Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

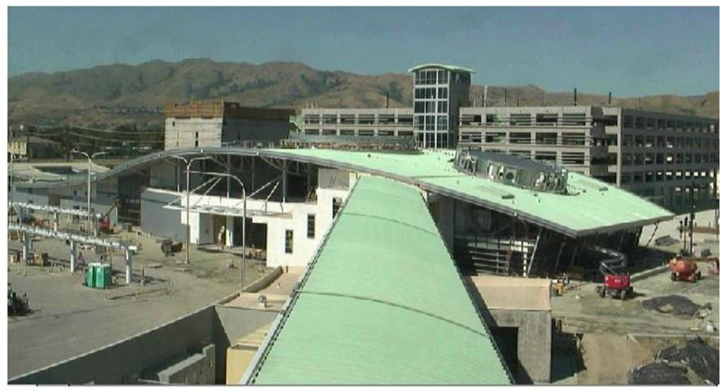
Santa Clara County, California

Santa Clara Valley Transportation Authority

Solutions that move you

VTA rolled out the new logo and brand in January 2017 – “Solutions that move you”

Elevated trackway at VTA’s Berryessa/San Jose BART Station



Pedestrian Overcrossing leading to VTA’s Milpitas BART Station

New bus rapid transit stations featuring community artwork along Santa Clara Street, Alum Rock and Capitol Avenues

Award Winning Mountain View Double Track Project

VTA’s new solar-powered real-time information (RTI) signs

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2017

Prepared by:
Finance and Budget Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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SECTION 1 - **INTRODUCTION**

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LETTER OF TRANSMITTAL

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Santa Clara Valley Transportation Authority

October 27, 2017

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, 2017. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2017, and that the financial statements are fairly stated, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

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

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

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

ECONOMIC ENVIRONMENT

Knowledge of the specific environment in which the government operates is important to understanding and interpreting the information presented in the financial statements. The County of Santa Clara is located at the southern end of the San Francisco Bay and encompasses an area of approximately 1,300 square miles. The County's population of nearly 1.8 million is one of the largest in the state, and the largest of the nine Bay Area counties.[1] The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies such as Google, Cisco, Hewlett-Packard, Yahoo, eBay, Facebook, and Apple among others. Santa Clara County has enjoyed diverse employment and revenue base.

San Jose Mercury News recently reported that Santa Clara County accounted for almost 50% of the bay area tech jobs in 2016. Government labor agencies and analysts define tech employment as a combination of professional scientific and technical services; information services and products, and computer and electronic manufacturing. Other major industry groups posting substantial job gains over the year included leisure and hospitality; private educational and health services; and construction.[2]

In June 2017, the County's unemployment rate dropped to 3.5% from 4% the prior year.[3] Santa Clara County's overall economy remains in good shape. Unemployment rates throughout the Bay Area are among the lowest in the state.[4] Creation of new jobs and hikes in wages translate to people having more income to afford housing. Supply of housing is not keeping up with the demand causing prices and rents to soar. The County continues to see construction of higher density housing units near transit hubs in anticipation of long-term challenges affecting housing and transportation.

According to the US Department of Labor report in June 2017, the national unemployment rate dropped to 4.4% and the number of unemployed persons was 7 million. Prior year's statistics during the same period reported unemployment rate of 4.9% and the number of unemployed persons at 7.8 million. At the close of the quarter March 2017, economic experts indicate that the nation's economy is showing signs of picking up momentum after a year of slow growth in 2016.

The state's unemployment rate fell to its lowest in 10 years at 4.7% in May and June 2017, from 5.4% in June of the prior year.[5] The state has continued to experience steady but somewhat slower job growth in early 2017. The letter of the State Governor in January 2017 disclosed that the surging tide of revenue increases that the state enjoyed in the past appear to have turned. The 2018 State Budget proposes to roll back on one-time spending commitments made in last year's budget and temper anticipated spending increases. This action prioritizes on the state's more important objectives such as steady growth for

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[1]Population Demographics for Santa Clara County in 2016 and 2017.

[2]State of California Employment Development Department. April 21, 2017.

[3]California Labor MarketInfo. August 7, 2017.

[4]Business. "San Jose and Oakland area Job Markets". March 24, 2017.

[5]Bureau of Labor Statistics Data. August 2017.

education, creation of earned income tax credit for working families, rising minimum wage, expansion of health care coverage and pay down of long-term liabilities.

While the Transportation Development Act (TDA) revenue increased by $0.9 million in line with the improved sales tax activity, the State Transportation Assistance (STA) revenue decreased by $4.6 million in FY 2017. The decline was prompted by the continued low diesel prices causing revenues flowing into the STA program to decline significantly. Both revenues are state programs that provide funds to operate bus and rail systems in California.

FY 2017 witnessed positive economic conditions leading to higher consumer and business spending. This contributed to the growth in VTA's major revenue sources for operations and capital activity, i.e. 1976 Half-Cent, 2000 Measure A, and BART Operating sales taxes. These sales tax revenues are dependent upon taxable sales activity in the county. For FY 2017, the 1976 Half-Cent sales tax grew by 1.7%, while the 2000 Measure A and BART Operating sales tax revenues increased separately by 1.5%. A new tax measure was approved by the Santa Clara County voters in November 2016 (referred to as the 2016 Measure B). This is a 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. The sales tax apportionment for the first quarter ended June 30, 2017 amounted to $50.1 million. This was reported under a special revenue fund and formed part of the liability as the tax measure faces legal challenge.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2017 Net Position is provided below (in thousands):

Net Investment in Capital Assets		$ 3,715,082
Restricted:		
2000 Measure A projects	$ 368,455	
SWAP collateral	82,764	
BART Operating	238,006	
Debt service	50,108	
Retention	89	
1996 Measure B projects	976	740,398
Unrestricted:		
Debt reduction	$ 49,540	
Operating reserve	66,659	
Sales tax stabilization	35,000	
Local share of capital projects	135,330	
Inventory and prepaid expenses	36,688	
Irrevocable transfer made to OPEB trust fund	15,865	
Joint Development	21,887	
Express Lanes	2,769	
Unrestricted before GASB 68 adjustment	363,738	
Net Position Liability (GASB 68)*	(210,304)	153,434
Total Net Position		$ 4,608,914

*This is a decrease of the Unrestricted Net Position to set aside amount for Net Pension Liability to comply with GASB 68 requirements. The breakdown consists of $83 million and $127.3 million for CALPERS and ATU, respectively.

SIGNIFICANT FINANCIAL POLICIES

Long-Range Planning

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

Biennial Budget and Budgetary Controls

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

Funds with appropriated budget are categorized as follows:

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

Note: There is no additional appropriation for the 1996 Measure B Program due to the program nearing its completion.

Internal Control

VTA management is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted

Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. VTA's management believes its internal controls are adequate.

Reserves

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

Reserve	Balance as of June 30, 2017 (in millions)	Remarks
Operating Reserve	$ 66.659	The operating reserve goal is 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated shortfalls or unavoidable expenditure needs. FY 2017 balance is less than the goal by $4.7 million. Detailed calculation and information on the operating reserve is shown in Table 7 of the Statistical Section.
Sales Tax Stabilization	$ 35.000	This reserve mitigates the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling
Debt Reduction	$ 49.540	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund local portion of the VTA Transit capital program in order to keep assets in a state of good repair

Financial Stability Policy

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

1. Preservation of the level of fixed route transit service and paratransit service provided to VTA riders to the extent possible. This includes developing a service plan that is in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.
2. Direct support for the provision of transit service, i.e., only those core operating, management

and administrative functions that are necessary and essential to providing the existing level of transit service, both in terms of the types of functions required and level of resources needed to support service. This is measured against industry standards and best practices with consideration of efficiencies achieved by reducing layers of management.

3. Support for Regional Partnerships (e.g., Caltrain, ACE, Dumbarton Express, etc.) provided by VTA in consideration of other partners' contributions.
4. Activities that clearly contribute to increasing and diversifying VTA's operating funding (e.g., fare programs, joint development, advertising, and other opportunities for earned income).
5. Activities that provide information to riders, employees, stakeholders and the public (e.g., VTA Ambassador Program).
6. Activities that would prudently and strategically expand VTA transit service, when sustainable revenues are available to support the service growth (e.g., VTA's recent expansion of bus and light rail service to Levi's Stadium).

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

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

The cost of the SVBX Project is approximately $2.4 billion, which includes $900 million in federal assistance, $388.2 million in state and other local funding, and $1.133 billion from 2000 Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of June 2017, $668.6 million of the total $702.6 million grant award, has been expended and received.

In August 2014, VTA received the Traffic Congestion Relief Program (TCRP) funds in the amount of $39 million which constitutes the final installment of the State of California's $649 million TCRP allocation plan adopted by the California Transportation Commission (CTC) in 2008. As of June 2017, remaining undisbursed amount from this allocation is $6.0 million.

The project scope includes BART vehicles, VTA feeder buses, double-track grade-separated guideway, traction power substations, high voltage substations, a communication system, passenger drop-off facilities, surface and structured parking facilities, bus transit centers, a pedestrian bridge, real estate acquisition, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project also includes facility additions to the existing BART Hayward Yard to provide fleet management operations for the revenue vehicles procured by BART for the extension, as well as the purchase of 40 BART vehicles. Track installation was completed and building interior, including mechanical/electrical/plumbing installation and elevator testing, is underway at Milpitas and Berryessa stations. The parking structures were substantially completed. Work on the building interior and mechanical/electrical continued at the Police Zone Facility and Ancillary Building. Systems and communications installation and testing took place along the entire SVBX alignment. BART has received all ten pilot vehicles, and qualification testing as well as train operator training are in progress. Revenue service of Phase 1 is anticipated in mid-2018.

VTA continues project development activities for the second 6-mile phase of the project. This includes four stations, with a five-mile-long subway tunnel through downtown San Jose, and ends at grade in Santa Clara near the Caltrain Station. The project also includes the construction of a maintenance facility at the current Newhall Yard, the Newhall Maintenance Facility, as well as the purchase of 48 BART vehicles. The single-bore tunnel technical study is underway focusing on areas such as station configurations, ventilation and emergency egress. The draft Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report (SEIS/SEIR) was released in December 2016. This document reflects revisions based on FTA and BART comments, as well as new options for the station location at Diridon and a single-bore tunnel. Phase II Working Group meetings continue to be held. The cost of the Santa Clara Extension is approximately $4.7 billion, which will include 2000 Measure A, 2016 Measure B sales tax funding along with Federal New Starts and state funds. Revenue service for Phase 2 is anticipated to occur in mid-2026.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2016 Comprehensive Annual Financial Report. This is the 21st consecutive year that VTA achieved this prestigious award.

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

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

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

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

Nuria I. Fernandez
General Manager/CEO

Raj Srinath
Chief Financial Officer

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

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

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

Jeannie Bruins, Chairperson
Sam Liccardo, Vice Chairperson
as of June 30, 2017

Group	Jurisdiction	Member
GROUP 1	City of San Jose	Charles "Chappie" Jones Lan Diep Johnny Khamis Sam Liccardo* Raul Peralez Devora "Dev" Davis, Alternate
GROUP 2	City of Los Altos	Jeannie Bruins*
	Town of Los Altos Hills	
	City of Mountain View	John McAlister, Alternate
	City of Palo Alto	
GROUP 3	City of Campbell	
	City of Cupertino	Savita Vaidhyanathan
	Town of Los Gatos	Rob Rennie, Alternate
	City of Monte Sereno	
	City of Saratoga	
GROUP 4	City of Gilroy	Daniel Harney, Alternate
	City of Morgan Hill	Larry Carr
GROUP 5	City of Milpitas	Bob Nuñez, Alternate
	City of Santa Clara	Teresa O'Neill
	City of Sunnyvale	Glenn Hendricks
GROUP 6	County of Santa Clara	Cindy Chavez Ken Yeager David Cortese,* Alternate
Ex-Officio **	Metropolitan Transportation Commission (MTC) Commissioners Representing Santa Clara County, Cities of Santa Clara County, and City of San Jose	None

These individuals serve on the MTC.

*** There are no Ex-Officio Board Members for 2017 as the MTC representatives from Santa Clara County, cities of Santa Clara County and City of San Jose are also VTA Board Members or Alternate VTA Board Members.*

VTA Board of Directors' Standing Committees

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

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

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

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

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

VTA Board of Directors' Advisory Committees

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

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC)** is a 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, transportation or community development director) from each of the 15 cities within the county and the County of Santa Clara. In addition, the California Department of Transportation (Caltrans), Metropolitan Transportation Commission (MTC), and Santa Clara Valley Water District appoint one non-voting representative each 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 Santa Clara County Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate in the development of VTA's policies.

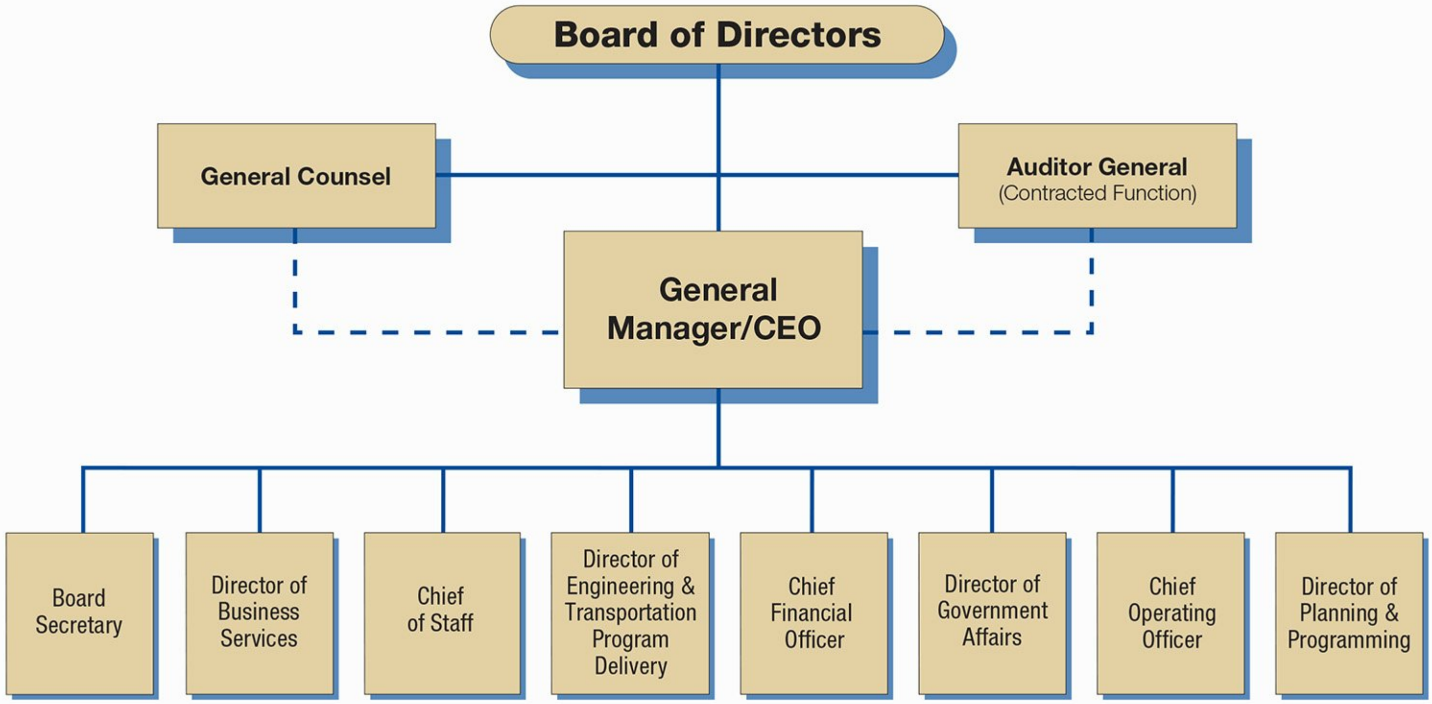
VTA Board of Directors' Policy Advisory Boards

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 six active PABs:

- **Diridon Station Joint Powers Policy Advisory Board**
- **Eastridge to BART Regional Connector Policy Advisory Board** *(formerly Downtown East Valley Policy Advisory Board)*
- **El Camino Real Rapid Transit Policy Advisory Board**
- **Mobility Partnership**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **State Route (SR) 85 Corridor Policy Advisory Board**

Santa Clara Valley Transportation Authority

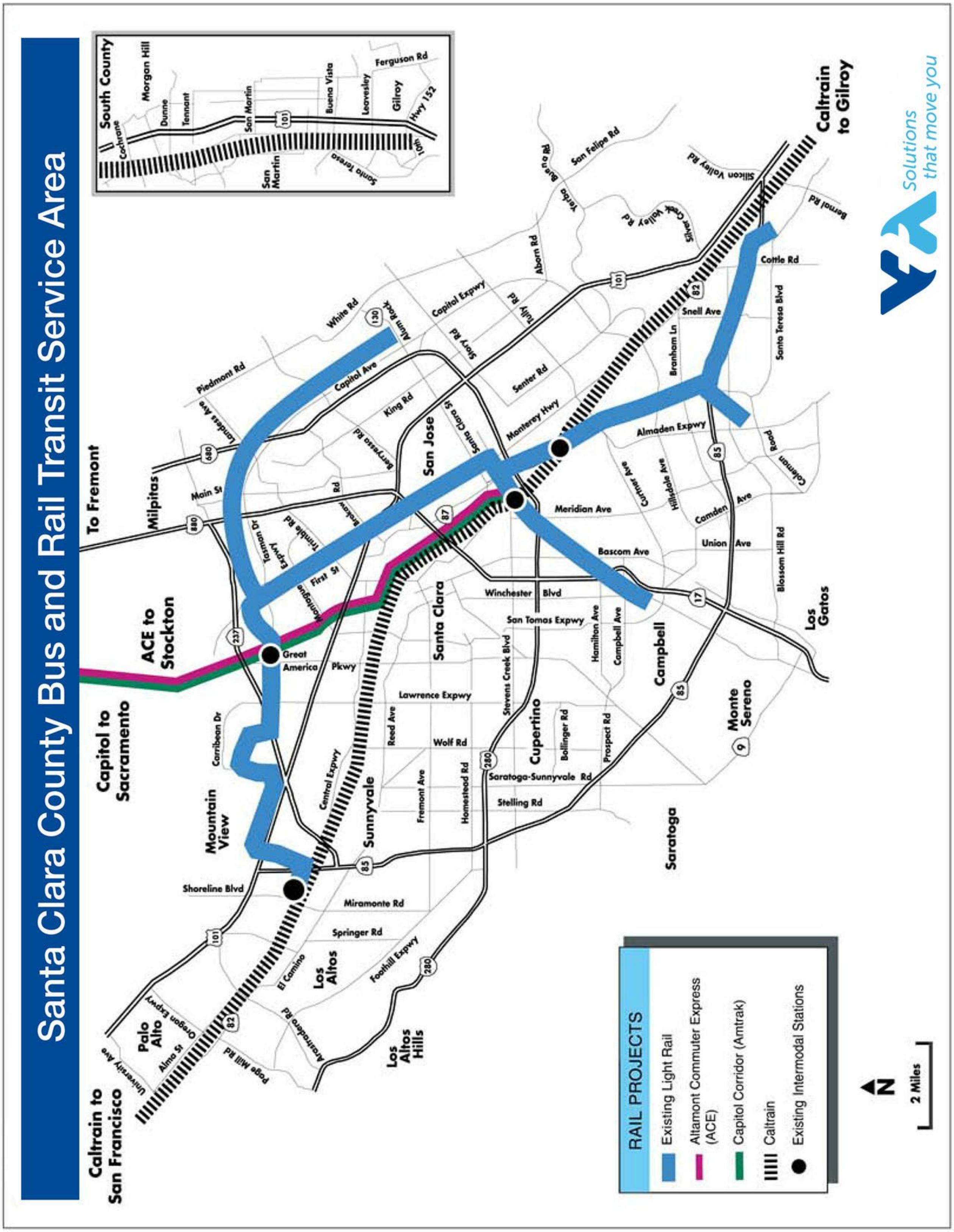
June 30, 2017



Principal Officials

June 30, 2017

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



Santa Clara County Bus and Rail Transit Service Area
South County
Cochrane
Morgan Hill
Dunne
Tennant
San Martin
San Martin
Santa Teresa
101
Buena Vista
Leavesley
Gilroy
Ferguson Rd
10th
Hwy 152
To Fremont
Milpitas
ACE to Stockton
Capitol to Sacramento
Caltrain to San Francisco
Caltrain to Gilroy
Mountain View
Sunnyvale
Santa Clara
San Jose
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
Los Altos
Los Altos Hills
Palo Alto
Great America Pkwy
Piedmont Rd
White Rd
Alum Rock
Capitol Ave
Capitol Expwy
King Rd
Berryessa Rd
Story Rd
Tully Rd
Aborn Rd
Yerba Buena Rd
San Felipe Rd
Silver Creek Valley Rd
Silicon Valley Rd
Bernal Rd
Cottle Rd
Snell Ave
Branham Ln
Santa Teresa Blvd
Senter Rd
Monterey Hwy
Santa Clara St
Almaden Expwy
Coleman Road
Meridian Ave
Curtner Ave
Hillsdale Ave
Camden Ave
Union Ave
Blossom Hill Rd
Bascom Ave
Winchester Blvd
San Tomas Expwy
Hamilton Ave
Campbell Ave
Stevens Creek Blvd
Lawrence Expwy
Reed Ave
Wolf Rd
Bollinger Rd
Prospect Rd
Saratoga-Sunnyvale Rd
Stelling Rd
Homestead Rd
Fremont Ave
Central Expwy
Caribbean Dr
Tasman Dr
Trimble Rd
Brokaw Rd
Montague Expwy
First St
Main St
Landess Ave
Shoreline Blvd
Miramonte Rd
Springer Rd
Foothill Expwy
El Camino
Arastradero Rd
Page Mill Rd
Oregon Expwy
Alma St
University Ave
680
880
237
87
280
85
17
9
130
82
RAIL PROJECTS
Existing Light Rail
Altamont Commuter Express (ACE)
Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
N
2 Miles
Solutions that move you

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SECTION 2 - **FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the VTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the VTA, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The enterprise and fiduciary funds supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of VTA as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated October 21, 2016, which contained unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. The enterprise fund supplementary information as of and for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The enterprise fund supplementary information as of and for the year ended June 30, 2016 have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the enterprise fund supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 27, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

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Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY 2017. 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, 2017, VTA's net position amounted to approximately $4.6 billion. Of this amount, approximately $3.7 billion consisted of net investment in capital assets which is associated with VTA's capital program.
- Enterprise Funds operating revenues were $40.2 million, derived mainly from passenger fares. This is a decrease of $2.6 million or 6.1% from FY 2016.
- As of June 30, 2017, VTA had total outstanding bonds in the amount of $1.1 billion.
- VTA Transit Fund net position decreased by $43.8 million to $1.9 billion. This includes a $976 thousand transfer from 1996 Measure B in an effort to consolidate the activities of the fund which is approaching completion.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were $66.7 million, $49.5 million, and $35 million, respectively. Any of these reserves may be reduced by the amount of set aside for Net Pension Liability established in compliance with GASB 68 in the amount of $210.3 million. This represents the net amount owed by VTA to employees for benefits provided through a defined benefit pension plan that is attributed to employees' past period of service.
- The 2000 Measure A Fund net position in FY 2017 added $226.8 million to a total of $2.4 billion. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenue, reflecting an improvement in taxable sales activity in the County, increased $3.6 million, or 1.7% from FY 2016 level to $209.0 million in FY 2017.
- The 2000 Measure A Sales Tax revenue increased $3 million or 1.5% to $208.7 million in FY 2017.
- Federal, state, and local operating grants were $3.0 million or 2.4% lower in FY 2017. The decline was largely a result of a decline in State Transit Assistance of $4.6 million in FY 2017 which is caused by reduced State budget for State Transit Assistance. This was offset in part by a net increase of $883 thousand in the Transportation Development Act (TDA) revenue and $675 thousand in other operating assistance.

- Capital grants decreased by $82.2 million from the FY 2016 level, due to the decline in grant-funded activities relating to Silicon Valley Berryessa Extension (SVBX), Northern Light Rail Express, and Alum Rock/Santa Clara Bus Rapid Transit (BRT) projects. The decrease was partially offset by recognition of grant revenues pertaining to Montague Reconstruction Project, Procurement of Hybrid Vehicles, and Santa Clara Station Underpass projects.
- As of June 30, 2017, the net position of Express Lanes and Joint Development funds amounted to $2.8 million and $28.9 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I-880 Express Connector. The Joint Development Fund reported property rental revenues and other proceeds generated from VTA's Joint Development Program.
- In FY 2017, BART operating fund's net position was $238.0 million. The BART Operating Sales Tax increased by $762.0 thousand or 1.5%, to $50.0 million in FY 2017.
- In FY 2017, as a result of 1996 Measure B winding down its affairs, the activities of the 1996 Measure B Transit were consolidated in the VTA Transit and its related net position of $976 thousand was reflected as an adjustment to VTA Transit's beginning net position. The activities of the 1996 Measure B Highways were also reported as part of the Congestion Management and Highway Program.
- The 2016 Measure B Special Revenue Fund was established in FY 2017 as a result of the Santa Clara County voters approving the 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. The sales tax apportionment for the first quarter ended June 30, 2017 amounted to $50.1 million. This was reported under a special revenue fund and formed part of the liability as the tax measure is undergoing legal challenge.

