SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2009

For Fiscal Year Ended
June 30, 2009
Santa Clara County, California

SANTA CLARA
Valley Transportation Authority
Part of every trip you take

Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009

152/156 flyover decreases delays on this well-used roadway.

Paratransit services offer alternatives for seniors and persons with disabilities.

VTA's Mobility Options Program trains seniors to use transit.

VTA's Express Bus provides link to Silicon Valley from Fremont BART.

Low-floor light rail vehicles and retrofitted platforms provide quick, level boarding for all riders.

Borregas Bridge in Sunnyvale provides link over busy Route 237 for bicyclists & pedestrians.

VTA's smaller community buses serve new routes throughout the county.

SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2009

Prepared by:
Fiscal Resources Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

Table of Contents

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

Table of Contents (Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

Table of Contents (Continued)

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

President

Executive Director

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SECTION 1 - **INTRODUCTION**

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

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LETTER OF TRANSMITTAL

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November 30, 2009

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, 2009. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness, and fairness of the data and the clarity of the presentation, including all disclosures, rests with VTA. To the best of our knowledge, the enclosed data is reported in a manner designed to present fairly, in all material respects, VTA's financial position, changes in financial position, and cash flows, when applicable, in accordance with the requirements of accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion for the fiscal year ended June 30, 2009, and that the financial statements are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

In addition, Vavrinek, Trine, Day & Company also conducts the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the fair presentation of the financial statements, agency's internal controls and compliance with legal requirements. The Single Audit Report reported no findings or questionable costs.

REPORTING ENTITY

VTA is an independent public agency responsible for bus and light rail operations in Santa Clara County (County), regional commuter and inter-city rail service, Americans with Disabilities Act (ADA) paratransit service, congestion management, specific highway improvements, and other transportation projects, as well as countywide transportation planning and funding. A map showing VTA's bus and rail transit service area is set forth on page 1-13. VTA was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the VTA's Board of Directors. Effective January 1, 1995, pursuant to state of California (state) legislation, VTA has operated under a separate Board of Directors composed of County and city representatives. On January 1, 2000, pursuant to the state legislation, VTA's name was officially changed from the Santa Clara County Transit District.

VTA is governed by a Board of Directors (the "Board" or the "Board of Directors") comprised of 12 elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the City of San Jose City Council. Three members of the Board and one alternate are appointed from among the city councils of the Cities of Los Altos, Mountain View, Palo Alto, Sunnyvale and Santa Clara, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the Cities of Campbell, Cupertino, Monte Sereno and Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the Cities of Gilroy, Milpitas and Morgan Hill. The final two seats on the Board and one alternate are appointed by the Board of Supervisors of the County of Santa Clara. The allocation of Board representation is generally based on population.

ECONOMIC ENVIRONMENT

The largest county in the San Francisco Bay Area, Santa Clara County measures approximately 1,316 square miles. According to the California Department of Finance, the County is home to more than 1.8 million residents. The County's population is projected to grow by more than 500,000 residents in 25 years, according to the Association of Bay Area Governments. The County is a major employment center for the region, providing more than a quarter of all jobs in the San Francisco Bay Area region. Northwestern Santa Clara County is part of an area known as the Silicon Valley, an industry region located around the southern shores of San Francisco

Bay. The name was derived from a dense concentration of electronic and computer companies located there.

The local economy started to slow down beginning in late 2007. In fact, according to the National Bureau of Economic Research, the recession began in December 2007. The unemployment rate in the County averaged 11.8% in June 2009, up sharply from 6% a year ago. During the same period, the state's unemployment rate was 11.6%, higher than the national average of 9.5% (Source: California Employment Development Department and U.S. Labor Department). Contributing to this slowdown is global recession and financial meltdown which has resulted in sharp downturn in the housing industry as well as loss of manufacturing and other jobs. The Santa Clara County economy has not been immune to the economic meltdown, issues related to credit crunch, and failure of financial institutions across the country. The credit crunch has seriously impacted the housing industry as foreclosures and inventories of unsold homes hit record highs second year in a row. The consensus economic opinion now believes that the Silicon Valley economy will go through challenging periods as venture capital money to startup companies dries up and make borrowing more difficult and expensive to meet the operating and capital needs of local high-tech firms. The global financial crisis will also have a negative impact on the state's export activities.

The state has its own financial challenges which have and will continue to negatively impact transit agencies. In February 2009, California Legislature approved and the Governor signed a series of bills in an attempt to balance the state's massive budget gap. This package consisted of tax hikes, borrowing, and spending reductions that also impacted public transit agencies. In the case of transportation, the State Transit Assistance Program (STA), the only state program that directly provides funds to operate bus and rail systems in California, took the brunt of cuts and was funded at almost one-half level. For Fiscal Year (FY) 2009, VTA's STA program revenues decreased $12.5 million or 66% compared to FY2008.

At the local level, reduced home building, home sales, auto sales and other consumer spending contributed to a slowdown in taxable sales. As a result of the economic slowdown, VTA experienced double-digit percentage declines in sales tax revenues during FY2009 – its largest source of funding for operating and capital needs. The 1976 Half-Cent Sales Tax was below prior year by $25.4 million or 15.6% to $137.6 million. TDA revenues, which are also derived from the local taxable sales tax activity base, declined $10.2 million or 12.2% in the current year compared to the prior year. VTA will continue to take steps to exercise fiscal discipline and manage this revenue shortfall through diligent cost control and enhanced operating efficiencies. Nevertheless, it is likely that VTA will continue to face ongoing challenges, including declining sales tax receipts, higher fuel costs, as well as the turmoil and volatility in the financial markets.

CURRENT YEAR FINANCIAL HIGHLIGHTS

The following presents supplemental information to the MD&A, providing comparative financial data for VTA's Enterprise Fund for FY2009 and FY2008.

(in thousands) **Enterprise Fund**	**FY2009**	**FY2008**	**Change Favorable/(Unfavorable)** **Amount**	**%**
Operating Revenues	$ 38,439	$ 38,053	$ 386	1.0%
Operating Expenses	(354,284)	(355,179)	895	0.3%
Sales Tax- 1976 Half-Cent	137,642	163,038	(25,396)	(15.6%)
Sales Tax- 2000 Measure A Half-Cent	137,261	160,537	(23,276)	(14.5%)
Federal and State Operating Grants	114,937	126,505	(11,568)	(9.1%)
Investment and Other Income	18,726	23,893	(5,167)	(21.6%)
Other Non-Operating Expenses	(78,308)	(52,862)	(25,446)	(48.1%)
Capital Contributions	82,175	153,443	(71,268)	46.4%
Change in Net Assets[1]	96,588	257,428	(160,840)	(62.5%)
Net assets, beginning of year	2,627,484	2,370,056	257,428	
Net assets, end of year	$ 2,724,072	$ 2,627,484	$ 96,588	3.7%

[1] The amount consists primarily of 2000 Measure A Half-Cent Sales Tax which is designated for capital.

As reflected above, Enterprise Fund net assets increased $96.6 million in FY2009 to $2.7 billion. Of the total increase, $125.1 million belonged to the 2000 Measure A Transit Improvement Program which can only be expended on projects included on the 2000 Measure A ballot approved by the voters. For VTA Transit Fund, net assets decreased $35.1 million resulting from lower sales tax revenues and operating grants. VTA's largest revenue sources for operating and capital funding – 1976 Half-Cent Sales Tax and 2000 Measure A Half-Cent Sales Tax, were below FY2008 levels by $25.4 million and $23.3 million respectively reflecting a slowdown of taxable activity in the County. Operating expenses in FY2009 were also flat compared to prior year due mainly to savings generated from vacant positions, and lower fuel prices.

Total FY2009 net assets are comprised of the following (in thousands):

• Invested in capital assets, net of related debt	$2,180,768
• Restricted for debt service	29,743
• Restricted for 2000 Measure A Projects	93,881
• Restricted for 1996 Measure B Projects	430
• Inventory, prepaid expenses, and issuance costs	34,880
• Local share of capital projects	190,599
• Debt reduction	147,726
• Operating reserve	46,045
Total Net Assets	**$2,724,072**

FINANCIAL POLICIES

Internal Control

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

Basis of Accounting

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

Budgetary Control

The biennial operating and capital budget is proposed by VTA management and adopted by the Board of Directors after public discussion. The budget consists of five funds:

- VTA Transit Enterprise Fund,
- Congestion Management Program Fund,
- VTP Highway Improvement Program Fund,
- 2000 Measure A Transit Improvement Program Fund,
- 1996 Measure B Transportation Improvement Program Fund.

The General Manager may reallocate appropriations within each fund to the limit of each fund's annual appropriation. Any net increase in authorized appropriations to any fund shall require an affirmative vote of at least eight Directors.

Budgetary appropriation control is maintained at the fund level. Division Chiefs may authorize budget transfers between cost centers within that division. The Department Cost Center Managers are responsible for controlling their budgets and monitoring expenses. VTA also maintains an encumbrance accounting system for budgetary control. Unexpended operating appropriations lapse at the end of the fiscal year. The unexpended capital budget at fiscal year-end is carried forward from year to year until the capital project is completed and officially closed or canceled.

Operating Reserve Policies
The VTA Board has established an operating reserve goal of 15% of budgeted operating expenses in the VTA Transit Enterprise Fund. As of June 30, 2009, the operating reserve is at $46.0 million, 12.4% of adopted FY2009 adopted budget. The detailed calculation and information on the operating reserve is shown on page 3-7.

Management's Discussion and Analysis (MD&A)
GASB Statement Number 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A beginning on page 2-3 and should be read in conjunction with it.

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

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

Risk Management
VTA is exposed to various risks of loss related to tort claims, theft, damage and destruction of VTA asset and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by VTA to manage

its risks. Further details on the types and amounts of coverage are addressed in Note 16 in the Notes to the Basic Financial Statements.

Pension and Other Post-Employment Benefits

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

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

- ATU Retiree Health Care Program
- Non-ATU Retiree Health Care Program
- ATU Medical Trust which includes a Spousal Medical Trust and Retiree Vision and Dental Trust

MAJOR INITIATIVE

Silicon Valley Rapid Transit (SVRT) Program

The SVRT Program involves transportation improvements in a corridor that generally extends from the southern boundary of Alameda County in the City of Fremont through the Cities of Milpitas, San Jose and Santa Clara in Santa Clara County. These improvements include a planned approximately 16-mile extension of the existing BART system into Silicon Valley. The current focuses of the program are entering the federal New Starts funding program and preparing the acquired Union Pacific corridor right-of-way for transportation improvements.

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 FY2008 Comprehensive Annual Financial Report. This was the 13th consecutive year that VTA achieved this prestigious award.

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and 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 General Accounting, Capital and Revenue Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Investment Services, and Finance Department. The Copy Center and the Marketing and Customer Service Departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable de gree of personal dedication and determination in producing this document.

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

Michael T. Burns
General Manager

Joseph T. Smith
Chief Financial Officer

2009 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own Board of Directors. The Board consists of 12 voting members, 5 alternates, and 2 ex officio members, all of whom are elected officials appointed to serve on the Board by the jurisdictions they represent. Board membership is based on population as follows:

Group 1	Six city council members from the City of San Jose.
Group 2	Four city council members from among the Cities of Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara and Sunnyvale.
Group 3	Two city council members from among the Cities of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga.
Group 4	Two city council members from among the Cities of Gilroy, Milpitas and Morgan Hill.
Group 5	Three members from the Santa Clara County Board of Supervisors.
Group 6	Ex Officio, Santa Clara County's two representatives to the Metropolitan Transportation Commission (MTC).

The Board of Directors meet normally on the first Thursday of each month.

