 3,504	\$ 136	\$ 315	\$ 3,325
Liabilities payable from restricted assets:				
Accounts Payable	\$ -	\$ 19	\$ -	\$ 19
Program payable	3,504	-	198	3,306
Total liabilities payable from restricted assets	\$ 3,504	\$ 19	\$ 198	\$ 3,325
SB83 VRF Program				
Restricted assets:				
Cash and cash equivalents	\$ 7	\$ 2,421	\$ -	\$ 2,428
Investments	-	11,515	-	11,515
Total restricted assets	\$ 7	\$ 13,936	\$ -	\$ 13,943
Liabilities payable from restricted assets:				
Program payable	\$ 7	\$ 13,936	\$ -	\$ 13,943
Total liabilities payable from restricted assets	\$ 7	\$ 13,936	\$ -	\$ 13,943
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	\$ 2,169	\$ -	\$ 1,069	\$ 1,100
Total restricted assets	\$ 2,169	\$ -	\$ 1,069	\$ 1,100
Liabilities payable from restricted assets:				
Program payable	\$ 2,169	\$ -	\$ 1,069	\$ 1,100
Total liabilities payable from restricted assets	\$ 2,169	\$ -	\$ 1,069	\$ 1,100
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	\$ 2,577	\$ 2,557	\$ 1,069	\$ 4,065
Investments	3,103	11,515	315	14,303
Total restricted assets	\$ 5,680	\$ 14,072	\$ 1,384	\$ 18,368
Liabilities payable from restricted assets:				
Account Payable	\$ -	\$ 19	\$ -	\$ 19
Program payable	5,680	13,936	1,267	18,349
Total liabilities payable from restricted assets	\$ 5,680	\$ 13,955	\$ 1,267	\$ 18,368

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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 Assets
- Table 2 – Net Assets 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

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TABLE 1-1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Changes in Net Assets
 Ten Years Ended June 30, 2012
 (In thousands)

	Fiscal Years									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
EXPENSES										
<i>Business-type activities:</i>										
Operations and Operating Projects	\$ 335,760	\$286,098	\$ 300,430	\$ 339,857	\$ 321,059	\$344,469	\$ 343,973	\$ 338,771	\$ 343,302	\$ 364,723
Caltrain Subsidy	22,298	16,805	14,112	14,801	15,237	15,416	15,878	15,878	14,135	10,207
Capital Expenses on behalf of, and contribution to other agencies	-	-	-	27,399	7,272	19,331	42,626	81,714	66,782	80,083
Altamont Commuter Express Subsidy	2,715	2,392	2,470	2,470	2,542	2,621	2,707	2,707	2,706	2,707
Interest Expense	14,222	13,690	13,761	11,562	13,672	12,214	11,651	20,583	23,536	31,307
Other Expenses	4,858	3,022	3,316	6,972	4,636	3,280	5,446	7,268	15,434	8,059
Benefit Payments	-	14,816	21,370	11,538	14,285	10,513	9,826	7,693	8,410	11,419
Total Business-Type Activities Expenses	379,853	336,823	355,459	414,599	378,703	407,844	432,107	474,614	474,305	508,505
<i>Governmental activities:</i>										
Operations and operating projects	3,582	2,858	4,735	5,982	6,528	6,450	8,840	7,164	7,196	6,692
Contribution to agencies	-	-	-	-	-	-	-	-	867	37
Capital projects for the benefit of other agencies	141,271	115,262	94,146	80,763	45,806	43,798	26,398	19,402	21,091	19,052
Total governmental activities expenses	144,853	118,120	98,881	86,745	52,334	50,248	35,238	26,566	29,154	25,781
Total primary government expenses	\$ 524,706	\$454,943	\$ 454,340	\$ 501,344	\$ 431,037	\$458,092	\$ 467,345	\$ 501,180	\$ 503,459	\$ 534,286
PROGRAM REVENUES										
<i>Business-type activities:</i>										
Charges for services	\$ 34,376	\$ 33,422	\$ 34,692	\$ 36,926	\$ 37,876	\$ 38,053	\$ 38,439	\$ 38,830	\$ 40,014	\$ 40,070
Operating grants	104,132	111,577	113,925	114,764	140,431	126,505	114,937	126,934	137,804	140,419
Capital grants	316,997	217,053	96,860	22,522	199,999	153,443	82,175	92,594	148,303	115,584
Total business-type activities program revenues	455,505	362,052	245,477	174,212	378,306	318,001	235,551	258,358	326,121	296,073
<i>Governmental activities:</i>										
Charges for services	2,177	1,862	2,231	2,290	2,397	2,475	2,618	2,606	2,520	2,503
Operating grants	852	517	1,190	850	1,023	2,193	1,496	1,854	2,127	2,110
Capital grants	141,364	116,012	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530
Total governmental activities program revenues	144,393	118,391	99,167	86,347	51,600	49,777	33,593	26,774	28,698	26,143
Total primary government revenues	\$ 599,898	\$480,443	\$ 344,644	\$ 260,559	\$ 429,906	\$367,778	\$ 269,144	\$ 285,132	\$ 354,819	\$ 322,216
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	\$ 75,652	\$ 25,229	\$(109,982)	\$(240,387)	\$ (397)	\$(89,843)	\$(196,556)	\$(216,256)	\$(148,184)	\$(212,432)
Governmental activities	(460)	271	286	(398)	(734)	(471)	(1,645)	208	(456)	362
Total primary government net program (expenses)/revenues	\$ 75,192	\$ 25,500	\$(109,696)	\$(240,785)	\$ (1,131)	\$ (90,314)	\$ (198,201)	\$(216,048)	\$(148,640)	\$(212,070)

TABLE 1-2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Changes in Net Assets
 Ten Years Ended June 30, 2012
 (In thousands)