Overview of the Financial Statements

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

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

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

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

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

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

   <u>*Governmental funds*</u> - 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, 2016 Measure B Program, and the Congestion Management and Highway Program.

   <u>*Proprietary funds*</u> - 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 2000 Measure A capital and operating activities, BART Operating, Joint Development Program, and Express Lanes Program.

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

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

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

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

3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-33 through 2-97 of this report.

   In addition to the basic financial statements and notes, *Required Supplementary Information* is presented as required by GASB. The required supplementary information shows Net Pension Liabilities and Pension Contributions pertaining to ATU and CalPERS, VTA's funding progress relative to Other Post Employment Benefits as well as the Congestion Management Program and 2016 Measure B Program Budgetary Schedules. Required supplementary information can be found on pages 2-98 through 2-105 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 2-106 through 2-116 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Position and the Statement of Activities report a $228.4 million increase in net position. The Business-Type activities were the major source of the growth as the Government-type activities' net position decreased by $2.2 million. The increase in the business-type net position was due primarily to sales tax receipts, TDA, and capital grants related primarily to VTA's BART Silicon Valley Extension Project. The 1976

sales tax, 2000 Measure A sales tax, and BART operating sales tax collections for the fiscal year were $209.0 million, $208.7 million, and $50.0 million, respectively. During FY 2017, VTA enterprise funds acquired or built total capital assets of approximately $345.1 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 2000 Measure A sales tax revenues.

Santa Clara Valley Transportation Authority

Condensed Schedule of Net Position

FY 2017 and FY 2016

(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2017	2016	2017	2016	2017	2016
Asset:						
Current and other Assets	$ 1,307,737	$ 1,441,236	$ 67,406	$ 19,057	$ 1,375,143	$ 1,460,293
Capital assets, net	4,776,477	4,497,706	—	—	4,776,477	4,497,706
Total assets	6,084,214	5,938,942	67,406	19,057	6,151,620	5,957,999
Deferred outflows of resources	166,427	208,206	—	—	166,427	208,206
Liabilities:						
Current Liabilities	215,984	268,286	68,458	17,900	284,442	286,186
Long-term liabilities outstanding	1,427,263	1,498,314	—	—	1,427,263	1,498,314
Total liabilities	1,643,247	1,766,600	68,458	17,900	1,711,705	1,784,500
Deferred inflows of resources	7,246	10,959	—	—	7,246	10,959
Net Position:						
Net Investment In Capital Assets	3,715,082	3,394,540	—	—	3,715,082	3,394,540
Restricted	740,398	789,000	611	1,157	741,009	790,157
Unrestricted	144,668	186,049	(1,663)	—	143,005	186,049
Total Net Position	$ 4,600,148	$ 4,369,589	$ (1,052)	$ 1,157	$ 4,599,096	$ 4,370,746

The largest portion of VTA's net position (approximately 81%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the 2000 Measure A Transit Improvement Programs, BART operating, 1996 Measure B Program, debt service collateral with the bond trustees, retention, and Swap collateral. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; inventory and prepaid expenses; VTA transit operating reserve, debt reduction, express lanes and joint development program funds, sales tax stabilization, irrevocable transfer made to the OPEB Trust, and a deficit in compensated absences. The irrevocable transfer made to OPEB Trust, although unrestricted, is earmarked for OPEB Trust Fund's future operating needs. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown in Note 2(j).

Governmental Accounting Standards Board (GASB) Statement 68 requires public employees to comply with new accounting and professional reporting standards. Under this standard, employers that participate in a defined benefit pension plan, administered as a trust or equivalent arrangement, are required to record the net pension liability, pension contributions, and deferred outflows/inflows of resources related to pensions in their financial statements. Net Pension Liability is the amount owed by VTA to its employees for benefits provided through a defined benefit pension plan. This consists of $83 million for CalPERS and $127.3 million for ATU, net of related deferrals.

Business-Type Activities – The total net position of $4.6 billion was up by $230.6 million in FY 2017. The current fiscal year reported unfavorable changes affecting operating expenses, as well as program and general expenses. Net program expenses (total expenses minus program revenues) increased by $164 million in FY 2017, mainly due to the increase in total expenses of $76 million and decrease in program revenues of $88 million.

The total program expense was up primarily due to the increase in operations and support services. These expenses include labor cost, net of costs allocated to capital and other programs, of $17 million. During the year, labor rates were incrementally adjusted based on the provisions of the collective bargaining agreements. Although no contribution was made to the Retiree Medical Plan, the GASB 68-required pension expense pertaining to CALPERS increased this year as a result of lesser investment gain recognition when calculating the actuarial estimate. The growth of $7 million in materials and supplies is a result of increase in usage of parts associated with the major overhaul rebuild program at Light Rail. Service also reported a $3 million increase resulting from a security contract amendment with the Santa Clara County Sheriff's Office to augment staffing. General liability insurance was up by $2 million to provide the actuarially-required reserves as of June 30, 2017. Aside from the start up costs incurred related to hiring a new paratransit provider, there was a $4 million increase in Purchased Transportation attributed mainly to the difference in reporting paratransit costs from one year to the next. The previous year reported paratransit costs net of fare revenue while FY 2017 reported paratransit costs at gross. Depreciation and other costs reported a net increase of $7 million due primarily to a change in accounting estimate brought about by changing the life of light rail vehicles from 45 to 30 years.

Other program expenses include Contribution to other agencies which increased by $33 million as a result of increased activities in projects that are generating assets which will end up being owned by other entities (such as Hayward Maintenance Center, Caltrain Electrification, and Montague Reconstruction Project). Interest expense was up by $3.9 million in FY 2017 as the capitalizable interest declined. This was caused by interests incurred, specifically relating to 2010 Bonds, that were allocated to closed or completed projects which ultimately ended up being expensed. The unfavorable variances in the expense were offset by the decline in other non-operating expenses. FY 2017 did not report any losses on disposal of vehicles but the prior year recognized a loss on disposal of three zero-emission buses of $1.2 million.

In the program revenue category, charges for services were down $2.6 million. Despite the first year of paratransit fare recognition, total passenger fares were still lower by $2.9 million. The low gas price, wet winter with record level of precipitation, and increasing popularity of on-demand private car/taxi companies, contributed to the negative effect on the ridership. Advertising and other revenues reported a net increase of $99 thousand as a result of more favorable terms negotiated with the bus advertising vendor and increase in reported net revenues by the shelter advertising contractor. The increase of $200 thousand in the other income of the joint development was brought about primarily by receipts arising from new property rental agreements.

The decline in operating grants of $3.0 million was largely a result of a lesser State Transit Assistance of $4.6 million in FY 2017. The State revised the STA revenue forecast downwards over the last year and a half due to continued low diesel price. This was offset by a net increase in the Transportation Development Act (TDA) revenue of $883 thousand; Transportation for Clean Air of $413 thousand; and Security Plan Revision and other operating assistance of $304 thousand.

Capital grants decreased by $82.2 million as a result of reduced activities mainly in the grant-funded Silicon Valley Berryessa Extension (SVBX), Northern Light Rail Express, and Alum Rock/Santa Clara Bus Rapid Transit. The decrease was partially offset by recognition of grant revenues for Procurement of Hybrid Vehicles, Montague Reconstruction, and Santa Clara Station Underpass projects.

In the general revenue category, the upswing of $7.4 million in sales taxes and $2.7 million in other income, offset by a decrease of $14.6 million in investment income, resulted in an unfavorable outcome of $4.5 million. In contrast with the prior year's mark to market gain performance, FY 2017 reported a mark to market loss caused by modestly higher interest rates. Other income included primarily a $1.6 million proceeds from Comerica lease termination, a $512 thousand receipt of donated land at Whisman Station Park-and-Ride lot, a $236 thousand insurance proceeds for a bus that was involved in an accident and a $259 thousand reimbursement relating to Underground Tank Storage.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Schedule of Activities

FY 2017 and FY 2016

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
Operations, support services, CMP and 2016 Measure B programs	$ 471,655	$ 431,212	$ 8,868	$ 8,228	$ 480,523	$ 439,440
Caltrain subsidy & capital expense, on behalf of, and contribution to other agencies	94,474	61,508	—	—	94,474	61,508
Altamont Corridor Express subsidy	3,270	3,166	—	—	3,270	3,166
Interest expense	15,254	11,330	—	—	15,254	11,330
Other expenses	2,928	4,177	—	—	2,928	4,177
Claims and change in future claim estimates	12,654	12,999	—	—	12,654	12,999
Contribution to agencies	—	—	83	210	83	210
Capital outlay on behalf of other agencies	—	—	9,886	11,189	9,886	11,189
Total expenses	600,235	524,392	18,837	19,627	619,072	544,019
Program revenues:						
Charges for services	40,194	42,791	2,549	2,529	42,743	45,320
Operating grants	123,944	126,988	13,948	16,585	137,892	143,573
Capital grants	188,856	271,057	—	—	188,856	271,057
Total program revenues	352,994	440,836	16,497	19,114	369,491	459,950
Net program revenues (expenses)	(247,241)	(83,556)	(2,340)	(513)	(249,581)	(84,069)
General revenues:						
Sales tax revenue	467,701	460,316	—	—	467,701	460,316
Investment income	4,459	19,102	7	16	4,466	19,118
Other Income	5,640	2,860	124	155	5,764	3,015
Total general revenues	477,800	482,278	131	171	477,931	482,449
Change in net position	230,559	398,722	(2,209)	(342)	228,350	398,380
Net position, beginning of year	4,369,589	3,970,867	1,157	1,499	4,370,746	3,972,366
Net position, end of year	$ 4,600,148	$ 4,369,589	$ (1,052)	$ 1,157	$ 4,599,096	$ 4,370,746

Governmental Activities – The net position of governmental activities decreased $2.2 million, with a negative ending balance of $1.1 million; all arising from the Special Revenue Fund. Major elements of changes in fund balance were as follows:

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total grant revenues and capital expenditures were $11.8 million. Starting in FY 2017, 1996 Measure B Highway Fund, for purposes of winding down its affairs, formed part of the CMHP Fund. Despite the merge, CMHP still reported a decrease in grant revenues due to reduced activities on certain projects (such as I880/I280/Stevens Creek Improvement, Final Design on SR237 Express Lanes - Phase II Extension, Combined Landscaping & Maintenance Project relative to 880/HOV, 101 Auxiliary, 101 Yerba Buena, and 237/McCarthy). The decrease was partially offset by increase in activities on projects such as 101/SR85 Express Lanes, US101/Zanker Rd/Skyport Dr/North 4th Street Interchange, and I280/Wolfe Rd Interchange Improvement.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $4.9 million, a decrease of $421 thousand from the $5.3 million in FY 2016. This is primarily due to the decline in eligible activities funded by the Surface Transportation Program grant. Total expenditures were $5.4 million, a decrease of $217 thousand from FY 2016 due primarily to a decline in professional services rendered by the iTEAM (a partnership with Caltrans with efforts focused on local assistance, project delivery, and traffic engineering/innovative transportation solutions) during the year. The decline in Contribution to Other Agencies was caused by reduced activities in projects that are availing of CMP funding (such as Multimodal Trip Data Collector/ Planner App, Integrated Land Use/Transportation Model, and Countywide Bicycle Plan Update). The change in fund balance was a decrease of $546 thousand. CMP projects were funded from member assessments and various federal, state, and local grants.

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

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

Enterprise Funds – VTA's enterprise funds report the activities of its transit operations, 2000 Measure A Transit Improvement Program, BART Operating, Express Lanes Program, and the Joint Development Program. The 1996 Measure B Transit was reflected as part of VTA Transit Fund starting in FY 2017.

Enterprise Funds Revenue	2017	2016	Change Favorable/(Unfavorable) Amount	Percent
Charges for services	$ 40,194	$ 42,791	$ (2,597)	(6.07)%
Operating grants	123,944	126,988	(3,044)	(2.40)%
Capital grants	188,856	271,057	(82,201)	(30.33)%
1976 half-cent sales tax	209,005	205,418	3,587	1.75 %
2000 Measure A half-cent sales tax	208,672	205,636	3,036	1.48 %
BART Operating Sales Tax	50,024	49,262	762	1.55 %
Investment earnings	4,356	18,493	(14,137)	(76.45)%
Other income	5,016	2,438	2,578	105.74 %
Total	$ 830,067	$ 922,083	$ (92,016)	(9.98)%

Charges for Services – In the VTA Transit and Express Lanes funds, charges for services which were derived from bus farebox receipts, light rail ticket sales, paratransit fares, toll fees, sale of monthly passes (including Eco Pass, tokens, and convention passes), advertising income, and joint development rent were, $40.2 million in FY 2017. Despite the first year of paratransit fare recognition, there was still a $2.6 million or 6.07% drop from FY 2016 largely due to decrease in passenger fare revenues attributed to various factors such as low gas price, wet winter with record level of precipitation, and increased competition with on-demand private cars/taxi companies.

Operating Grants – VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA), Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), and Federal Section 5311 Formula Grants for Other than Urbanized Areas. In FY 2017, total operating grants decreased $3.0 million or 2.4% from the FY 2016 level. There was a decrease in State Transit Assistance (STA) revenue of $4.6 million. This was offset in part by net increases of $883 thousand in the Transportation Development Act (TDA) revenue, $413 thousand in Transportation for Clean Air Act; and $304 thousand in Security Plan Revision and other operating assistance.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.58% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA's second largest source of revenue for operations. For FY 2017, the actual TDA receipts were $99.4 million. This is $883 thousand or 0.9% increase over the prior fiscal year as the taxable sales activity in the county improved in FY 2017.

STA funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (Metropolitan Transportation Commission in the San Francisco Bay

Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues in the region from the prior fiscal year. In FY 2017, VTA received $9.0 million compared to the $13.6 million in FY 2016. The reduced STA apportionment was largely a result of the State revising its STA revenue forecast downwards over the last year and a half. This was prompted by the continued low diesel prices causing revenues flowing into the STA program to decrease significantly.

Federal Section 5307 consists of Americans with Disabilities Act (ADA) Operating Assistance. ADA Operating set aside funds are used for paratransit activities, a mandated service that VTA provides to residents of Santa Clara County. This federal assistance grant remained generally constant at $3.7 million.

Capital Grants – Capital grants include FTA NewStarts FFGA, Federal Sections 5307, 5337, 5339 and Federal Security, other federal pass-through, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. These were reported under the VTA Transit, and 2000 Measure A funds. Total capital grants decreased $82.2 million or 30.3% to $189 million. This is primarily due to reduced activities in the federal and state funded Silicon Valley Berryessa Extension (SVBX), Northern Light Rail Express and Alum Rock/Santa Clara Bus Rapid Transit. The decrease was partially offset by recognition of grant revenues pertaining to Procurement of Hybrid Vehicles, Montague Reconstruction, and Santa Clara Station Underpass projects.

1976 Half-Cent Sales Tax Revenues – The 1976 Sales Tax is VTA's single largest source of revenue for operations under the VTA Transit Fund. The 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 revenues. For FY 2017, total sales tax revenues were $209.0 million, a $3.6 million or 1.7% growth compared to the prior fiscal year's sales tax revenue.

2000 Measure A Half-Cent Sales Tax Revenues – The 2000 Measure A Half-Cent Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The 2000 Measure A Sales Tax revenues are reported in the 2000 Measure A fund and restricted for projects and operational activities included in the 2000 Measure A ballot. The collection of this tax occurred after the expiration of the 1996 Half-Cent Measure B Sales Tax on March 31, 2006. For FY 2017, total sales tax revenues were $208.7 million, a $3.0 million or 1.5% growth compared to the prior fiscal year's sales tax revenue.

BART Operating – In November 2008, county residents passed 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. Collection of the tax which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2017, total sales tax revenue under the BART Operating Fund was $50.0 million, a $762 thousand or 1.5% growth compared to last year.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under 2000 Measure A Fund. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. The decrease in investment income of $14.1 million in FY 2017 was largely a result of a mark-to-market loss caused by modestly higher interest rates. The mark-to-market loss was more than the interest income earned during the year.

Federal Subsidy for Build America Bonds (BABs) – In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Fund. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. In compliance with Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item in its financial statements. Starting with FY 2016, this item was presented as Program Revenues under Operating grants. In FY 2017, 2000 Measure A Fund reported BABs subsidy of $8.8 million. This remained generally constant with what was received in FY 2016.

Other income - The increase was accounted for mainly by $1.6 million proceeds from Comerica lease termination and receipt of donated land at Whisman Station Park-and-Ride lot stated at acquisition value of $512 thousand. This also includes reimbursements of $236 thousand from an insurance company for a bus that was involved in an accident and $259 thousand from the State for a grant relating to Underground Tank Storage.

Comparison of
Enterprise Funds Expenses
FY 2017 and FY 2016
(In thousands)

			Change Favorable/(Unfavorable)	
Enterprise Funds Expenses	**2017**	**2016**	**Amount**	**Percent**
Operations and support services	$ 481,509	$ 443,660	$ (37,849)	(8.53)%
Caltrain and ACE subsidy	11,660	11,580	(80)	(0.69)%
Capital contributions to/or expenses on-behalf of other agencies	86,084	53,094	(32,990)	(62.14)%
Interest expense and other bond charges	15,254	11,330	(3,924)	(34.63)%
Other Expenses	2,928	4,177	1,249	29.90 %
Total	$ 597,435	$ 523,841	$ (73,594)	(14.05)%

Operations and Support Services – This includes labor and fringe, materials, support services, insurance, purchased transportation and other overhead costs incurred primarily for bus and light rail operations, services and support programs in VTA Transit, Express Lanes, BART Operating and Joint Development funds. For FY 2017, operations and support services expense was $38 million or 8.5% higher compared to that of FY 2016. Labor and fringe benefits, net of costs allocated to capital and other programs, increased by $16.7 million. During the year, labor rates were incrementally adjusted based on the provisions of the collective bargaining agreements. Although no contribution was made to the Retiree Medical Plan, the GASB 68-required pension expense pertaining to CALPERS increased this year as a result of lesser investment gain recognition in the calculation of the actuarial estimate. The $6.6 million growth in materials and supplies is a result of increased usage of parts associated with the major overhaul rebuild program at Light Rail. Service also reported a $3 million increase resulting from a security contract amendment with the Santa Clara County Sheriff's Office to augment staffing. General liability insurance was up by $2 million to provide the actuarially-required reserves as of June 30, 2017. Aside from the start up costs incurred related to hiring a new paratransit provider, there was a $4 million increase in Purchased Transportation due to a change in reporting presentation. FY 2017 reported paratransit costs at gross, while the prior year reported paratransit costs net of fare revenue. Depreciation reported a net increase of $6 million associated mainly with the change in accounting estimate affecting light rail vehicle life from 45 to 30 years. The purpose of which is to align the life of the vehicles with industry norm.

Caltrain and Altamont Corridor Express (ACE) Subsidy – Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which consists of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain under the VTA Transit Fund was $8.4 million in FY 2017; $24 thousand less than the contribution in FY 2016.

The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.3 million in FY 2017; $104 thousand more than the contribution in FY 2016. The annual subsidy was based on the joint power agreement with these agencies.

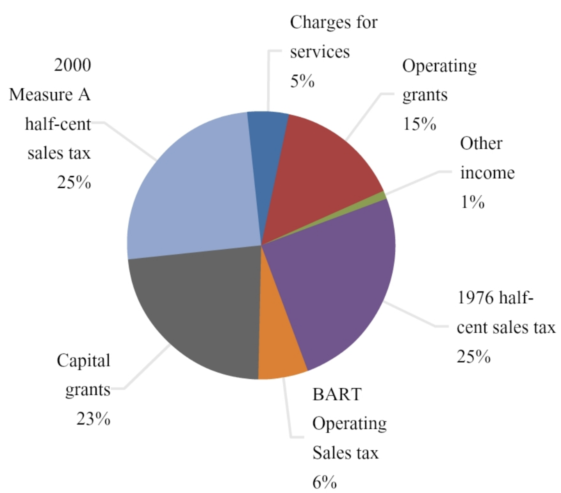
Capital Contributions to/or Expenses on Behalf of Other Agencies – As part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital assets does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY 2017, total capital contributions to/or on behalf of other agencies were $86.1 million ($6.5 million in VTA Transit Fund, and $79.6 million in 2000

Measure A Fund), or $33.0 million more compared to the preceding year's level. This is largely due to an increase in capital activities relating to projects such as Hayward Maintenance Center, Caltrain Electrification, and Montague Reconstruction Project.

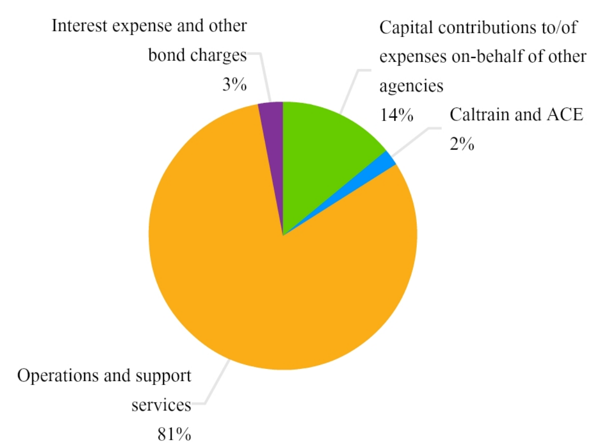
Interest Expense and other Bond Charges – Interest expense and other bond charges were $15.3 million; $3.9 million more compared to prior year. Interest relating to 2010 bonds which were initially capitalized ended up being expensed as projects closed or reached completion.

Other Expenses - This accounts for losses from disposal of assets and costs incurred for project studies and analyses, as well as other professional services relating to 2000 Measure A Program such as custodial fees, audit fees and other investment consulting charges. Other expenses declined as FY 2017 did not report any losses from disposal of vehicles, unlike the prior year which reported a loss from retirement of zero-emission buses of $1.2 million.

Revenue by Sources
Enterprise Funds



Expenses by Categories
Enterprise Funds



Internal Service Funds – VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to other VTA funds. As of June 30, 2017, the total deficit for this fund category, associated entirely from the Compensated Absences program, was $8.8 million and funded by VTA Transit's FY 2018 operating budget.

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

<u>*Special Revenue Fund*</u> – This fund accounts for the activities of the Congestion Management Program and the 2016 Measure B program. The table that follows shows the details of changes in fund balance between the current and prior fiscal year:

Comparison of Special Revenue Fund
FY 2017 and FY 2016
(In thousands)

			Change Favorable/ (Unfavorable)	
Special Revenue Fund	**2017**	**2016**	**Amount**	**Percent**
Assessment to member agencies	$ 2,407	$ 2,407	$ —	0.00 %
Federal grant revenues	1,219	1,887	(668)	(35.40)%
State and local operating grants	966	699	267	38.20 %
Other revenues	124	155	(31)	(20.00)%
Administrative fees	142	122	20	16.39 %
Investment earnings	7	16	(9)	(56.25)%
Total Revenues	4,865	5,286	(421)	(7.96)%
Salaries and benefits	(4,251)	(4,221)	(30)	(0.71)%
Professional services	(2,721)	(1,176)	(1,545)	(131.38)%
Contribution to agencies	(83)	(210)	127	60.48 %
Material and Services	(19)	(21)	2	9.52 %
Total Expenses	(7,074)	(5,628)	(1,446)	(25.69)%
Change in fund balances	(2,209)	(342)	(1,867)	(545.91)%
Fund balances, beginning of year	1,157	1,499	(342)	(22.82)%
Fund balances, end of year	$ (1,052)	$ 1,157	$ (2,209)	(190.92)%

Total revenues under the Special Revenue Fund include primarily member assessments and grants. This was reported at $4.9 million in FY 2017, a decrease of $421.0 thousand from the preceding year. This is largely a result of lesser eligible activities reimbursed by the Surface Transportation Program grant revenue under the Congestion Management Program. Total expenditures were $7.1 million, an increase of $1.4 million from FY 2016. The increase is primarily a result of expenditures incurred by the 2016 Measure B Program during its initial year, which include professional fees paid to Santa Clara County for election cost, as well as the State Board of Equalization and the bank for the establishment of escrow fund. The overall decrease in fund balance amounted to $1.9 million.

CMP projects were funded from member assessments and various federal, state, and local grants. The 2016 Measure B Program Fund was created in FY 2017, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent countywide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). For FY 2017, sales tax advances formed of the liability as the Measure is undergoing a legal challenge.