Dolly Sandoval, Chairperson
Sam Liccardo, Vice Chairperson

Group	Jurisdiction	Member
GROUP 1	City of San Jose	Chuck Reed, Mayor
		Sam Liccardo
		Rose Herrera
		Nancy Pyle
		Ash Kalra
		Nora Campos, Alt.
GROUP 2	City of Los Altos	David Casas
	Town of Los Altos Hills	
	City of Mountain View	
	City of Palo Alto	Yoriko Kishimoto
	City of Santa Clara	Dominic Caserta
	City of Sunnyvale	Chris Moylan, Alt.
GROUP 3	City of Campbell	
	City of Cupertino	Dolly Sandoval
	Town of Los Gatos	
	City of Monte Sereno	
	City of Saratoga	Chuck Page, Alt.
GROUP 4	City of Gilroy	
	City of Milpitas	Bob Livengood, Alt.
	City of Morgan Hill	Greg Sellers
GROUP 5	County of Santa Clara	Don Gage
		Liz Kniss
		George Shirakawa, Alt.
GROUP 6	Ex Officio	
	Metropolitan	Ken Yeager
	Transportation	Dean J. Chu
	Commission	

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

1. Administration and Finance Committee (A & F)

2. Audit Committee

3. Congestion Management Program and Planning Committee (CMPP)

4. Transit Planning and Operations Committee (TP & O)

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. Committee for Transit Accessibility (CTA)

2. Citizens Advisory Committee (CAC)

3. Bicycle and Pedestrian Advisory Committee (BPAC)

4. Technical Advisory Committee (TAC)

5. Policy Advisory Committee (PAC)

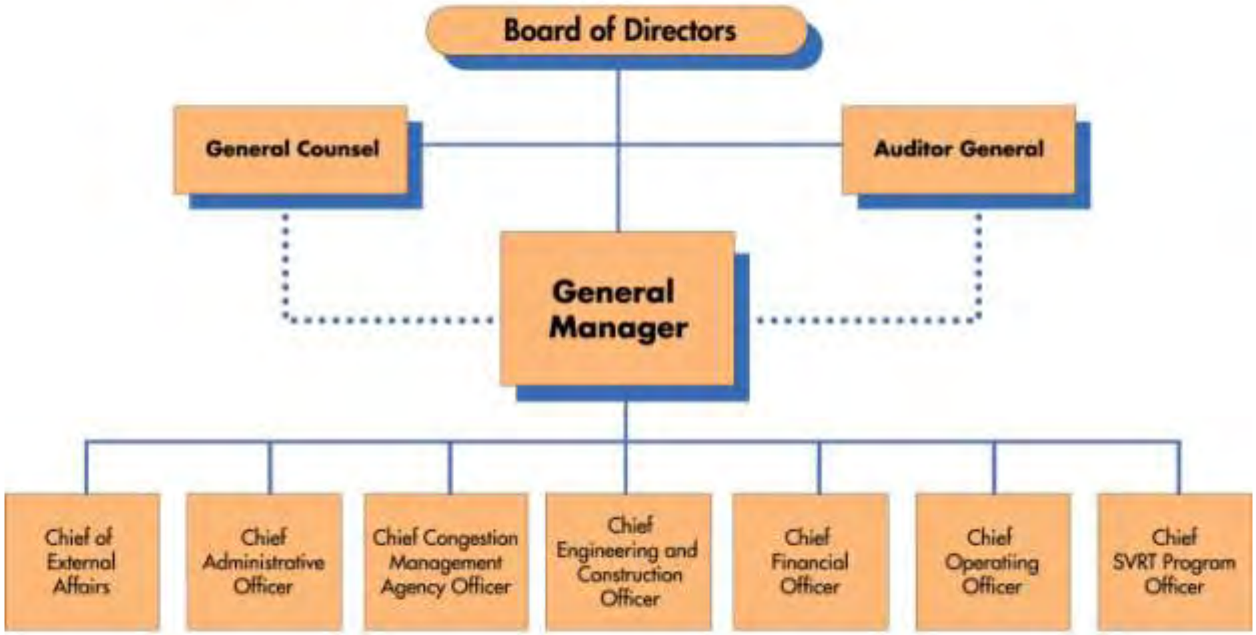
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

1. Downtown East Valley Policy Advisory Board

2. Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board

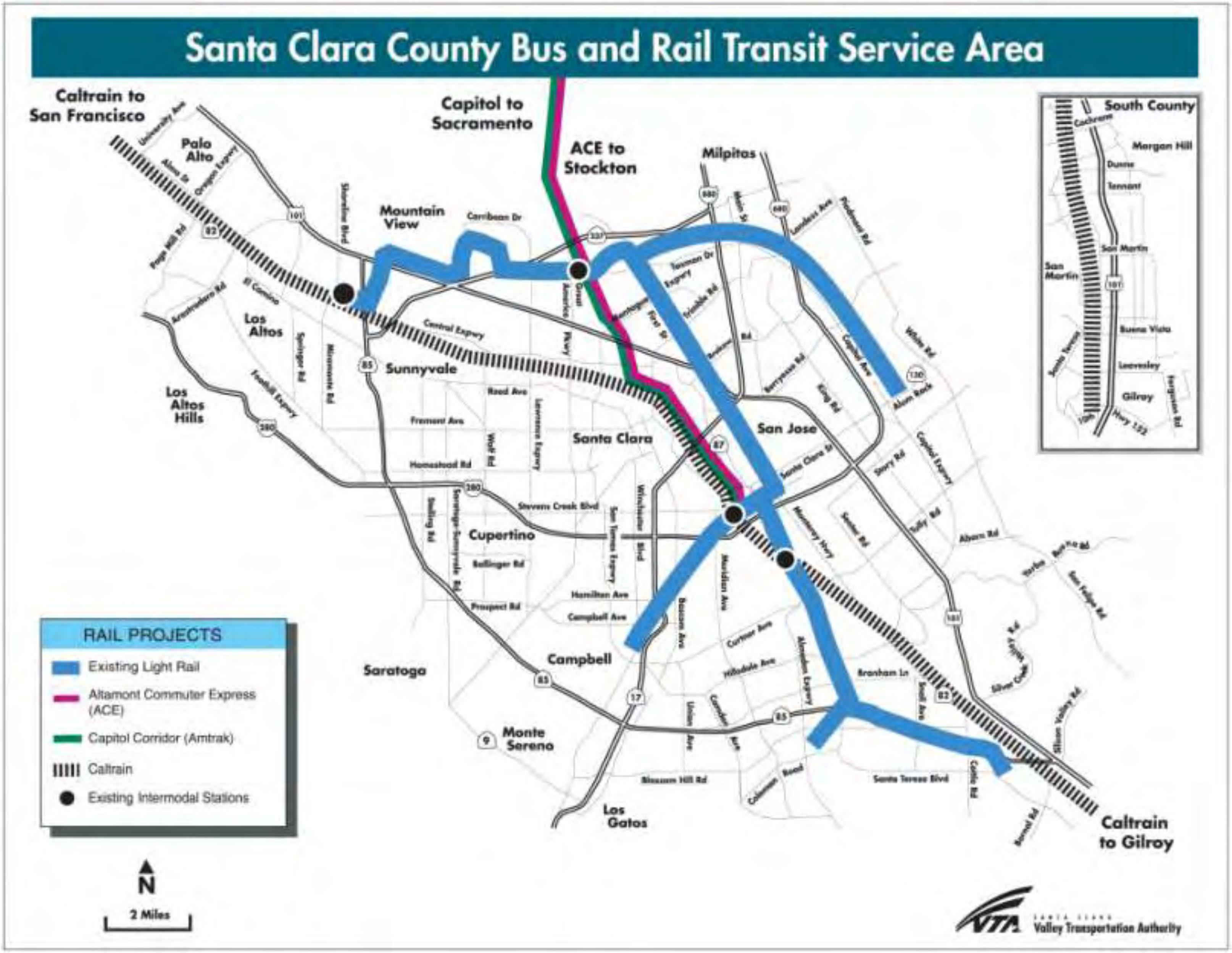
Santa Clara Valley Transportation Authority

As of June 30, 2009



Principal Officials as of June 30, 2009

General Manager	Michael T. Burns
General Counsel	Kevin D. Allmand
Auditor General	Deloitte & Touche, LLP
Chief of External Affairs	Greta Helm
Chief Administrative Officer	Bill Lopez
Chief Congestion Management Agency Officer	John Ristow
Chief Engineering and Construction Officer	Mark Robinson
Chief Financial Officer	Joseph T. Smith
Chief Operating Officer	Donald (Dan) Smith
Chief SVRT Program Officer	Carolyn Gonot


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

SECTION 2 – **FINANCIAL SECTION**

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

We have audited the accompanying financial statements of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2009, which collectively comprise VTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of VTA's management. 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 of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of VTA as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2009, on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and the budgetary comparison schedules on pages 2-3 through 2-19 and pages 2-83 through 2-86 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VTA's basic financial statements. The introductory section, combining and comparative individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously audited, in accordance with auditing standards generally accepted in the United States, the VTA's basic financial statements for the year ended June 30, 2008, which are not presented with the accompanying financial statements. In our report dated November 7, 2008, we expressed unqualified opinions on the respective financial statements of the business-type activities, governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the 2008 supplementary information are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008. 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 express no opinion on them.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
November 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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Management's Discussion and Analysis

This Section of the CAFR presents a narrative overview and analysis of the financial activities of VTA for FY2009. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2009, VTA's assets exceeded liabilities by approximately $2.7 billion. Of the $2.7 billion in net assets, approximately $2.2 billion was invested in capital assets net of related debt which is associated with VTA's capital expansion program.
- Enterprise Fund operating revenues mainly from passenger fares were $38.4 million, an increase of $386.0 thousand or 1% percent compared to FY2008.
- As of June 30, 2009, VTA has total outstanding bonds in the amount of $625.0 million compared to $662.0 million the previous fiscal year. In FY2009, VTA redeemed $26.5 million of 1985 Equipment Trust Certificates and paid-off bond principal amounting to $9.7 million.
- In FY2009, VTA Transit Fund net assets decreased $35.1 million to $2.0 billion. The two board-designated reserves, transit operating reserve and debt reduction fund, were $46.0 million and $77.0 million, respectively.
- In FY2009, VTA Measure A Fund net assets increased $124.7 million to a total of $670.9 million. Included in this amount is $155.6 million of VTA share of local capital projects and $93.9 million restricted for Measure A Transit Improvement Program.
- The 1976 Sales Tax revenues decreased $25.4 million or 15.6% to $137.6 million in FY2009 compared to FY2008 due to a decline in taxable sales in the County.
- The 2000 Measure A Sales Tax revenues were $137.3 million in FY2009, a decline of 14.5% or $23.3 million compared to the prior fiscal year.
- Federal, state and local operating assistance were $11.6 million or 9.1% lower in FY2009 resulting from the reduction of STA and TDA revenues.
- Capital grants were also $71.3 million below FY2008 due to the completion of light rail platform retrofit project and lower state grants for Silicon Valley Rapid Transit (SVRT) project.

Overview of the Financial Statements

VTA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

In addition to the basic financial statements, this report also includes required and other supplementary information.

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

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

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

   Both activities of the government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The business-type activity of VTA is transit, which includes bus and light rail operations 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 activity of VTA is congestion management, which includes planning, programming, and construction of highway projects.

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

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

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

Proprietary funds. VTA maintains two types of proprietary funds: an enterprise fund and an internal service fund. The enterprise fund is used to report the same function presented as "business-type activity" in the government-wide financial statements. The internal service fund is 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 fund. VTA uses the enterprise fund to account for its transit operation and capital activities, the 1996 Measure B Transit projects, and the 2000 Measure A capital and operating activities.

The enterprise fund provides the same type of information as the government-wide financial statements, only in more detail.

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

The activities of the Amalgamated Transit Union (ATU) Pension Plan, the ATU Medical Trust 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.

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

3) **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and notes, *required supplementary information* is presented as required by GAAP. The required supplementary information shows VTA's progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule.

There is also a section including other supplementary information such as combining statements and other individual schedules found immediately following the required supplementary information. The supplementary data presents individual fund statements and schedules for the Enterprise and Fiduciary Funds.

4) **Government-wide Financial Analysis**. The Government-Wide Statement of Net Assets and the Statement of Activities reports a $100.7 million increase in net assets (pages 2-20 and 21). The increase was mainly in the Business-Type activities as the Government-type activities experienced $1.4 million decrease in net assets. The business-type net asset increase was primarily due to Measure A sales tax receipts and capital grants related to the SVRT project as the capital expenditures were lower compared to the revenue receipts. During FY2009, VTA acquired or built total capital assets of approximately $180.0 million. These capital assets were funded by a variety of sources such as federal and state grants, and local funding.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Assets
(In thousands)

	Proprietary Funds		Governmental Funds		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 693,752	$ 742,363	$ 29,757	$33,679	$ 723,509	$ 776,042
Capital assets, net	2,806,348	2,705,917	-	-	2,806,348	2,705,917
Total assets	3,500,100	3,448,280	29,757	33,679	3,529,857	3,481,959
Liabilities:						
Current liabilities	100,643	114,156	29,705	32,184	130,348	146,340
Long-term liabilities	659,982	696,743	-	-	659,982	696,743
Total liabilities	760,625	810,899	29,705	32,184	790,330	843,083
Net Assets:						
Invested in capital assets, net of related debt	2,180,768	2,056,769	-	-	2,180,768	2,056,769
Restricted	384,841	141,764	-	-	384,841	141,764
Unrestricted	173,866	438,848	52	1,495	173,918	440,343
Total Net assets	**$2,739,475**	**$2,637,381**	**$ 52**	**$ 1,495**	**$2,739,527**	**$2,638,876**

The largest portion of VTA's net assets (approximately 80%) 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 assets represent mainly the funds set aside for the Measure A and B Transit Improvement Programs, debt service payments with the bond trustees, and reserve for inventory, prepaid expenses, and bond issuance unamortized costs. The unrestricted categories include funds set aside by Board policies and actions for such purposes as local share of capital projects, VTA transit operating reserve, and debt reduction reserve, and for workers' compensation and liability claims. The unrestricted net assets are available for appropriation with Board approval. The details of net assets categories are shown on page 2-23.