	Fiscal Years									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
<i>Business-type activities:</i>										
Sales tax revenue	\$ 132,632	\$ 138,917	\$ 145,008	\$ 195,453	\$ 325,037	\$323,575	\$274,903	\$279,342	\$306,456	\$332,847
Investment income	14,245	6,382	11,206	10,537	27,288	22,511	16,862	7,352	11,039	19,289
Proceed from sales of land	-	-	-	-	-	-	-	-	642	-
Federal subsidy for Build America Bonds	-	-	-	-	-	-	-	-	5,848	9,399
Other income	4,104	2,102	2,628	9,158	1,347	3,523	3,385	3,241	6,865	12,307
<i>Special items:</i>										
Loss from sublease of vehicles	-	(15,918)	(7,773)	-	-	-	-	-	-	-
Revenue from headlease	-	29,999	-	-	-	-	-	-	-	-
Gain on sale of land	12,224	-	-	-	-	-	-	-	-	-
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	<u>163,205</u>	<u>161,482</u>	<u>151,069</u>	<u>215,148</u>	<u>377,441</u>	<u>252,533</u>	<u>298,650</u>	<u>289,935</u>	<u>336,566</u>	<u>373,842</u>
<i>Governmental activities:</i>										
Sales tax revenue	61	-	-	-	-	-	-	-	-	-
Investment income	99	79	174	207	267	349	41	12	10	31
Other income	12	18	19	28	3	151	161	15	1,106	104
Total governmental activities	<u>172</u>	<u>97</u>	<u>193</u>	<u>235</u>	<u>270</u>	<u>500</u>	<u>202</u>	<u>27</u>	<u>1,116</u>	<u>135</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS	<u>\$ 163,377</u>	<u>\$ 161,579</u>	<u>\$ 151,262</u>	<u>\$ 215,383</u>	<u>\$ 377,711</u>	<u>\$253,033</u>	<u>\$298,852</u>	<u>\$289,962</u>	<u>\$337,682</u>	<u>\$373,977</u>
Business-type activities	238,857	186,711	41,087	(25,239)	377,044	162,690	102,094	73,679	188,382	161,410
Governmental activities	(288)	368	479	(163)	(464)	29	(1,443)	235	660	497
Total primary government	<u>\$ 238,569</u>	<u>\$ 187,079</u>	<u>\$ 41,566</u>	<u>\$ (25,402)</u>	<u>\$ 376,580</u>	<u>\$162,719</u>	<u>\$100,651</u>	<u>\$ 73,914</u>	<u>\$189,042</u>	<u>\$161,907</u>

TABLE 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Net Assets by Component
 Ten Years Ended June 30, 2012
 (In thousands)

	Fiscal Years									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009¹</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
BUSINESS-TYPE ACTIVITIES										
Invested in Capital Assets, Net of Related Debt	\$1,686,313	\$1,846,221	\$1,867,513	\$1,817,396	\$1,888,879	\$2,056,769	\$2,180,768	\$2,195,790	\$2,220,118	\$2,351,676
Restricted	-	65,780	44,400	35,153	353,186	141,764	362,079	449,096	572,054	548,367
Unrestricted	162,644	169,798	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903
Total Business-Type Activities Net Assets	<u>1,848,957</u>	<u>2,081,799</u>	<u>2,122,886</u>	<u>2,097,647</u>	<u>2,474,691</u>	<u>2,637,381</u>	<u>2,739,475</u>	<u>2,813,154</u>	<u>3,001,536</u>	<u>3,162,946</u>
GOVERNMENTAL ACTIVITIES										
Restricted Net Assets	<u>1,336</u>	<u>1,705</u>	<u>2,184</u>	<u>1,930</u>	<u>1,466</u>	<u>1,495</u>	<u>52</u>	<u>287</u>	<u>947</u>	<u>1,444</u>
PRIMARY GOVERNMENT										
Invested in Capital Assets, Net of Related Debt	1,686,313	1,846,221	1,867,513	1,817,396	1,888,879	2,056,769	2,180,768	2,195,790	2,220,118	2,351,676
Restricted	1,336	67,485	46,584	37,083	354,652	143,259	362,131	449,383	573,001	549,811
Unrestricted	162,644	169,798	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903
Total Primary Government Net Assets	<u>\$1,850,293</u>	<u>\$2,083,504</u>	<u>\$2,125,070</u>	<u>\$2,099,577</u>	<u>\$2,476,157</u>	<u>\$2,638,876</u>	<u>\$2,739,527</u>	<u>\$2,813,441</u>	<u>\$3,002,483</u>	<u>\$3,164,390</u>

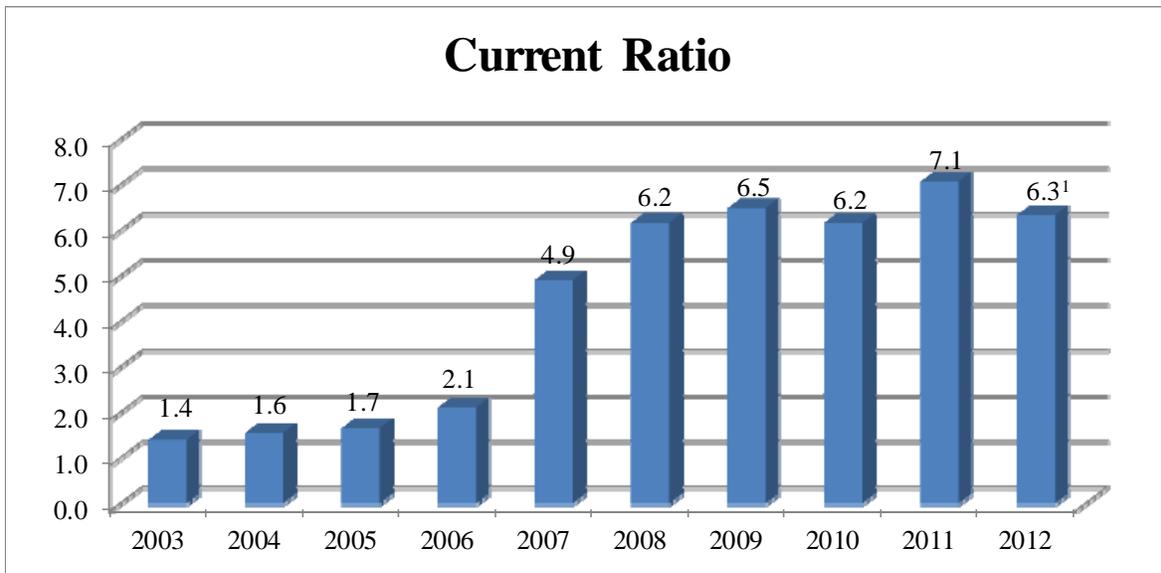
¹Business-type amount reclassified to match 2010 presentation.