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

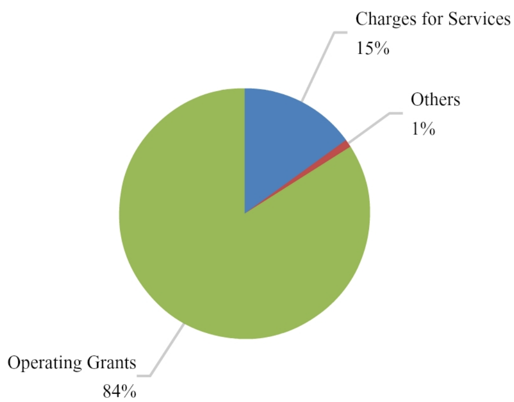
Comparison of
Capital Project Funds
FY 2017 and FY 2016
(In thousands)

			Change	
			Favorable/(Unfavorable)	
Capital Projects Funds	**2017**	**2016**	**Amount**	**Percent**
Federal, State, and local capital grant revenues	$ 11,763	$ 13,999	$ (2,236)	(15.97)%
VTA labor and overhead costs	(1,877)	(2,810)	933	33.20 %
Capital expenditures on behalf of other agencies	(9,886)	(11,189)	1,303	11.65 %
Change in fund balances	$ —	$ —	$ —	

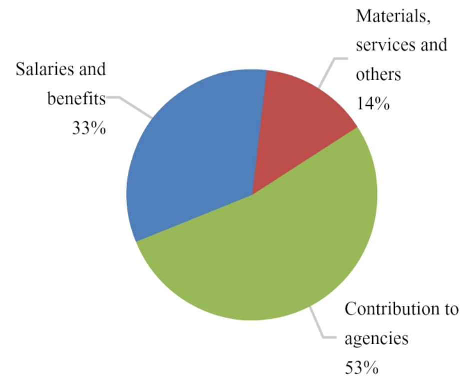
For FY 2017, total revenues were $11.8 million which represent the total amount expended on the projects and fully funded by other governmental agencies. Starting in FY 2017, activities for the year of the 1996 Measure B Highways formed part of the Congestion Management and Highway Program Fund. The incorporation is a result of the effort to close out the affairs of the 1996 Measure B Highways Program.

The VTA labor and overhead costs primarily from Congestion Management and Highway Program were $933 thousand lower in FY 2017. Capital expenditures on behalf of other agencies were $9.9 million in FY 2017, a $1.3 million decline largely attributed to less activities on projects nearing completion such as I880/I280/Stevens Creek Improvement, Final Design on SR237 Express Lanes - Phase II Extension, Combined Landscaping & Maintenance Project relative to 880/HOV, 101 Auxiliary, 101 Yerba Buena, and 237/McCarthy). The decrease was partially offset by increase in activities on projects such as 101/SR85 Express Lanes, US101/Zanker Rd/Skyport Dr/North 4th Street Interchange, and I280/Wolfe Rd Interchange Improvement.

Revenue by Sources
Governmental Funds



Expenditures by Categories
Governmental Funds



Capital Assets and Debt Administration

Capital assets – VTA's investment in capital assets is entirely in its business-type activity since VTA has no capital assets invested in the governmental activities. As of June 30, 2017 investment in capital assets net of accumulated depreciation, amounts to $4.8 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, Caltrain Access, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2017, VTA expended $345.1 million on acquisition and construction of capital assets.

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

	2017	2016
Land and Right-of-way	$ 1,126,872	$ 1,126,359
Construction in Progress	2,906,098	2,611,823
Caltrain Access	2,203	3,085
Buildings & Improvements Equipment & Fixtures	264,406	266,990
Vehicles with Leased Vehicles	316,847	311,848
Caltrain-Gilroy Extension	26,460	27,770
Light Rail Tracks/Electrification	124,313	141,317
Other Operating Equipment	3,831	5,710
Leasehold Improvements	5,447	5,889
Total	$ 4,776,477	$ 4,500,791

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

Long-term debt – At year end, VTA has $1.1 billion bonds outstanding. For FY 2017, the total debt payment made was approximately $52.9 million while the total amortization of the bond premium was $2.9 million.

Outstanding Debt
Proprietary Funds
(In thousands)

	2017	2016
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 168,877	$ 184,116
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	901,545	932,049
Total	**$ 1,070,422**	**$ 1,116,165**

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

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

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

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2017
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS			
Cash and investments	$ 341,673	$ —	$ 341,673
Receivables, net	4,334	—	4,334
Internal balances	2,003	(2,003)	—
Due from other agencies	49,247	—	49,247
Inventories	35,452	—	35,452
Other current assets	1,236	—	1,236
Restricted assets:			
Cash and investments	767,634	25,026	792,660
Receivables, net	5	—	5
Due from other agencies	90,249	44,383	134,632
Other current assets	39	—	39
Net OPEB asset	15,865	—	15,865
Capital assets:			
Capital assets - nondepreciable	4,032,970	—	4,032,970
Capital assets - depreciable, net of accumulated depreciation	743,507	—	743,507
Total assets	6,084,214	67,406	6,151,620
DEFERRED OUTFLOWS OF RESOURCES			
Hedging derivative instruments	82,764	—	82,764
Refunding amounts	12,697	—	12,697
Pension-related	70,966	—	70,966
Total deferred outflows of resources	166,427	—	166,427
LIABILITIES			
Accounts payable and accrued expenses	25,708	—	25,708
Deposits	379	—	379
Accrued payroll and related liabilities	10,536	—	10,536
Bond interest and other fees payable	409	—	409
Unearned revenues	3,521	—	3,521
Other accrued expenses	36	—	36
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	40,089	2,501	42,590
Bond interest and other fees payable	11,039	—	11,039
Unearned revenues	12	50,127	50,139
Due to other agencies	67,484	15,830	83,314
Long-term liabilities:			
Due within one year	56,771	—	56,771
Due in more than one year	1,066,805	—	1,066,805
Derivative instruments	82,764	—	82,764
Net Pension Liability	277,694	—	277,694
Total liabilities	1,643,247	68,458	1,711,705
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-pension related	3,576	—	3,576
Deferred amount on refunding	3,670	—	3,670
Total deferred inflows of resources	7,246	—	7,246
NET POSITION			
Net investment in capital assets	3,715,082	—	3,715,082
Restricted:			
Swap collateral	82,764	—	82,764
Debt Service	50,108	—	50,108
Retention	89	—	89
2000 Measure A projects	368,455	—	368,455
1996 Measure B projects	976	—	976
BART Operating	238,006	—	238,006
Congestion management program	—	611	611
Unrestricted (Note 2j)	144,668	(1,663)	143,005
Total Net Position	$ 4,600,148	$ (1,052)	$ 4,599,096

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year ended June 30, 2017
(In thousands)

	Business-Type Activities	Governmental Activities	Total
	Transit	Congestion Management	
EXPENSES:			
Operations, support services, and CMP program and 2016 Measure B program	$ 471,655	$ 8,868	$ 480,523
Caltrain subsidy & capital expenses on behalf of, and contribution to other agencies	94,474	—	94,474
Altamont Corridor Express subsidy	3,270	—	3,270
Interest expense	15,254	—	15,254
Other expenses	2,928	—	2,928
Claims and change in future claim estimates	12,654	—	12,654
Contribution to agencies	—	83	83
Capital outlay on behalf of other agencies	—	9,886	9,886
Total expenses	600,235	18,837	619,072
PROGRAM REVENUES:			
Charges for services	40,194	2,549	42,743
Operating grants	123,944	13,948	137,892
Capital grants	188,856	—	188,856
Total program revenues	352,994	16,497	369,491
Net program revenues (expenses)	(247,241)	(2,340)	(249,581)
GENERAL REVENUES:			
Sales tax revenue	467,701	—	467,701
Investment income	4,459	7	4,466
Other income	5,640	124	5,764
Total general revenues	477,800	131	477,931
Change in Net Position	230,559	(2,209)	228,350
NET POSITION, BEGINNING OF YEAR	4,369,589	1,157	4,370,746
NET POSITION, END OF YEAR	$ 4,600,148	$ (1,052)	4,599,096

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position
Proprietary Funds
June 30, 2017
(In Thousands)

	Enterprise Funds							
	VTA Transit	1996 Meas B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise	Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$ 32,831	$ —	$ 397	$ —	$ —	$ 319	$ 33,547	$ 2,936
Investments	232,964	—	2,408	—	—	28,206	263,578	41,612
Receivables, net	4,295	—	39	—	—	—	4,334	—
Due from other agencies	49,247	—	—	—	—	—	49,247	—
Inventories	35,452	—	—	—	—	—	35,452	—
Other current assets	1,236	—	—	—	—	—	1,236	—
Restricted assets:								
Cash and cash equivalents	—	—	—	1,077	497	—	1,574	—
Cash and cash equivalents with fiscal agent	2,265	—	—	58,717	—	—	60,982	—
Investments	56,308	—	—	420,439	228,331	—	705,078	—
Receivables, net	2	—	—	3	—	—	5	—
Due from other funds	1,887	—	—	121	—	—	2,008	—
Due from other agencies	—	—	—	81,019	9,230	—	90,249	—
Other current assets	—	—	—	39	—	—	39	—
TOTAL CURRENT ASSETS	416,487	—	2,844	561,415	238,058	28,525	1,247,329	44,548
Noncurrent assets:								
Net OPEB Asset	15,865	—	—	—	—	—	15,865	—
Capital assets - Non-depreciable:								
Land and right of way	1,126,872	—	—	—	—	—	1,126,872	—
Construction in progress	89,827	—	—	2,815,587	—	684	2,906,098	—
Capital assets - Depreciable:								
Intangible Assets	—	—	—	3,085	—	—	3,085	—
Caltrain - Gilroy extension	43,072	—	—	—	—	—	43,072	—
Buildings, improvements, furniture, and fixtures	586,041	—	—	—	—	—	586,041	—
Vehicles	586,754	—	—	—	—	—	586,754	—
Light-rail tracks and electrification	418,195	—	—	—	—	—	418,195	—
Leasehold Improvements	9,686	—	—	—	—	—	9,686	—
Others	47,561	—	—	—	—	—	47,561	—
Less accumulated depreciation	(950,005)	—	—	(882)	—	—	(950,887)	—
Net capital assets	1,958,003	—	—	2,817,790	—	684	4,776,477	—
TOTAL NONCURRENT ASSETS	1,973,868	—	—	2,817,790	—	684	4,792,342	—
TOTAL ASSETS	2,390,355	—	2,844	3,379,205	238,058	29,209	6,039,671	44,548
DEFERRED OUTFLOWS OF RESOURCES								
Hedging derivative instruments	10,507	—	—	72,257	—	—	82,764	—
Refunding amounts	8,663	—	—	4,034	—	—	12,697	—
Pension related	70,966	—	—	—	—	—	70,966	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	90,136	—	—	76,291	—	—	166,427	—

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position *(continued)*
Proprietary Funds
June 30, 2017
(In Thousands)

	Enterprise Funds							
	VTA Transit	1996 Meas B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES								
Current liabilities:								
Current portion of long-term debt	15,492	—	—	—	—	—	15,492	—
Accounts payable and accrued expenses	25,278	—	75	—	—	195	25,548	160
Deposits	283	—	—	—	—	96	379	—
Accrued payroll and related liabilities	10,536	—	—	—	—	—	10,536	—
Bond interest and other fees payable	409	—	—	—	—	—	409	—
Unearned revenues	3,488	—	—	—	—	33	3,521	—
Other accrued expenses	36	—	—	—	—	—	36	—
Claims liability	—	—	—	—	—	—	—	3,349
Compensated absences	—	—	—	—	—	—	—	8,400
Liabilities payable from restricted assets:								
Current portion of long-term debt	—	—	—	29,530	—	—	29,530	—
Accounts payable and accrued expenses	—	—	—	40,037	52	—	40,089	—
Bond interest and other fees payable	—	—	—	11,039	—	—	11,039	—
Unearned revenues	—	—	—	12	—	—	12	—
Due to other funds	—	—	—	—	—	5	5	—
Due to other agencies	45,801	—	—	21,683	—	—	67,484	—
TOTAL CURRENT LIABILITIES	101,323	—	75	102,301	52	329	204,080	11,909
Non-current liabilities:								
Long-term debt, excluding current portion	153,385	—	—	872,015	—	—	1,025,400	—
Derivative instruments	10,507	—	—	72,257	—	—	82,764	—
Claims liability	—	—	—	—	—	—	—	20,314
Compensated absences	—	—	—	—	—	—	—	21,091
Net Pension Liability	277,694	—	—	—	—	—	277,694	—
TOTAL NON-CURRENT LIABILITIES	441,586	—	—	944,272	—	—	1,385,858	41,405
TOTAL LIABILITIES	542,909	—	75	1,046,573	52	329	1,589,938	53,314
DEFERRED INFLOWS OF RESOURCES								
Deferred Inflows-Pension Related	3,576	—	—	—	—	—	3,576	—
Deferred Amount on Refunding	—	—	—	3,670	—	—	3,670	—
TOTAL DEFERRED INFLOWS OF RESOURCES	3,576	—	—	3,670	—	—	7,246	—
NET POSITION								
Net Investment in Capital Assets	1,797,789	—	—	1,916,609	—	684	3,715,082	—
Restricted:								
BART Operating	—	—	—	—	238,006	—	238,006	—
Swap collateral	10,507	—	—	72,257	—	—	82,764	—
Debt service	2,176	—	—	47,932	—	—	50,108	—
Retention	89	—	—	—	—	—	89	
2000 Measure A projects	—	—	—	368,455	—	—	368,455	—
1996 Measure B projects	976		—	—	—	—	976	—
Unrestricted (Note 2j)	122,469	—	2,769	—	—	28,196	153,434	(8,766)
TOTAL NET POSITION	$1,934,006	$ —	$ 2,769	$ 2,405,253	$ 238,006	$ 28,880	$ 4,608,914	$ (8,766)

<u>Reconciliation of the Statement of Fund Net Position to the Statement of Net Position:</u>

Net Position of Enterprise Funds	$ 4,608,914
Net Position of Internal Service Funds, which benefits Business-type Activities	(8,766)
Net Position of Business-Type Activities (Page 2-22)	$ 4,600,148

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2017
(In thousands)

	Enterprise Funds							
	VTA Transit	1996 Meas B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total	Internal Service Fund
OPERATING REVENUES:								
Fares - Transit	$ 33,719	$ —	$ —	$ —	$ —	$ —	$ 33,719	$ —
Fares - Paratransit	1,064	—	—	—	—	—	1,064	—
Toll revenues collected	—	—	1,258	—	—	—	1,258	—
Advertising and others	3,478	—	—	—	—	—	3,478	—
Charges for services	—	—	—	—	—	675	675	11,845
Total Operating Revenues	38,261	—	1,258	—	—	675	40,194	11,845
OPERATING EXPENSES:								
Labor cost	321,824	—	—	—	—	—	321,824	—
Materials and supplies	38,656	—	—	—	—	—	38,656	—
Services	34,537	—	862	—	203	1,123	36,725	—
Utilities	8,851	—	3	—	—	—	8,854	—
Casualty and liability	6,901	—	—	—	—	—	6,901	—
Purchased transportation	25,241	—	—	—	—	—	25,241	—
Leases and rentals	678	—	—	—	—	—	678	—
Miscellaneous	1,722	—	—	—	—	10	1,732	1,991
Depreciation expense	68,539	—	—	—	—	—	68,539	—
Costs allocated to capital and other programs	(27,641)	—	—	—	—	—	(27,641)	—
Claims and change in future claims estimates	—	—	—	—	—	—	—	12,654
Total Operating Expense	479,308	—	865	—	203	1,133	481,509	14,645
Operating Income/(Loss)	(441,047)	—	393	—	(203)	(458)	(441,315)	(2,800)
NON-OPERATING REVENUES(EXPENSES):								
Sales tax revenue	209,005	—	—	208,672	50,024	—	467,701	—
2000 Measure A operating assistance	38,515	—	—	(38,515)	—	—	—	—
Federal operating assistance and other grants	4,232	—	—	—	—	—	4,232	—
Federal subsidy for Build America Bonds	—	—	—	8,753	—	—	8,753	—
State and local operating assistance grants	110,959	—	—	—	—	—	110,959	—
Caltrain subsidy	(8,390)	—	—	—	—	—	(8,390)	—
Capital expense on behalf of, and contribution to other agencies	(6,497)	—	—	(79,587)	—	—	(86,084)	—
Altamont Corridor Express subsidy	(3,270)	—	—	—	—	—	(3,270)	—
Investment earnings	1,141	—	12	2,404	670	129	4,356	103
Interest expense	(7,326)	—	—	(7,928)	—	—	(15,254)	—
2000 Measure A repayment obligations	15,178	—	—	(15,178)	—	—	—	—
Other non-operating income	4,609	—	—	407	—	—	5,016	624
Other non-operating expense	(576)	—	—	(2,352)		—	(2,928)	—
Total Non-operating Revenue (Expenses)	357,580	—	12	76,676	50,694	129	485,091	727
Income (loss) before capital contributions	(83,467)	—	405	76,676	50,491	(329)	43,776	(2,073)
Transfer from 1996 Measure B Transit	976	(976)	—	—	—	—	—	—
Capital grants and contributions	38,713	—	—	150,143	—	—	188,856	—
Change in net position	(43,778)	(976)	405	226,819	50,491	(329)	232,632	(2,073)
Net Position, beginning of year	1,977,784	976	2,364	2,178,434	187,515	29,209	4,376,282	(6,693)
Net Position, end of year	$1,934,006	$ —	$ 2,769	$2,405,253	$ 238,006	$ 28,880	$ 4,608,914	$ (8,766)

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

Change in net position of the Enterprise Funds	$ 232,632
Change in net position of the Internal Service Fund, which benefits Business-type Activities	(2,073)
Change in net position of Business-type Activities (Page 2-23)	$ 230,559

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017
(In thousands)

	VTA Transit	1996 Meas B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from transit fares	$ 34,788	$ —	$ —	$ —	$ —	$ —	$ 34,788	$ —
Cash received from paratransit fares	1,064	—	—	—	—	—	1,064	—
Cash received from Tolls	—	—	1,257	—	—	—	1,257	—
Cash received from advertising	3,739	—	—	—	—	—	3,739	—
Cash paid for labor costs	(278,713)	—	—	—	—	—	(278,713)	—
Cash paid to suppliers	(88,524)	—	(866)	—	(153)	(1,133)	(90,676)	—
Cash paid for purchased transportation	(25,241)	—	—	—	—	—	(25,241)	—
Cash received from contributions	—	—	—	—	—	—	—	11,845
Payments made to beneficiaries	—	—	—	—	—	—	—	(13,698)
Payments made to third party contractors	—	—	—	—	—	—	—	(802)
Other receipts/(payments)	—	—	(126)	—	(37)	804	641	—
Net cash provided by/(used in) operating activities	(352,887)	—	265	—	(190)	(329)	(353,141)	(2,655)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Operating grants received	116,626	—	—	8,753	—	—	125,379	—
Sales tax received	207,237	—	—	207,139	49,645	—	464,021	—
2000 Measure A operating assistance	38,232	—	—	(38,232)	—	—	—	—
2000 Measure A repayment obligations	15,178	—	—	(15,178)	—	—	—	—
Caltrain subsidy	(8,390)	—	—	—	—	—	(8,390)	—
Altamont Corridor Express subsidy	(3,270)	—	—	—	—	—	(3,270)	—
Capital contributions to other agencies	(8,148)	—	—	(79,961)	—	—	(88,109)	—
Net cash provided by/(used in) non-capital financing activities	357,465	—	—	82,521	49,645	—	489,631	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Payment of long-term debt	(24,735)	—	—	(28,160)	—	—	(52,895)	—
Proceeds from issuance of long term debt	10,030	—	—	—	—	—	10,030	—
Advance (to)/from other governments	(1,577)	(593)	—	(29,438)	—	—	(31,608)	—
Interest and other fees paid on long-term debt	(7,966)	—	—	(10,721)	—	—	(18,687)	—
Acquisition and construction of capital assets	(55,928)	(5)	—	(304,073)	—	(190)	(360,196)	—
Capital contribution from other entities	43,114	—	—	196,864	—	—	239,978	670
Transfer in from 1996 Measure B transit	976	—	—	—	—	—	976	—
Transfer out to VTA transit	—	(976)	—	—	—	—	(976)	—
Net cash provided by/(used in) capital and related financing activities	(36,086)	(1,574)	—	(175,528)	—	(190)	(213,378)	670
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	665,346	—	6,026	1,107,308	456,317	66,124	2,301,121	114,766
Purchase of investments	(661,338)	—	(6,062)	(1,032,697)	(513,684)	(65,944)	(2,279,725)	(110,648)
Interest income received	3,100	—	36	6,936	2,890	427	13,389	346
Net cash provided by/(used in) investment activities	7,108	—	—	81,547	(54,477)	607	34,785	4,464
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(24,400)	(1,574)	265	(11,460)	(5,022)	88	(42,103)	2,479
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	59,496	1,574	132	71,254	5,519	231	138,206	457
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 35,096	$ —	$ 397	$ 59,794	$ 497	$ 319	$ 96,103	$ 2,936

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds *(continued)*
For the Year Ended June 30, 2017
(In thousands)

	VTA Transit	1996 Meas B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES								
Operating income/(loss)	$ (441,047)	$ —	$ 393	$ —	$ (203)	$ (458)	$ (441,315)	$ (2,800)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:								
Depreciation	68,539	—	—	—	—	—	68,539	—
Changes in operating assets and liabilities:								
Other current assets	14,988	—	—	—	—	—	14,988	—
Receivables	345	—	(2)	—	—	—	343	—
Inventories	(3,412)	—	—	—	—	—	(3,412)	—
Accounts Payable	6,324	—	(126)	—	13	—	6,211	—
Other accrued liabilities	495	—	—	—	—	—	495	145
Deposits from others	(104)	—	—	—	—	—	(104)	—
Unearned Revenue	985	—	—	—	—	129	1,114	—
Net cash provided by/(used in) operating activities	$ (352,887)	$ —	$ 265	$ —	$ (190)	$ (329)	$ (353,141)	$ (2,655)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:								
Unrestricted:								
Cash and cash equivalents	$ 32,831	$ —	$ 397	$ —	$ —	$ 319	$ 33,547	$ 2,936
Restricted:								
Cash and cash equivalents	—	—	—	1,077	497	—	1,574	—
Cash and cash equivalents with fiscal agent	2,265	—	—	58,717	—	—	60,982	—
	$ 35,096	$ —	$ 397	$ 59,794	$ 497	$ 319	$ 96,103	$ 2,936
NONCASH ACTIVITIES:								
Increase/(Decrease) in fair value of investments	$ (2,197)	$ —	$ (21)	$ (3,862)	$ (1,937)	$ (255)	$ (8,272)	$ (243)
Noncash capital contributions	1,198	—	—	51,403	—	—	52,601	—
Amortization expense of Caltrain Access Fee	—	—	—	(882)	—	—	(882)	—
Total non-cash activities	$ (999)	$ —	$ (21)	$ 46,659	$ (1,937)	$ (255)	$ 43,447	$ (243)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2017
(In thousands)

	Special Revenue Funds		Capital Projects Fund	
	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
ASSETS				
Restricted assets:				
Cash and cash equivalents	$ 12,106	$ —	$ 12,920	$ 25,026
Due from other agencies	38,021	841	5,521	44,383
TOTAL ASSETS	$ 50,127	$ 841	$ 18,441	$ 69,409
LIABILITIES				
Liabilities payable from restricted assets:				
Accounts payable	$ 7	$ 2	$ 2,492	$ 2,501
Unearned revenue	50,127	—	—	50,127
Due to other funds	1,656	124	223	2,003
Due to other agencies	—	104	15,726	15,830
TOTAL LIABILITIES	51,790	230	18,441	70,461
FUND BALANCES				
Restricted	—	611	—	611
Unassigned	(1,663)	—	—	(1,663)
TOTAL FUND BALANCES	(1,663)	611	—	(1,052)
TOTAL LIABILITIES AND FUND BALANCES	$ 50,127	$ 841	$ 18,441	$ 69,409

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2017
(In thousands)

	Special Revenue Funds		Capital Projects Fund	
	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
REVENUES:				
Assessment to member agencies	$ —	$ 2,407	$ —	$ 2,407
Federal grant revenues	—	1,219	2,739	3,958
Administrative fees	—	142	—	142
State and local grants	—	966	9,024	9,990
Other revenues	—	124	—	124
Investment earnings	—	7	—	7
TOTAL REVENUES - CURRENT	—	4,865	11,763	16,628
EXPENDITURES:				
Congestion Management:				
VTA labor and overhead costs	—	4,251	1,877	6,128
Professional services	1,663	1,058	—	2,721
Material and services	—	19	—	19
Contribution to agencies	—	83	—	83
Capital expenditures on behalf of other agencies	—	—	9,886	9,886
TOTAL EXPENDITURES	1,663	5,411	11,763	18,837
NET CHANGE IN FUND BALANCES	(1,663)	(546)	—	(2,209)
FUND BALANCES, BEGINNING OF YEAR	—	1,157	—	1,157
FUND BALANCES, END OF YEAR	$ (1,663)	$ 611	$ —	$ (1,052)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS		
Cash and investments:		
Cash and Cash Equivalents	$ 1,827	$ 592
Corporate Bond	96,103	—
U.S. Government Securities	33,229	—
U.S. Agency notes	63,314	—
Equity Based	127,505	—
Mutual Funds	526,109	—
Money Market Funds	7,599	—
Investment Pool	547	31,328
Receivables	1,371	—
Prepaid Expenses	861	—
Due from other agencies	10	—
TOTAL ASSETS	$ 858,475	$ 31,920
LIABILITIES		
Accounts payable	$ 241	$ 47
Program payable	—	31,873
TOTAL LIABILITIES	241	$ 31,920
NET POSITION		
Restricted for:		
ATU Pension benefits	531,467	
Retiree medical benefits	299,894	
ATU Retiree spousal medical benefits	15,887	
ATU Retiree dental and vision benefits	10,986	
TOTAL NET POSITION	$ 858,234	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
for the Year ended June 30, 2017
(In thousands)

		ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS		
Employee Contributions	$	1,070
Employer Contributions		33,381
Total Contributions		34,451
Investment earnings:		
Investment income		34,426
Net appreciation in the fair value of investments		64,689
Investment expense		(2,471)
Net investment income		96,644
TOTAL ADDITIONS		131,095
DEDUCTIONS		
Benefit payments		53,076
Administrative expenses		349
TOTAL DEDUCTIONS		53,425
CHANGE IN NET POSITION		77,670
Net Position, Beginning of year		780,564
Net Position, End of year	$	858,234

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

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

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

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

The *Governmental Funds* are used to account for VTA's 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 *2016 Measure B Special Revenue Fund* is used to account for the 2016 Measure B Program funded through one-half cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets).
- The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County. Major sources of revenue for this fund are member agency assessments, and federal and state grants.
- The *Congestion Management and Highway Program Capital Projects Fund (CMHP)* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the 1996 Measure B Highway Program Capital Projects Fund). Starting in FY 2017, CMHP Fund incorporated the activities of 1996 Measure B Highway Program Capital Projects as the program continues to wind down.