Santa Clara Valley Transportation Authority
Statement of Activities
(In thousands)

	Proprietary Funds		Governmental Funds		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Expenses:						
Operations and operating projects	$ 343,973	$ 344,469	$ 8,840	$ 6,450	$ 352,813	$ 350,919
Caltrain subsidy & capital contributions to other agencies	58,504	34,747	-	-	58,504	34,747
Altamont Commuter Express subsidy	2,707	2,621	-	-	2,707	2,621
Interest Expense	11,651	12,214	-	-	11,651	12,214
Other non-operating expenses	5,446	3,280	-	-	5,446	3,280
Benefit payments	9,826	10,513	-	-	9,826	10,513
Capital outlay on-behalf of other agencies	-	-	26,398	43,798	26,398	43,798
Total Expenses	432,107	407,844	35,238	50,248	467,345	458,092
Program Revenues:						
Charges for services	38,439	38,053	2,618	2,475	41,057	40,528
Operating grants	114,937	126,505	1,496	2,193	116,433	128,698
Capital grants	82,175	153,443	29,479	45,109	111,654	198,552
Total program revenues	235,551	318,001	33,593	49,777	269,144	367,778
Net program revenues	(196,556)	(89,843)	(1,645)	(471)	(198,201)	(90,314)
General Revenues:						
Sales tax revenue	274,903	323,575	-	-	274,903	323,575
Investment income	16,862	22,511	41	349	16,903	22,860
Other income	3,385	3,523	161	151	3,546	3,674
Total general revenues	295,150	349,609	202	500	295,352	350,109
Special items:						
Transfers to Retiree's OPEB trust fund	-	(101,738)	-	-	-	(101,738)
Change in provisions for workers' compensation claims	3,500	4,662	-	-	3,500	4,662
Change in net assets	102,094	162,690	(1,443)	29	100,651	162,719
Net assets beginning of year	2,637,381	2,474,691	1,495	1,466	2,638,876	2,476,157
Net assets, end of year	**$ 2,739,475**	**$ 2,637,381**	**$ 52**	**$ 1,495**	**$ 2,739,527**	**$ 2,638,876**

Proprietary Funds. Total net assets were $2.7 billion in FY2009, an increase of $102.1 million compared to FY2008. Net program expenses (total expenses minus program revenues) were $196.6 million during FY2009 compared to a net expense amount of $89.8 million in FY2008. The decrease in net program expenses was mainly due to higher operating expenses and lower operating grants and capital contributions from other agencies related to the SVRT project in the current year compared to the prior year. Operating grants decrease was mainly due to lower STA grant as the state slashed the STA funding to one-half during its mid-year budget adjustments. In addition, the TDA revenues were below prior year as taxable sales activity declined considerably in the County.

A detailed analysis of major revenue and expenditure accounts is included in the following section.

Comparison of
Proprietary Funds Revenue
FY2009 and FY2008
(In thousands)

Proprietary Funds Revenue	2009	2008	Change Favorable/(Unfavorable) Amount	Percent
Charges for services	$ 38,439	$ 38,053	$ 386	1.0%
Operating grants	114,937	126,505	(11,568)	(9.1%)
Capital grants	82,175	153,443	(71,268)	(46.4%)
1976 half-cent sales tax	137,642	163,038	(25,396)	(15.6%)
2000 Measure A half-cent sales tax	137,261	160,537	(23,276)	(14.5%)
Investment earnings	16,862	22,511	(5,649)	(25.1%)
Other income including special item	6,885	8,185	(1,300)	(15.9%)
TOTAL	**$ 534,201**	**$ 672,272**	**$ (138,071)**	**(20.5%)**

Charges for Services

Charges for services, derived from bus fare box receipts, light rail ticket sales, the sale of monthly passes (including Eco Pass and tokens) and advertisement income were $38.4 million in FY2009, $386.0 thousand or 1% higher compared to FY2008. Overall for the year, bus ridership was 34.5 million with $27.6 million in farebox revenues. Ridership rose 4.2% from previous year which can be attributed in large part to the implementation of the “New Bus Service” plan in January 2008. This revamped bus service includes more frequent service on many major routes, expanded bus service, and a significant increase in low-fare community bus routes. Light rail ridership was 10.8 million with farebox revenues of $8.6 million. The ridership gains were 2.7% in light rail system from FY2008. Advertising and Shuttle revenues from contracted services of $2.2 million were almost flat compared to FY2008.

Operating Grants

Operating grants include California Transportation Development Act (TDA), State Transit Assistance (STA) funding, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), and federal planning grants. In FY2009, total operating grants decreased $11.6 million or 9.1% lower compared with FY2008.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.5% is returned to the source county (i.e., Santa Clara). After sales tax, TDA revenues are VTA's second largest source of revenue for operations. For FY2009, the actual TDA receipts were $73.4 million, reflecting a $10.2 million or 12.2% decline over prior fiscal year.

STA funds are derived from the state sales tax on gasoline and diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the 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. STA funds also include spillover funds apportioned by the state to transit agencies. For FY2009, STA revenues were $6.5 million, $12.5 million or 65.9% lower than FY2008. For FY2009, STA funding was cut down significantly by the state as a part of its mid-year budget adjustment.

Federal Section 5307 allows eligible recipients to claim capital grant funds for maintenance costs and other projects such as routine bus replacements. Grant applicants may apply for FTA grants in an amount up to 80% of annual vehicle maintenance costs. The funds are reflected in the financial statements as Federal Operating Assistance. Currently, VTA treats a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenditures. For FY2009, total grant revenues under this program were $33.4 million which were $11.0 million or 49.2% increase over FY2008 as VTA elected to maximize the use of Section 5307 funds for preventive maintenance to support operations in an effort to partially offset the loss of sales tax based revenues and STA funding.

Capital Grants

Capital grants include Federal Section 5309 capital grants, various state transit grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. In FY2009, total capital grants decreased $71.3 million or 46.4% to $82.2 million. This was primarily due to lower grant revenues from state for Transit Congestion Relief Program (TCRP) to fund the SVRT project which will extend the BART service to the Silicon Valley. The 5309 grant receipts also decreased in FY2009 due to with the completion of the Light Rail Platform Retrofit Project.

1976 Half-Cent Sales Tax Revenues

The 1976 Sales Tax is VTA's single largest source of revenue for operations. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenue. After growing annually after dot.com bust, they were mainly flat in FY2008 and declined significantly in FY2009. For current fiscal year, sales tax revenues were $137.6 million, $25.4 million or 15.6% lower compared to the prior fiscal year. The ongoing recession, financial meltdown, and credit tightening along with high unemployment contributed to a decline in taxable activity in the County.

2000 Measure A Half-Cent Sales Tax Revenues

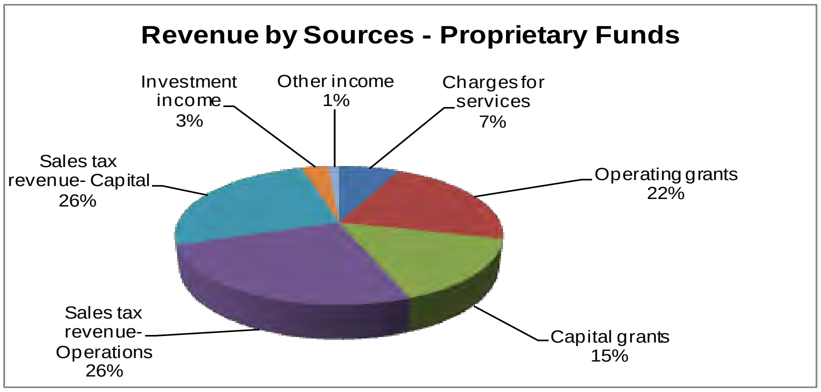
The 2000 Measure A Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The collection of this half-cent sales tax revenue started after the expiration of 1996 Half-Cent Measure B Sales Tax on March 31, 2006. FY2009 revenues of $137.3 million were $23.3 million or 14.5% less than prior year. The 2000 Sales Tax revenues are restricted for projects and operational activities included on the 2000 Measure A ballot.

Investment Earnings

The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. In FY2009, the investment earnings decreased $5.6 million or 25.1% compared to FY2008 mainly due to a smaller portfolio with the decline in revenue and payoff of bond principal. In addition, the interest rates for investments remained historically low contributing to revenue decline.

Other Income including Special Items

Other income of $6.9 million includes a special item of $3.5 million related to change in estimate for provision of workers' compensation injury, general liability claims, and compensated absences in the Internal Service Funds. The change was based on the actuarial valuation report for the VTA's workers' compensation self-insurance and general liability programs as of June 30, 2009, as well as analysis of compensated absences accrued liability. In FY2008, the special item was $4.7 million which is the primary reason for the lower amount of Other Income including Special Items reported in FY2009.



Comparison of
Proprietary Funds Expenses
for FY2009 and FY2008
(In thousands)

Proprietary Funds Expenses	2009	2008	Change Favorable/(Unfavorable) Amount	Percent
Operations and Operating Projects	$ 343,973	$ 344,469	$ 496	0.1%
Caltrain and ACE Subsidy	18,585	18,037	(548)	(3.0%)
Capital Contribution to/or Expenses, on behalf of other agencies	42,626	19,331	(23,295)	(120.5%)
Interest Expense	11,651	12,214	563	4.6%
Other Non-Operating Expenses	5,446	3,280	(2,166)	(66.0%)
Benefit Payments	9,826	10,513	687	6.5%
TOTALS	**$ 432,107**	**$407,844**	**$ (24,263)**	**(5.9%)**

Total expenses for Proprietary Funds increased $24.3 million or 5.9% in FY2009 which are discussed in detail below.

<u>Operations and Operating Projects</u>

Operations and operating project expenses are incurred for labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services, and support programs. For FY2009, they were almost flat compared to FY2008 as VTA implemented various cost containment measures in response to declining revenues. Even though wages and benefit costs were $6.0 million or 2.5% higher in FY2009, they were offset with lower spending in categories such as material and supplies (mainly due to diesel fuel price drop), services and depreciation expenses.

<u>Caltrain and Altamont Commuter Express (ACE) Subsidy</u>

Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit Agency District (SamTrans) 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 increased $462.0 thousand in the current fiscal year.

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 totaled $2.7 million in FY2009. The amount was $86.0 thousand higher than FY2008. The increases were based on the joint-power agreements with these agencies.

Capital Expenses to/or On-Behalf of Other Agencies

As a part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY2009, total capital contributions and expenses increased $23.3 million compared to FY2008. The FY2009 increases were mainly due to a $33.1 million swap payment to VTP Highway fund and joint capital projects with the Santa Clara Valley Water District and the Alameda County Transportation Improvement Agency related to the SVRT project. VTA was partially reimbursed for these capital expenses by other agencies and are reported as capital grants.

Interest Expenses

Bond interest expense was $0.6 million lower compared to prior year as VTA had less debt outstanding with the payoff of scheduled principal amount and redemption of 1985 Equipment Trust Certificates (ETC) in FY2009.

Other Non-Operating Expenses

Other non-operating expenses were $2.2 million higher in FY2009 compared to the prior fiscal year. Major reasons for the increase were $1.8 million cost of elections related to VTA ballot measures and $0.4 million loss on sale of buses.

Benefit Payments

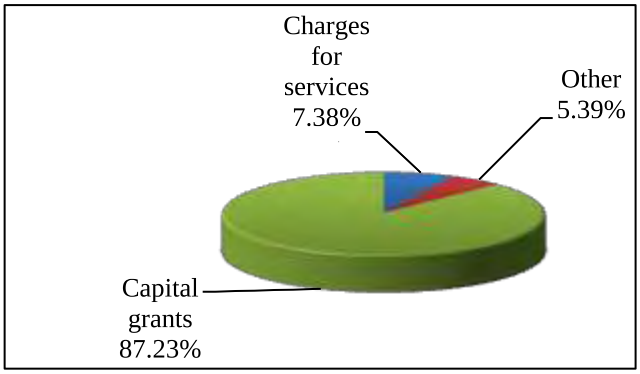
Benefit payments in FY2009 were $9.9 million, $0.7 million less than FY2008 due to lower payments made for workers' compensation claims and a decrease in compensated absences payments.

Governmental Funds. Total net assets for the governmental funds decreased $1.4 million in FY2009, with an ending balance of $52.0 thousand. Major changes from prior year were as follows:

- Capital grants and expenses were $15.6 million and $17.4 million lower, respectively with the completion of major highway projects.

- Federal, state grants and administrative fees combined decreased $0.6 million in FY2009 for the Congestion Management Program.

Revenues By Source - Governmental Funds



Financial Analysis of VTA's Funds

VTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds. VTA maintains two types of proprietary funds – *Enterprise Fund* and *Internal Service Fund*.

Enterprise fund. The Enterprise Fund is used to account for activities for which a fee is charged to external users for goods or services where:

(a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or

(b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or

(c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

A Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets is included on page 2-90 of this report. For FY2009, operating revenues were $38.4 million, up $386.0 thousand or 1% compared to FY2008. Fares from transit services increased $354.0 thousand or 1% from prior fiscal year as a result of higher ridership. Total operating expenses in FY2009 were lower from FY2008 by $0.9 million or 0.3%. Labor costs and fringe benefits were $6 million higher despite a number of positions remaining vacant.