TABLE 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2012
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Member Agency Assessment Revenue	\$ 2,032	\$ 1,783	\$ 2,174	\$ 2,250	\$ 2,329	\$ 2,410	\$ 2,495	\$ 2,495	\$ 2,407	\$ 2,407
Federal Technical Studies Operating Assistance Grants	453	223	1,036	621	794	1,102	915	1,235	1,398	1,367
Sales Tax	60	-	-	-	-	-	-	-	-	-
Administrative Fees	145	80	57	40	68	65	123	111	113	96
State and Local Assistance Grants	400	293	63	229	229	1,091	581	619	729	743
Federal, State and Local Grant Revenues	141,364	116,013	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530
Other Revenues	12	17	19	28	3	151	161	15	1,106	104
Investment Earnings	99	79	174	207	267	349	41	12	10	31
Total Revenues	<u>144,565</u>	<u>118,488</u>	<u>99,269</u>	<u>86,582</u>	<u>51,870</u>	<u>50,277</u>	<u>33,795</u>	<u>26,801</u>	<u>29,814</u>	<u>26,278</u>
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	2,604	2,733	4,177	5,179	5,640	5,680	8,006	6,606	6,814	6,245
Professional Services	919	390	640	803	888	770	793	541	374	436
Program Expenditures	-	-	-	-	-	-	41	17	8	11
Contribution to agencies	-	-	-	-	-	-	-	-	867	37
Capital Improvement Projects	141,271	115,262	94,064	80,763	45,806	43,798	26,398	19,402	21,091	19,052
Total Expenditures	<u>144,794</u>	<u>118,385</u>	<u>98,881</u>	<u>86,745</u>	<u>52,334</u>	<u>50,248</u>	<u>35,238</u>	<u>26,566</u>	<u>29,154</u>	<u>25,781</u>
Excess (Deficiency) of Revenues Over Expenditures	(229)	103	388	(163)	(464)	29	(1,443)	235	660	497
OTHER FINANCING SOURCES (USES):										
Transfer In	-	-	86	-	-	-	-	-	-	-
Transfer Out	-	-	(86)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
Net Change in Fund Balances	<u>\$ (229)</u>	<u>\$ 103</u>	<u>\$ 388</u>	<u>\$ (163)</u>	<u>\$ (464)</u>	<u>\$ 29</u>	<u>\$ (1,443)</u>	<u>\$ 235</u>	<u>\$ 660</u>	<u>\$ 497</u>
TOTAL GOVERNMENTAL FUNDS										
Restricted – Capital Projects Funds	-	-	(258)	-	-	-	-	-	-	-
Restricted – Special Revenue Funds	1,602	1,705	2,351	1,930	1,466	1,495	52	287	947	1,444
Total Governmental Funds	<u>\$ 1,602</u>	<u>\$ 1,705</u>	<u>\$ 2,093</u>	<u>\$ 1,930</u>	<u>\$ 1,466</u>	<u>\$ 1,495</u>	<u>\$ 52</u>	<u>\$ 287</u>	<u>\$ 947</u>	<u>\$ 1,444</u>

TABLE 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Current Ratio
 Enterprise Funds
 Ten Years Ended June 30, 2012

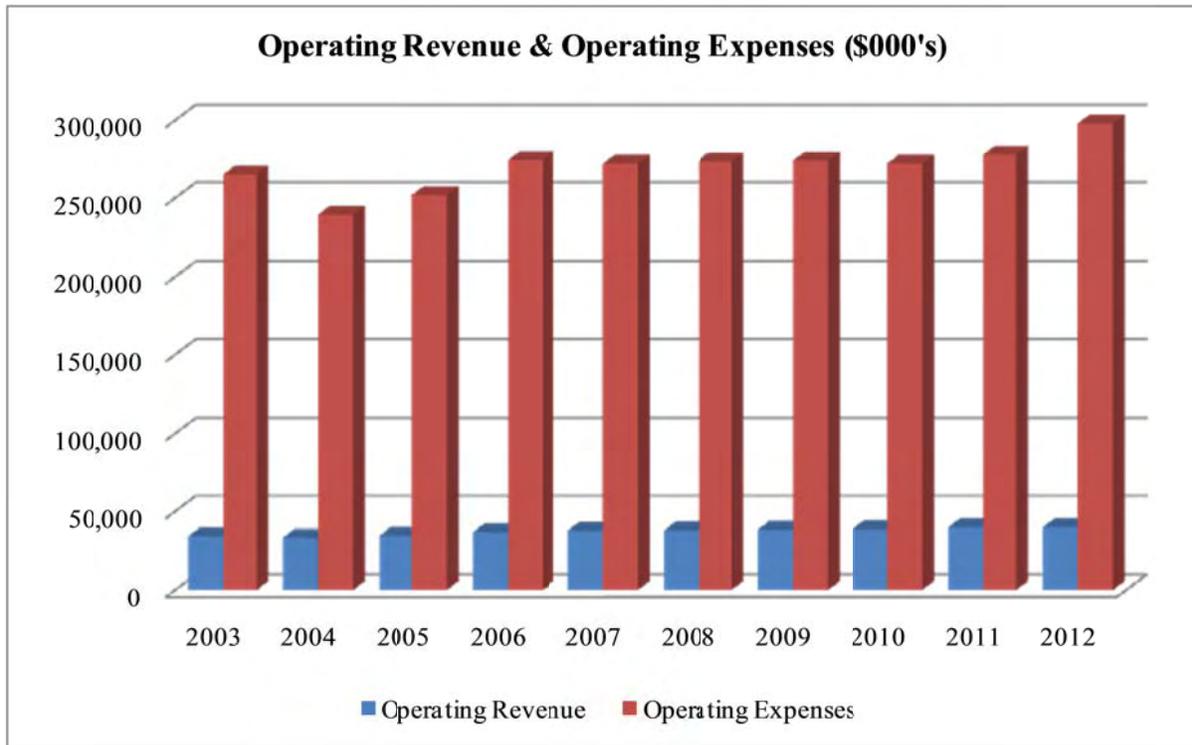
The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of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



¹Current assets exclude 2010 Measure A bond proceeds of \$549 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, 2012