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

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

(b) Basis of Accounting and Measurement Focus

The government-wide, business-type activities, proprietary funds, and fiduciary trust funds financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. 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 trust funds are also reported using accrual basis of accounting and the economic resources measurement focus. Agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

VTA's operating revenues are generated directly from its transit operations and consist principally of passenger fares. 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.

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

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

(c) Cash and Investments

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

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

VTA has reported its investments at fair value based on quoted market information, from its fiscal agent for actively managed accounts and from management firms for commingled accounts. 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 valued at cost using the weighted average method, which approximates market. They are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to the maintenance of transportation vehicles and facilities.

(e) Restricted Assets

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

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

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

(g) Capital Assets

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

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

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

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

Interest is capitalized on construction in progress. Accordingly, interest that is capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense and other bond charges of $44 million relating to the 2000 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 retains $3 million in self-insurance for general liability and completely self-insures workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 14 and 16).

(j) Net Position

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

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

  The Statement of Fund Net Position as of June 30, 2017, on pages 2-24 and 2-25 reports that enterprise fund net position invested in capital assets (net of related debt) is $3.7 billion.

- <u>*Restricted Net Position*</u> - This category consists of debt service collateral, Swap collateral, retention, amounts restricted for 1996 Measure B Transit, 2000 Measure A capital programs, BART Operating, 2016 Measure B Program and Congestion Management Program.

  The Statement of Fund Net Position on pages 2-24 and 2-25 reports that enterprise funds restricted net position amount to $740 million as of June 30, 2017, of which $488.6 million and $238.0 million are restricted by enabling legislation for the 2000 Measure A Sales Tax and BART Operating Sales Tax programs, respectively. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation-related projects. The BART Operating 1/8-cent sales tax is dedicated to the operation, maintenance, improvement, and future capital needs of the BART Silicon Valley Extension. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

The balance sheet of the Governmental Funds reports fund balance for CMP and 2016 Measure B programs of $611 thousand surplus and $1.7 million deficit, respectively. The 2016 Measure B is a half-cent sales tax to fund activities on enhancing transit, highways, expressways, and other active transportation. Tax collection began in April 2017 and VTA received initial allocation of $12.1 million in June 2017. The initial allocation was reported as a liability due to the Measure undergoing legal challenge.

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

	Proprietary Funds				
	VTA Transit Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
Local share of capital projects	$ 129,021	$ —	$ 6,309	$ 135,330	$ —
Debt reduction	49,540	—	—	49,540	—
Express Lane	—	2,769	—	2,769	—
Joint Development	—	—	21,887	21,887	—
Irrevocable transfer made to OPEB trust fund	15,865	—	—	15,865	—
Sales tax stabilization	35,000	—	—	35,000	—
Operating reserve	66,659	—	—	66,659	—
Inventory and prepaid expenses	36,688	—	—	36,688	—
Workers' Compensation, General Liability& Compensated Absences	—	—	—	—	(8,766)
Net Pension Liability (GASB 68)*	(210,304)	—	—	(210,304)	—
Total	$ 122,469	$ 2,769	$ 28,196	$ 153,434	$ (8,766)

*Represents amount owed by VTA for benefits provided through a defined benefit pension plan (net of related deferred inflows/ outflows). This consists of $83 million for CalPERS and $127.3 million for ATU.

(k) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses, and Changes in Fund Net Position, the VTA Transit Fund reports $28 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

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

(m) Fund Balance - Governmental Funds

The Congestion Management Program and the 2016 Measure B Program Fund balances are classified as restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. VTA's governmental funds reports only restricted Fund balances except when the residual amount is negative which is then reported as unassigned Fund balance.

(n) Spending Order Policy

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

(o) Intangible Assets

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

(p) Transfers In/(Out)

The Transfers represent the interfund transactions between funds. During FY 2017, there was a transfer of $976 thousand from 1996 Measure B Transit Fund to VTA Transit Fund as the 1996 Measure B program approaches completion.

(q) New Accounting Pronouncements

GASB Statement No. 73 - In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, or the FY 2017. This statement did not have an impact on VTA's financial statement.

GASB Statement No. 74 - In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the FY 2017. The pronouncement is applicable to OPEB plans. This statement did not have an impact on VTA's financial statement.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the FY 2018. VTA has not determined the effect of the statement.

GASB Statement No. 77 - In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This GASB statement is effective with Fiscal Year Ending June 30, 2017. This statement did not have an impact on VTA's financial statement.

GASB Statement No. 79 - In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2016, or the FY 2017, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. This statement did not have an impact on VTA's financial statement.

GASB Statement No. 80 - In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the FY 2017. This statement did not have an impact on VTA's financial statement.

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

GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations (AROs). The objective of the Statement is to establish criteria for determining the timing and pattern of recognition and a corresponding deferred outflows of resources for AROs. The Statement requires ARO measurement to be based on best estimate of the current value of outlays expected to be incurred, and updated annually for inflation/deflation and all relevant factors. In addition, a government is required to measure the deferred outflows of resources associated with the ARO at the amount of the corresponding liability upon initial measurement and expensed in a systematic and rational manner over the estimated useful life of the tangible capital asset. The Statement is effective for the reporting periods beginning after June 15, 2018, or the FY 2019. VTA has not determined the effect of the statement.

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2017, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Fund	Governmental Funds	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 33,547	$ 2,936	$ —	$ —	$ —	$ 36,483
Investment	263,578	41,612	—	—	—	305,190
Total unrestricted	297,125	44,548	—	—	—	341,673
Restricted:						
Cash and Cash Equivalents	1,574	—	12,920	1,827	592	16,913
Cash and Cash Equivalents with Fiscal Agents	60,982	—	12,106	—	—	73,088
Investments	705,078	—	—	854,406	31,328	1,590,812
Total restricted	767,634	—	25,026	856,233	31,920	1,680,813
Total Cash and Investments	$ 1,064,759	$ 44,548	$ 25,026	$ 856,233	$ 31,920	$ 2,022,486

As of June 30, 2017 total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	$ 53,396
Cash & Cash Equivalents with Fiscal Agents	73,088
Investments	1,896,002
Total	$ 2,022,486

Cash and Cash Equivalents

VTA maintains several checking accounts related to its operations. These checking accounts earn interest based on the bank's sweep rate. At June 30, 2017, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$ 40,476
CM&HP Account	12,920
Total Deposits	$ 53,396

Investments

VTA's investments fall into two categories, i.e. investments related to: (1) government-wide and agency funds, and (2) trust funds. The first includes investments of operating and other funds which may be restricted or unrestricted depending on the source of the funds. The second includes trust funds investments that are held in trust to pay retirement benefits of ATU, Local 265 Pension Plan, ATU Medical/Dental, and the VTA Retirees' Other Post-Employment Benefits trust.

Investment within the government-wide

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

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

VTA's investment policy covering non-trust funds conforms to state statutes, and provides written investment guidance regarding the types of investments that may be made and the amounts which may be invested in any one financial institution or any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, 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, State of California's local agency agreements, qualified structured investments, and shares of beneficial interest i.e., mutual funds) investing in these permissible investments.

VTA's non-trust portfolio includes asset-backed securities that are invested and managed by money managers, and includes structured notes that are invested indirectly through the State Treasurer's Office Local Agency Investment Fund (LAIF). At June 30, 2017, the investment in LAIF is $30 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2017, was approximately $77.6 billion. If cash reserves of the state of California are exhausted, then 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 maturity of the investments in PMIA on June 30, 2017, was 194 days. The value of the pool shares 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. The longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's $1.042 billion in non-pension or OPEB investments, 19.12% of the investments are fixed income investments with a maturity of less than 1 year and 4.04% are fixed income investments with a maturity greater than 5 years. VTA's Investment Policy allows up to 40% of the operating funds portfolio to be invested in maturities longer than five years.

The following schedule indicates the maturity of investments at June 30, 2017 (in thousands):

	Maturity				
Investment Type	**1 Year or Less**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Fair Value**
Corporate Bonds - Commingled[1]	$ 109,278	$ 400,592	$ 6,635	$ —	$ 516,505
Corporate Bonds - Pension Plan	1,736	15,440	22,271	24,829	64,276
Corporate Bonds - OPEB Trust	1,358	6,487	10,885	13,097	31,827
US Government Agency Bonds					
Commingled	33,896	138,911	11,949	—	184,756
Pension Plan	8	190	2,306	40,438	42,942
OPEB Trust	1	148	3,481	16,742	20,372
US Treasury					
Commingled	26,122	252,917	23,519	—	302,558
Pension Plan	1,704	22,039	—	—	23,743
OPEB Trust	6,223	3,263	—	—	9,486
Subtotal	**180,326**	**839,987**	**81,046**	**95,106**	**1,196,465**
Money Market Funds - Commingled	8,323	—	—	—	8,323
Money Market Funds - Pension	6,430	—	—	—	6,430
Money Market Funds - OPEB Trust	1,169	—	—	—	1,169
Cash with Fiscal Agents - Commercial Paper/CD	58,209	—	—	—	58,209
TOTAL INVESTMENTS with Money Managers	**254,457**	**839,987**	**81,046**	**95,106**	**1,270,596**
LAIF	30,000	—	—	—	30,000
Subtotal	**$ 284,457**	**$ 839,987**	**$ 81,046**	**$ 95,106**	**1,300,596**
Equity-Based Investments					653,614
Retention Fund at Escrow Agents (Deposits)					14,880
Cash Deposits[1]					53,396
TOTAL					**$ 2,022,486**

[1]$2.4 million in Retirees, ATU, ATU Spousal Medical Plan are included in these line items.

Credit Risk – Credit risk is the risk of non-payment by the issuer of a bond or other debt instrument. Even an increase in the perception of risk of non-payment can adversely affect the value of such an investment. For investment grade fixed income securities, credit strength is often gauged using credit ratings assigned by one or more nationally recognized statistical rating organization. VTA's investment policy governing investment of operating funds seeks to limit exposure to credit risk by following the California Government Code and specifying the permitted investments, minimum credit ratings, maximum maturities, and maximum concentrations. The table below shows the credit quality of VTA's investments as of June 30, 2017.

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

Ratings	Fair Value (In Thousands)	Percentages of Portfolios
AAA	$ 122,879	6.08%
AA+	602,465	29.79%
AA-	50,200	2.48%
AA	46,059	2.28%
A+	47,376	2.34%
A-	59,137	2.92%
A	77,802	3.85%
A-1+	2,483	0.12%
A-1	44,068	2.18%
AAAm	50,109	2.48%
BBB+	80,354	3.97%
BBB-	20,336	1.01%
BBB	25,679	1.27%
BB+	7,505	0.37%
BB-	2,906	0.14%
BB	2,574	0.13%
B+	1,606	0.08%
CCC	3,035	0.15%
Unrated*	775,913	38.36%
TOTAL	**$ 2,022,486**	**100%**

*Unrated consists of money market, LAIF pooled investments, and equity securities.

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

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the custodian (e.g. broker-dealer), VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA's Investment Policy limits exposure to counterparty credit risk by requiring that all securities owned by VTA be held with "perfected interest" in the name of VTA by an independent custodian that is a bank trust department and is unrelated to any other involved counterparty. As of June 30, 2017, VTA believes its counterparty credit risk exposure is minimal.

Concentration of Credit Risk – Concentration of credit risk is the risk that the failure of any one issuer or type of investment would place an undue financial burden on VTA. To mitigate this risk, both the State Government Code and VTA's Investment Policy places percentage portfolio concentration limits on many instruments as well as limits on holding individual issuer names. Under the Investment Policy certain investments are exempt from these concentration limits, including investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments.

Other than investments in mutual funds, external investment pools or securities issued by U.S. Government, VTA had investments in any one issuer that exceeded 5% or more. Major holdings and their portfolio percentage are presented in the table below.

Major Portfolio Holdings

	Operating		Trusts	
Investment Type	Fair Value (In Thousands)	Percentages of Portfolios	Fair Value (In Thousands)	Percentages of Portfolios
Treasury Notes	$ 302,558	25.94%	$ 33,229	3.88%
Federal Home Loan Mortgage Corp. (FHLM)	42,667	3.66%	23,730	2.77%
Federal National Mortgage Association (FNMA)	51,346	4.4%	—	0.00%
Federal Home Loan Bank (FHLB)	40,113	3.44%	38,879	4.54%
Other Investments*	596,586	51.15%	750,968	87.71%
Cash/funds with fiscal agents	132,983	11.41%	9,427	1.1%
Total portfolio holdings	$ 1,166,253	100.00%	$ 856,233	100.00%

*Includes $51.3 million of US Government Agency Bonds

Fair Value Measurement – The following schedule indicates the fair value hierarchy and fair value amounts (in thousands) for both VTA's operating fund investments and the trust investments at June 30, 2017:

Investment Type	Fair Value Hierarchy Level 1	Level 2	Level 3	Fair Value
Corporate Bonds - Commingled[1]	$ —	$ 516,505	$ —	$ 516,505
Corporate Bonds - Pension Plan	1,136	61,777	1,363	64,276
Corporate Bonds - OPEB Trust	—	31,419	408	31,827
US Government Agency Bonds				
Commingled	—	184,756	—	184,756
Pension Plan	—	42,942	—	42,942
OPEB Trust	—	20,372	—	20,372
US Treasury				
Commingled	302,558	—	—	302,558
Pension Plan	23,743	—	—	23,743
OPEB Trust	9,486	—	—	9,486
Subtotal	336,923	857,771	1,771	1,196,465
TOTAL INVESTMENTS with Money Managers	336,923	857,771	1,771	1,196,465
Mutual Funds and Equity-Based Investments	559,841	—	93,773	653,614
Leveled Investment Total	$ 896,764	$ 857,771	$ 95,544	1,850,079
Money Market Funds - Commingled				8,323
Money Market Funds - Pension				6,430
Money Market Funds - OPEB Trust				1,169
Cash with Fiscal Agents - Commercial Paper/CD				58,209
Retention Fund at Escrow Agents (Deposits)				14,880
LAIF				30,000
Cash Deposits[1]				53,396
TOTAL				$ 2,022,486

[1]$2.4 million in Retirees, ATU, ATU Spousal Medical Plan are included in these line items

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

Trust Funds Investments

The ATU, Local 265 Pension Plan (Pension Plan), ATU Medical/Dental, and VTA Retiree Health are administered in accordance with Article XVI, Section 17 of the Constitution of the State of California. Funds are invested in diversified investment portfolios structured to minimize risk and maximize return. Each trust has an investment policy adopted by its respective board.

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2017, is as follows (in thousands):

Due from other funds	Due to other funds		Amount
VTA Transit Fund	Congestion Management Program		$ 124 [1]
VTA Transit Fund	Joint Development Fund		5 [1]
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 263 [2]	
Congestion Management & Highway Program Fund	2000 Measure A Program	(40) [3]	223
VTA Transit Fund	2016 Measure B Program		1,656 [2]
			$ 2,008

[1]Represents mainly labor cost transfer

[2]Represents mainly expenses paid on behalf of fund e.g. Election expenses of $1.6 million for 2016 Measure B Program

[3]Represents mainly vendor invoices related to the 2000 Measure A Program paid initially by CMHP

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2017, consisted of the following (in thousands):

DUE FROM OTHER AGENCIES	Enterprise Funds	Fiduciary Funds	Congestion Management Program	2016 Measure B Program	Congestion Management & Highway Program	Total
Federal Government	$ 24,186	$ —	$ 30	$ —	$ 1,190	$ 25,406
State Government	95,868	—	781	38,021	640	135,310
Cities and other local agencies	19,442	10	30	—	3,691	23,173
	$ 139,496	$ 10	$ 841	$ 38,021	$ 5,521	$ 183,889

Due from other agencies as of June 30, 2017, is reported in the accompanying basic financial statements as follows (in thousands):

ASSETS	Enterprise Funds	Fiduciary Funds	Congestion Management Program	2016 Measure B Program	Congestion Management & Highway Program	Total
Current Assets (Unrestricted)	$ 49,247	$ —	$ —	$ —	$ —	$ 49,247
Current Assets (Restricted)	90,249	10	841	38,021	5,521	134,642
	$ 139,496	$ 10	$ 841	$ 38,021	$ 5,521	$ 183,889

Due to other agencies as of June 30, 2017, consisted of the following (in thousands):

DUE TO OTHER AGENCIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Federal	$ 1,007	$ —	$ —	$ 1,007
State	51,410	—	—	51,410
Caltrain	50	—	—	50
County of Santa Clara	5,559	104	9,361	15,024
City of Milpitas	2,838	—	393	3,231
City of San Jose	1,925	—	4,462	6,387
City of Sunnyvale	—	—	406	406
City of Fremont	18	—	—	18
City of Cupertino	—	—	964	964
Outreach	446	—	—	446
Santa Clara Valley Water District	4,231	—	—	4,231
Various	—	—	140	140
Total	$ 67,484	$ 104	$ 15,726	$ 83,314

Due to other agencies as of June 30, 2017, is reported in the accompanying basic financial statements as follows (in thousands):

LIABILITIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Liabilities payable from restricted assets	$ 67,484	$ 104	$ 15,726	$ 83,314

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2017, were as follows (in thousands):

	July 1, 2016	Additions	Retirements	Transfers	June 30, 2017
Capital assets, not being depreciated					
Land and right-of-way	$ 1,126,359	$ 513	$ —	$ —	$ 1,126,872
Construction in progress	2,611,823	344,392	—	(50,117)	2,906,098
Total capital assets, not being depreciated	3,738,182	344,905	—	(50,117)	4,032,970
Capital assets, being depreciated					
Caltrain Access	3,966	—	—	—	3,966
Caltrain - Gilroy extension	43,072	—	—	—	43,072
Buildings improvements, furniture and fixtures	569,079	177	(17)	16,802	586,041
Vehicles	553,886	—	(175)	33,043	586,754
Light rail tracks and electrification	418,195	—	—	—	418,195
Leasehold improvement	9,686	—	—	—	9,686
Other operating equipment	47,289	—	—	272	47,561
Total capital assets, being depreciated	1,645,173	177	(192)	50,117	1,695,275
Accumulated Depreciation					
Caltrain Access	(881)	(882)	—	—	(1,763)
Caltrain - Gilroy extension	(15,302)	(1,310)	—	—	(16,612)
Buildings, improvements, furniture and fixtures	(302,089)	(19,561)	15	—	(321,635)
Vehicles	(242,038)	(28,044)	175	—	(269,907)
Light rail tracks and electrification	(276,878)	(17,004)	—	—	(293,882)
Leasehold improvement	(3,797)	(442)	—	—	(4,239)
Other operating equipment	(41,579)	(2,151)	—	—	(43,730)
Total accumulated depreciation	(882,564)	(69,394)	190	—	(951,768)
Total capital assets, being depreciated, net	761,727	(68,335)	(2)	50,117	743,507
Total capital assets, net	$ 4,499,909	$ 276,570	$ (2)	$ —	$ 4,776,477

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2017, (in thousands):

Bus Program	$ 143,800
Commuter Rail Program	9,442
Information Systems Technology	14,784
Light Rail - Way, Power & Signal	22,024
Light Rail Program	209,104
Non-Revenue Vehicle	121
Operating Facilities & Equipment	29,622
Passenger Facilities	3,441
Revenue Vehicles & Equipment	18,267
Silicon Valley Rapid Transit	2,454,787
Vasona Corridor Projects	8
Joint Development	684
Others	14
Total	$ 2,906,098

Additional information regarding projects in progress as of June 30, 2017, is as follows (in thousands):

Information Regarding Capital Expenditures:	Costs
Total Board approved capital budget	$ 4,820,302
Capital expenditures settling to CIP	(2,906,098)
Capital expenditures settling to capital assets	(50,117)
Capital expenditures settling to expense	(717,713)
Remaining capital budget available	$ 1,146,374
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 375,369
Local contributions	771,005
Total funding sources	$ 1,146,374

VTA has outstanding commitments of about $501.7 million as of June 30, 2017, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2017, consisted of the following (in thousands):

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2008 Series A-C Refunding	$ 125,695
2011 Series A ($31,445 plus unamortized premium of $1,707)	33,152
2017 Series A Refunding	10,030
Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2008 Series A-D Measure A Refunding	235,875
2010 Series A-B Refunding ($552,260 plus unamortized premium of $3,156)	555,416
2015 Series A-B Refunding ($89,980 plus unamortized premium of $20,274)	110,254
Total Long Term Debt	1,070,422
Less: Current portion of long-term debt	(45,022)
Long term debt, excluding current portion	$ 1,025,400

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

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

- Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds). Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.145% to the counterparties to the swaps. In return, the counterparties pay VTA interest based on a formula (lower of 1 Month LIBOR[1] or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The outstanding

[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.

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. The bonds were refunded in order to reduce bank and interest rate risk associated with variable rate demand bonds. Proceeds of the 2011 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of October 5, 2011. There are no 1998 Series A Sales Tax Revenue Bonds or 2000 Series A Sales Tax Revenue Bonds outstanding, and no funds remaining in escrow. 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.

- In March 2017, $10.03 million of 2017 Series A Sales Tax Revenue Refunding Bonds were issued to current refund $12.05 million principal amount of the 2007 Series A bonds maturing on June 1, 2017, or later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.00%. The economic gain, which is calculated by comparing the present value of the debt service requirements of new to the old debt, is $636.76 thousand. The 2017 Bonds were issued as traditional fixed rate bonds in a direct purchase by Bank of the West. The 2017 bonds were unrated, did not carry a CUSIP and were issued as a physical, non-book entry security. The initial deferred refunding loss related to the 2017 Series A Sales Tax Revenue Refunding Bonds was $813.7 thousand.

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

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

- Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, 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 were issued, at a true interest cost of 3.54%, to fund certain 2000 Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by various amounts beginning in 2013 and has most recently provided a subsidy of about 32.6%. Both bond series are fixed interest bonds. The bonds have a final maturity date of April 2, 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.

- $89.98 million of 2015 Measure A Series A-B were issued to current refund the 2007 Measure A Series A bonds maturing on April 1, 2018, or later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.92%. 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 $14.5 million.

(c) Interest Rate Swaps

VTA has seven interest rate swap agreements outstanding as of year-end. Three swaps hedging the 1976 sales tax 2008 bonds require that VTA pay fixed interest rates and receive variable interest at the lower of: 1)1 month LIBOR or, 2) greater of (A) a rate equal to 63.5% of 1 month LIBOR or (B) 55.5% of 1 month LIBOR plus 0.44%. Four swaps hedging the 2000 Measure A 2008 bonds agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

Summary

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2017, were as follows (dollars in thousands):

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating[CR]	Fair Value Measurement Level
2008 A	$ 50,325	7/7/2005[ED]	3.145%	CAL-E[VR]	$ (4,207)	6/1/2026	Aa2/AA-/ NR[†]	2
2008 B	37,685	7/7/2005[ED]	3.145%	CAL-E[VR]	(3,150)	6/1/2026	A1/A+/A+	2
2008 C	37,685	7/7/2005[ED]	3.145%	CAL-E[VR]	(3,150)	6/1/2026	A3/BBB+/A	2
MA 2008A	85,875	8/10/2006	3.765%	65% 3 Mo LIBOR	(26,196)	4/1/2036	A1/A+/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3 Mo LIBOR	(15,253)	4/1/2036	A1/A+/A+	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3 Mo LIBOR	(15,555)	4/1/2036	Aa2/AA-/ NR[†]	2
MA 2008D	50,000	8/10/2006	3.765%	65% 3 Mo LIBOR	(15,253)	4/1/2036	A3/BBB+/A	2
Total	$361,570				$ (82,764)			

[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 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%, whichever is greater.
[†]NR - No rating for Fitch
*This represents the fair value of the base amount without the accrued interest of $2.2 million.