However, cost of living adjustments from bargaining agreements and higher cost of medical plans were major factors for labor cost increases. The non-labor expense categories which experienced lower costs in FY2009 include material and supplies ($4.4 million) and services ($4.3 million) resulting in an overall decrease in operating expenses compared to FY2008.

FY2009 net non-operating revenues were $330.3 million, $90.9 million or 21.6% lower compared to FY2008. Major negative changes were $48.7 million lower sales tax revenues and $22.6 million decrease in state and local operating assistance grants, especially in TDA and STA programs. With the continuing downturn in the local economy, the taxable sales activity is projected to remain sluggish which will result in a sales tax revenue shortfall for VTA. Offsetting the negative changes were an increase of $11.0 million in federal operating assistance grant as VTA programmed a higher allocation to preventive maintenance. In non-operating expenses, the capital expenses on behalf of/contribution to other agencies increased $23.3 million with an increase in swap payments to VTP Highway Program. Capital contributions from other governmental agencies were $71.3 million less in FY2009 primarily due to lower TCRP grant funding for the SVRT project and reduced Section 3 grant due to completion of platform retrofit projects.

Total FY2009 Enterprise Fund net assets were $2.7 billion, an increase of $96.6 million over the FY2008 net assets. Of the total net asset increase, the $124.7 million and $6.9 million was related to the 2000 Measure A Transit Improvement Program and Measure B Transit program, respectively. VTA Transit fund's net assets declined $35.1 million in FY2009. VTA accounts for the 2000 Measure A Sales Tax Capital Program as part of its Enterprise Fund. Even though the 2000 Measure A program revenues and related capital expenses are reported as part of Enterprise Fund financial statements, they are restricted for capital programs and operating activities included in the 2000 Measure A Ballot. VTA reports total net assets by restricted and unrestricted categories to comply with various legal requirements and board designations. For FY2009, the details of net assets are reported on Statement of Fund Net Assets on pages 2-22 and 2-23.

Internal service fund. VTA maintains an Internal Service Fund to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The cost of these activities are accounted for in this fund and then charged to other VTA funds. As of June 30, 2009, total net assets for this fund were $15.4 million, an increase of $5.5 million from prior fiscal year. In FY2009, provisions and claims liability in both workers' compensation and general liability programs were lowered based on the actuarial valuation report. This change resulted in higher net assets in the internal service funds.

Governmental funds. The focus of VTA's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing VTA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of VTA's net resources available for spending at the end of the fiscal year. VTA maintains two governmental fund types – *Special Revenue Fund* and *Capital Project Fund*.

Special revenue fund. This fund accounts for the activities of the Congestion Management Program. The table below shows the details of changes in net assets between the current and prior fiscal year:

Comparison of
Special Revenue Fund
FY2009 and FY2008
(In thousands)

			Change Favorable/(Unfavorable)	
Special Revenue Fund	**2009**	**2008**	**Amount**	**Percent**
Member agency assessments	$ 2,495	$ 2,410	$ 85	3.5%
Federal grants	915	1,102	(187)	(17.0%)
Administrative fees	123	65	58	89.2%
State operating assistance	581	1,091	(510)	(46.7%)
Other revenues	175	151	24	15.9%
Investment earnings	41	122	(81)	(66.4%)
Salaries and benefits	(4,894)	(3,337)	(1,557)	(46.7%)
Services	(834)	(770)	(64)	(8.3%)
Capital outlay on-behalf of other agencies	(45)	(805)	760	94.4%
Change in Net Assets	(1,443)	29	(1,472)	5075.9%
Net assets, beginning of year	1,495	1,466	29	
Net assets, end of year	$ 52	$ 1,495	$ (1,443)	(96.5%)

Total fund revenues, which mainly include member assessments and grants, were $4.3 million in FY2009, $0.6 million lower than prior year. The decrease was due to lower federal and state grants received in FY2009 compared to FY2008. Total expenses were $5.8 million, an increase of $0.9 million and mainly due to higher salaries/benefit costs and professional services. The ending fund balance was $52.0 thousand.

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

Comparison of
Capital Project Funds
FY2009 and FY2008
(In thousands)

Capital Projects Funds	2009	2008	Change Favorable/(Unfavorable) Amount	Percent
Local grant revenues	$ 29,465	$ 45,109	$ (15,644)	(34.7%)
Investment earnings	-	227	(227)	(100.0%)
Salaries and benefits	(3,112)	(2,343)	(769)	(32.8%)
Capital outlay	(26,353)	(42,993)	16,640	(38.7%)
Change in Net Assets	$ -	$ -	$ -	

As of June 30, 2009, total revenues were $29.5 million which represents the total amount expended on the projects during the fiscal year and billed to other governmental agencies. The salaries and benefit costs were $0.8 million higher in FY2009 due to change in hourly activity rate charged to capital projects. There is no fund balance in these funds.

Capital Assets and Debt Administration

Capital assets. VTA's investment in capital assets for its business-type activity as of June 30, 2009, amounts to $2.8 billion, net of accumulated depreciation. VTA has no capital assets invested in the governmental activities. This investment in capital assets includes: Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY2009, VTA expended $180 million on capital programs. Of this amount, $133.0 million was related to the Measure A Transit Improvement Program.

Capital Assets
(Net of Accumulated Depreciation)

	2009	2008
Land and Right-of-Way	$ 1,119,217	$ 1,118,212
Construction in Progress	781,381	639,708
Buildings & Improvements Equipment & Furniture	298,818	307,605
Vehicles	304,406	319,913
Caltrain-Gilroy Extension	42,176	43,367
Light Rail Tracks/Electrification	245,185	260,882
Other Operating Equipment		6,807
Other	8,981	9,423
Total	**$ 2,806,348**	**$ 2,705,917**

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

Long-term debt. At year-end, VTA had $625.0 million in bonds outstanding versus $662.0 million in FY2008 – a decrease of $37.0 million. In FY2009, VTA redeemed the 1985 Equipment Trust Certificates, Series A and terminated the associated 1998 Interest Rate Swap Agreement using funds held in the Debt Reduction Fund, a VTA board-designated reserve and pledged funds in a debt service reserve fund held by the trustee, U.S. Bank, N.A.

Outstanding Debt
Proprietary Funds
(In thousands)

	2009	2008
Jr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 70,105	$ 72,730
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	184,487	189,759
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	370,750	372,670
Equipment Trust Certificates (1976 Tax)	-	26,500
Total	**$ 625,342**	**$ 661,659**

VTA redeemed $26.5 million of 1985 Equipment Trust Certificates in FY2009. More information on this transaction is included in Note 7a – Long-Term Debt and Liabilities.

VTA maintains uninsured ratings of “AAA” from Standard & Poor’s (S&P), “AA-” rating from Fitch, and a “Aa3” rating from Moody’s for its Senior Lien Sales Revenue Bonds secured by 1976 sales tax revenues.

The ratings for Sales Tax Revenue Bonds secured by the 2000 Measure A sales tax are “Aa3” from Moody’s and “AA+” from S&P. The 2007 A Measure A bonds have insured ratings of AA and Aa3 from S&P and Moody’s, respectively, with underlying (insured) ratings of AA+/Aa3.

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

Economic Conditions

The local economy started to slow down beginning late 2007. In fact, according to the National Bureau of Economic Research, the recession began in December 2007. The unemployment rate in the County averaged 11.8% in June 2009, up sharply from 6% a year ago. During the same period, the state’s unemployment rate was 11.6%, higher than the national average of 9.5%[1]. Contributing to this slowdown is global recession and financial meltdown which has resulted in sharp downturn in the housing industry as well as loss of manufacturing and other jobs. The Santa Clara County economy has not been immune to the economic meltdown, issues related to

[1](Source: California Employment Development Department and U.S. Labor Department).

credit crunch, and failure of financial institutions across the country. The credit crunch has seriously impacted the housing industry as foreclosures and inventories of unsold homes hit record highs second year in a row. The consensus economic opinion now believes that the Silicon Valley economy will go through challenging periods as venture capital money to startup companies dries up and make borrowing more difficult and expensive to meet the operating and capital needs of local high-tech firms. The global financial crisis will also have a negative impact on the state's export activities.

The state has its own financial challenges which have and will continue to negatively impact transit agencies. In February 2009, California Legislature approved and the Governor signed a series of bills in an attempt to balance the state's massive budget gap. This package consisted of tax hikes, borrowing, and spending reductions that also impacted public transit agencies. In the case of transportation, the State Transit Assistance Program (STA), the only state program that directly provides funds to operate bus and rail systems in California, took the brunt of cuts and was funded at almost one-half level. For FY2009, VTA's STA program revenues decreased $12.5 million or 66% compared to FY2008.

At the local level, reduced home building, home sales, auto sales and other consumer spending contributed to a slowdown in taxable sales. As a result of the economic slowdown, VTA experienced double digit percentage declines in sales tax revenues during FY2009 – its largest source of funding for operating and capital needs. The 1976 Half-Cent Sales Tax was below prior year by $25.4 million or 15.6% to $137.6 million. TDA revenues, which are also derived from the local taxable sales tax activity base, declined $10.2 million or 12.2% in the current year compared to the prior year. VTA will continue to take steps to exercise fiscal discipline and manage this revenue shortfall through diligent cost control and enhanced operating efficiencies. Nevertheless, it is likely that VTA will continue to face ongoing challenges, including declining sales tax receipts, higher fuel costs, as well as the turmoil and volatility in the financial markets.

While there are signs that we may be reaching the bottom of this most recent economic downturn, we are still a long way from anything approaching a full recovery. Economic activity continues to shrink, and we do not expect to see growth in sales tax revenues until 2011, and only modest increases down the road. Some of the recent dislocations may become permanent, and greater austerity among consumers may reflect a fundamental shift in behavior. The precipitous drop in sales tax revenues is a reminder that VTA's financial health is fundamentally tied to the overall economy. VTA must position itself to be flexible and respond quickly to changing conditions.

Adopted FY2010 and FY2011 Biennial Budget

In June 2009, VTA Board of Directors adopted biennial budget for Fiscal Years 2010 and 2011. Overall, the adopted biennial budget represents a balanced approach by asking riders and employees to share the burden of bridging the funding gap in these difficult economic times, includes use of reserves of $3.7 million in FY2010 and another $23.3 million in FY2011, while attempting to avoid more drastic solutions like widespread service cuts or layoffs. While we must draw down operating reserves to balance the operating budget, we can support planned capital investments on a pay-as-you-go basis, without issuing additional debt in the two-year period. This reflects a prudent approach to capital planning during these uncertain economic times.

Revenue receipts related to the taxable sales activity in the County were worse than projected in the biennial budget process in the 3rd and 4th quarters of FY2009. The combined revenue losses from sales tax related revenues in the 3rd and 4th quarters were approximately $22.0 million in FY2009. Lower FY2009 receipts and revised growth forecast is projected to result in a revenue loss of $49.0 million in FY2010 and $29.0 million in FY2011. At its November 5, 2009 meeting, VTA Board directed staff to propose short term, mid-term, and long-term strategies to deal with this projected revenue shortfall.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Assets
June 30, 2009
(In thousands)

	Business-Type Activity	Governmental Activity	Total
ASSETS			
Cash and investments	$ 75,214	$ 566	$ 75,780
Receivables, net	4,417	-	4,417
Internal balances	(647)	647	-
Due from fiduciary funds	-	3	3
Due from other governmental agencies	65,149	691	65,840
Inventories	21,158	-	21,158
Other current assets	2,778	-	2,778
Restricted assets:			
Cash and investments	465,416	22,665	488,081
Receivables, net	1,267	-	1,267
Due from other governmental agencies	47,883	5,185	53,068
Other current assets	173	-	173
Deferred charges	10,944	-	10,944
Capital assets:			
Nondepreciable	1,900,598	-	1,900,598
Depreciable, net of accumulated depreciation	905,750	-	905,750
Total assets	**3,500,100**	**29,757**	**3,529,857**
LIABILITIES			
Accounts payable	13,272	287	13,559
Other accrued liabilities	10,816	56	10,872
Due to other governmental agencies	448	1,105	1,553
Liabilities payable from restricted assets:			
Accounts payable	19,326	4,583	23,909
Other accrued liabilities	7,230	-	7,230
Due to other government agencies	33,811	23,674	57,485
Long-term liabilities:			
Due within one year	15,740	-	15,740
Due in more than one year	659,982	-	659,982
Total liabilities	**760,625**	**29,705**	**790,330**
NET ASSETS			
Invested in capital assets, net of related debt	2,180,768	-	2,180,768
Restricted	384,841	-	384,841
Unrestricted	173,866	52	173,918
Total Net Assets	**$ 2,739,475**	**$ 52**	**$ 2,739,527**

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities
For the Year Ended June 30, 2009
(In thousands)