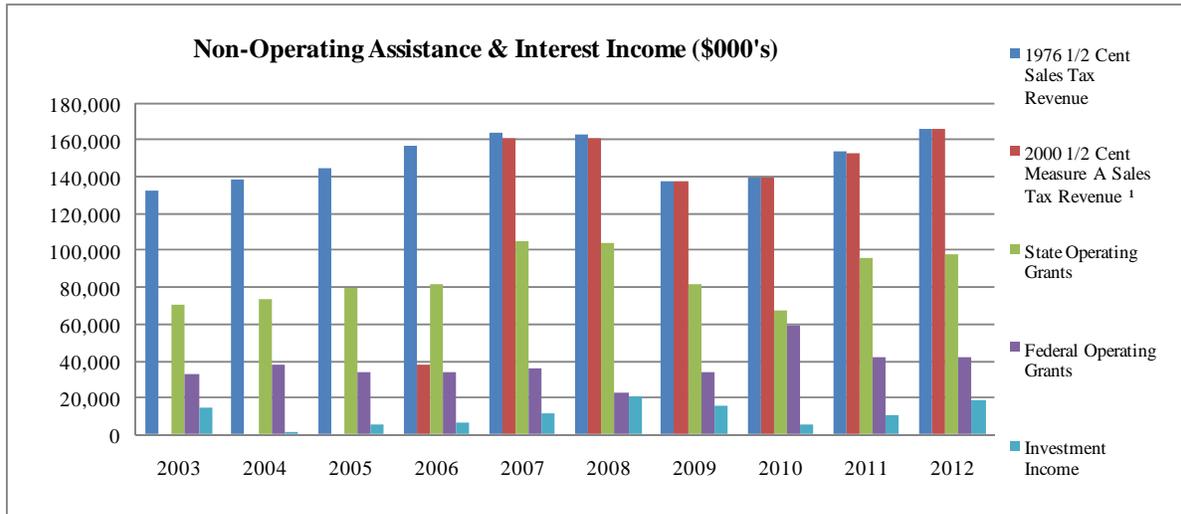
The chart below shows a comparison of operating revenue to expenses. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenue	\$34,376	\$33,421	\$34,692	\$36,926	\$37,876	\$38,053	\$38,439	\$38,830	\$40,014	\$39,852
Operating Expenses	265,180	239,411	251,874	274,426	271,975	273,495	273,979	272,196	277,984	297,988

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Non-Operating Assistance and Interest Income
 Enterprise Funds
 Ten Years Ended June 30, 2012

The following chart illustrates trends in selected non-operating revenue sources. Sales tax revenue is the largest non-operating revenue source as shown in the following graph. This is the seventh year 2000 Measure A Half-Cent Sales Tax revenue has been collected.

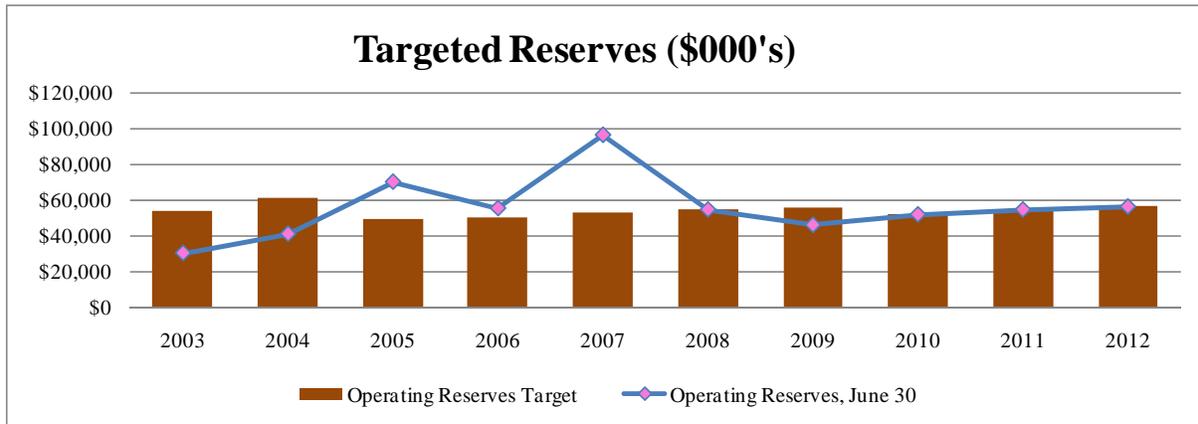


	Non-Operating Assistance and Interest Income									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1976 1/2 Cent Sales Tax Revenue	\$ 132,632	\$ 138,917	\$ 145,008	\$ 157,283	\$ 163,676	\$ 163,038	\$ 137,642	\$ 140,037	\$ 153,601	\$ 166,567
2000 1/2 Cent Measure A Sales Tax Revenue ¹	-	-	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280
State Operating Grants	70,956	73,433	79,509	81,199	104,917	104,080	81,488	67,834	95,579	98,133
Federal Operating and Other Grants	33,176	38,144	34,416	33,565	35,514	22,425	33,449	59,100	42,225	42,286
Investment Income	14,245	1,592	5,666	6,457	11,304	20,370	15,341	5,764	10,067	18,594

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

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Targeted Operating Reserves
 VTA Transit Fund
 Ten Years Ended June 30, 2012

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 assets. Current Net Assets are then reduced by inventory and other current assets to reach a current operating reserve total.



	2003	2004	2005	2006	2007	2008	2009	2010 ¹	2011 ²	2012 ³
Current Assets,										
excluding restricted asset	\$ 96,026	\$ 111,232	\$ 126,644	\$ 113,717	\$ 158,291 ⁴	\$ 120,374	\$ 103,697	\$ 104,933	\$ 108,396	\$ 106,085
Total Current Liabilities,										
excluding restricted liability	(43,785)	(45,865)	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)	(30,950)	(33,484)	(29,547)
Net Current Asset	\$ 52,241	\$ 65,367	\$ 88,882	\$ 75,772	\$ 116,689	\$ 75,421	\$ 69,981	\$ 73,983	\$ 74,912	\$ 76,538
Less: Inventory & Other										
Current Assets⁵	(21,951)	(24,335)	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)	(22,126)	(20,317)	(20,270)
Operating Reserves, June 30	\$ 30,290	\$ 41,032	\$ 70,169	\$ 55,411	\$ 96,455	\$ 54,630	\$ 46,045	\$ 51,857	\$ 54,595	\$ 56,268
Operating Reserves Target	\$ 53,843	\$ 60,899	\$ 49,112	\$ 50,081	\$ 52,599	\$ 54,630	\$ 55,760	\$ 51,857	\$ 54,595	\$ 56,268
(15% of Budgeted Expenses)										

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, OPEB liability 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, 2012