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

Hedge Effectiveness and Fair Value Hierarchy

The swaps were tested using regression analysis to ensure a high degree of correlation and were determined to be effective hedging derivative instruments and therefore were recorded as deferred outflows of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net position. The fair values of the interest rate swaps were estimated using the zero-coupon method. As of June 30, 2017, the swaps had a negative fair value of $82.8 million. The fair values of the interest rate swaps were estimated using the zero-coupon method.

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

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

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, 2017. When the swaps have a positive market value, VTA manages any credit risk associated with termination of swaps by requiring counterparties to post collateral based on the swap's fair value, less a threshold amount that ranges from zero to $25 million as determined based on the counterparty's credit ratings. The following table lists the threshold amounts that would be applicable:

Swap	Counterparty Credit Rating as of 6/30/17[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
VTA 2008A	Aa2/AA-	$15,000,000	Baa1/BBB+
VTA 2008B	A1/A+	10,000,000	A3/A-
VTA 2008C	A3/BBB+	2,000,000	Baa3/BBB-
MA 2008A	A1/A+	10,000,000	A3/A-
MA 2008B	A1/A+	10,000,000	A3/A-
MA 2008C	Aa2/AA-	15,000,000	Baa1/BBB+
MA 2008D	A3/BBB+	—	Baa1/BBB+

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

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

Basis Risk: Is the risk that the variable rate payment received by VTA under the swaps does not closely match the variable interest rate paid by VTA to bondholders. The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the swaps are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable interest rate payments paid to bondholders on the bonds are not precisely offset by the variable rate amounts received from the swap. On June 30, 2017, there was a slightly favorable basis variance of 0.3% for the swaps related to the bonds secured by the 1976 sales tax and 0.02% for the swaps related to the bonds secured by the 2000 Measure A sales tax.

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

Rollover Risk: Rollover risk is the risk that a derivative instrument serving as a hedge has a shorter maturity than the underlying risk that is being hedged and therefore a portion of the term of the underlying risk may be unhedged or an additional hedge may need to be acquired at a future date, possibly under less favorable terms. As of June 30, 2017, VTA did not have any exposure to rollover risk.

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

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

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

Commitments: Each of the swap agreements contain provisions that require collateral posting by VTA when the negative swap fair value exceeds a specified threshold. The amount of collateral posted is based on the fair value of the swap, less a threshold amount. The threshold amount is determined based on the unenhanced credit ratings of VTA bonds secured by the 1976 sales tax. Based on the "AA/Aa2" credit ratings assigned to the bonds the threshold for each swap is currently $20 million. If VTA's bond ratings were below "A or A2", the threshold amount would be zero and VTA would be required to post collateral based on the fair market value with no threshold adjustment.

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2017, VTA had $8.1 million of cash collateral posted with Citibank, related to the swaps associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

Swap Payments and Associated Debt

The table below presents net swap payments using rates as of June 30, 2017, debt service requirements on VTA's seven interest rate swaps and swap-related variable rate debt. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2018	$ 10,775	$ 3,188	$ 9,489	$ 23,452
2019	11,095	3,092	9,268	23,455
2020	11,425	2,994	9,040	23,459
2021	11,760	2,893	8,806	23,459
2022	15,115	2,787	8,560	26,462
2023-2027	65,525	11,857	37,974	115,356
2028-2032	—	10,437	34,681	45,118
2033-2036	235,875	4,794	15,926	256,595
	$ 361,570	$ 42,042	$ 133,744	$ 537,356

(d) Long-Term Debt Obligation Summary

The table below presents all long-term debt. Interest Rates on all outstanding fixed-rate obligations range from 1.5% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2017, are on the next page (in thousands).

	Principal	Interest	Total
Year ending June 30:			
2018	$ 45,022	$ 49,288	$ 94,310
2019	46,553	47,412	93,965
2020	48,563	45,376	93,939
2021	50,682	43,253	93,935
2022	52,740	41,098	93,838
2023-2027	281,255	165,282	446,537
2028-2032	258,315	92,985	351,300
2033-2036	262,155	23,428	285,583
	1,045,285	$ 508,122	$ 1,553,407
Unamortized bond premium	25,137		
Total debt	1,070,422		
Less current portion	(45,022)		
Long-term portion of debt	$ 1,025,400		

(e) 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.

(f) Long Term Liabilities

(Dollars in thousands)	July 1, 2016	Additions	Reductions	June 30, 2017	Amounts Due Within One Year
Sales Tax revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2007 Series A	$ 12,045	$ —	$ 12,045	$ —	$ —
2008 Series A-C	136,160	—	10,465	125,695	10,775
2011 Series A	33,670	—	2,225	31,445	2,310
2017 Series A	—	10,030	—	10,030	2,407
Sales Tax Revenue Bonds Secured by 2000 Measure A 1/2 Cent Sales Tax					
2007 Series A	3,170	—	3,170	—	—
2008 Series A-D	235,875	—	—	235,875	—
2010 Series A-B	577,250	—	24,990	552,260	26,190
2015 Series A-B	89,980	—	—	89,980	3,340
Total Outstanding Debt	1,088,150	10,030	52,895	1,045,285	45,022
Plus (less) premium/discounts	28,015	—	2,878	25,137	—
Outstanding Debt, Net	1,116,165	10,030	55,773	1,070,422	45,022
Derivative Instruments Liability	119,076	(36,311)	—	82,764	—
Claims Liability:					
General Liability:	7,025	5,054	5,718	6,361	1,586
Worker's Compensation	17,290	4,247	4,235	17,302	1,763
Compensated Absences	28,696	2,765	1,970	29,491	8,400
Total Long-Term Liabilities	$ 1,288,252	$ (14,215)	$ 67,696	$ 1,206,340	$ 56,771

VTA's Transit Fund reports a deferred amount on refunding in the amount of $8.7 million related to the 2008 and 2017 bonds as a deferred outflows of resources. The 2000 Measure A Fund reflects deferred amounts on bond refunding related to the 2015 bond of $4 million as deferred outflows of resources, and 2008 bonds of $3.7 million as deferred inflows of resources.

NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. In November 2016, county residents passed a 1/2-cent sales tax to fund activities on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collection started in April 2017 and VTA received the first allocation of $12.1 million in June 2017. The initial receipt was recognized as a liability in FY 2017 as the 2016 Measure B is undergoing legal challenge.

The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2017 was $209.0 million, $208.7 million, $50.0 million, respectively, totaling $467.7 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

1996 Measure B Transportation Improvement Program (MBTIP)

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

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

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

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

Starting in FY 2017, the activities of Measure B Transit and Measure B Highways were consolidated in VTA Transit, and Congestion Management and Highway Program, respectively, in an effort to wind down its affairs due to the program nearing completion.

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is 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 include, among others, the following:

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus Demonstration project;
- All major construction of the Alum Rock Santa Clara Bus Rapid Transit (BRT) has been completed. Revenue service officially started in May 2017. The El Camino Real Rapid Transit Policy Advisory Board is exploring new project alternatives to identify a project design that will attract widespread support from the corridor cities. Construction contract for the Stevens Creek Rapid 523 was awarded in April 2017. Construction is planned for completion by November 2017, Modifications at Chaboya/North Division Phase I were completed in March 2015. RFP for design services for Phase II involving modification to the Chaboya Yard is planned for early 2018;
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. In December 2012, the project received $50 million in State Transportation Improvement Program (STIP) funding to help expand and improve BART's Hayward Maintenance complex to accommodate the operation of the Berryessa Extension. Work continues on a range of elements at both the Milpitas and Berryessa stations including installation of the exterior metal panels and station finishes. The parking structures were substantially completed. Systems testing is underway at the Police Zone Facility. Systems/communications installation and testing took place along the entire SVBX alignment. Fiber optics backbone installation was completed. BART has received all ten pilot vehicles, and qualification testing of the pilot vehicles continues on the BART's mainline during non-revenue hours;
- Received Traffic Congestion Relief Program (TCRP) fund as reimbursement for the preliminary engineering and construction phase on the VTA's BART Silicon Valley Extension. This fund is designated for construction of a 10-mile segment project. As of June 2017, remaining available balance of TCRP is $6.0 million;

- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. The Kato Grade Separation was opened to traffic in April 2013. The Montague Expressway Reconstruction Project is underway. The pedestrian overcrossing that spans Montague Expressway which connects to the new Milipitas BART station is in the design stage. Major construction elements of the Upper Penitencia Creek Trail have been completed;
- The construction of the pedestrian improvements (sidewalk and landscaping) along Capitol Expressway was completed in the spring 2013. Construction of the transit center was completed in May 2015. In June 2016, the funding of Phase II of the Capitol Expressway Light Rail Extension to Eastridge was approved by the Board. A revised draft supplemental Environment Impact Statement was submitted to FTA. Record of decision is expected in early 2018. Right of Way Acquisition is expected to be completed by 2018; and Utility Relocation is expected to be completed in mid 2019. Construction is expected to begin in early 2019. Construction phase is dependent on securing funding;
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Systems Analysis provides an evaluation of infrastructure and operational shortcomings of the existing light rail system as well as improvement plan for immediate action. The initial projects recommended from the Systems Analysis began planning, design and construction in fall 2011. Vasona LRT Extension project was re-evaluated and in June 2016, the Board approved funding to complete design, acquire right-of way, and relocate utilities. Similar status applies to Winchester LR Double Track and Platform Extension. Construction phase is dependent on securing funding;
- Santa Clara Pocket Track constructions started in February 2014 and was completed in early 2015. Phase 1 interlocking from Reamwood Station to Old Ironsides Stations will be completed by early 2018; Two construction contracts under the Northern Light Rail Express project was completed in December 2015. Project closeout is ongoing. VTA local bus network service plan for BART Extension is complete. Express Bus Service Plan will be developed by mid-2018 under the BART Transit Integration Analysis project;
- Santa Clara Caltrain Station Pedestrian Underpass Extension project provides an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station. Construction contract was completed in June 2017;
- Completed safety improvements to 15 crossings along the Joint Powers Board (JPB) segment. Design for next phase is complete, construction is pending High Speed Rail Project;
- Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012;
- The Bike Share Pilot Program opened in August 2013 at Caltrain stations and downtown areas in San Jose, Mountain View, and Palo Alto. The grant-funded pilot concluded in June 2016;
- The environmental process for electrification and new electric trains was completed in January 2015. In July 2016, Caltrain Board approved contract awards to begin work on the Peninsula Corridor Electrification Project. The FTA approved the Full Funding Grant Agreement and

Caltrain released the Notice to Proceed in June 2017. VTA continues to reimburse Caltrain for project related cost.

BART Operating Fund Sales Tax Ordinance

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

2016 Measure B

In November 2016, Santa Clara County voters approved 2016 Measure B, a 30-year half-cent countywide sales tax to enhance transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collections began April 2017 and VTA received the first advance payment in June 2017. As of June 30, 2017, VTA has not recognized the tax revenue as the Measure is undergoing legal challenge. The transportation programs to be funded by 2016 Measure B are: (1) VTA's BART Silicon Valley Phase II; (2) Bicycle/Pedestrian Program; (3) Caltrain Corridor Capacity Improvements; (4) Caltrain Grade Separation; (5) County Expressways; (6) Highway Interchanges; (7) Local Streets and Roads; (8) State Route 85 Corridor, and (9) Transit Operations.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) Federal Grants

Federal grants are approved principally by the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2017, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds	Capital Projects Funds
Operating Assistance Grants:			
FTA Section 9 (49 USC 5307)	$ 3,755	$ —	$ —
Job Access Reverse Commute Fed Grant	19	—	—
Peninsula Family Services	169	—	—
Section 5311	76	—	—
Discover Opportunities In Transit	45	—	—
Security Plan Revision	168	—	—
Federal Technical Studies	—	1,219	—
Pass-through Operating Grants	—	—	2,739
Total Operating Assistance Grants	4,232	1,219	2,739
Capital Grants:			
FTA NewStarts FFGA	106,839	—	—
FTA Section 5307, 5337, 5339 and Federal Security	32,972	—	—
Pass-through Capital Grants	262	—	—
Total Capital Grants	140,073	—	—
Total operating assistance & capital grants	$ 144,305	$ 1,219	$ 2,739

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

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

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

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

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

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

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

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

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

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

The pass-through federal grants under the Enterprise Funds include Demonstration Projects. These projects are provided as part of the transportation appropriation acts. Grade separations, widening and demolition of bridges, new crossing configurations are examples of projects funded with Demonstration funds. The pass-through federal grants under the Capital Project 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, 2017, are summarized as follows (in thousands):

	Enterprise Funds	Congestion Management Program	Capital Projects Funds
Operating assistance grants:			
Transportation Development Act	$ 99,402	$ —	$ —
State Transit Assistance	9,024	—	—
Transit Assistance Program	421	—	—
State Operating Assistance Grants	326	966	—
AB 434	1,786	—	—
Congestion Management & Highway Program-State Grants	—	—	(423)
Congestion Management & Highway Program-2000 Measure A Swap	—	—	3,338
Other Local Grants:			
Santa Clara County (Fund Swap Program)	—	—	139
Various cities, counties and others	—	—	5,970
Total operating assistance grants	110,959	966	9,024
Capital grants:			
Traffic Congestion Relief Program	3,149	—	—
PTMISEA	17,060	—	—
Highway-Railroad Crossing Safety Account	74	—	—
Proposition 1B Fund	4,203	—	—
Cal-Recycle Tire-Derived Aggregate	296	—	—
High-Speed Rail	117	—	—
Transportation Fund Clean Air	229	—	—
Other Local Grants:			
Santa Clara County (1996 Measure B Program)	506	—	—
Various cities, counties and others	23,149	—	—
Total Capital Grants	48,783	—	—
Total State and Local Grants	$ 159,742	$ 966	$ 9,024

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

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

The Transit Assistance Program (TAP) provides transit passes to low income and disadvantaged communities through the social services agencies within Santa Clara County. The program provides free or low cost local transit service passes for qualifying low income residents of Santa Clara County not currently receiving other forms of transportation assistance. VTA provides the passes to Santa Clara County, who in turn provides the passes to eligible residents.

State Operating Assistance Grants under the Enterprise funds represent reimbursement, in partnership with local community college, for Transit Apprenticeship for Professional Career Advancement (TAPCA). The purpose is to respond to two challenges: the explosive growth of Silicon Valley jobs that drives demand for expanded public transit infrastructure; and an aging workforce, coupled with the need to fill increasingly technical job classifications requiring specialized training.

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

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

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $9.0 million. The CMHP state grants consist primarily of corridor Mobility Improvement Account (CMIA) grant. The scope of this grant includes performance improvements on the state highway system and major access routes to the state highway system. The CMHP-State grant was a negative $423 thousand as a result of reclassification adjustment of American Recovery and Reinvestment Act (ARRA) grant from state to federal in 2017.

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

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

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

	June 30, 2017	From Inception To 6/30/2017 Cumulative Balance
Proceeds received	$ 696	$ 210,233
Total expenditures paid and accrued	(17,060)	(177,208)
Current year unused proceeds	(16,364)	33,025
Prior year unused proceeds	54,648	—
Total proceeds available	38,284	33,025
Interest earned	559	5,818
Total proceeds available plus interest earned	$ 38,843	$ 38,843

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

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

CalRecycle Tire-derived Aggregates represents a grant awarded in 2015 on the SVBX line, Track, Stations and System Design Build Contract. Tire Derived Aggregate is made from shredded scrap tires and is used in a wide range of construction projects. These uses include retaining wall backfill, lightweight embankment fill, landslide stabilization, vibration mitigation, and various landfill applications

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

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

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

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

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

(a) Plan Description and Benefits Provided

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

Classic Employees

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

New Employees

Plan benefit provisions and all other requirements are established by California Public Employees' Pension Reform Act of 2013 (PEPRA) and Plan amendments as approved by the VTA Board at its October 6, 2016 meeting. Employees hired on or after January 1, 2016 contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan's actuary. Employees contributed 5.75% effective 10/10/2016. This rate was reduced to 5.5% effective 10/24/2016.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927. The membership of the Plan as of June 30, 2017, is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,395
Terminated vested members not yet receiving benefits	148
Active Members	1,563
Total	3,106

(b) Basis of Accounting

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

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

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

(c) Contribution Requirements

For FY 2017, the actuarially-determined contribution was $27.4 million. As the Plan elected to use June 30, 2017 as its measurement date, employer contributions for FY 2017 will have an impact on the changes in the Plan's Net Position as of the end of the reporting year. The contribution requirements are established by the Board based on actuarially determined rate recommended by an actuary. The rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

(d) Changes in Net Pension Liability

The Plan's net pension liability was $170.1 million as of June 30, 2017. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016	$ 658,313	$ 481,318	$ 176,995
Changes Recognized for the Measurement Period:			
Service cost	16,024	—	16,024
Interest (includes interest on service cost)	46,152	—	46,152
Differences between expected and actual experience	6,440	—	6,440
Changes of assumptions	13,105	—	13,105
Contributions - Employer	—	27,385	(27,385)
Contributions - Member	—	1,070	(1,070)
Net investment income	—	60,472	(60,472)
Benefit Payments, including Refunds of Employee Contributions	(38,454)	(38,454)	—
Administrative expense	—	(324)	324
Net changes during FY 2017	43,267	50,149	(6,882)
Balance at June 30, 2017	$ 701,580	$ 531,467	$ 170,113

Sensitivity of the Net Pension Liability to Change in Discount Rate:

The table below shows the sensitivity of the Net Pension Liability to the discount rate. A one percent decrease in the discount rate increases the Total Pension Liability by approximately 11% and increases the Net Pension Liability by approximately 45%. A one percent increase in the discount rate decreases the Total Pension Liability and Net Pension Liability by approximately 9% and 38%, respectively.

	Discount rate -1% 5.94%	Discount rate 6.94%	Discount rate + 1% 7.94%
	(Amounts in thousands)		
Total Pension Liability	$ 777,577	$ 701,580	$ 636,791
Plan Fiduciary Net Position	531,467	531,467	531,467
Net Pension Liability	$ 246,110	$ 170,113	$ 105,324
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.3%	75.8%	83.5%

(e) Actuarial Assumptions

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of a valuation date of January 1, 2016, and projected forward to the beginning of the measurement year of June 30, 2016. The TPL at the end of the measurement year, June 30, 2017, is measured as of a valuation date of January 1, 2017, and projected forward to June 30, 2017.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age to Final Decrement Cost Method
Inflation:	2.75% (reduced from 3.00% in the 2016 valuation)
Salary increases:	3.00% plus merit component
COLA increases:	0.00%
Investment rate of return:	7.00%, net of investment expense (reduced from 7.25% in the FY 2016 valuation)
Post-retirement Mortality:	Sex distinct RP-2000 Combined Healthy Blue Collar Mortality, projected to 2025 using 50% of Scale BB, with ages set back one year for female members.

(f) Discount Rate

The discount rate used to measure the Total Pension Liability was reduced from 7.13% to 6.94%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over an open (rolling) 20-year period.

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

Based on the assumptions used, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current Plan members until at least 2075 when only a portion of the projected benefit payments are expected to be made from the projected Fiduciary Net Position. Projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 3.58% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2017 is 6.94%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return[1,2]
Domestic Equity-Large Cap Active	15%	4.75%
Domestic Equity-Large Cap Index	10%	4.75%
Domestic Equity-Small Cap	10%	5.00%
International Equity	13%	5.00%
Emerging Markets Equity	5%	6.75%
Domestic Fixed Income	27%	1.25%
Absolute Return	9%	3.75%
Real Estate	10%	3.75%
Cash	1%	0.25%

[1] The expected rate of inflation for this period is 2.75%

[2] Source: NEPC, LLC as of June 30, 2017; All assumptions based on 30-year forecast

(g) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2017, the Plan's Fiduciary Net Position amounts to $531.5 million. Detailed information about the pension plans, fiduciary position is available in a separate financial report.

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

For the measurement period ending June 30, 2017, VTA incurred pension expense of $12.4 million. This is the change in the Net Pension Liability plus the changes in deferred amounts plus employer contributions.

		Amount (In thousands)
Service cost	$	16,024
Employee contributions		(1,070)
Employer contributions		(27,385)
Administrative expenses		324
Interest cost		46,152
Expected return on assets		(35,538)
Recognition of assumption changes		4,614
Recognition of liability gains and losses		3,118
Recognition of investment gains and losses		6,159
Pension expense	$	12,398

As of June 30, 2017, VTA's deferred outflows related to the ATU pensions are as follows:

		Deferred Outflows of Resources (In thousands)
Differences between expected and actual experience	$	12,790
Changes in assumptions		20,639
Net difference between projected and actual earnings on pension plan investments		9,356
Total	$	42,785

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

Fiscal Year	Measurement Period and Fiscal Years Ended June 30:		Deferred Outflows of Resources
2017	2018	$	13,890
2018	2019		13,890
2019	2020		9,755
2020	2021		1,992
2021	2022		3,258
Thereafter	Thereafter		—

(i) ***Summary of Pension-related accounts***

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

	ATU	CalPERS	Total
Deferred Outflows of Resources (Pension-related)	$ 42,785	$ 28,181	$ 70,966
Deferred Inflows (Pension-related)	—	3,576	3,576
Net Pension Liability	170,113	107,580	277,693
Pension Expense GASB 68	12,398	13,858	26,256

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) ***Plan Description and Benefits Provided***

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

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

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

Based on census data, VTA membership in the Plan as of June 30, 2016 (date of the most recent actuarial valuation), is as follows:

Retirees and beneficiaries receiving benefits	623
Terminated and vested members not yet receiving benefits	445
Active members	574
Total	1,642

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

(b) Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the following have been determined on the same basis as they are reported by the CalPERS Financial Office:

- Deferred outflows/inflows of resources related to pensions;
- Pension expense;
- Information about the fiduciary net position of the Plan, and
- Additions to/deductions from the Plan's fiduciary net position.

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

(c) Contribution Requirements

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. In FY2017, employees hired prior to January 2012 paid 6 percent (excluding SEIU-represented employees who paid 5.5% and will pay 6.0% effective August 14, 2017) toward the required employee share and VTA paid the remaining portion of the employee contribution. Employees hired in or after the first full pay period in January 2012 paid the employee contribution of 7%. The CalPERS-designated PEPRA (Public Employees' Pension Reform Act) rate is 6.5%. However, due to collective bargaining agreements, the current employee contributions for employees considered New Members is 7%. The 0.5% difference is reported in a liability account until the PEPRA issue is resolved.

The employer's contribution rate from July 1, 2016, through June 30, 2017, was 16.908%. The employee contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For FY 2017, VTA contributed $11.5 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2017 was based on the actuarial valuation report as of June 30, 2014 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of $11.5 million in FY 2017 was deferred as VTA opted for June 30, 2016, to be its measurement date.

(d) *Net Pension Liability*

VTA's net pension liability to the CalPERS Plan was $107.6 million as of June 30, 2017 . The net pension liability was measured using an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016	$ 370,217	$ 283,391	$ 86,826
Changes Recognized for the Measurement Period:			
Service cost	9,488	—	9,488
Interest on the Total Pension Liability	27,998	—	27,998
Changes of Assumptions	—	—	—
Differences between Expected and Actual Experience	(1,007)	—	(1,007)
Plan to Plan Resource Movement	—	(40)	40
Contributions from the Employer	—	10,248	(10,248)
Contributions from Employees	—	4,260	(4,260)
Net investment income	—	1,430	(1,430)
Benefit Payments, including Refunds of Employee Contributions	(15,940)	(15,940)	—
Administrative Expense	—	(173)	173
Net changes during FY 2017	20,539	(215)	20,754
Balance at June 30, 2017	$ 390,756	$ 283,176	$ 107,580

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
	(Amounts in thousands)		
Plan's Net Pension Liability	$ 158,897	$ 107,580	$ 64,892

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

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015, and the June 30, 2016, total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age - Normal
Actuarial Assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	Probabilities for mortality are based on the 2014 CalPERS mortality experiences study for the period 1997 to 2011

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. CalPERS concluded, based on the results of the stress test, that the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations, as well as the expected pension fund cash flows, were taken into account.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Target Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure & Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

(g) Pension Plan's Fiduciary Net Position

The Plan Fiduciary Net Position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. The Plan's Fiduciary Net Position as of June 30, 2016 is $283.2 million.

(h) Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended June 30, 2017, VTA incurred a pension expense of $13.8 million for the Plan.