	Business-Type Activity	Governmental Activity	Total
Expenses:			
Operations, support services, and CMP program	$ 343,973	$ 8,840	$ 352,813
Caltrain subsidy & capital expenses on behalf of, and contribution to other agencies	58,504	-	58,504
Altamont Commuter Express subsidy	2,707	-	2,707
Interest expense	11,651	-	11,651
Other non-operating expenses	5,446	-	5,446
Benefit payments	9,826	-	9,826
Capital expenses on behalf of other agencies	-	26,398	26,398
Total Expenses	432,107	35,238	467,345
Program Revenues:			
Charges for services	38,439	2,618	41,057
Operating grants	114,937	1,496	116,433
Capital grants	82,175	29,479	111,654
Total Program Revenues	235,551	33,593	269,144
Net Program Revenues (Expenses)	(196,556)	(1,645)	(198,201)
General Revenues:			
Sales tax revenue	274,903	-	274,903
Investment income	16,862	41	16,903
Other income	3,385	161	3,546
Total General Revenues	295,150	202	295,352
Transfers and Special Item:			
Change in provisions for workers' compensation, general liability and compensated absences claims	3,500	-	3,500
Change in net assets	102,094	(1,443)	100,651
Net assets beginning of year	**2,637,381**	**1,495**	**2,638,876**
Net assets, end of year	**$ 2,739,475**	**$ 52**	**$ 2,739,527**

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
(In thousands)

	Enterprise Funds				
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and Cash Equivalents	$ 5,502	$ -	$ -	$ 5,502	$ -
Investments	4,167	-	-	4,167	65,545
Receivables, Net	4,417	-	-	4,417	-
Due From Other Funds	526	-	-	526	-
Due From Other Governmental Agencies	65,149	-	-	65,149	-
Inventories	21,158	-	-	21,158	-
Other Current Assets	2,778	-	-	2,778	-
Restricted Assets					
Cash and Cash Equivalents	-	11,266	-	11,266	-
Cash and Cash Equivalents with Fiscal Agent	13,582	-	6,981	20,563	-
Investments	117,928	-	315,659	433,587	-
Receivables	-		1,267	1,267	-
Due From Other Governmental Agencies	-	-	47,883	47,883	-
Other Current Assets	-	-	173	173	-
TOTAL CURRENT ASSETS	**235,207**	**11,266**	**371,963**	**618,436**	**65,545**
Noncurrent Assets:					
Deferred Charges	1,787	-	9,157	10,944	-
Capital Assets – Non-Depreciable					
Land and Right of Way	1,119,217	-	-	1,119,217	-
Construction in Progress	56,680	18,954	705,747	781,381	-
Capital Assets - Depreciable:					
Caltrain - Gilroy Extension	53,155	-	-	53,155	-
Buildings, Improvements, Furniture, and Fixtures	488,156	-	-	488,156	-
Vehicles	442,771	-	-	442,771	-
Light-Rail Tracks and Electrification	399,824	-	-	399,824	-
Leasehold Improvements	9,686	-	-	9,686	-
Other	32,044	-	-	32,044	-
Less Accumulated Depreciation	(519,886)	-	-	(519,886)	-
Net Capital Assets	2,081,647	18,954	705,747	2,806,348	-
TOTAL NONCURRENT ASSETS	**2,083,434**	**18,954**	**714,904**	**2,817,292**	**-**
TOTAL ASSETS	**2,318,641**	**30,220**	**1,086,867**	**3,435,728**	**65,545**

(continued next page)

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets *(continued)*
Proprietary Funds
June 30, 2009
(In thousands)

	Enterprise Funds				
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	9,180	-	-	9,180	-
Accounts Payable	13,272	-	-	13,272	-
Other Accrued Liabilities	10,816	-	-	10,816	6,560
Due to Other Governmental Agencies	448	-	-	448	-
Liabilities Payable from Restricted Assets:					
Accounts Payable	157	792	18,377	19,326	-
Other Accrued Liabilities	-	-	7,230	7,230	-
Due to Other Funds	-	18	1,155	1,173	-
Due to Other Governmental Agencies	5,353	10,026	18,432	33,811	-
TOTAL CURRENT LIABILITIES	**39,226**	**10,836**	**45,194**	**95,256**	**6,560**
Non-Current Liabilities					
Long-Term Debt, Excluding Current Portion	245,412	-	370,750	616,162	-
Other Accrued Liabilities	238	-	-	238	43,582
TOTAL NON-CURRENT LIABILITIES	**245,650**	**-**	**370,750**	**616,400**	**43,582**
TOTAL LIABILITIES	**284,876**	**10,836**	**415,944**	**711,656**	**50,142**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,826,817	18,954	334,997	2,180,768	-
Restricted:					
Local Share of Capital Projects	-	-	155,587	155,587	
Debt Service	22,762	-	6,981	29,743	-
Debt Reduction	-	-	70,320	70,320	
2000 Measure A Projects	-	-	93,881	93,881	-
1996 Measure B Projects	-	430	-	430	-
Inventory, Prepaid Expenses, and Issuance Cost	25,723	-	9,157	34,880	-
Unrestricted:					
Local Share of Capital Projects	35,012	-	-	35,012	-
Debt Reduction	77,406	-	-	77,406	-
Operating Reserve	46,045	-	-	46,045	-
Workers' Compensation/General Liability Claims	-	-	-	-	15,403
TOTAL NET ASSETS	$ 2,033,765	$ 19,384	$ 670,923	$ 2,724,072	$ 15,403

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

Net Assets of Enterprise Fund	$ 2,724,072
Net Assets of Internal Service Fund, which benefits Business-type Activity	15,403
Net Assets (page 2-20)	$ 2,739,475

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:					
Passenger fares	$ 36,184	$ -	$ -	$ 36,184	$ -
Advertising and other	2,255	-	-	2,255	-
Charges for services	-	-	-	-	12,543
Total Operating Revenues	38,439	-	-	38,439	12,543
OPERATING EXPENSE:					
Labor cost	246,150	-	-	246,150	-
Materials and supplies	27,097	-	-	27,097	-
Services	22,208	-	569	22,777	-
Utilities	6,869	-	-	6,869	-
Casualty and liability	5,818	-	-	5,818	-
Purchased transportation	27,974	-	-	27,974	-
Leases and rentals	3,499	-	-	3,499	-
Miscellaneous	1,966	-	-	1,966	2,232
Depreciation expense	51,762	-	-	51,762	-
Costs allocated to capital and other programs	(39,628)	-	-	(39,628)	-
Benefit payments	-	-	-	-	9,826
Total operating expense	353,715	-	569	354,284	12,058
Operating income/(loss)	(315,276)	-	(569)	(315,845)	485
NON-OPERATING REVENUES (EXPENSES):					
Sales tax revenue	137,642	-	137,261	274,903	-
Measure A operating assistance	25,334	-	(25,334)	-	-
Federal operating assistance grants	33,449	-	-	33,449	-
State and local operating assistance grants	81,488	-	-	81,488	-
Caltrain subsidy	(15,878)	-	-	(15,878)	-
Capital expense on behalf of, and contribution to other Agencies	(2,846)	-	(39,780)	(42,626)	-
Altamont Commuter Express subsidy	(2,707)	-	-	(2,707)	-
Investment earnings	4,522	-	10,819	15,341	1,521
Interest expense	(11,651)	-	-	(11,651)	-
Measure A repayment obligations	12,259	-	(12,259)	-	-
Other income	2,975	-	410	3,385	-
Other expense	(4,622)	-	(824)	(5,446)	-
Non-operating revenues, net	259,965	-	70,293	330,258	1,521
Income(loss) before capital contributions	(55,311)	-	69,724	14,413	2,006
CAPITAL CONTRIBUTIONS	20,259	6,494	55,422	82,175	-
Change in estimates for provision of workers' compensation, general liability, and compensated absences claims	-	-	-	-	3,500
Change in net assets	(35,052)	6,494	125,146	96,588	5,506
Net Assets, Beginning of Year	2,068,818	12,490	546,176	2,627,484	9,897
Equity Transfers[1]	(1)	400	(399)	-	-
Net Assets, End of Year	$ 2,033,765	$ 19,384	$ 670,923	$ 2,724,072	$ 15,403

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

Change in net assets of the Enterprise Fund	$ 96,588
Change in net assets of the Internal Service Fund, which benefits Business-type Activity	5,506
Change in net assets of the Business-type Activity (page 2-21)	$ 102,094

[1]Note 2 (k)

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Passenger Fares	$ 36,184	$ -	$ -	$ 36,184	$ -
Cash Received from Advertising	2,255	-	-	2,255	-
Cash Paid to Employees	(206,475)	-	-	(206,475)	-
Cash Paid to Suppliers	(78,442)	-	(569)	(79,011)	-
Cash Paid for Purchased Transportation	(27,974)	-	-	(27,974)	-
Cash Received from Contributions	-	-	-	-	12,543
Payments Made to Beneficiaries	-	-	-	-	(9,826)
Payments Made to Third Party Contractors	-	-	-	-	(2,232)
Net Cash Provided By/(Used In) Operating Activities	(274,452)	-	(569)	(275,021)	485
		-			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Grants Received	113,712	-	-	113,712	-
Sales Tax Received	146,435	-	145,806	292,241	-
Measure A Operating Assistance	25,334	-	(25,334)	-	-
Measure A Repayment Obligations	12,259	-	(12,259)	-	-
Caltrain Subsidy	(15,878)	-	-	(15,878)	-
Altamont Commuter Express Subsidy	(2,707)	-	-	(2,707)	-
Other Miscellaneous Receipts/(Payments)	(1,647)	-	410	(1,237)	-
Contributions to Other Agencies	(2,846)	-	(21,047)	(23,893)	-
Net Cash Provided By Non-Capital Financing Activities	274,662	-	87,576	362,238	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment of Long-Term Debt	(8,890)	-	(855)	(9,745)	-
Advance (To)/From Other Governments	5,353	(6,005)	(1,462)	(2,114)	-
Payoff of Old Bonds	(26,500)	-	-	(26,500)	-
Interest Paid on Long-Term Debt	(11,651)	-	-	(11,651)	-
Acquisition and Construction of Capital Assets	(37,799)	(9,342)	(133,355)	(180,496)	-
Capital Contribution From Other Governments	20,259	6,494	80,797	107,550	-
Net Cash Used In Capital and Related Financing Activities	(59,228)	(8,853)	(54,875)	(122,956)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds From Sale of Investments	437,489	-	713,799	1,151,288	-
Purchases in Investments	(383,417)	-	(752,498)	(1,135,915)	(2,006)
Interest Income Received	2,184	-	8,568	10,752	1,521
Net Cash (Used In) Investment Activities	56,256	-	(30,131)	26,125	(485)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,762)	(8,853)	2,001	(9,614)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,846	20,119	4,980	46,945	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,084	$ 11,266	$ 6,981	$ 37,331	$ -
Reconciliation to Statement of Net Assets:					
Unrestricted:					
Cash And Cash Equivalents	$ 5,502	$ -	$ -	$ 5,502	$ -
Restricted:					
Cash And Cash Equivalents	-	11,266	-	11,266	-
Cash And Cash Equivalents with Fiscal Agent	13,582	-	6,981	20,563	-
	$ 19,084	$ 11,266	$ 6,981	$ 37,331	$ -

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows *(continued)*
Proprietary Funds
For the Year Ended June 30, 2009
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:					
Operating Income/(Loss)	$ (315,276)	$ -	$ (569)	$ (315,845)	$ 485
Adjustments to Reconcile Operating Income (Loss) to Net Cash Net Cash Used in Operating Activities:					
Depreciation	51,762	-	-	51,762	-
Changes in Operating Assets and Liabilities:					
Receivables	(1,272)	-	(1,267)	(2,539)	-
Inventories	(1,214)	-	-	(1,214)	-
Accounts payable	(6,587)	-	(324)	(6,911)	-
Other Accrued Liabilities	-		1,665	1,665	
Other Current Assets	(1,931)	-	(168)	(2,099)	-
Due to/From Other Governmental Agencies			30,718	30,718	
Due to/From Other Funds	66	-	(30,624)	(30,558)	-
Net Cash Provided By/(Used in) Operating Activities	$ (274,452)	$ -	$ (569)	$ (275,021)	$ 485
NONCASH ACTIVITIES:					
Increase/(Decrease) in Fair Value of Investments	$ 1,066	$ -	$ 2,250	$ 3,316	$ -
Amortization expense of Caltrain Access Fee	-	-	(832)	(832)	-
Change In Estimates for Provision of Workers' Compensation, General Liability, and Compensated Absences Claims	-	-	-		3,500
Total Non-Cash Activities	$ 1,066	$ -	$ 1,418	$ 2,484	$ 3,500