Revenue Rates (In thousands)	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Passenger Fares ¹	\$30,960	\$30,625	\$32,061	\$34,335	\$35,242	\$35,830	\$36,184	\$36,857	\$38,106	\$ 37,744
Percentage Increase/(Decrease) from Prior Year	(1.0)%	(1.1)%	4.7 %	7.1 %	2.6 %	1.7 %	1.0 %	1.9 %	3.4 %	(0.9)%
Revenue Base										
Number of Passengers ²	45,221,844	38,375,374	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434	41,733,376	41,409,630	42,426,797
Percentage Increase/(Decrease) from Prior Year	(14.2)%	(15.1)%	(3.4)%	5.8 %	7.1 %	3.7 %	3.9 %	(7.8)%	(0.8)%	2.5 %
Fare Structure										
Adult Local Fare	\$1.40	\$1.50	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$2.00	\$2.00	\$2.00
Youth Local Fare	0.85	1.25	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75
Senior/Disabled Local Fare	0.45	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Half-Cent Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax ³	\$132,632	\$138,917	\$145,008	\$157,283	\$163,676	\$163,038	\$137,642	\$140,037	\$153,601	\$166,567
2000 Measure A 1/2 Cent Sales Tax ⁴	-	-	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280
Total Sales Tax Revenue Receipts ⁵	<u>\$132,632</u>	<u>\$138,917</u>	<u>\$145,008</u>	<u>\$195,453</u>	<u>\$325,037</u>	<u>\$323,575</u>	<u>\$274,903</u>	<u>\$279,342</u>	<u>\$306,456</u>	<u>\$332,847</u>
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	(8.0)%	4.7 %	4.4 %	8.5 %	4.1 %	(0.4)%	(15.6)%	1.7 %	9.7 %	8.4 %
2000 Measure A 1/2 Cent Sales Tax	N/A	N/A	N/A	N/A	322.7 %	(0.5)%	(14.5)%	1.5 %	9.7 %	8.8 %

¹ Includes fares for directly operated transit services such as bus, light rail, and shuttle services.

² Represents system ridership total boardings.

Source: VTA Operations Division

³ The 1976 half-cent sales tax was approved by wwCounty 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 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, 2012

Fiscal Year	State	City	County¹	VTA²	Total
2003	6.25%	1.00%	0.50%	0.50%	8.25%
2004	6.25%	1.00%	0.50%	0.50%	8.25%
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%

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 two 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.

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.

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

Principal Revenue Payers	Fiscal Year 2011 ¹			Fiscal Year 2002		
	Rank	Percentage of Taxable Sales	Amount	Rank	Percentage of Taxable Sales	Amount
Total all Other Outlets ²	1	42.5%	\$13,688	1	41.8%	\$12,112
Food Services & Drinking Places	2	9.2%	2,955	5	7.5%	2,172
Motor Vehicle & Parts Dealers	3	8.4%	2,719	2	12.0%	3,477
General Merchandise Stores	4	7.5%	2,419	4	7.8%	2,272
Gasoline Stations	5	7.4%	2,381	7	4.3%	1,238
Clothing & Clothing Accessories	6	5.9%	1,896	8	3.6%	1,044
Electronics & Appliance Stores	7	4.4%	1,408	13	1.1%	335
Bldg. Matrl. & Garden Equip. & Suppl.	8	3.9%	1,262	6	4.9%	1,425
Food & Beverage Stores	9	3.1%	1,001	9	3.4%	977
Sport Goods, Hobby, Book & Music	10	2.0%	660	12	1.2%	343
Miscellaneous Store Retailers	11	2.0%	643	3	8.8%	2,554
Health & Personal Care Stores	12	1.7%	541	11	1.3%	362
Furniture & Home Furnishing Stores	13	1.5%	499	10	2.1%	602
Non-Store Retailers	14	0.5%	166	14	0.2%	61
Total		100.0%	\$32,238		100.0%	\$28,974

¹ 2012 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, 2012
 (In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates¹	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2003	\$ 29,660	\$ 387,810	\$ -	\$ 417,470
2004	29,660	297,415	250,042	577,117
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

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, 2012
 (In thousands)

Fiscal Year	Total Outstanding Debt	Total County Taxable Sales¹	Total Debt as a % of Taxable Sales	Personal Income²	Total Debt as a % of Personal Income
2003	\$417,470	\$27,453,900	1.52%	\$78,219,767	0.54%
2004	577,118	27,906,967	2.07%	82,471,174	0.70%
2005	708,727	28,878,355	2.45%	87,881,146	0.81%
2006	700,015	31,623,873	2.21%	96,092,804	0.73%
2007	746,128	33,131,466	2.25%	103,501,849	0.72%
2008	662,925	33,476,000	1.98%	104,331,553	0.64%
2009	626,680	29,009,000	2.16%	96,315,176	0.63%
2010	616,073	28,720,000	2.15%	103,636,350	0.59%
2011	1,274,709	32,238,000	3.95%	104,672,714	1.22%
2012	1,248,504	32,560,380	3.83%	105,719,441	1.18%

¹ Taxable sales data is available through Fiscal Year 2011. FY 2012 assumes a 1% increase over 2011 numbers.

² Personal income actual is available through Fiscal Year 2010. FYs 2011 and 2012 assume a 1% increase over the prior years' numbers.

The total VTA outstanding debt is pledged by its sales tax revenues. VTA has two sales tax revenue measures approved by the voters. The 1976 1/2 cent Sales Tax measure was approved in 1976 and the 2000 Measure A 1/2 cent Sales Tax was passed by County voters in the 2000 general election. The collection of this tax measure started 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, 2012
 (In thousands)

Fiscal Year	Available Revenue	Annual Debt Service¹			Coverage
	Sales Tax Revenue	Principal	Interest²	Total	
2003	\$ 132,632	\$ 8,159	\$ 14,222	\$ 22,381	5.9
2004	138,917	8,894	13,691	22,585	6.2
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

¹This schedule includes Junior and Senior Lien debts.

² Interest is exclusive of interest earned from bond proceeds.

³This 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
Nine Years Ended June 30, 2012
(In thousands)

<u>Fiscal Year</u>	<u>Available</u>	<u>Annual Debt Service</u>		<u>Total</u>	<u>Coverage²</u>
	<u>Revenue</u>	<u>Principal</u>	<u>Interest¹</u>		
	<u>Sales Tax</u>				
	<u>Revenue</u>				
2004	\$ -	\$ -	\$ 1,874	\$ 1,874	-
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

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 forecasted debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2013 through 2017.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
 Fiscal Years Ending June 30, 2013 – 2017 (Proforma and Unaudited)
 (In thousands)

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Projected Sales</u> <u>Tax Revenue</u>	<u>Percent</u> <u>Increase</u> ^{1*}	<u>Aggregate</u> <u>Debt Service</u> ²	<u>Projected</u> <u>Coverage</u> ³
2013	176,194	5.78%	18,403	9.57
2014	183,575	4.19%	18,042	10.17
2015	188,830	2.86%	17,909	10.54
2016	192,517	1.95%	21,080	9.13
2017	197,081	2.37%	21,082	9.35

The table below presents a five-year projection of forecasted 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, 2013 through 2017.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
 Fiscal Years Ending June 30, 2013 – 2017 (Proforma and Unaudited)
 (In thousands)

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Projected Sales</u> <u>Tax Revenue</u>	<u>Percent</u> <u>Increase</u> ^{1*}	<u>Aggregate</u> <u>Debt Service</u> ²	<u>Projected</u> <u>Coverage</u> ³
2013	175,890	5.78%	52,475	3.35
2014	183,258	4.19%	74,052	2.47
2015	188,505	2.86%	74,050	2.55
2016	192,185	1.95%	74,050	2.60
2017	196,741	2.37%	74,017	2.66

¹ Source: Growth rates provided by outside economists.