	Amount (In thousands)
Service cost	$ 9,488
Interest on the Total Pension Liability	27,998
Recognized changes in assumptions	(1,791)
Recognized changes between expected and actual experience	395
Plan to Plan resource movement	40
Employee contributions	(4,260)
Employee contribution adjustment from prior year	1,105
Projected earnings on Pension Plan investments[1]	(21,562)
Recognized differences between projected and actual earnings on Plan investments	2,272
Administrative Expense	173
Pension Expense	$ 13,858

[1] Net of administrative expenses

As of June 30, 2017, VTA's deferred inflows/outflows of resources related to the CalPERS pension plan are as follows, in thousands:

	Deferred Outflows/(Inflows) of Resources
Net differences between Projected and Actual Earnings on Pension Plan investments	$ 15,558
Changes of Assumptions	(3,576)
Differences between Expected and Actual Experiences	1,107
Pension Contributions subsequent to measurement date	11,516

Deferred outflows of resources resulting from contributions, made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Amounts reported as deferred inflows of resources related to differences in projected and actual investment savings will be recognized in future pension expense over 5 years using the straight-line method. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period. Schedule is as follows, in thousands:

Fiscal Year	Measurement Period Fiscal Years June 30,	Deferred Outflows/(Inflows) of Resources
2018	2017	$ 876
2019	2018	1,316
2020	2019	6,870
2021	2020	4,027
Thereafter	Thereafter	—

(i) Summary of Pension-related accounts

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

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-funded defined contribution plans. As of June 30, 2017, VTA had net position of approximately $15.9 million for the ATU Spousal Medical Fund and $11 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU, represented employees are required to contribute $0.40 per hour to the Spousal Medical Fund. As of June 30, 2017, there were 371 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2017 contributions were approximately $1.6 million while benefit payments made by the Fund were approximately $1.3 million and investment earnings were $1.7 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute $0.10 per hour. As of June 30, 2017, there were 1,061 eligible participants. Contributions and investment earnings for the fiscal year were approximately $389 thousand and $1.2 million respectively, while benefit payments were approximately $312 thousand.

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

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2017, the assets and liabilities by individual components of the Internal Service Fund by program are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absence	Total
Assets	$ 17,415	$ 6,408	$ 20,725	$ 44,548
Liabilities*	17,415	6,408	29,491	53,314
Net Position	$ —	$ —	$ (8,766)	$ (8,766)

*includes short-term liabilities

Workers' Compensation and General Liability

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

<u>Actuarial Information</u>

An actuarial analysis as of June 30, 2017 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are $17.4 million and $6.4 million for Workers' Compensation and General Liability, respectively. Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2016, and June 30, 2017, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2015	$ 18,434	$ 11,972
Provision for claims and claims adjustment expense	6,606	2,752
Changes in estimates for provision for future claims	(3,515)	35
Payment for claims and other adjustments	(4,235)	(7,734)
Unpaid claims at June 30, 2016	17,290	7,025
Provision for claims and claims adjustment expense	6,250	2,830
Changes in estimates for provision for future claims	(1,991)	1,560
Payment for claims and other adjustments	(4,247)	(5,054)
Unpaid claims at June 30, 2017	$ 17,302	$ 6,361

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, 2017, the outstanding balance of compensated absences liability is $29.5 million.

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

(a) Plan Description and Benefits Provided

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

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

For surviving spouses of ATU retirees: VTA pays the PEMHCA minimum employer premium contribution of $128 per month in 2017 and $133 per month in 2018.

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

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

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

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

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

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

As of June 30, 2017, the number of retirees and active employees who met the eligibility requirements for the ATU Program and non-ATU are as follows:

OPEB Eligible	ATU	Non-ATU	Total
Retirees	1,075	507	1,582
Active (Vested)	731	460	1,191

(b) Basis of Accounting

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

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

(c) Funding Policy

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

As of June 30, 2017, VTA had assets of $299.9 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust Fund. Separate financial statements are also prepared for the Trust and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

(d) Annual OPEB Cost and Net OPEB Obligations

VTA's Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years, using a closed amortization methodology. OPEB activities during FY 2017 are as follows (in thousands):

Annual Required Contributions[1]	$ (4,047)
Interest on Net Plan Asset[2]	—
Annual Plan Cost (Expense)	(4,047)
Contributions Made[1]	4,047
Net OPEB Asset, Beginning of Year	15,865
Net OPEB Asset, End of Year	$ 15,865

[1] Implicit subsidy offset by contributions made are for GASB 43/45 presentation purposes only. No actual contribution was made.

[2] VTA's adjustment to the ARC was offset by interest requiring no adjustment

In FY 2013, VTA Transit Fund made a one-time irrevocable transfer of $20.65 million to OPEB Trust Fund. This was included in VTA Transit unrestricted net position earmarked for future operational needs of OPEB Trust Fund. OPEB Trust Fund reflected this as a contribution during FY 2013. Plan cost, contribution made, the percentage of annual cost contributed to the Plan, and the net Plan assets for the years ended June 30, 2015 through 2017 are presented as follows (in thousands):

Net OPEB Obligation/Asset

Fiscal Year Ended	Annual OPEB Cost	VTA Contribution		Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2017	$ 4,047	$ 4,047		100%	$ 15,865
6/30/2016	4,785	4,785	*	100%	15,865
6/30/2015	12,000	12,000		100%	20,650

* FY2016 contribution was offset by the reduction of Net OPEB Asset

(e) Funding Status and Funding Progress

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

As of July 1, 2016, the most recent actuarial valuation date, the plan was 118% funded. The actuarial accrued liability was $233.2 million and the actuarial value of assets was $275.6 million with $42.4 million in an overfunded actuarial accrued liability. The covered payroll was $168.9 million which resulted in a 25% overfunded actuarial accrued liability as a percent of covered payroll.

The schedule of funding progress is presented on page 2-102, in the required supplementary information following the notes to the financial statements.

(f) Actuarial Methods and Assumptions

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

Description	Methods/Assumptions
Valuation date	June 30, 2016
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level dollar closed
Asset valuation method	Market value
Remaining Amortization Period	12 years
Actuarial assumptions:	
Discount rate	7%
Payroll growth rate	3.25%
Ultimate rate of medical inflation	4.5%

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

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

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

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

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

VTA purchases Public Officials Liability & Employment Practices Liability Insurance with an annual aggregate of $2 million per occurrence in excess of a $3 million self-insured retention.

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

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

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2023. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $349 thousand in FY 2017. Other leases were charged to capital project expenditures and were capitalized in FY 2017 for approximately $1 million. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2018	$ 1,081
2019	369
2020	178
2021	121
2022	125
2023	63
Total	$ 1,937

NOTE 18 – LITIGATION

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

In January 2017, a Santa Clara County resident individually filed a lawsuit against VTA on the validity of the 2016 Measure B. (*Cheriel Jensen v. Santa Clara Transportation Authority*, *et al*., Santa Clara County Superior Court case No. 17-CV-304960). VTA challenged the lawsuit as lacking merit and the court agreed and dismissed the case. However, the Plaintiff filed an appeal with the Sixth District Court of Appeal on August 17, 2017, Case No. H044974.

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

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, 2017, the support services totaled $10.7 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 2017, 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, 2017, VTA paid $8.4 million to the PCJPB for operating costs.

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

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

The following is a summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2016 and 2015 (in thousands). FY 2016 is the most recent audited financial information.

PCJPB Financial Information	2016	2015
Total assets	$ 1,495,016	$ 1,452,213
Total liabilities	(136,381)	(135,238)
Total net position	$ 1,358,635	$ 1,316,975
Operating revenues	$ 95,433	$ 90,763
Operating expenses	(211,383)	(195,410)
Non-operating revenues, net	26,281	29,397
Capital contributions	131,329	115,225
Change in net position	$ 41,660	$ 39,975

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

(b) Altamont Corridor Express

The Altamont Corridor Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency, and the San Joaquin Regional Rail Commission which also serves as the managing agency. ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Transportation Commission (Alameda CTC) for continued VTA funding of ACE commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC, and Alameda CTC. Per the cooperative agreement, VTA's financial subsidy is the amount paid in FY 2003, increased annually by the consumer price index (CPI). During the year ended June 30, 2017, VTA contributed approximately $3.3 million for operating costs.

The summary financial information (not included in VTA's financial statements) for the Altamont Corridor Express for the years ended June 30, 2016, and 2015 (in thousands), appear as follows. FY 2016 is the most recent audited financial information.

ACE Financial Information	2016	2015
Total assets	$ 183,530	$ 181,021
Total liabilities	(57,738)	(58,983)
Total net position	$ 125,792	$ 122,038
Operating revenues	$ 8,558	$ 7,991
Operating expenses	(24,227)	(23,802)
Non-operating revenues, net	10,580	12,842
Capital contributions	9,914	14,050
Transfer in/(out)	—	88
Extraordinary item	(1,071)	—
Change in net position	$ 3,754	$ 11,169

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

(c) Capitol Corridor Intercity Rail Service

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

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

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

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

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

(b) Sublease Agreement with Utah Transit Authority (UTA)

In May 2003, VTA entered into a further sub-lease agreement with the Utah Transit Authority (UTA) to lease 29 rail vehicles related to VTA's sublease with First Hawaiian Leasing Corporation. On January 2, 2017, VTA exercised its purchase option with First Hawaiian Leasing Corporation. Upon completion of VTA's purchase option with First Hawaiian Leasing Corporation and pursuant to the agreement with UTA, UTA exercised its purchase option.

NOTE 22 – SUBSEQUENT EVENT

Federal Funding Grant Agreement

The 2017 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $100 million was awarded in September 2017. Of the $900 million grant commitment from the FTA for the project, $802.6 million has been awarded to date.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Years ended June 30, 2014 to 2017

Amalgamated Transit Union Pension Plan

(Unaudited)

(In thousands)

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

*__Notes to schedule__

Change in assumptions:

1) Investment rate of return: Reduced from 7.5% in 2015 to 7.25% in 2016 and to 7.00% in 2017, net of investment expense
2) Inflation: reduced from 3.25% in 2015 to 3.00% in 2016 and to 2.75% in 2017.

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

Information not available prior to FY 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
For the Years ending June 30, 2008 to 2017

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

	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially-determined Contribution	$ 27,385	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$17,807	$17,905	$14,843	$16,137
Contributions in Relation to the Actuarially-determined Contribution	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843	16,137
Contributions Deficiency/ (Excess)	$ —	$ (31)	$ (41)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$131,544	$126,796	$115,914	$107,880	$104,136	$104,726	$98,741	$98,036	$99,775	$99,408
Contributions as a Percentage of Covered Payroll	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%	16.23%

***Notes to schedule:**

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

Key Methods and Assumptions Used to Determine Contribution Rate:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, subject to 80%/120% corridor
Amortization method	All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount
Discount rate	7.25%
Amortization growth rate	0.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on years of service
Mortality	Sex distinct RP-2000 Combined Blue Collar Mortality, (setback one year for females) projected to 2025 using 50% of Scale BB

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For the Years ended June 30, 2015 to 2017

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

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

[1] Net of administrative expenses in 2016 and 2015.

***Notes to schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary changes as well as any offers of Two Years Additional Service Credit.

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

Information not available prior to FY 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
For the Years ending June 30, 2008 to 2017

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

	2017[a]	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$11,516	$10,567	$ 8,965	$ 8,845	$ 7,497	$ 7,159	$ 6,090	$ 6,167	$ 6,507	$ 6,728
Contributions in Relation to the Contractually Required	11,516	10,567	8,965	8,845	7,497	7,159	6,090	6,167	6,507	6,728
Contributions Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$68,156	$61,209	$60,375	$54,294	$52,712	$53,950	$51,626	$53,231	$54,589	$51,043
Contributions as a Percentage of Covered Payroll	16.90%	17.26%	14.85%	16.29%	14.22%	13.27%	11.80%	11.59%	11.92%	13.18%

Notes to schedule:

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of	7.65% Net of Pension Plan Investment expenses; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2017

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
6/30/2016 [1]	$ 275,600	$ 233,161	$ (42,439)	118.2%	$ 168,869	-25.1%
6/30/2015	275,427	253,331	(22,096)	108.7%	167,124	-13.2%
6/30/2014	260,310	296,970	36,660	87.7%	162,902	22.5%

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the Year ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,407	$ 2,407	$ 2,407	$ —
Federal grant revenues	1,765	1,765	1,219	(546)
Administrative fees	115	115	142	27
State and local operating assistance grants	1,053	1,053	966	(87)
Other revenues	220	220	124	(96)
Investment earnings	12	12	7	(5)
Total Revenue	5,572	5,572	4,865	(707)
Expenditures:				
VTA labor and overhead costs	4,138	4,338	4,251	87
Services and other:				
Professional services	1,569	1,369	1,058	311
Other services	12	12	14	(2)
Data processing	13	13	5	8
Contribution to Other Agencies	86	86	83	3
Total Expenditures	5,818	5,818	5,411	407
Change in fund balance, on a budgetary basis	$ (246)	$ (246)	(546)	$ (300)
Change in fund balance, on a GAAP basis			(546)	
Fund Balance, Beginning of Year			1,157	
Fund Balance, End of Year			$ 611	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
2016 Measure B Program Special Revenue Fund
For the Year ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Expenditures:				
Professional services	$ —	$ 175	$ 11	$ 164
Total Expenditures	—	175	11	164
Change in fund balance, on a budgetary basis	$ —	$ (175)	(11)	$ 164
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Election cost*			(1,652)	
Change in fund balance, on a GAAP basis			(1,663)	
Fund Balance, Beginning of Year			—	
Fund Balance, End of Year			$ (1,663)	

* Election cost of $1.65 million budgeted and disbursed in the VTA Transit Fund. This was moved to the 2016 Measure B Program Special Revenue and reflected as expense of the fund.

See Note accompanying this schedule

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 and 2016 Measure B Program Special Revenue Funds. As the 2016 Measure B Program Fund was only created in FY 2017, related appropriation was provided in FY 2017, and included in the FYs 2018 and 2019 Biennial Budget. The budget for the Special Revenue Fund is prepared on a modified accrual basis but excludes unrealized gains and losses on investments and amortization of premiums and discounts.

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

SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Information)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,547	$ 57,966
Investments	263,578	259,379
Receivables, net	4,334	4,071
Due from other agencies	49,247	50,070
Inventories	35,452	32,040
Other current assets	1,236	1,575
Total current assets	387,394	405,101
Restricted assets:		
Cash and cash equivalents	1,574	7,565
Cash and investments with fiscal agent	60,982	72,675
Investments	705,078	740,309
Receivables, net	5	4
Due from other funds	2,008	274
Due from other agencies	90,249	149,685
Other current assets	39	248
Total restricted current assets	859,935	970,760
Non-current assets:		
Net OPEB Asset	15,865	15,865
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,872	1,126,359
Construction in progress	2,906,098	2,611,823
Depreciable:		
Intangible Assets	3,085	3,966
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	586,041	569,079
Vehicles	586,754	553,886
Light-rail tracks and electrification	418,195	418,195
Leasehold improvement	9,686	9,686
Others	47,561	47,289
Less: Accumulated depreciation	(950,887)	(882,564)
Net capital assets	4,776,477	4,500,791
Total Assets	6,039,671	5,892,517
DEFERRED OUTFLOWS OF RESOURCES		
Hedging derivative instruments	82,764	119,076
Refunding amounts	12,697	13,916
Pension-related	70,966	75,214
TOTAL DEFERRED OUTFLOWS OF RESOURCES	166,427	208,206

(Continued)

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

	2017	2016
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	15,492	14,820
Accounts payable and accrued expenses	25,548	19,252
Deposits	379	333
Accrued payroll and related liabilities	10,536	9,805
Bond interest and other fees payable	409	515
Unearned revenues	3,521	2,560
Other accrued liabilities	36	271
Total current liabilities	55,921	47,556
Liabilities payable from restricted assets:		
Current portion of long-term debt	29,530	28,160
Accounts payable and accrued expenses	40,089	72,183
Bond interest and other fees payable	11,039	11,368
Unearned revenues	12	7
Due to other funds	5	5
Due to other governmental agencies	67,484	98,120
Total current liabilities payable from restricted assets	148,159	209,843
Non-current liabilities		
Long-term debt, excluding current portion	1,025,400	1,073,185
Derivative instruments	82,764	119,076
Net pension liability*	277,694	263,822
Total non-current liabilities	1,385,858	1,456,083
TOTAL LIABILITIES	1,589,938	1,713,482
DEFERRED AMOUNT ON BOND REFUNDING & DEFERRED INFLOWS RELATED TO PENSION	7,246	10,959
NET POSITION	$ 4,608,914	$ 4,376,282

*Resulting from GASB 68 implementation. In FY 2017, this consists of $107.6 million for CalPERS and $170.1 million for ATU

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

Enterprise Fund

For the Years ended June 30,

(In thousands)

	2017	2016
OPERATING REVENUES:		
Fares - Transit	$ 33,719	$ 37,663
Fares - Paratransit	1,064	—
Toll revenues collected	1,258	1,274
Advertising and others	3,478	3,379
Charges for services	675	475
TOTAL OPERATING REVENUES	40,194	42,791
OPERATING EXPENSES:		
Labor cost	321,824	309,510
Materials and supplies	38,656	32,005
Services	36,725	33,447
Utilities	8,854	8,921
Casualty and Liability	6,901	4,923
Purchased transportation	25,241	21,477
Leases and rentals	678	919
Miscellaneous	1,732	2,111
Depreciation expense	68,539	62,386
Costs allocated to capital and other programs	(27,641)	(32,039)
TOTAL OPERATING EXPENSE	481,509	443,660
OPERATING LOSS	(441,315)	(400,869)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	467,701	460,316
Federal operating assistance and other grants	4,232	4,105
Federal subsidy for Build America Bonds	8,753	8,748
State and local operating assistance grants	110,959	114,135
Caltrain subsidy	(8,390)	(8,414)
Capital expenses on behalf of, and contribution to other agencies	(86,084)	(53,094)
Altamont Corridor Express subsidy	(3,270)	(3,166)
Investment earnings	4,356	18,493
Interest expense	(15,254)	(11,330)
Other non-operating income	5,016	2,438
Other non-operating expense	(2,928)	(4,177)
NON-OPERATING REVENUE, NET	485,091	528,054
INCOME (LOSS) BEFORE CONTRIBUTIONS	43,776	127,185
CAPITAL CONTRIBUTIONS	188,856	271,057
CHANGE IN NET POSITION	232,632	398,242
NET POSITION, BEGINNING OF YEAR	4,376,282	3,978,040
NET POSITION, END OF YEAR	$ 4,608,914	$ 4,376,282

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from transit fares	$ 34,788	$ 36,939
Cash received from paratransit fares	1,064	—
Cash received from toll revenues collected	1,257	1,238
Cash received from advertising	3,739	2,896
Cash paid for labor costs	(278,713)	(260,259)
Cash paid to suppliers	(90,676)	(88,350)
Cash paid for purchased transportation	(25,241)	(21,477)
Other receipts/(payments)	641	105
Net cash provided by/(used in) operating activities	(353,141)	(328,908)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	125,379	146,389
Sales tax received	464,021	462,254
Caltrain subsidy	(8,390)	(8,414)
Altamont Corridor Express subsidy	(3,270)	(3,166)
Capital contribution to other agencies	(88,109)	(48,671)
Net cash provided by/(used in) non-capital financing activities	489,631	548,392
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(52,895)	(41,275)
Proceeds from issuance of long-term debt	10,030	—
Advance (to)/from other governments	(31,608)	19,229
Interest and other fees paid on long-term debt	(18,687)	(15,067)
Acquisition and construction of capital assets	(360,196)	(489,366)
Capital contribution from other entities	239,978	255,244
Net cash provided by/(used in) capital and related financing activities	(213,378)	(271,235)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,301,121	2,632,607
Purchases of investments	(2,279,725)	(2,567,983)
Interest income received	13,389	12,697
Net cash provided by/(used in) investing activities	34,785	77,321
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(42,103)	25,570
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	138,206	112,636
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 96,103	$ 138,206

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2017	2016
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (441,315)	$ (401,344)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	68,539	62,386
Changes in operating assets and liabilities:		
Other current assets	14,988	910
Receivables	343	(588)
Inventories	(3,412)	(9,970)
Accounts payable	6,211	2,817
Other accrued liabilities	495	17,455
Deposits from others	(104)	82
Unearned revenue	1,114	(656)
Net cash provided by/(used in) operating activities	$ (353,141)	$ (328,908)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 33,547	$ 57,966
Restricted	62,556	80,240
	$ 96,103	$ 138,206
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ (8,272)	$ 7,598
Noncash capital contributions	52,601	2,165
Amortization expense of Caltrain Access Fee	(882)	(881)
Total non-cash activities	$ 43,447	$ 8,882

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2017

(In thousands)

	FY 2017 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares - Transit	$ 41,599	$ 41,599	$ 33,718	$ (7,881)
Fares - Paratransit	—	—	1,064	1,064
1976 1/2 Cent Sales Tax	216,835	216,835	209,005	(7,830)
Transportation Development Act funds	101,912	101,912	99,402	(2,511)
2000 Measure A Sales Tax Operating Assistance	40,021	40,021	38,515	(1,507)
STA	14,765	14,765	9,024	(5,741)
Federal Operating Grants	3,704	3,704	4,232	528
State Operating Grants	1,420	1,420	2,532	1,112
Investment Earnings	1,425	1,425	3,086	1,661
Advertising Income	2,258	2,258	2,623	365
Transfer for Capital	(33,600)	(33,600)	—	33,600
Debt Reduction Fund Contribution	11,693	11,693	—	(11,693)
Other Income	17,803	17,803	20,129	2,327
Total revenues	**419,836**	**419,836**	**423,332**	**3,496**
OPERATING EXPENSES				
Labor Costs	319,134	314,817	307,084	7,733
Materials & Supplies	19,398	27,274	29,217	(1,943)
Security	12,619	15,119	12,671	2,448
Professional & Special Services	6,615	7,627	7,363	264
Other Services	7,590	8,204	8,524	(321)
Fuel	12,517	12,372	8,256	4,115
Traction Power	3,898	3,898	4,081	(183)
Tires	2,266	2,266	2,177	89
Utilities	2,895	2,895	3,074	(179)
Insurance	5,752	6,752	6,901	(149)
Data Processing	4,746	4,746	4,783	(38)
Office Expense	425	425	367	58
Communications	1,606	1,606	1,692	(86)
Employee Related Expense	1,023	1,031	686	345
Leases & Rents	791	791	678	113
Miscellaneous	712	859	895	(36)
Reimbursements	(38,769)	(38,769)	(33,917)	(4,852)
Total operating expenses	**363,218**	**371,911**	**364,533**	**7,378**

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, 2017

(In thousands)

	FY 2017 Adopted Budget	Final Budget	Actual	Positive (Negative)
OTHER EXPENSES				
Paratransit	20,884	24,684	23,551	1,133
Caltrain	8,390	8,390	8,390	—
Altamont Corridor Express	5,323	5,323	4,960	363
Highway 17 Express	384	384	333	51
Monterey-San Jose Express Service	35	35	35	—
Contribution to Other Agencies	1,772	2,624	2,591	33
Debt Service	21,641	21,731	21,672	59
Contingencies	2,000	365	—	365
Total other expenses	**60,429**	**63,536**	**61,533**	**2,002**
Total operating and other expenses	**423,647**	**435,447**	**426,066**	**9,381**
Change in net position, on a budgetary basis	**$ (3,811)**	**$ (15,611)**	**(2,734)**	**$ 12,876**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			38,713	
Project Expenditure			(6,276)	
Capital Contributions to Other Agencies			(5,557)	
Bond Principal Payment			14,820	
Amortization of bond premium and deferred loss			(473)	
Unrealized loss on investment			(2,563)	
Debt Reduction Fund Interest Earnings			618	
Other non-operating income (gain on disposal)			25	
Other non-budgetary revenues/(expenses)			(212)	
Transfer from 1996 Measure B Transit			976	
Pension expense related to GASB 68			(14,740)	
Land donation receipt (Whisman Station)			512	
Election cost related to 2016 Measure B*			1,652	
Depreciation			(68,539)	
Net change in net position, on a GAAP Basis			$ (43,778)	

* Election cost of $1.65 million budgeted and disbursed in the VTA Transit Fund was moved to the 2016 Measure B Program.