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Balance Sheet
Governmental Funds
June 30, 2009
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
ASSETS				
Investments	$ 566	$ -	$ -	$ 566
Due From Other Funds	243	487	3	733
Due From Other Governmental Agencies	691	-	-	691
Restricted Assets:				
Cash and Cash Equivalents	-	11,281	-	11,281
Cash and Investments with Fiscal Agent	-	-	11,384	11,384
Due From Other Governmental Agencies	-	5,185		5,185
TOTAL ASSETS	1,500	16,953	11,387	29,840
LIABILITIES				
Accounts Payable	$ 287	$ -	$ -	$ 287
Other Accrued Liabilities	56	-	-	56
Due To Other Government Agencies	1,105	-	-	1,105
Liabilities Payable From Restricted Assets:				
Accounts Payable	-	4,171	412	4,583
Due To Other Funds	-	-	83	83
Due To Other Governmental Agencies	-	12,782	10,892	23,674
TOTAL LIABILITIES	1,448	16,953	11,387	29,788
FUND BALANCES				
Unreserved, Reported In Special Revenue Fund	52	-	-	52
TOTAL LIABILITIES AND FUND BALANCES	$ 1,500	$ 16,953	$ 11,387	$ 29,840

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
REVENUES:				
Member Agency Assessment Revenue	$ 2,495	$ -	$ -	$ 2,495
Federal Technical Studies Operating Assistance Grants	915	-	-	915
Administrative Fees	123	-	-	123
State Operating Assistance Grants	581	-	-	581
Local Grant Revenue	14	27,079	2,386	29,479
Other Revenues	161	-	-	161
Investment Earnings	41	-	-	41
TOTAL REVENUES	4,330	27,079	2,386	33,795
EXPENDITURES:				
Congestion management:				
VTA Labor and overhead costs:	4,894	3,112	-	8,006
Professional services	793	-	-	793
Material and services	17	-	-	17
Miscellaneous	24	-	-	24
Capital expenditures on behalf of other agencies	45	23,967	2,386	26,398
TOTAL EXPENDITURES	5,773	27,079	2,386	35,238
CHANGE IN FUND BALANCES	(1,443)	-	-	(1,443)
FUND BALANCES, BEGINNING OF YEAR	1,495	-	-	1,495
FUND BALANCES, END OF YEAR	$ 52	$ -	$ -	$ 52

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(In thousands)

	Retiree Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Mutual Funds	$ 150,385	$ -
Fixed Income	153,001	-
Money Market	6,085	-
Equity Securities	80,625	-
Cash and Cash Equivalents	-	8,285
Commingled with VTA Transit	2,467	3,012
Receivables	1,817	-
Other Assets	10	-
TOTAL ASSETS	394,390	11,297
LIABILITIES		
Liabilities Payable From Restricted Assets:		
Accounts Payable	794	3,423
Due To Other Funds	-	3
Due To Other Governmental Agencies	-	7,871
TOTAL LIABILITIES	794	$ 11,297
NET ASSETS		
Net assets held in trust for:		
ATU Pension benefits	282,802	
OPEB Trust	100,292	
ATU Retiree Spousal Medical Benefits	6,972	
ATU Retiree Dental and Vision Benefits	3,530	
TOTAL NET ASSETS	$ 393,596	

See Accompanying Notes to the Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Changes in Fiduciary Net Assets

Retiree Trust Funds

For the Year Ended June 30, 2009

(In thousands)

	Retiree Trust Fund
ADDITIONS	
Employer Contributions	$ 31,958
Investment earnings:	
Investment Loss	(10,637)
Net Depreciation in the Fair Value of Investments	(35,772)
Investment Expense	(1,265)
Net Investment Income	(47,674)
TOTAL ADDITIONS	(15,716)
DEDUCTIONS	
Benefit Payments	30,206
Administrative Expenses	203
TOTAL DEDUCTIONS	30,409
NET DECREASE	(46,125)
NET ASSETS HELD IN TRUST	
Beginning of Year	439,721
End of Year	$ 393,596

See Accompanying Notes to the Basic Financial Statements

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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 Postemployment 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 of VTA.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

VTA reports the following major funds:

- The *Proprietary Fund (Enterprise Fund)* is used to account for activities for which a fee is charged to external users for goods or services where:
  - (a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or

(b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues;

(c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

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

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

- The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County.

- The *Congestion Management and Highway Program Capital Projects Fund* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).

- The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

VTA reports the following additional funds:

- The *Proprietary Fund (Internal Service Fund)* is used to account for activities that provide goods or services to other funds, departments or to other governments, on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the Internal Service Fund.

- The *Fiduciary Funds* are used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. VTA's trust and agency funds include the VTA/ATU Pension Plan, Retirees' Other Post Employment Benefits Trust (OPEB Trust), ATU Medical Trust, the Bay Area Air Quality Management District (BAAQMD) Program, and the Measure B Ancillary Program. The VTA/ATU Pension Plan, OPEB Trust, and the ATU Medical Trust are reported as Retiree Trust Funds. The BAAQMD and the Measure B Ancillary Programs are reported as agency funds. The BAAQMD agency fund accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) Program. The Measure B Ancillary Program agency fund was established to administer the 1996 Measure B funds.

(b) Basis of Accounting

The government-wide, Business-type funds, and fiduciary funds including agency funds financial statements are reported using the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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 estimate for amounts collected by merchants at the end of the fiscal year, but not remitted to the state until subsequent to that time. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary funds, including all agency funds, are also reported using accrual basis of accounting and the economic resources exchange measurement focus.

VTA's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations included 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 nonoperating revenues and expenses.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest, certain state and federal grants, and charges for services are accrued if their receipt occurs within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded only when the benefits are earned. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

VTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units. VTA has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

(c) Cash and Investments

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

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

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

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

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

(d) Inventories

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

(e) Restricted Assets

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

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

Bond issuance costs, discounts, premiums and deferred amount on refundings for the government-wide statement of net assets and the enterprise funds are deferred and amortized over the term of the bonds using a method that approximates the interest method. Government-wide statement and enterprise fund bond discounts and deferred amount on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as a deferred cost (asset).

(g) Capital Assets

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

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

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

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

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense of $14.4 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits

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

(i) Self-Insurance

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

(j) Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt (including deferred bond issuance costs) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category consists of VTA's debt service reserve, net assets restricted for Measure B Transit and 2000 Measure A capital programs, and carrying balances of inventory, prepaid expenses, and unamortized bond issuance cost.
- *Unrestricted Net Assets* – The remaining unrestricted net assets, although not legally restricted, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

The Statement of Fund Net Assets on page 2-23 reports that enterprise fund net assets amount to $2,724,072,000 as of June 30, 2009, of which $670,923,000 is restricted by enabling legislation for the 2000 Measure A Sales Tax Programs. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation related projects.

(k) Equity Transfers

Equity transfers among three major enterprise funds represent the transfer of completed capital project costs from Measure A Transit and Measure B Transit fund to VTA Transit Fund so that the capital cost can be capitalized as fixed assets. The capital costs are transferred when the acquired or constructed assets are put into revenue service and their depreciation costs are recorded on VTA's Transit Fund. During FY2009, $399 thousand of capital costs was transferred from Measure A Transit Fund to VTA Transit Fund. In addition, there was a reversal of capital cost transfer of $400.0 thousand from VTA Transit to Measure B Transit Fund from prior fiscal year resulting in a net transfer of $1.0 thousand in VTA Transit.

(l) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses and Changes in Fund Net Assets, the Enterprise Fund reports $39.6 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.

(m) Estimates

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

(n) Special Items

There are significant items that are subject to management's control which are unusual in nature. VTA reported special items resulting from change in accrued liability in the Internal Service Fund. The following adjustments in liability were based on actuarial studies and analysis:

Workers' Compensation	$	(209)
General Liability		4,264
Compensated Absences		(555)
	$	3,500

(o) GASB Pronouncements

VTA will implement the following GASB Statements when they are due in future fiscal years:

- GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets".*
- GASB Statement 53, *"Accounting and Financial Reporting for Derivative Investments".*
- GASB Statement 54, *"Fund Balance Reporting and Governmental Fund Type Definitions".*

With the exception of the adoption of GASB Statement No. 53, management believes that adoption of these Statements will result in no material impact on the financial statements. With respect to GASB No. 53, adoption of this Statement will require VTA to record the fair value of their interest rate swaps in the financial statements. It is anticipated that VTA's interest rate swaps will be determined as effective hedges, which will allow the deferral of increases or decreases to fair value. See Note 7(e) for a summary of the fair values of those swaps as of June 30, 2009. GASB 53 is required to be adopted for fiscal periods beginning after June 15, 2009. VTA is unable to predict the impact, if any, on the financial statements, when this Statement is required to be adopted.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2009, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Fund	Internal Service Fund	Governmental Fund	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 5,502	$ -	$ -	$ -	$ -	$ 5,502
Investments	4,167	65,545	566	-	-	70,278
Total unrestricted	9,669	65,545	566	-	-	75,780
Restricted:						
Cash and Cash Equivalents	11,266	-	11,281	-	-	22,547
Cash and Cash Equivalents with Fiscal Agents	20,563	-	11,384	-	8,285	40,232
Investments	433,587	-	-	392,563	3,012	829,162
Total restricted	465,416	-	22,665	392,563	11,297	891,941
Total Cash and Investments	$ 475,085	$ 65,545	$ 23,231	$ 392,563	$ 11,297	$ 967,721

As of June 30, 2009, total cash and investments among all funds consisted of the following (in thousands):

Cash and equivalents	$ 28,049
Cash and investments with fiscal agents	40,232
Investments	899,440
	$ 967,721

Cash and Equivalents

VTA maintains checking accounts for its operations, the Congestion Management and Highway Programs (CM&HP) and the Measure B Transportation Improvement Program (Measure B account). These checking accounts earn interest based on the bank's monthly sweep average repurchase agreement rate. At June 30, 2009, the carrying amount of these cash balances are shown below (in thousands):

Operations Account	$ 5,502
CM&HP Account	11,281
Measure B Account	11,266
Total deposits	$ 28,049

Investments

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

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

Specific restrictions of investment are noted below:

VTA's investment policies (Unrestricted/Restricted Funds and ATU Pension Plan) conform to state statutes, and provide written investment guidance regarding the types of investments that may be made and amounts, which may be invested in any one financial institution, or amounts which may be invested in any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bonds issued by VTA, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, state of California's local agency agreements, and qualified structured investment. The ATU pension plan's asset allocation includes investments in bonds, equity securities, and cash.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by the state statute. The value of the pooled shares in the LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of VTA's position in the pool.

VTA's portfolio includes asset-backed securities, which are invested directly by VTA and structured notes which are invested indirectly through LAIF. At June 30, 2009, investment in LAIF is $13.8 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2009 was approximately $50.7 billion. If cash reserves of the state of California are exhausted, then the participation by the State's General Fund in the PMIA is zero. There is no correlation between the state's general fund cash reserves and VTA's funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted-average to maturity of the investments in PMIA at June 30, 2009 was 235 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

<u>Interest rate risk</u> – Interest rate risk is the risk that changes in market interest rates and may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's (Operation Funds and Plan Trust Funds) $899.0 million in investments, over 45% of the investments have a maturity of less than 1 year. Of the remainder, only 9% have a maturity of more than 10 years. Per VTA's investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

<u>Credit risk</u> – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those rated B or better by the Thompson Bankwatch Rating, Inc. rating service. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA's portfolio. In addition, VTA is permitted

to invest in the state's Local Agency Investment Fund, money market and mutual funds that are non-rated. Table on page 2-45 shows the credit quality of VTA's investments as of June 30, 2009.

<u>Custodial Credit Risk - Deposits</u> - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA's deposits may not be returned to it. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA's cash on deposit or first trust deed mortgage notes with a value of 150 percent of the deposit as collateral for these deposits. Under California Law this collateral is held in VTA's name and places VTA ahead of general creditors of the institutions. At June 30, 2009, VTA deposits were collaterized by securities held by the financial institutions, but not in VTA's name. On October 14, 2008, the Federal Deposit Insurance Corporation (FDIC) established the Temporary Liquidity Guarantee Program ("TLG Program") in response to concerns over a number of bank failures and uncertainty in the financial industry. Under the TLG Program (which Union Bank has chosen to participate) the FDIC provides unlimited deposit insurance coverage for deposit balances in "noninterest-bearing and business tiered interest checking accounts" through December 31, 2009. Union Bank will reinstate the appropriate amount of collateral upon expiration of the TLG Program.

<u>Custodial Credit Risk – Investments</u> – The custodial credit risk for investments is the risk that that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA's Investment Policy limit its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. All securities are received and delivered using the standard delivery versus payment procedure. As of June 30, 2009, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

<u>Concentration of Credit Risk</u> - Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. Almost half of VTA's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. At June 30, 2009, VTA had $299.8 million representing 33.3% of VTA's portfolio invested in debt securities

issued by the US Government Agencies. At June 30, 2009, VTA had $148.6 million, $102.8 million and $15.2 million representing 16.5%, 11.4% and 1.7% of VTA's portfolio invested in debt securities issued by the Federal Home Loan Mortgage Corporation (FHLM), Federal National Mortgage Association (FNMA), and Federal Home Loan Banks (FHLB), respectively. Of the 25.7% of the portfolio invested in equities, no investment in a single issuer exceeds 5%.

Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings. The following schedule indicates the interest rate and credit risk at June 30, 2009:

	Maturity				
Investment Type	**Less than 1 Year**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Market Value**
Commercial Paper	$ 750	$ -	$ -	$ -	$ 750
Corporate Bonds - Commingled	20,333	74,157	789	6,500	101,779
Corporate Bonds - Pension Plan	626	15,209	24,719	16,114	56,668
Corporate Bonds - OPEB Trust	177	5,602	10,578	5,904	22,261
US Government Agency Bonds:					
Commingled	85,875	128,894	18,617	-	233,386
Pension Plan	-	2,705	11,401	33,144	47,250
OPEB Trust	-	865	2,382	15,969	19,216
US Treasury					
Commingled	25,838	84,782	33,870	-	144,490
Pension Plan	4,365	-	-	-	4,365
OPEB Trust	2,578	662	-	-	3,240
SUB TOTAL	**140,542**	**312,876**	**102,356**	**77,631**	**633,405**
Money Market Funds – Operations	15,140	-	-	-	15,140
Money Market Funds – Pension	5,320	-	-	-	5,320
Money Market Funds – OPEB Trust	765	-	-	-	765
Cash with Fiscal Agents – Commercial Paper	567	-	-	-	567
Cash with Fiscal Agents - Money Market Funds	9,537	-	-	-	9,537
Cash with Fiscal Agents – Repurchase Agreement	-	-	-	7,558	7,558
TOTAL INVESTMENTS with Money Managers	**171,871**	**312,876**	**102,356**	**85,189**	**672,292**
LAIF	13,800	-	-	-	13,800
TOTAL INVESTMENTS	**$ 185,671**	**$ 312,876**	**$ 102,356**	**$ 85,189**	**686,092**
Equity-Based Investments					231,010
Retention Fund at Escrow Agents (Deposits)					22,570
Cash Deposits					28,049
TOTAL					**$ 967,721**

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

Ratings	Fair Value (In Thousands)	Percentages of Portfolios
Unrated	$ 295,428	30.53%
Not Applicable	451,947	46.70%
BB	2,858	0.30%
BBB	13,500	1.40%
BBB-	8,587	0.89%
BBB+	8,387	0.87%
CCC	1,840	0.19%
CCC+	2,510	0.25%
A-1+	1,317	0.14%
A	52,782	5.45%
A-	10,941	1.13%
A+	21,712	2.24%
AA	3,808	0.39%
AA-	15,940	1.65%
AA+	4,985	0.52%
AAA	71,179	7.35%
TOTAL	**$ 967,721**	**100.00%**

As of June 30, 2009, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan	$ 281,782
ATU Spousal Medical	10,503
OPEB Trust	100,278
Total	$ 392,563

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2009 is as follows (in thousands):

Due from	Due to	Amount
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 425[1]
VTA Transit Fund	Measure B Highway Program Fund	18[1]
VTA Transit Fund	Measure B Ancillary Program Fund	83[1]
Congestion Management Program Fund	Congestion Management & Highway Program Fund	243[2]
Measure B Ancillary Program Fund	Measure B Highway Program Fund	3[3]
Congestion Management & Highway Program Fund	Measure A Transit Program Fund	1,155[3]
		$ 1,927

(1) represents labor and internal charges for the program
(2) represents the project funding to be billed
(3) represents the swap project cost

NOTE 5 – DUE FROM AND DUE TO OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies as of June 30, 2009 consisted of the following (in thousands):

	Business Type Activity	Governmental Activity		
	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Total
Current:				
Federal Government	$ 40,670	$ -	$ 1,538	$ 42,208
State Government	68,652	547	1,520	70,719
County of Santa Clara				
Measure B Ancillary Program –SWAP	-	-	1,864	1,864
Others	3,710	144	263	4,117
Total All Governmental Agencies	$ 113,032	$ 691	$ 5,185	$ 118,908

Due from other governmental agencies as of June 30, 2009, is reported in the accompanying general-purpose financial statements as follows (in thousands):

	Business-Type Activity	Governmental Activity		
ASSETS	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Total
Current assets - unrestricted	$ 65,149	$ 691	$ -	$ 65,840
Current assets - restricted	47,883	-	5,185	53,068
Total	$ 113,032	$ 691	$ 5,185	$ 118,908

Due to other governmental agencies as of June 30, 2009, consisted of the following (in thousands):

	Business-Type Activity	Governmental Activity			
GOVERNMENTAL AGENCY	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
State government	$ 22,818	$ -	$ -	$ -	$ 22,818
County of Santa Clara	10,413	1,105	7,546	10,892	29,956
City of San Jose	-	-	5,101	-	5,101
City of Fremont	171	-	-	-	171
City of Milpitas	-	-	2	-	2
Santa Clara Valley Water District	857	-	-	-	857
Miscellaneous	-	-	133	-	133
Total	$ 34,259	$ 1,105	$ 12,782	$ 10,892	$ 59,038

Due to other governmental agencies as of June 30, 2009, is reported in the accompanying basic financial statements as follows (in thousands):

LIABILITIES	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
Current Liabilities(unrestricted)	$ 448	$ 1,105	$ -	$ -	$ 1,553
Liabilities payable from restricted assets	33,811	-	12,782	10,892	57,485
Total	$ 34,259	$ 1,105	$ 12,782	$ 10,892	$ 59,038

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activity for the year ended June 30, 2009 were as follows (in thousands):

	July 1, 2008	Additions	Retirements	Transfers	June 30, 2009
Capital Assets, Not Being Depreciated					
Land and right of way	$ 1,118,212	$ -	$ -	$ 1,005	$ 1,119,217
Construction in progress	639,708	152,867	-	(11,194)	781,381
Total capital assets, not being depreciated	1,757,920	152,867	-	(10,189)	1,900,598
Capital Assets, Being Depreciated:					
Buildings, improvements, furniture and fixtures	487,116	-	(4,409)	5,449	488,156
Vehicles	462,027	-	(22,036)	2,780	442,771
Light-rail tracks and electrification	399,824	-	-	-	399,824
Caltrain – Gilroy extension	53,155	-	-	-	53,155
Other operating equipment	30,084	-	-	1,960	32,044
Leasehold Improvement	9,686	-	-	-	9,686
Total capital assets, being depreciated	1,441,892	-	(26,445)	10,189	1,425,636
Accumulated Depreciation:					
Buildings, improvements, furniture and fixtures	(179,511)	(13,562)	3,735	-	(189,338)
Vehicles	(142,114)	(18,287)	22,036	-	(138,365)
Light-rail tracks and electrification	(138,942)	(15,697)	-	-	(154,639)
Caltrain – Gilroy extension	(9,788)	(1,191)	-	-	(10,979)
Other operating equipment	(23,277)	(2,583)	-	-	(25,860)
Leasehold Improvement	(263)	(442)	-	-	(705)
Total accumulated depreciation	(493,895)	(51,762)	25,771	-	(519,886)
Total capital assets, being depreciated, net	947,997	(51,762)	(674)	10,189	905,750
Total capital assets, net	**$ 2,705,917**	**$ 101,105**	**$ (674)**	**$ -**	**$ 2,806,348**

Construction in progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2009 (in thousands):

Silicon Valley Rapid Transit Corridor	$ 651,418
Capitol Corridor Projects	38,210
Facilities Modifications	48,602
Project Studies	11,846
Caltrain Service Improvements	14,846
Software Development	9,644
Vasona Corridor Projects	3,407
Coach & Vehicle Replacements	2,165
Guadalupe Corridor	962
Tasman Corridor Project Extensions	281
Total project costs expended to date	$ 781,381

Additional information regarding projects in progress as of June 30, 2009 is as follows (in thousands):

Information Regarding Projects:	Costs
Total Board approved project budget	$ 1,202,712
Expended to date	(781,381)
Remaining budget available for CIP	$ 421,331
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	230,732
Local contributions	190,599
Total funding sources	$ 421,331

VTA has outstanding commitments of about $54.0 million as of June 30, 2009, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2009, consisted of the following (in thousands):

Secured by VTA's 1976 Measure A ½ Cent Sales Tax	
1998 Series A Junior Lien	$ 38,605
2000 Series A Junior Lien	31,500
2001 Series A Senior Lien	6,940
2007 Series A Refunding ($26,275 plus unamortized premium of $1,054 and less unamortized deferred amount in refunding of $2,280)	25,049
2008 Series A-C Refunding ($167,390, less unamortized deferred amount in refunding of $14,892)	152,498
Secured by VTA's 2000 Measure A ½ Cent Sales Tax	
2007 Series A Measure A Refunding ($120,095 plus unamortized premium of $4,878 and deferred amount in refunding of $4,666)	129,639
2008 Series A-D Measure A Refunding ($235,875 plus unamortized deferred amount in refunding of $5,236)	241,111
Total long-term debt	**625,342**
Less current portion of long-term debt	(9,180)
Long-term debt, excluding current portion	$ 616,162

(a) Equipment Trust Certificates

- $52.5 million 1985 Series A Equipment Trust Certificates (1985A ETC's) were issued to finance the retirement of the 1984 Series A Equipment Trust Certificates.

The 1984 certificates were originally issued to finance the acquisition of 50 light rail vehicles and none are outstanding.

- In September 2008, VTA redeemed the 1985 Equipment Trust Certificates, Series A and terminated an associated interest rate swap using funds held in the Debt Reduction Fund, a VTA board-designated reserve and pledged funds in a debt service reserve fund held by the Trustee, U.S. Bank, N.A. There are no 1985 Equipment Trust Certificates that remain outstanding. There was no economic gain or loss associated with the redemption of the 1985 Equipment Trust Certificates.

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

- $50.0 million of 1998 Series A Junior Lien Sales Tax Revenues Bonds (1998 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 1998 Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $40.0 million of 2000 Series A Junior Lien Sales Tax Revenue Bonds (2000 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 2000 Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $200.0 million of 2001 Series A Senior Lien Sales Tax Revenue Bonds (2001 Bonds) were issued, at a true interest cost of 5.08%, to finance portions of the Tasman East, Vasona, and Capitol Corridor Light Rail projects. Their maturities extended through June 1, 2026. Maturities through June 1, 2011 are not subject to redemption before their maturities. Maturities from June 1, 2012 through June 1, 2026 (the Defeased 2001 Bonds) were defeased from proceeds of the 2005 Series A - C Sales Tax Revenue Refunding Bonds and will be redeemed on June 1, 2011. Such proceeds were placed in an escrow account held by a Trustee to provide for future debt service payments on the Defeased 2001 Bonds through their redemption date. The advance refunding met the requirement of an in-substance debt defeasance, and the Defeased

Bonds were removed from VTA's long-term debt. Accordingly, the escrow account assets and liabilities from the Defeased 2001 Bonds are not included in VTA's financial statements. At June 30, 2009, $155.3 million of bonds outstanding are considered defeased with an escrow balance of $159.4 million.

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

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to refund current and completely pay off the 2005 Sales Tax Revenue Refunding Bonds, originally issued to finance the retirement of a portion of 2001 Bonds (see note regarding 2001 bonds). There are no escrow fund or 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 was required to amend transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds) to reflect current market rates. Pursuant to the amended terms of the swap agreements, VTA owes 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 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 amendment changing VTA's fixed rate to an on-market rate of 3.145% was necessary due for tax code compliance related to the still existing refunding escrow (see noted regarding 2001 bonds), which had been funded from proceeds of the retired 2005 Sales Tax Revenue Refunding Bonds. The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. In consideration for the market rate adjustment on the fixed rate paid to the counterparties of the swaps, VTA received a one-time benefit of $1.1 million. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

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

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

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

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

(d) Interest Rate Swaps

VTA has entered into eight interest rate swap agreements. One of the agreements was terminated with the repayment of the 1985 Equipment Trust Certificates (see (a) above). Three require that VTA pay fixed interest rates and receive variable interest at the lower of: 1)1 month LIBOR [(1)] or, 2) a rate equal to the greater of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%. Four agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

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

(e) ***Summary****:* The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2009 were as follows:

(Dollars in thousands)

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value[FV]	Swap Termination Date	Counterparty Credit Rating[CR]
2008A	$ 67,080	7/7/2005[ED]	3.145%	Cal-E[VR]	$ (3,846)	6/1/2026	Aa1,AAA,---
2008B	50,155	7/7/2005[ED]	3.145%	Cal-E[VR]	(2,876)	6/1/2026	A1, A+, ---
2008C	50,155	7/7/2005[ED]	3.145%	Cal-E[VR]	(2,876)	6/1/2026	A2, A, A
MA2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(15,079)	4/1/2036	A1, A+, ---
MA2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(8,780)	4/1/2036	Aa3, A+, A+
MA2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(8,780)	4/1/2036	Aa1,AAA,---
MA2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(8,780)	4/1/2036	A2, A, A
	$ 403,265				**$ (51,017)**		

[FV] Includes accrued interest.
[CR] Moody's, Standard and Poor's, and Fitch, respectively.
[ED] Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR] Lower of 1 month LIBOR or a rate equal to the greatest of 63.5% of 1 month LIBOR plus 0.44% or 55.5% of 1 month LIBOR plus 0.44%.

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(1) LIBOR: London Inter Bank Offering Rate 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.