² 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%.

³ Does not include any additional parity debt.

* 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 2.0% in 2012 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							
	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2012</u>
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	39,882
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	59,022
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	50,158
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	29,460
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,027
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	29,854
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	66,966
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,373
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	39,127
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	75,275
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	65,544
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	971,372
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	118,813
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	30,363
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	142,896
Unincorporated	<u>162,056</u>	<u>152,181</u>	<u>127,021</u>	<u>106,193</u>	<u>100,300</u>	<u>89,960</u>	<u>86,354</u>
County Total ¹	<u>641,503</u>	<u>1,066,009</u>	<u>1,295,071</u>	<u>1,497,577</u>	<u>1,682,585</u>	<u>1,781,642</u>	<u>1,816,486</u>
California	<u>15,717,204</u>	<u>18,136,045</u>	<u>23,668,145</u>	<u>29,760,021</u>	<u>33,871,648</u>	<u>37,253,956</u>	<u>37,678,563</u>

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

Year	Santa Clara County Personal Income (In thousands) ^{1,2}	Santa Clara County Per Capita Personal Income ^{1,2}	Unemployment Rate ³
2003	\$78,219,767	\$46,363	8.5%
2004	82,471,174	49,132	6.6%
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	104,672,714	58,598	10.3%
2012	105,719,441	59,184	8.7%

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

² Actual data is available through 2010. Years 2011 and 2012 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)
(In thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force ¹	958.2	895.1	828.8	823.7	834.4	855.2	876.8	879.8	871.6	894.8
Civilian Employment	877.6	821.6	774.2	778.7	797.1	814.7	825.2	777.5	774.0	804.6
Civilian Unemployment	80.6	73.5	54.6	45.0	37.3	40.5	51.7	102.2	97.6	90.2
Civilian Unemployment Rate										
County	8.5%	8.2%	6.6%	5.5%	4.5%	4.7%	5.9%	11.6%	11.2%	10.1%
State of California	6.7%	6.5%	6.5%	5.4%	4.9%	5.4%	7.0%	11.6%	12.2%	12.0%
Wage and Salary Employment ²										
Total Farm Agriculture	4.5	4.2	4.1	3.8	3.8	3.7	4.6	3.6	3.6	3.4
Construction and Mining	42.5	39.0	40.1	42.7	45.5	49.5	50.1	32.9	32.3	30.9
Manufacturing	201.2	177.0	167.9	168.6	167.4	163.7	166.3	153.5	150.7	154.6
Transportation & Public Utilities	15.0	14.2	13.3	13.0	12.6	13.1	13.8	11.7	11.9	11.8
Wholesale Trade	35.7	33.5	34.0	35.1	37.6	39.1	39.9	36.0	34.7	35.0
Retail Trade	83.6	81.0	80.2	81.7	83.1	86.2	88.2	77.4	75.6	77.5
Finance, Insurance & Real Estate	35.0	34.8	34.7	35.9	36.8	38.2	39.5	31.5	30.8	31.2
Services	391.7	379.9	385.0	384.8	401.3	416.7	424.1	404.4	418.5	432.8
Government	98.1	94.8	91.7	93.0	93.5	90.2	92.7	95.0	93.4	88.6
Total ³	<u>907.3</u>	<u>858.4</u>	<u>851.0</u>	<u>858.6</u>	<u>881.6</u>	<u>900.4</u>	<u>919.2</u>	<u>846.0</u>	<u>851.5</u>	<u>865.8</u>

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 2011.

² Wage and salary employment is reported by place of work. Data are benchmarked to 2011.

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 2012		FY 2003	
		Number of Employees	Rank	Number of Employees	Rank
Cisco Systems, Inc.	Computer network equipment manufacturer	15,492	1	13,000	2
Santa Clara County	County government	14,957	2	15,930	1
Kaiser Permanente	Health care organization	13,500	3	5,249	8
Apple Inc.	Computer & consumer electronics products	12,000	4	NA	
Stanford University	Higher education	11,020	5	10,900	3
Oracle Corp.	Software developer	8,000	6	NA	
Stanford Hospital & Clinics	Hospital	7,924	7	NA	
Lockheed Martin Space Systems Co.	Aerospace systems	6,900	8	6,730	5
State of California	State government	6,569	9	NA	
Google Inc.	Internet applications	6,000	10	NA	
City of San Jose	Local government	NA		6,591	6
Hewlett-Packard Co.	Computer hardware, software & services	NA		10,000	4
San Jose State University	Higher education	NA		5,760	7
San Jose Unified School District	Public Education	NA		3,359	9
Santa Clara Valley Transportation Authority	Public Transportation & Congestion Management	NA		2,853	10

Source: Silicon Valley/San Jose Business Journal December 2011.

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 14,957 workers. The City of San Jose alone has 5,400 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, 2012

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
2003	39,169,325	126,030	20,556,769	1,497,846	17,471,291	152,036	375	454	524
2004	32,902,350	105,588	18,681,967	1,359,608	15,754,661	136,693	345	457	523
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

LIGHT RAIL

Fiscal Year	Total Ridership¹	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2003	6,052,519	19,772	1,567,594	106,416	1,498,685	26,815	29	98
2004	5,473,024	17,636	1,464,325	98,930	1,372,375	24,166	26	80
2005	6,780,431	21,436	1,774,543	114,663	1,647,376	32,290	34	100
2006	8,279,807	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

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, 2012

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.