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Trust Funds

June 30, 2017

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Cash and cash equivalents	$ 573	$ 817	$ 259	$ 178	$ 437	$ 1,827
Investments	530,196	297,772	15,629	10,809	26,438	854,406
Receivables	899	472	—	—	—	1,371
Due from other agencies	—	10	—	—	—	10
Other asset	—	861	—	—	—	861
Total assets	531,668	299,932	15,888	10,987	26,875	858,475
LIABILITIES						
Accounts payable	201	38	1	1	2	241
NET POSITION						
Restricted for:						
Pension benefits	531,467	—	—	—	—	531,467
Other post-employment benefits	—	299,894	—	—	—	299,894
Spousal medical benefits	—	—	15,887	—	15,887	15,887
Retiree dental and vision benefits	—	—	—	10,986	10,986	10,986
TOTAL NET POSITION	$ 531,467	$ 299,894	$ 15,887	$ 10,986	$ 26,873	$ 858,234

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position
Retiree Trust Funds
For the Year ended June 30, 2017
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Dental	ATU Medical Trusts: Total Medical Trusts	Total
ADDITIONS						
Employee contributions	$ 1,070	$ —	$ —	$ —	$ —	$ 1,070
Employer contributions	27,385	4,047	1,560	389	1,949	33,381
Total contributions	28,455	4,047	1,560	389	1,949	34,451
Investment earnings:						
Investment income	27,616	6,802	5	3	8	34,426
Net appreciation/(depreciation) in the fair value of investments	34,873	26,974	1,677	1,165	2,842	64,689
Investment expense	(2,017)	(449)	(4)	(1)	(5)	(2,471)
Net investment income	60,472	33,327	1,678	1,167	2,845	96,644
TOTAL ADDITIONS	88,927	37,374	3,238	1,556	4,794	131,095
DEDUCTIONS						
Benefit payments	38,454	13,055	1,255	312	1,567	53,076
Administrative expenses	324	25	—	—	—	349
TOTAL DEDUCTIONS	38,778	13,080	1,255	312	1,567	53,425
CHANGE IN NET POSITION	50,149	24,294	1,983	1,244	3,227	77,670
NET POSITION, BEGINNING OF YEAR	481,318	275,600	13,904	9,742	23,646	780,564
NET POSITION, END OF YEAR	$ 531,467	$ 299,894	$ 15,887	$ 10,986	$ 26,873	$ 858,234

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2017

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Total
Assets			
Cash and cash equivalents	$ 280	$ 312	$ 592
Investments	3,608	27,720	31,328
Total Assets	3,888	28,032	31,920
Liabilities			
Accounts Payable	20	27	47
Program payable	3,868	28,005	31,873
Total Liabilities	$ 3,888	$ 28,032	$ 31,920

Note: 1996 Measure B Ancillary Program closed in FY 2016.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

(In thousands)

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
BAAQMD Program				
Assets				
Cash and cash equivalents	$ 1,103	$ —	$ 823	$ 280
Investments	4,240	—	632	3,608
Total assets	$ 5,343	$ —	$ 1,455	$ 3,888
Liabilities				
Accounts Payable	$ 313	$ —	$ 293	$ 20
Program payable	5,030	—	1,162	3,868
Total liabilities	$ 5,343	$ —	$ 1,455	$ 3,888
SB83 VRF Program				—
Assets				
Cash and cash equivalents	$ 1,639	$ —	$ 1,327	$ 312
Investments	23,928	3,792	—	27,720
Total assets	$ 25,567	$ 3,792	$ 1,327	$ 28,032
Liabilities				
Accounts Payable	$ 28	$ —	$ 1	$ 27
Program payable	25,539	2,466	—	28,005
Total liabilities	$ 25,567	$ 2,466	$ 1	$ 28,032
Total - All Agency Funds				—
Assets				
Cash and cash equivalents	$ 2,742	$ —	$ 2,150	$ 592
Investments	28,168	3,792	632	31,328
Total assets	$ 30,910	$ 3,792	$ 2,782	$ 31,920
Liabilities				
Accounts Payable	$ 341	$ —	$ 294	$ 47
Program payable	30,569	2,466	1,162	31,873
Total liabilities	$ 30,910	$ 2,466	$ 1,456	$ 31,920

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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 changed over time:

Table 1 - Changes in Net Position

Table 2 - Net Position by Components

Table 3 - Fund Balances and Changes in Fund Balances, Governmental Funds

Table 4 - Current Ratio

Table 5 - Operating Revenues and Operating Expenses

Table 6 - Non-operating Assistance and Interest Income

Table 7 - Targeted Operating Reserves

REVENUE CAPACITY:

These schedules contain information to help the reader assess VTA's most significant local revenue source, the sales tax:

Table 8 - Revenue Base and Revenue Rates

Table 9 - Overlapping Revenue

Table 10 - Principal Sales Tax Payers in Santa Clara County by Segments

DEBT CAPACITY:

These schedules present information to help the reader assess the affordability of VTA's current levels of outstanding debt and VTA's ability to issue additional debt in the future:

Table 11 - Total Outstanding Debt by Type

Table 12 - Ratios of Outstanding Debt

Table 13 - Direct and Overlapping Debt and Debt Limitation

Table 14 - Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds

Table 15 - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds

Table 16 - Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

These schedules offer demographic and economic indicators to help the reader understand the environment within which VTA's financial activities take place:

Table 17 - Population Trends

Table 18 - Income and Unemployment Rates

Table 19 - Wage and Salary Employment by Industry (Annual Average)

Table 20 - Silicon Valley Major Employers

OPERATING INFORMATION:

Table 21 - Operating Indicators

Table 22 - Farebox Recovery Ratio

Table 23 - Revenue Miles

Table 24 - Passenger Miles

Table 25 - Selected Statistical Data

Table 26 - System Data

Table 27 - Employees

Table 28 - Capital Assets

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

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Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2017
(In thousands)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Business-type activities:										
Transit										
Operations and Operating Projects	$ 344,469	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$ 375,086	$ 392,042	$ 407,618	$ 431,212	$ 471,655
Caltrain Subsidy	15,416	15,878	15,878	14,135	10,207	13,700	7,291	8,390	8,414	8,390
Capital Expenses on behalf of, and contribution to other agencies	19,331	42,626	81,714	66,782	80,083	138,794	93,952	61,445	53,094	86,084
Altamont Corridor Express Subsidy	2,621	2,707	2,707	2,706	2,707	2,939	3,019	3,097	3,166	3,270
Interest Expense	12,214	11,651	20,583	23,536	31,307	31,655	27,088	15,204	11,330	15,254
Other Expenses	3,280	5,446	7,268	15,434	8,059	5,865	11,096	5,734	4,177	2,928
Benefit Payments	10,513	9,826	7,693	8,410	11,419	10,689	17,947	8,881	12,999	12,654
Total Business-Type Activities Expenses	407,844	432,107	474,614	474,305	508,505	578,728	552,435	510,369	524,392	600,235
Governmental activities:										
Congestion Management										
Operations and operating projects	6,450	8,840	7,164	7,196	6,692	7,622	7,544	8,071	8,228	8,868
Contribution to agencies	—	—	—	867	37	25	68	168	210	83
Capital projects for the benefit of other agencies	43,798	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886
Total governmental activities expenses	50,248	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	18,837
Total primary government expenses	$ 458,092	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$ 620,620	$ 596,231	$ 538,735	$ 544,019	$ 619,072
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420	$ 43,054	$ 42,316	$ 40,194
Operating grants	126,505	114,937	126,934	137,804	140,419	142,577	148,669	134,796	126,988	123,944 [1]
Capital grants	153,443	82,175	92,594	148,303	115,584	272,950	193,899	277,421	271,057	188,856
Total business-type activities program revenues	318,001	235,551	258,358	326,121	296,073	457,348	384,988	455,271	440,361	352,994
Governmental activities:										
Charges for services	2,475	2,618	2,606	2,520	2,503	2,520	2,519	2,526	2,529	2,549
Operating grants	2,193	1,496	1,854	2,127	2,110	1,775	2,424	2,096	16,585	13,948 [2]
Capital grants	45,109	29,479	22,314	24,051	21,530	37,612	38,989	22,964	—	—
Total governmental activities program revenues	49,777	33,593	26,774	28,698	26,143	41,907	43,932	27,586	19,114	16,497
Total primary government revenues	$ 367,778	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$ 499,255	$ 428,920	$ 482,857	$ 459,475	$ 369,491
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$ (89,843)	$(196,556)	$(216,256)	$(148,184)	$(212,432)	$(121,380)	$(167,447)	$ (55,098)	$ (84,031)	$(247,241)
Governmental activities	(471)	(1,645)	208	(456)	362	15	136	(780)	(513)	(2,340)
Total primary government net program (expenses)/revenues	$ (90,314)	$(198,201)	$(216,048)	$(148,640)	$(212,070)	$(121,365)	$(167,311)	$ (55,878)	$ (84,544)	$(249,581)

[1] Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.
[2] Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants will operate assets that will be owned by other entities.

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position *(continued)*
Ten Years Ended June 30, 2017
(In thousands)

	Fiscal Years									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 467,701
Investment income	22,511	16,862	7,352	11,039	19,289	316	9,861	9,420	19,102	4,459
Proceed from sale of land	—	—	—	642	6,300	4,052	—	16,732	—	—
Federal subsidy for Build America Bonds	—	—	—	5,848	9,399	9,126	8,755	8,715	—	—
Other income	3,523	3,385	3,241	6,865	6,007	3,254	7,325	4,261	3,335	5,640
Special items:										
Transfer to OPEB Trust	(101,738)	—	—	—	—	—	—	—	—	—
Change in provisions for workers' compensation claims	4,662	3,500	—	5,716	—	—	—	—	—	—
Total business-type activities	252,533	298,650	289,935	336,566	373,842	411,911	443,427	485,502	482,753	477,800
Governmental activities:										
Investment income	349	41	12	10	31	8	23	9	16	7
Other income	151	161	15	1,106	104	115	279	250	155	124
Total governmental activities	500	202	27	1,116	135	123	302	259	171	131
TOTAL PRIMARY GOVERNMENT	253,033	298,852	289,962	337,682	373,977	412,034	443,729	485,761	482,924	477,931
CHANGE IN NET POSITION										
Business-type activities	162,690	102,094	73,679	188,382	161,410	290,531	275,980	430,404	398,722	230,559
Governmental activities	29	(1,443)	235	660	497	138	438	(521)	(342)	(2,209)
Total primary government	$ 162,719	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$ 276,418	$ 429,883	$ 398,380	$ 228,350

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Position by Component
Ten Years Ended June 30, 2017
(In thousands)

	Fiscal Years									
	2008	2009 [1]	2010	2011	2012	2013	2014	2015	2016	2017
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$2,056,769	$2,180,768	$2,195,790	$2,220,118	$2,351,676	$2,481,805	$2,613,290	$2,950,181	$3,394,540	$3,715,082
Restricted	141,764	362,079	449,096	572,054	548,367	649,724	759,608	822,834	789,000	740,398
Unrestricted	438,848	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	144,668
Total Business-Type Activities Net Position	2,637,381	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457	3,970,867	4,369,589	4,600,148
GOVERNMENTAL ACTIVITIES										
Restricted	1,495	52	287	947	1,444	1,582	2,020	1,499	1,157	611
Unrestricted	—	—	—	—	—	—	—	—	—	(1,663)
Total Governmental-Type Activities Fund Balance	1,495	52	287	947	1,444	1,582	2,020	1,499	1,157	(1,052)
PRIMARY GOVERNMENT										
Net investment in Capital Assets	2,056,769	2,180,768	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290	2,950,181	3,394,540	3,715,082
Restricted	143,259	362,131	449,383	573,001	549,811	651,306	761,628	824,333	790,157	741,009
Unrestricted	438,848	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	143,005
Total Primary Governmental Net Position	$2,638,876	$2,739,527	$2,813,441	$3,002,483	$3,164,390	$3,455,059	$3,731,477	$3,972,366	$4,370,746	$4,599,096

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

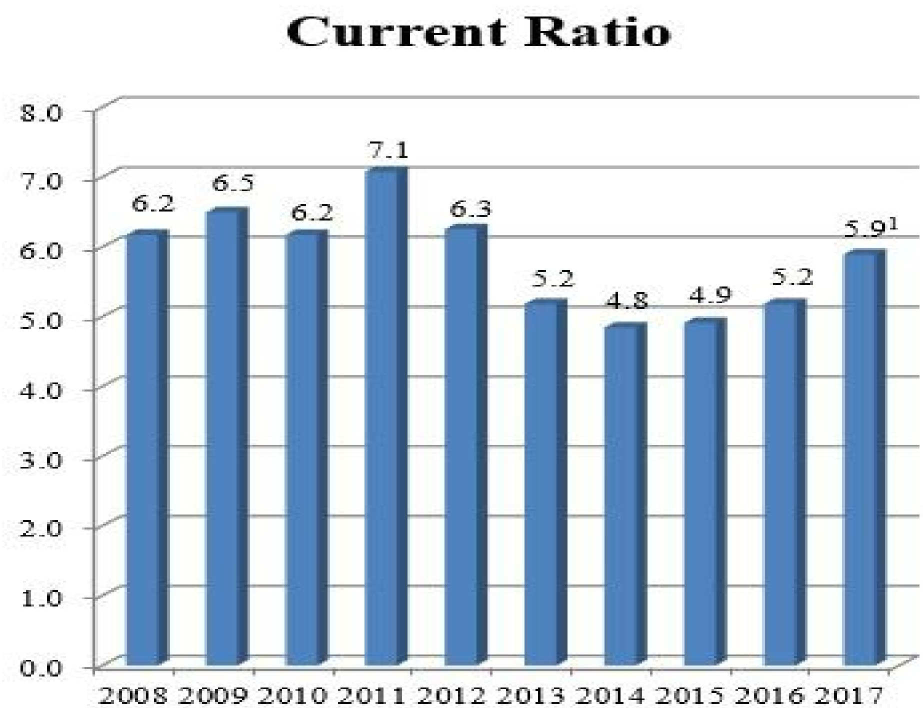
Table 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2017
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Member Agency Assessment Revenue	$ 2,410	$ 2,495	$ 2,495	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407
Federal Technical Studies Operating Assistance Grants	1,102	915	1,235	1,398	1,367	1,014	1,728	1,371	1,887	1,219
Administrative Fees	65	123	111	113	96	113	112	119	122	142
Federal, State and Local Grant Revenues	46,200	30,060	22,933	24,780	22,273	38,373	39,685	23,689	14,698 [1]	12,729
Other Revenues	151	161	15	1,106	104	115	279	250	155	124
Investment Earnings	349	41	12	10	31	8	23	9	16	7
Total Revenues	50,277	33,795	26,801	29,814	26,278	42,030	44,234	27,845	19,285	16,628
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	5,680	8,006	6,606	6,814	6,245	7,044	7,160	6,826	7,031	6,128
Professional Services	770	793	541	374	436	563	359	1,225	1,176	2,721
Program Expenditures	—	41	17	8	11	15	25	19	21	19
Miscellaneous	—	—	—	—	—	—	—	1	—	—
Contribution to agencies	—	—	—	867	37	25	68	168	210	83
Capital Improvement Projects	43,798	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886
Total Expenditures	50,248	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	18,837
Excess (Deficiency) of Revenues Over Expenditures	29	(1,443)	235	660	497	138	438	(521)	(342)	(2,209)
OTHER FINANCING SOURCES (USES):										
Net Change in Fund Balances	$ 29	$ (1,443)	$ 235	$ 660	$ 497	$ 138	$ 438	$ (521)	$ (342)	$ (2,209)
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	1,495	52	287	947	1,444	1,582	2,020	1,499	1,157	611
Unassigned – Special Revenue Funds	—	—	—	—	—	—	—	—	—	(1,663)
Total Governmental Funds	$ 1,495	$ 52	$ 287	$ 947	$ 1,444	$ 1,582	$ 2,020	$ 1,499	$ 1,157	$ (1,052)

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

Table 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Current Ratio
Enterprise Funds
Ten Years Ended June 30, 2017

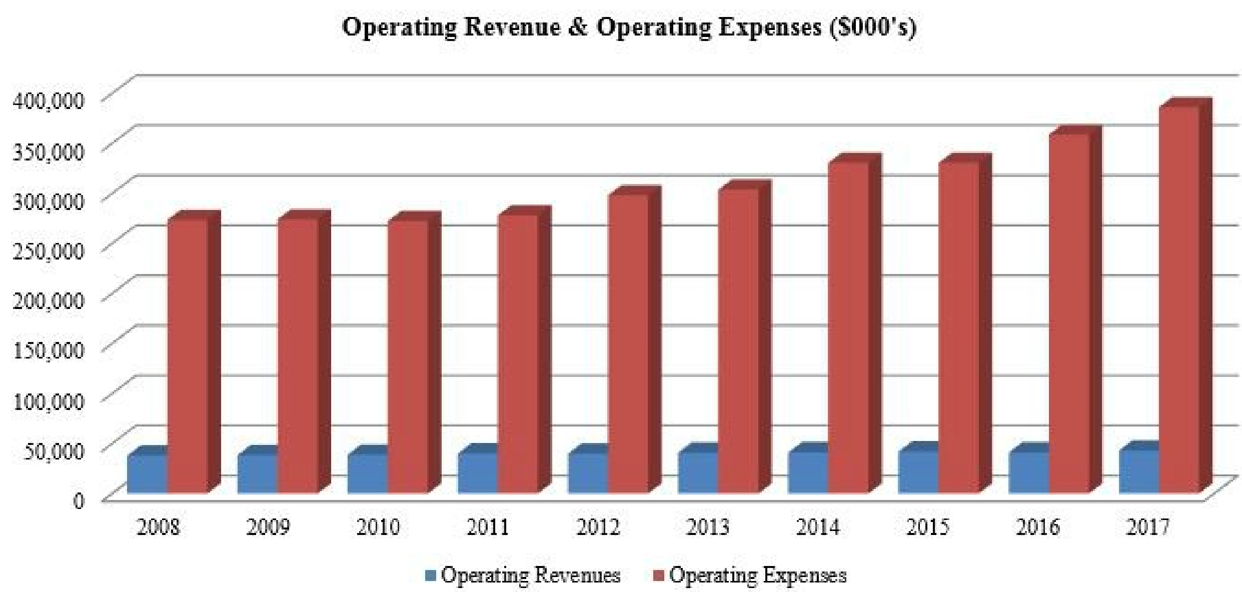
The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of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



[1] Current assets exclude 2010 Measure A bond proceeds of $42.9 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, 2017

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

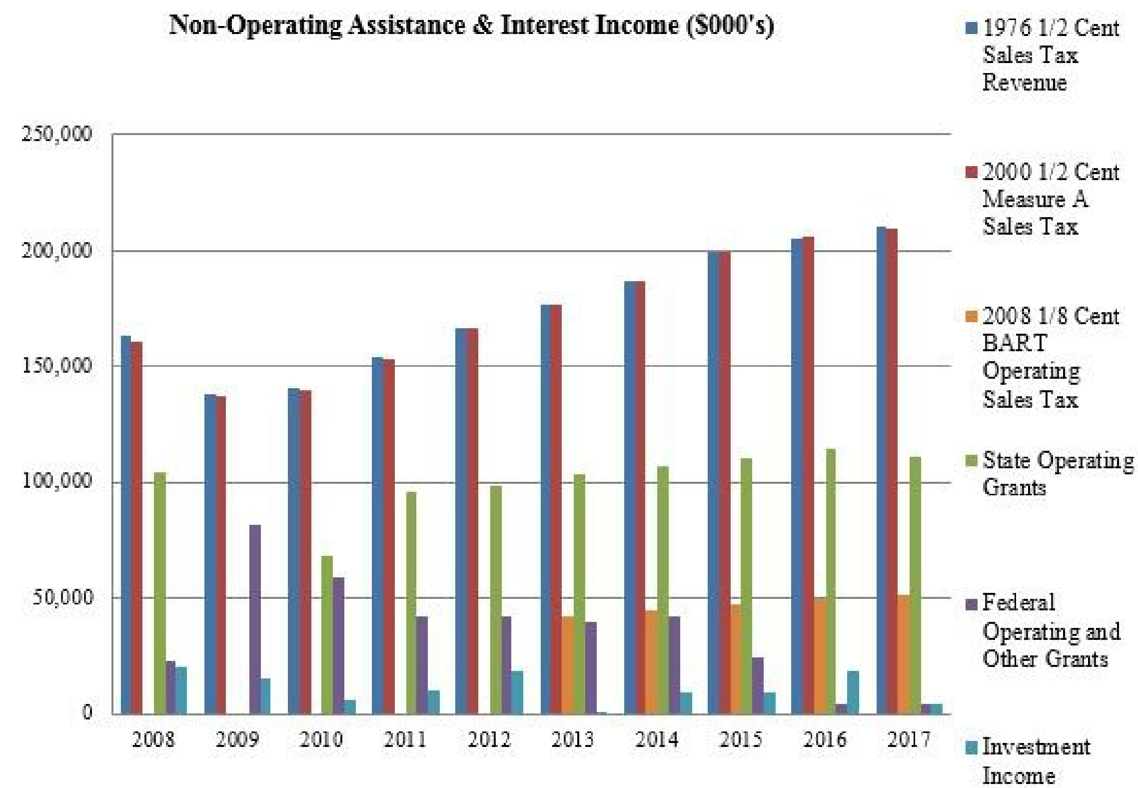


Operating Revenues and Operating Expenses
(In thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198	$ 41,897	$ 41,042	$ 38,261
Operating Expenses	273,495	273,979	272,196	277,984	297,988	303,622	330,614	330,466	358,538	385,528

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance and Interest Income
Enterprise Funds
Ten Years Ended June 30, 2017
(In thousands)

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



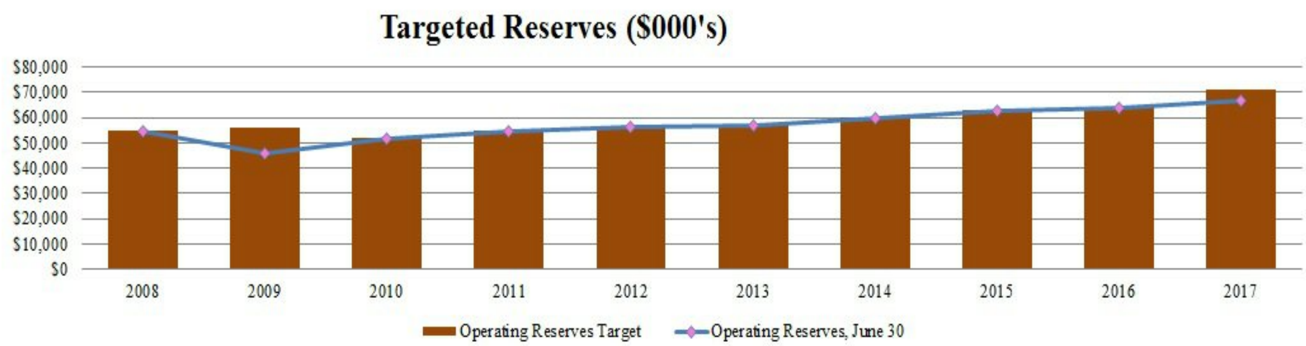
Non-Operating Assistance and Interest Income
(In thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1976 1/2 Cent Sales Tax Revenue	$163,038	$137,642	$140,037	$153,601	$166,567	$176,716	$186,431	$199,221	$205,418	$209,005
2000 1/2 Cent Measure A Sales Tax Revenue [1]	160,537	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	—	—	—	—	—	41,914	44,753	47,500	49,262	50,024
State & Local Operating Grants	104,080	—	67,834	95,579	98,133	103,213	106,439	110,243	114,135	110,959
Federal Operating Grants	22,425	81,488	59,100	42,225	42,286	39,364	42,230	24,553	4,105	4,232
Investment Income	20,370	15,341	5,764	10,067	18,594	292	9,555	9,118	18,493	4,356

[1] The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.
[2] The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2017

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



(In thousands)

	2008	2009	2010 [1]	2011 [2]	2012 [3]	2013	2014	2015	2016	2017
Current Assets, excluding restricted asset	$120,374	$103,697	$104,933	$108,396	$106,085	$101,726	$110,906	$124,284	$130,096	$143,377
Total Current Liabilities, excluding restricted liability	(44,953)	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)
Current Net Position	$ 75,421	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116	$ 87,406	$ 97,762	$103,347
Less: Inventory & Other Current Assets[4]	(20,791)	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)
Operating Reserves, June 30	$ 54,630	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 66,659
Operating Reserves Target (15% of Budgeted Expenses)	$ 54,630	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 71,322

[1] In FY 2010, the operating reserve target is 15% of final operating budget at June 30. In Prior years, it was based on 15% of adopted operating budget.
[2] Starting FY 2011, the operating reserve target is based on 15% of subsequent year's operating budget.
[3] Starting FY 2012, the current assets balance includes a transfer to the following reserve accounts: local share of capital projects, debt reduction, and sales tax stabilization.
[4] 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 Year Ended June 30, 2017

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Passenger Fares[1] (In thousands)	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 34,783
Percentage Increase/(Decrease) from Prior Year	1.7 %	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%	1.9%	(3.7)%	(7.6)%
Revenue Base										
Number of Passengers[2]	43,555,049	45,264,434	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492	43,944,096	42,918,436	38,189,131
Percentage Increase/(Decrease) from Prior Year	3.7 %	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6%	1.2%	(2.3)%	(11.0)%
Fare Structure										
Adult Local Fare	$ 1.75	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Youth Local Fare	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Senior/Disabled Local Fare	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2Cent Sales Tax[3]	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431	$ 199,221	$ 205,418	$ 209,005
2000 Measure A 1/2Cent Sales Tax[4]	160,537	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672
2008 1/8 Cent BART Operating Sales Tax[5]	—	—	—	—	—	41,914	44,753	47,500	49,262	50,024
Total Sales Tax Revenue Receipts[6]	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 467,701
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	(0.4)%	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5%	6.9%	3.1 %	1.7 %
2000 Measure A 1/2 Cent Sales Tax	(0.5)%	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5%	7.2%	3.0 %	1.5 %
2008 1/8 Cent BART Operating Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	6.8%	6.1%	3.7 %	1.5 %

[1] Includes fares for directly operated transit services such as bus, light rail and shuttle services; FY 2017 includes paratransit.

[2] Represents system ridership total boarding. Source: VTA Operations Division.

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

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

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

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

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2017

Fiscal Year	State	City	VTA[1]	Total
2008	6.25%	1.00%	1.00%	8.25%
2009[2]	7.25%	1.00%	1.00%	9.25%
2010	7.25%	1.00%	1.00%	9.25%
2011	7.25%	1.00%	1.00%	9.25%
2012[3]	6.25%	1.00%	1.00%	8.25%
2013[4]	6.63%	1.00%	1.12%	8.75%
2014	6.63%	1.00%	1.12%	8.75%
2015	6.63%	1.00%	1.12%	8.75%
2016[5]	6.38%	1.25%	1.12%	8.75%
2017[6]	6.12%	1.25%	1.63%	9.00%

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

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

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

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

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

[6] Beginning April 1, 2017, Santa Clara Transportation Solution Tax also known as 2016 Measure B Sales tax became effective. Tax collection began April 2017 and VTA received the first advance payment in June 2017. As of June 30, 2017, the Measure is facing legal challenge.

Source: California Board of Equalization

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

	Fiscal Year 2016[1]			Fiscal Year 2007		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Taxable Sales Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	37.4%	$ 15,422	1	37.9%	$ 12,566
Food Services & Drinking Places	2	10.9%	4,495	4	8.3%	2,737
Motor Vehicle & Parts Dealers	3	10.3%	4,245	2	10.4%	3,459
Miscellaneous Store Retailers	4	9.9%	4,041	3	10.2%	3,436
General Merchandise Stores	5	6.1%	2,524	5	8.2%	2,703
Clothing & Clothing Accessories	6	5.9%	2,429	8	4.7%	1,546
Bldg. Matrl. & Garden Equip. & Suppl.	7	5.8%	2,402	7	5.6%	1,831
Gasoline Stations	8	5.0%	2,070	6	6.6%	2,189
Food & Beverage Stores	9	3.5%	1,448	9	3.1%	1,021
Electronics & Appliance Stores	10	2.0%	824	13	0.8%	266
Furniture & Home Furnishing Stores	11	1.2%	490	10	2.0%	659
Health & Personal Care Stores	12	1.0%	411	12	1.1%	357
Sport Goods, Hobby, Book & Music	13	1.0%	402	11	1.1%	363
Total		100.0%	$ 41,203		100.0%	$ 33,133

[1] 2017 data is not available at the time of printing
[2] This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

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

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2017
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2008	$ 26,500	$ 279,600	$ 356,825	$ 662,925
2009	—	270,710	355,970	626,680
2010	—	246,298	369,775	616,073
2011	—	237,817	1,036,892	1,274,709
2012	—	219,399	1,029,105	1,248,504
2013	—	209,007	1,021,127	1,230,134
2014	—	210,536	983,255	1,193,791
2015	—	199,054	961,711	1,160,765
2016	—	184,116	932,049	1,116,165
2017	—	168,877	901,545	1,070,422

[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, 2017

Fiscal Year	Total Outstanding Debt (In thousands)	Total County Taxable Sales[1] (In thousands)	Total Debt as a % of Taxable Sales	Personal Income[2] (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2008	$ 662,925	$ 33,476,000	1.98%	$ 104,331,553	0.64%	1,837	$ 361
2009	626,680	29,009,000	2.16%	96,315,176	0.63%	1,858	337
2010	616,073	28,720,000	2.15%	103,636,350	0.59%	1,880	328
2011	1,274,709	32,238,000	3.95%	111,880,131	1.14%	1,782	715
2012	1,248,504	34,698,000	3.60%	122,259,021	1.02%	1,816	688
2013	1,230,134	37,013,000	3.32%	130,624,491	1.08%	1,842	668
2014	1,193,791	38,318,000	3.12%	141,873,705	0.84%	1,894	630
2015	1,160,765	40,617,475	2.86%	158,728,715	0.73%	1,918	605
2016	1,116,165	41,202,462	2.71%	160,316,002	0.70%	1,923	580
2017	1,070,422	41,614,487	2.57%	161,919,162	0.66%	1,938	552

[1] Taxable sales information is available through FY 2015. FY 2016 and FY 2017 assume a 1% increase over the previous year's number.
[2] Actual personal income is available through FY 2015. FY 2016 and FY 2017 assume a 1% increase over the prior year's number.

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

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

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

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

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2017
(In thousands)

	Available Revenue	Annual Debt Service[1]			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[2]**	**Total**	**Coverage**
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	9,180 [3]	7,025	16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9
2014	186,431	10,435	9,766	20,201	9.2
2015	199,221	10,705	7,965	18,670	10.7
2016	205,418	14,310	7,485	21,795	9.4
2017	209,005	24,735	7,325	32,060	6.5

[1] This schedule includes Junior and Senior Lien debts.
[2] Interest is exclusive of interest earned from bond proceeds.
[3] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.

Table 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2017
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	Sales Tax Revenue	Principal	Interest[1]	Total	Coverage[2]
2008	$ 160,537	$ —	$ 14,943	$ 14,943	10.7
2009	137,261	855	12,321	13,176	10.4
2010	139,305	—	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9
2017	208,672	28,160	43,783	71,943	2.9

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

Table 16

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Debt Capacity - Projected Pledged Revenue Coverage

(Proforma and Unaudited)

The table below presents a five-year projection of debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2018 through 2022.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2018 – 2022 (Proforma and Unaudited)

($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2018	$ 221,948	3.53%	$ 21,079	10.53
2019	229,658	3.47%	21,075	10.90
2020	237,671	3.49%	21,075	11.28
2021	245,944	3.48%	21,068	11.67
2022	234,690	2.06%	21,079	11.13

The table below presents a five-year projection of debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2018 through 2022.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2018 – 2022 (Proforma and Unaudited)

($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[4]	Projected Coverage[3]
2018	$ 221,948	3.53%	$ 73,395	3.02
2019	229,658	3.47%	73,057	3.14
2020	237,671	3.49%	73,034	3.25
2021	245,944	3.48%	73,036	3.37
2022	234,771	2.15%	72,759	3.23

[1] Source: Growth rates provided by outside economists.
[2] Includes actual debt service on the 2011 and 2017 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3] Does not include any additional parity debt.
[4] Includes actual debt service on the 2010 and 2015 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
*No assurance is given that actual results will meet the forecasts of VTA in any way.

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

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 8.79 % in 2017 Census compared to the 2010 Census.

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

County of Santa Clara Population

	1960	1970	1980	1990	2000	2010	2017
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	42,726
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	58,917
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	55,936
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	31,402
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,634
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	31,314
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	75,410
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,501
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	44,145
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	79,278
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	68,691
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,046,079
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	123,983
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	30,569
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	149,831
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,764
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,938,180
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	39,524,000

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

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

Table 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ending June 30, 2017

Year	Santa Clara County Personal Income (In thousands)[1&2]	Santa Clara County Per Capita Personal Income [1&2]	Unemployment Rate[3]
2008	$ 104,331,553	$ 59,227	5.1%
2009	96,315,176	55,781	11.8%
2010	103,636,350	58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	130,624,491	70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	158,728,715	82,756	3.9%
2016	160,316,002	83,584	4.0%
2017	161,919,162	84,420	3.5%

[1]Bureau of Economic Analysis U.S. Department of Commerce.
[2]Actual data is available through 2015. Years 2016 and 2017 data are preliminary and assume a 1% increase over prior year.
[3]California Employment Development Department. Not seasonally adjusted.

Table 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Wage and Salary Employment by Industry (Annual Average)
Ten Years Ending June 30, 2016
(In thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Civilian Labor Force [1] (In thousands)	855.2	876.8	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4	1,026.5
Civilian Employment	814.7	825.2	777.5	774.0	804.6	830.6	857.5	942.3	976.1	987.9
Civilian Unemployment	40.5	51.7	102.2	97.6	90.2	80.3	66.5	51.4	42.3	38.6
Civilian Unemployment Rate										
County	4.7%	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%	3.8%
State of California	5.4%	7%	11.6%	12.2%	12%	10.6%	8.5%	7.4%	6.2%	5.7%
Wage and Salary Employment [2] (In thousands)										
Total Farm Agriculture	3.7	4.6	3.6	3.6	3.4	3.5	5.1	3.6	3.6	3.9
Construction and Mining	49.5	50.1	32.9	32.3	30.9	35.6	37.6	38.6	42.3	47.9
Manufacturing	163.7	166.3	153.5	150.7	154.6	155.1	156.3	156.6	159.4	161.3
Transportation & Public Utilities	13.1	13.8	11.7	11.9	11.8	12.7	13.9	14.7	15.0	14.8
Wholesale Trade	39.1	39.9	36.0	34.7	35.0	34.4	36.2	36.2	36.0	37.4
Retail Trade	86.2	88.2	77.4	75.6	77.5	80.3	84.2	82.3	84.9	85.0
Finance, Insurance & Real Estate	38.2	39.5	31.5	30.8	31.2	33.6	33.9	35.1	35.0	35.2
Services	416.7	424.1	404.4	418.5	432.8	455.4	450.0	469.1	491.4	509.3
Government	90.2	92.7	95.0	93.4	88.6	90.2	93.5	92.4	89.9	91.2
Information	N/A	N/A	N/A	N/A	N/A	N/A	N/A	66.2	74.7	74.5
Total [3]	900.4	919.2	846.0	851.5	865.8	900.8	910.7	994.8	1,032.2	1,060.5

[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 2016. FY 2016 is the most recent available data.
[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2016.
[3] Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department
Labor Market Information Division.
www.labormarketinfo.edd.ca.gov, August 19, 2016

Table 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Silicon Valley Major Employers
Current Year and Nine Years Ago

		FY 2017		FY 2008	
Company Name	**Nature of Operations**	**Number of Employees***	**Rank**	**Number of Employees**	**Rank**
Apple Inc.	Computer electronics	25,000	1		
Alphabet Inc./Google Inc.	Search, advertising and web software	20,000	2		
County of Santa Clara	County government	18,244	3	15,000	3
Stanford University	Research university	16,919	4	16,600	2
Cisco System Inc.	Computer network equipment manufacturer	15,700	5	17,200	1
Kaiser Permanente Northern California	Integrated healthcare delivery plan	12,500	6		
Stanford Health Care	Health System	10,034	7		
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	10,000	8		
Facebook Inc.	Online Social Networking Service	9,385	9		
Intel Corp.	Semiconductor	8,500	10	6,720	7
University of California Santa Cruz	Public University	8,463	11	2,879	18
Gilead Sciences Inc.	Biotechnology Company	6,949	12		
Oracle Corp.	Hardware and software,cloud	6,781	13	6,532	9
Sutter Health	Not-for-profit health system in Northern California	6,650	14		
Santa clara Valley Medical Center	Hospital	6,105	15	4,063	15
City of San Jose	City Government	5,500	16	6,187	11
San Mateo County	County Government	5,500	16		
County of Monterey	County Government	5,278	18		
Lockheed Martin Space Systems Co.	Aerospace	5,045	19	8,000	4
U.S. Postal Service	Federal Government Agency provides postal service	4,902	20		
Nvidia Corp.	Graphics and digital media Processors	4,500	21	2,330	25
Stanford Children's Health	specializes in the care of babies, children, adolescents, and expectant mothers	4,115	22		
Vmware Inc.	Cloud computing and Platform virtualization Software and services	3,901	23		
Applied materials Inc.	Semiconductor equipment manufacturer	3,850	24	4,000	16
Yahoo Inc.	Search, advertising and news web software	3,800	25		

Source: Silicon Valley/San Jose Business Journal. July 21, 2017
*Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure. Ranking is based on low end of range.

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 18,244 workers.

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

Table 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Operating Indicators
Ten Years Ended June 30, 2017

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
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,629,140	1,461,553	15,517,448	190,321	388	499	500
2017	29,057,047	94,740	18,882,700	1,480,467	15,712,674	150,429	389	460	460

LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,655	59	99
2017	9,132,084	29,262	2,243,377	139,489	2,081,289	47,937	59	99

Source: VTA Operations Division.

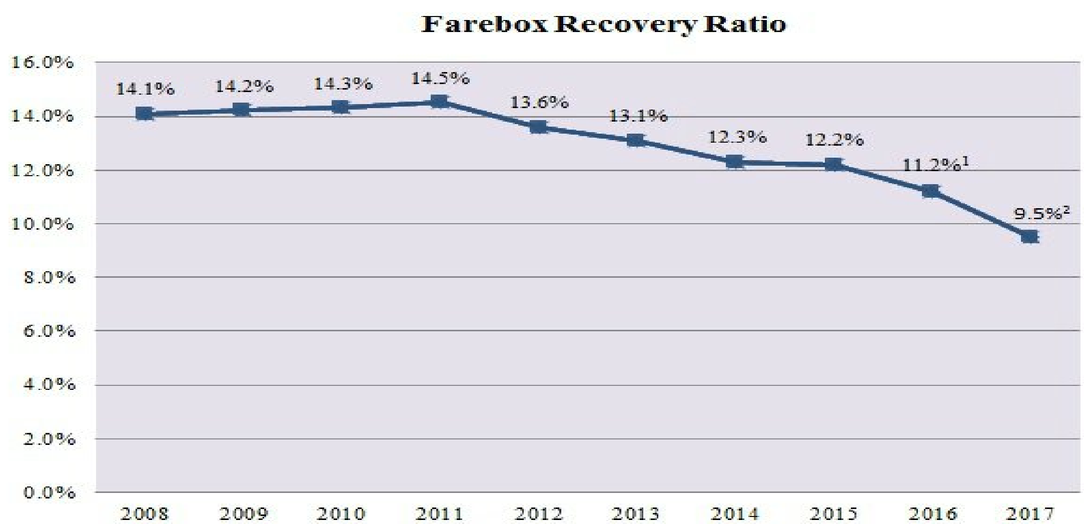
Table 22

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Operating Information - Farebox Recovery Ratio

Ten Years Ended June 30, 2017

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.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Farebox Recovery Ratio	14.1%	14.2%	14.3%	14.5%	13.6%	13.1%	12.3%	12.2%	11.2%	9.5%
Farebox Revenue (In thousands)	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 33,719
Operating Expenses (In thousands)	254,619	254,286	257,954	263,322	278,532	293,447	311,287	319,978	335,140	354,492

[1]Updated with audited NTD data.
[2]Based on proforma and unaudited NTD data.

Table 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Revenue Miles
Ten Years Ended June 30, 2017

The following chart shows total vehicle miles in revenue service.

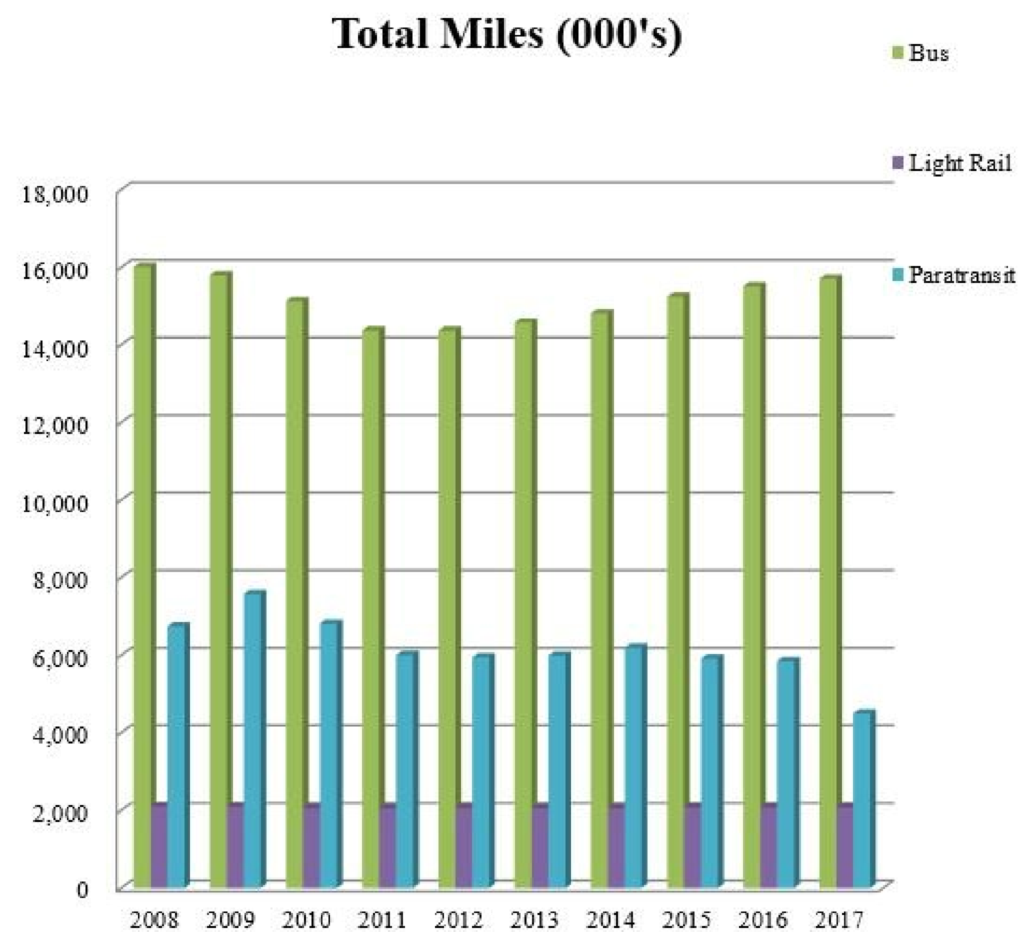
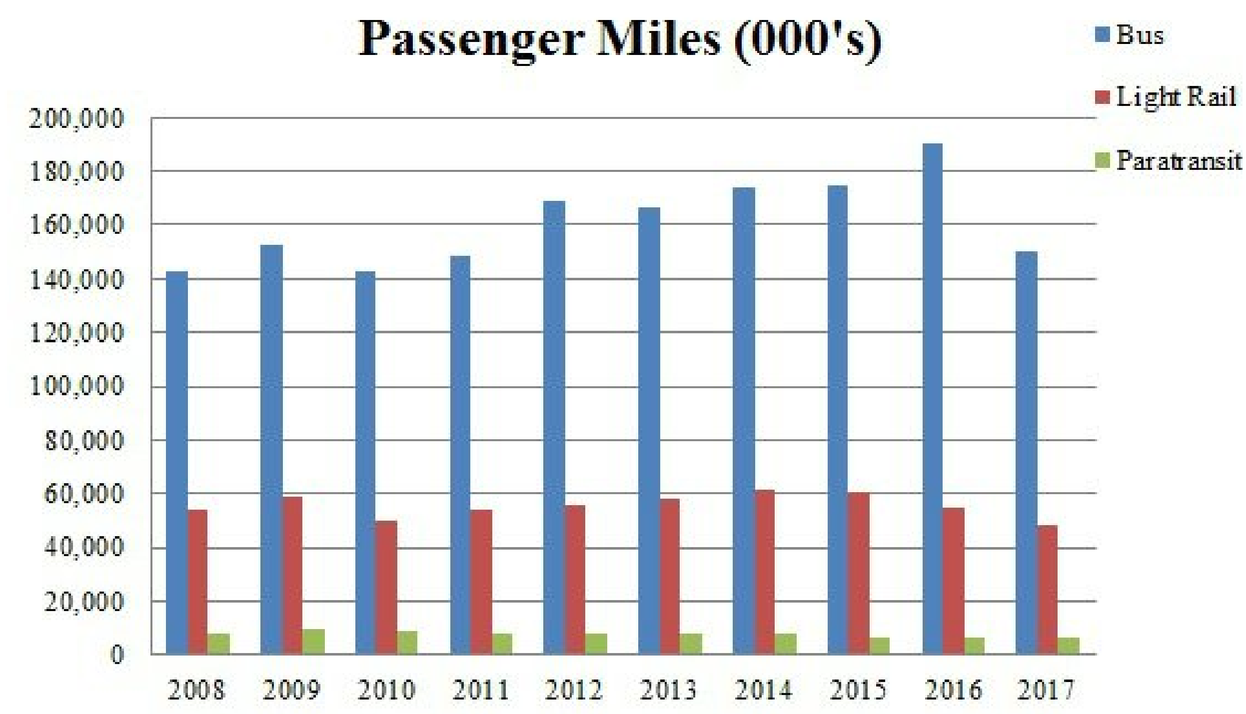


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2017

Passenger mile statistics are presented in the chart below. In FY 2017 the total passenger miles have decreased by 19% from FY 2016[1].



[1] Calculated based on revised data reported to NTD in FY 2016.

Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FAREBOX REVENUE ($000'S)[1]	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 34,783
VEHICLE REVENUE MILES (000's)										
BUS	15,951	15,800	15,131	14,377	14,374	14,583	14,818	15,247	15,517	15,713
LIGHT RAIL	2,112	2,106	2,063	2,056	2,065	2,056	2,057	2,081	2,078	2,081
PARATRANSIT	6,746	7,582	6,816	6,011	5,948	5,995	6,196	5,922	5,851	4,503
PASSENGER MILES (000's)										
BUS	143,102	152,856	142,754	148,225	169,321	166,576	173,539	174,863	190,321	150,429
LIGHT RAIL	54,475	58,708	50,000	54,048	55,337	58,116	61,632	60,717	54,980	47,937
PARATRANSIT	8,486	9,908	9,005	8,017	8,133	8,205	8,097	6,827	6,493	5,318
FLEET SIZE										
BUS	480	448	424	494	445	443	443	540	500	460
LIGHT RAIL	100	99	99	99	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$ 1.75	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
YOUTH	$ 1.50	$ 1.50	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75
SENIOR	$ 0.75	$ 0.75	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00

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

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2017

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	17
Limited Stop	4
Express	13
Rapid	18
Community	18
Light Rail	3
Special Event	4
Total	77

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	7	573
Light Rail	20	6,389
Caltrain	15	4,667
Total	42	11,629

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,856
Shelters	814
Benches	1,929
Trash Receptacles	824
Transit Centers	23

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Full-time Equivalent Employees[1]
Ten Years Ended June 30, 2017

Fiscal Year	Operations	Planning & Programming[2]	Finance & Budget[3]	Engineering & Transportation Program Delivery[4]	SVRT Program[4]	Government Affairs[5]	Business Services[6]	Safety & Compliance[7]	Office of the Chief of Staff[8]	General Counsel	General Manager	Total
2008	1628	48	103	98	4	70	92	NA	NA	10	4	2057
2009	1649	51	97	99	4	74	102	NA	NA	8	4	2088
2010	1588	50	95	97	4	57	100	NA	NA	8	18	2017
2011	1576	50	90	90	5	53	102	NA	NA	8	11	1985
2012	1599	52	93	86	6	51	103	NA	NA	9	13	2012
2013	1614	51	88	90	6	55	99	NA	NA	11	13	2027
2014	1687	42	69	79	6	37	138	NA	25	12	5	2100
2015	1724	43	74	81	NA	4	135	30	55	13	5	2164
2016	1758	50	75	74	NA	26	192	33	NA	13	11	2232
2017	1761	50	76	74	NA	30	196	NA	41	14	2	2244

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

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

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

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

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

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

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

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

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2017
(In thousands)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital assets, not being depreciated:										
Land and right of way	$ 1,118,212	$ 1,119,217	$ 1,123,321	$ 1,122,805	$ 1,122,495	$ 1,122,368	$ 1,126,373	$ 1,124,646	$ 1,126,359	$ 1,126,872
Construction in Progress	639,708	781,381	814,241	902,026	1,107,386	1,347,410	1,728,066	2,177,750	2,611,823	2,906,098
Total capital assets, not being depreciated	1,757,920	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439	3,302,396	3,738,182	4,032,970
Capital assets, being depreciated:										
Buildings, improvements, furniture and fixtures	487,116	488,156	495,436	504,531	511,853	508,345	516,184	548,139	569,079	586,041
Vehicles	462,027	442,771	435,652	485,590	481,014	486,460	488,229	566,821	553,886	586,754
Light-rail tracks and electrification	399,824	399,824	402,622	403,831	403,394	413,674	415,905	415,905	418,195	418,195
Caltrain – Gilroy extension	53,155	53,155	53,307	53,307	53,307	43,072	43,072	43,072	43,072	43,072
Other operating equipment	39,770	32,044	42,610	46,065	46,152	45,876	46,062	47,156	47,289	47,561
Leasehold Improvement	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	1,451,578	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138	1,630,779	1,641,207	1,691,309
Less accumulated depreciation										
Total accumulated depreciation	(493,895)	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)	(833,095)	(881,683)	(950,887)
Total capital assets, being depreciated, net	957,683	905,750	874,301	884,949	848,293	800,685	750,774	797,684	759,524	740,422
Total capital assets, net	$ 2,715,603	$ 2,806,348	$ 2,811,863	$ 2,909,780	$ 3,078,174	$ 3,270,463	$ 3,605,213	$ 4,100,080	$ 4,497,706	$ 4,773,392

Source: Comprehensive Annual Financial Report

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