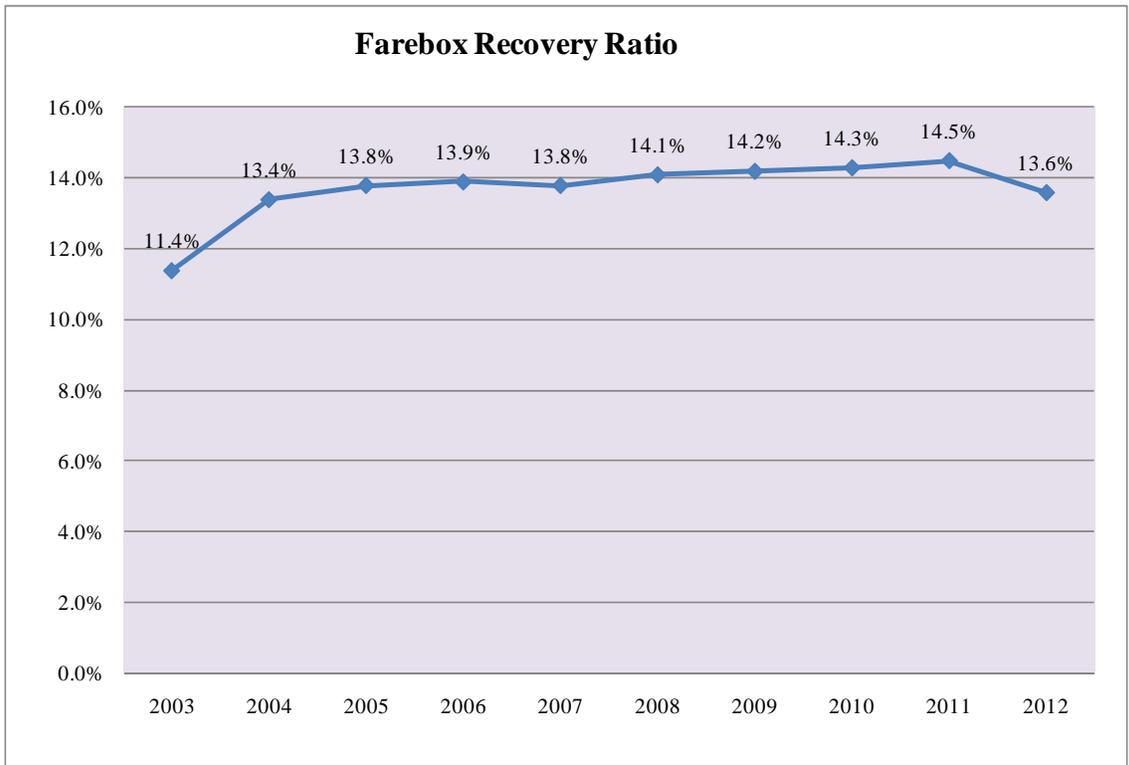


TABLE 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Revenue Miles
 Ten Years Ended June 30, 2012

The following chart shows total vehicle miles in revenue service.

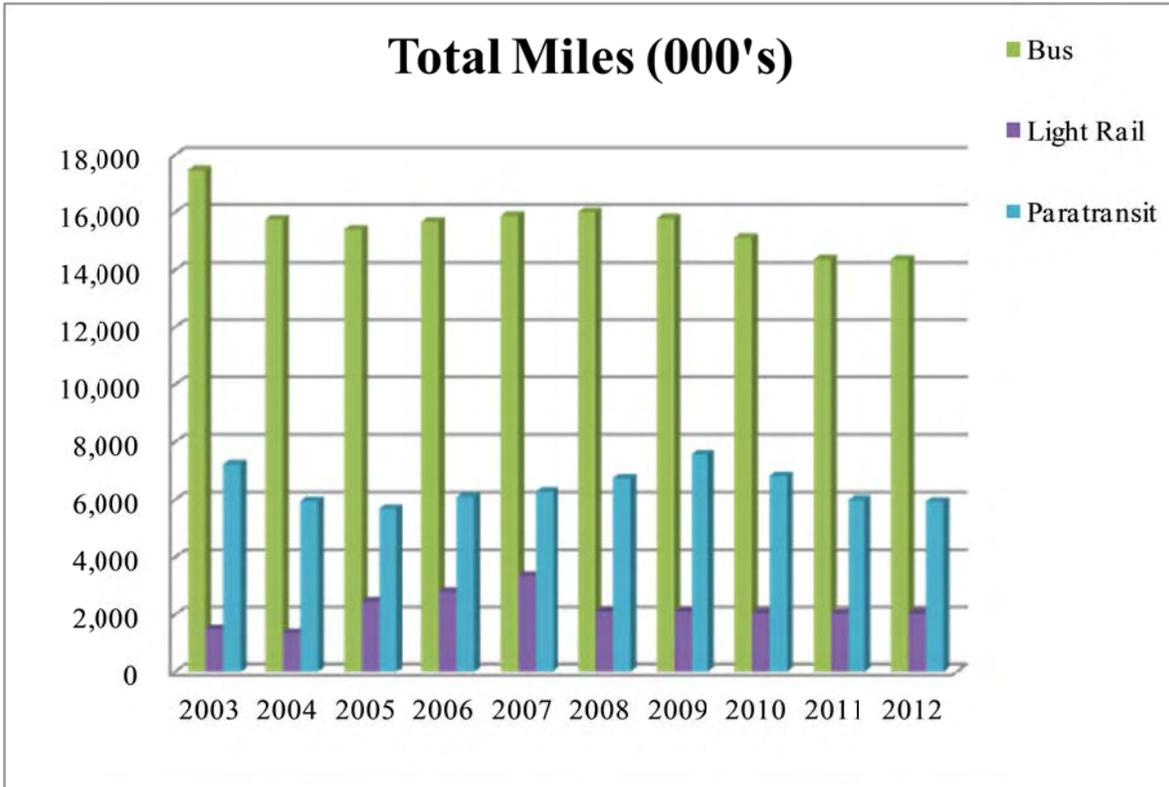


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Passenger Miles
 Ten Years Ended June 30, 2012

Passenger mile statistics are presented in the chart below. In FY 2012 the total passenger miles have increased by 10.7% from 2011.

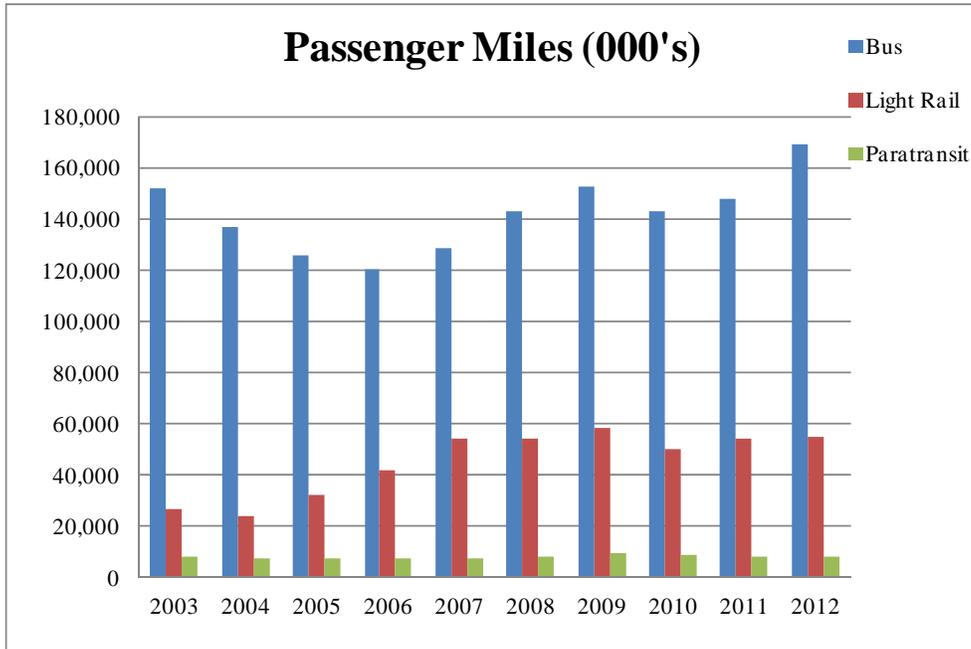


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FAREBOX REVENUE (\$000's)¹	\$30,959	\$30,625	\$32,061	\$34,335	\$35,242	\$35,830	\$36,184	\$36,857	\$38,106	\$37,744
VEHICLE REVENUE MILES (000's)										
BUS	17,471	15,755	15,315	15,573	15,851	15,951	15,800	15,131	14,377	14,374
LIGHT RAIL	1,499	1,372	2,460	2,810	3,354	2,112	2,106	2,063	2,056	2,065
PARATRANSIT	7,233	5,967	5,702	6,126	6,296	6,746	7,582	6,816	6,011	5,948
PASSENGER MILES (000's)										
BUS	152,036	136,693	125,953	120,581	128,290	143,102	152,856	142,754	148,225	169,321
LIGHT RAIL	26,815	24,166	32,290	41,913	54,528	54,475	58,708	50,000	54,048	55,337
PARATRANSIT	8,497	7,546	7,314	7,896	7,835	8,486	9,908	9,005	8,017	8,133
FLEET SIZE										
BUS	524	523	525	524	539	480	448	424	494	445
LIGHT RAIL	98	80	100	100	100	100	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	\$1.40	\$1.50	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$2.00	\$2.00	\$2.00
YOUTH	\$0.85	\$1.25	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.75	\$1.75	\$1.75
SENIOR	\$0.45	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$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, 2012

URBANIZED AREA (UZA):

346 Square Miles

ROUTES

<u>Type of Route</u>	<u>Number of</u>
Local	53
Limited Stop	4
Express	13
Rapid	1
Light Rail	3
Total	<u>74</u>

HOURS OF OPERATION

Monday-Sunday	24 hours
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PARK AND RIDE LOTS:

	<u>Number of</u>	<u>Number of</u>
	<u>Lots</u>	<u>Parking Spaces</u>
Bus	10	677
Light Rail	23	6,449
Caltrain	16	5,138
Total	<u>49</u>	<u>12,264</u>

FACILITIES

<u>Type of Facility</u>	<u>Number of</u>
<u>Type of Facility</u>	<u>Facilities</u>
Bus Stops	4,341
Shelters	728
Benches	2,220
Trash Receptacles	908
Transit Centers	15

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information - Employees
 Seven Years Ended June 30, 2012¹

Full-time Equivalent Employees²

Fiscal Year	Operations	Congestion Management	Fiscal Resources	Engineering	External Affairs ³	Administrative Services	General Counsel	General Manager	SVRT	Total
				& Construction					Program ³	
2006	1,597	104	105	107	NA	101	9	30	NA	2,053
2007	1,584	101	100	98	NA	102	8	27	NA	2,020
2008	1,628	48	103	98	70	92	10	4	4	2,057
2009	1,649	51	97	99	74	102	8	4	4	2,088
2010	1,588	50	95	97	57	100	8	18	4	2,017
2011	1,576	50	90	90	53	102	8	11	5	1,985
2012	1,599	52	93	86	51	103	9	13	6	2,012

¹ Data from prior years not available in this organizational format.

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 New divisions created as part of the reorganization in FY 2008.

TABLE 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2012
(In thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Capital assets, not being depreciated:</i>										
Land and right of way	\$ 570,715	\$ 747,679	\$ 761,818	\$1,131,579	\$1,118,577	\$ 1,118,212	\$1,119,217	\$1,123,321	\$1,122,805	\$ 1,122,495
Construction in Progress	923,872	690,853	775,711	380,776	488,192	639,708	781,381	814,241	902,026	1,107,386
Total capital assets, not being depreciated	1,494,587	1,438,532	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598	1,937,562	2,024,831	2,229,881
<i>Capital assets, being depreciated:</i>										
Buildings, improvements, furniture and fixtures	237,239	337,565	340,546	462,448	460,900	487,116	488,156	495,436	504,531	511,853
Vehicles	306,328	363,270	480,174	457,616	458,001	462,027	442,771	435,652	485,590	481,014
Light-rail tracks and electrification	281,182	375,049	365,505	384,435	399,563	399,824	399,824	402,622	403,831	403,394
Caltrain – Gilroy extension	48,962	52,990	52,990	52,990	53,155	53,155	53,155	53,307	53,307	53,307
Other operating equipment	28,706	28,830	28,830	29,002	29,416	39,770	32,044	42,610	46,065	46,152
Leasehold Improvement	-	-	-	-	2,169	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	902,417	1,157,704	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636	1,439,313	1,503,010	1,505,406
<i>Less accumulated depreciation</i>										
Total accumulated depreciation	(270,924)	(289,653)	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)	(565,012)	(618,061)	(657,113)
Total capital assets, being depreciated, net	631,493	868,051	932,845	987,856	956,796	957,683	905,750	874,301	884,949	848,293
Total capital assets, net	\$ 2,126,080	\$ 2,306,583	\$2,470,374	\$2,500,211	\$2,563,565	\$ 2,715,603	\$2,806,348	\$2,811,863	\$2,909,780	\$ 3,078,174

Source: Comprehensive Annual Financial Reports

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