Terms: The notional amounts of swaps associated with the 2008 A-C Bonds match the principal amounts of the associated debt. VTA's swap agreements contain scheduled reductions to outstanding notional amounts that follow scheduled reductions in the associated long-term debt. VTA's swap payments to the counterparties are insured by Ambac Assurance Corporation (Swap Insurer).

Fair Values: At June 30, 2009, the swaps had a negative fair value of $51.0 million. This is because interest rates have declined since the execution of the swaps. The fair values include accrued interest. Because the coupons on VTA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases.

Credit Risks: VTA is exposed to actual credit risk on the swaps that are in asset positions (positive fair value). To minimize exposure to loss related to credit risk, it is VTA's policy to require collateral posting provisions in interest rate swap transactions. Those provisions require the full collateralization of the fair value of the swaps in asset positions should the counterparty's rating fall below A or A2 for the Citibank and Bank of America transactions and A- or A3 for the Goldman Sachs and Morgan Stanley transactions issued under the International Swaps and Derivatives Association, Inc. (ISDA) documents for the Measure A swaps and below A or A2 for Citibank, A- or A3 for Goldman Sachs or BBB or Baa2 for Morgan Stanley under the VTA ISDA documents. In addition, each credit support annex requires collateral posting at various rating levels with threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2009, no collateral has been posted to VTA by any counterparty under any of the swaps and none of the swaps are in asset positions.

Basis Risk: The interest rate on VTA's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties. To the extent these variable payments differ, VTA is exposed to basis risk. On June 30, 2009, the weighted average interest rates of the variable rate debt associated with the 2008 VTA Bonds was 0.59%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.32%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A Bonds was 0.18%, and the interest rate for variable rate payments received from the counterparties pursuant to the swap was 0.39%.

Interest Rate Risk: VTA is exposed to interest rate risk on its interest rate swaps. On its pay fixed, receive floating swaps, as 1 Month LIBOR or 3 Month LIBOR decreases VTA's net payment on the swap increases. The variable cash flows on the swaps are structured with different indices (receive the greater of 63.5% of 1 Month LIBOR or 55.5% of 1 Month LIBOR plus 0.44% for the VTA Swaps and receive 65% of 3 Month LIBOR for the Measure A swaps). While there is an expectation that decreases in these indices will be offset by equivalent decreases in the cost of borrowing based on a historical relationship between the two indices, there can be no assurances that the future results will be similar to past results.

Rollover Risk: VTA is not exposed to rollover risk because all of the swap agreements have maturities equal to the term of the bonds.

Termination Risk: VTA has the right to terminate any swap at its option at any time. In addition, each counterparty may terminate a swap if VTA fails to perform under the terms of the contract. Furthermore, the terms of the agreements provide for Additional Termination Events in the event that the ratings of either the counterparty or the ratings of VTA are downgraded below Baa3 or BBB-. An additional termination event, if it occurs, could cause a substantial termination payment to be owed by VTA.

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

Commitments: Because the Swap Insurer has been downgraded below minimum thresholds, all of the swap agreements contain provisions that require collateral posting by VTA in the event of downgrades in its long term credit ratings and the swaps are in liability positions (negative fair value). Those provisions require the full collateralization of the fair value of the transactions should VTA's credit rating fall below A or A2 for Citibank and Bank of America transactions and below A- or A3 for Goldman Sachs and Morgan Stanley transactions issued under the ISDA Documents for the Measure A transactions and below A or A2 for Citibank, A- or A3 for Goldman Sachs or below BBB or Baa2 for Morgan Stanley under the VTA ISDA documents. In addition, each credit support annex requires collateral posting at various rating levels and threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2009, no collateral has been required or posted by VTA to any counterparty under any swap agreement.

(f) Swap Payments and Associated Debt

Using rates as of June 30, 2009, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
(Dollars in thousands)	Principal	Interest	Interest Rate Swap, Net	Total
Year Ending June 30:				
2010	$ 1,235	$ 14,145	$ (50)	$ 15,330
2011	1,275	14,106	(53)	15,328
2012	4,670	14,066	(57)	18,679
2013	4,760	13,919	(69)	18,610
2014	4,555	13,770	(82)	18,243
2015-2019	47,070	65,601	(695)	111,976
2020-2024	70,015	56,742	(1,466)	125,291
2025-2029	33,810	46,007	(2,400)	77,417
2030-2034	113,575	42,304	(2,420)	153,459
2035-2036	122,300	6,949	(397)	128,852
	$ 403,265	**$ 287,609**	**$ (7,689)**	**$ 683,185**

(g) Long-term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 4.00% - 5.25%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2009 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2010	$ 9,180	$ 24,415	$ 33,595
2011	11,800	24,041	35,841
2012	12,045	23,518	35,563
2013	12,465	23,057	35,522
2014	12,620	22,552	35,172
2015-2019	91,140	104,001	195,141
2020-2024	115,370	84,844	200,214
2025-2029	77,995	63,909	141,904
2030-2034	146,280	51,241	197,521
2035-2036	137,785	8,120	145,905
	626,680	**$ 429,698**	**$ 1,056,378**
Unamortized bond discount, premium and deferred amount on refunding, net	(1,338)		
Total debt	**625,342**		
Less current portion	(9,180)		
Long-term portion of debt	**$ 616,162**		

(h) 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.

(i) Long Term Liabilities

(Dollars in thousands)	June 30, 2008	Additions	Reductions	June 30, 2009	Amounts Due Within One Year
Equipment Trust Certificates :	$ 26,500	$ -	$ (26,500)	$ -	$ -
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
1997 Series A	1,630	-	(1,630)	-	-
1998 Series A	40,045	-	(1,440)	38,605	1,485
2000 Series A	32,685	-	(1,185)	31,500	1,225
2001 Series A	10,380	-	(3,440)	6,940	3,485
2007 Series A	26,275	-	-	26,275	1,750
2008 Series A	168,585	-	(1,195)	167,390	1,235
Sales Tax Revenue Bonds Secured by 2000 Measure A ½ Cent Sales Tax					
2007 Series A	120,095	-	-	120,095	-
2008 Series A	236,730	-	(855)	235,875	-
Total Outstanding Debt	662,925	-	(36,245)	626,680	9,180
Plus (less) premiums, deferred amount on refundings and discounts	(1,266)	687	(759)	(1,338)	-
Outstanding Debt, Net	661,659	687	(37,004)	625,342	9,180
Claims Liability:					
General Liability	9,955	-	(4,264)	5,691	-
Workers' Compensation	22,116	209	-	22,325	-
Compensated Absences	21,571	555	-	22,126	6,560
Total Long-Term Liabilities	**$ 715,301**	**$ 1,451**	**$ (41,268)**	**$ 675,484**	**$ 15,740**

NOTE 8 –SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenditures except that portion which is to be used to repay long-term debt as described in Note 7. The amount of the 1976 Sales Tax and 2000 Measure A Sales Tax recognized during FY2009 was $137.6 million and $137.3 million respectively, totaling $274.9 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

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

In March 1999, the VTA Board of Directors and the County Board of Supervisors approved a Master Agreement formalizing the partnership to implement Measure A. With this partnership in place, the County and VTA were in a position to complete a transportation program valued at $2.1 billion. The County administered the funding, and VTA was responsible for the project management of the transit and highway projects as well as assisting in the administration of the pavement management and bicycle elements of the program.

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

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

A third agreement provided for a simultaneous exchange of funds. VTA secured 2001 Series A Senior Lien Sales Tax Revenue Bonds to reimburse the County approximately $184.1 million of 1996 MBTIP project costs, namely the Tasman East, Vasona and Capitol Corridor Light Rail Projects. The reimbursement of 1996 MBTIP project costs made $184.1 million available for the acquisition of low floor vehicles. On February 15, 2002, Amendment Number 1 to the Master Agreement was executed to increase the amount of reimbursement to $198.3 million. As of FY2002, full reimbursement of the $198.3 million was made to the Measure B Ancillary Program Agency Fund. As of June 30, 2008, the full amount of $198.3 million has been expended out of the agency fund for the acquisition of low floor vehicles.

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

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

During the current fiscal year, VTA paid approximately $13.6 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $6.5 million of Measure B fund for transit projects in the Enterprise Fund**;** $2.4 million ($2.2 million Measure B fund and $0.2 million Measure B Swap fund) for highway projects in the Measure B Highway Capital Projects Fund; and $4.7 million for the Ancillary Program (Measure B Projects, Pavement and Bikeways).

2000 Measure A Program

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

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

- Extend San Francisco Bay Area Rapid Transit District service (“BART”) from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the “Silicon Valley Rapid Transit Project” or “SVRT”);
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service (“Caltrain”) and VTA’s light rail system;
- Extend VTA’s light rail system from Downtown San Jose to the East Valley portion of Santa Clara County (“DTEV Extension”);
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system’s double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express (“ACE”) services;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail and paratransit service.

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

- Completed the purchase of low floor light rail vehicles;
- Implemented the 522 Rapid Bus service and studied other bus rapid transit improvements in the Measure A corridors based on the Comprehensive Operational Analysis (COA). The Bus Rapid Transit Strategic Plan, adopted by the VTA Board in May 2009, recommends moving forward with BRT deployment in the Santa Clara/Alum Rock corridor. It also recommends moving forward with conceptual engineering and environmental work for the Stevens Creek Blvd/West San Carlos and El Camino Real corridors, and a portion of the funding previously allocated to the broad BRT strategic plan project has been allocated to each of these two projects;
- Currently in the fourth year of the Zero Emission Bus demonstration project;
- In December 2008, VTA received bids on Phase 1 of the South County Improvements: grading and crossing work in preparation for eight miles of double-track installation in the UPRR corridor from Coyote to Morgan Hill. Contract award is on hold awaiting a finalized fiber optic cable relocation schedule;
- The Silicon Valley Rapid Transit (SVRT) project is in the federal environmental process, has completed 65% level of design, and is positioned to re-enter the federal New Starts process;
- Currently, utility relocation and construction are moving forward in the freight rail corridor in Fremont and Milpitas. The Freight Railroad Relocation (FRR) activities fulfill VTA's obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminate ongoing freight operations on VTA property. The FRR activities are compatible with the eventual use of the property as a transportation corridor but do not include SVRT project-level elements;
- VTA has completed design for the light rail extension to Eastridge to a 95% level. This project includes light rail improvements along Capitol Expressway from the existing Alum Rock Station to Eastridge. FY2010 and FY2011 planned activities include pedestrian safety, sidewalk and landscaping improvements, and relocation of utilities;
- Conducting new rail corridor study consisting of two phases; developing a transit sustainability policy and mode-specific service design guidelines; and identifying potential new transit corridors. Additionally, VTA is preparing to undertake a study to provide a comprehensive evaluation of infrastructure and operations deficiencies of the existing light rail system and an evaluation of operational impacts and user benefits of the planned light rail extensions and other capital improvements;
- Caltrain implementation activities include the completion of construction of the first phase of safety improvements, signing and striping at crossings. Environmental and design work also continued on the Blossom Hill Pedestrian Overcrossing;

- In December 2008, staff recommended an approach for planning and capital budgeting for the Measure A Program that will align the Measure A capital budget with VTA's biennial operating and capital budget approval cycle. This approach began with the adoption in June 2009 of the FY2010 & FY2011 Budget amid a backdrop of economic distress and declining Sales Tax Revenues;
- Receiving TCRP funds as reimbursements for the preliminary engineering phase on the BART extension;
- Providing operating assistance to VTA 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 Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2009 are summarized as follows (in thousands):

Federal Grants	Enterprise Fund	Special Revenue Funds
Operating Assistance Grants:		
FTA Section 9	$ 33,400	$ -
Federal Technical Studies	49	915
Total Operating Assistance Grants	33,449	915
Capital Grants:		
FTA Section 3	14,313	-
FTA Section 9	3,607	-
Total Capital Grants	17,920	-
Total Operating Assistance and Capital Grants	$ 51,369	$ 915

FTA and FHWA reserve the right to audit expenditures financed by their grants to determine if such expenditures comply with the conditions of the grant agreements. VTA's management believes the results of such audits would not have a material adverse effect on VTA's financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

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

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

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

FTA Section 9 grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning.

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

- TransLink® fees are funds received from the Metropolitan Transportation Commission in accordance with the TransLink® Phase II site preparation fund agreement whereby VTA is to perform site preparation on its premises for the implementation of TransLink® Phase II project. The agreement is funded in whole or in part from the proceeds of a grant from the United States Department of Transportation.

- The FY2005 Transit Security Grant Program (TSGP) award comes from the State Governor's Office of Homeland Security for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional Transit Security Strategy as well as a regional consensus on the expenditure of FY2005 TSGP funds.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2009, are summarized as follows (in thousands):

	Business-type Activity		
	Enterprise Fund	Congestion Management Program	Capital Projects Fund
Operating Assistance Grants:			
Transportation Development Act	$ 79,357	$ -	$ -
State Operating Assistance Grants	6,738	581	-
AB434	1,393	-	-
Total Operating Assistance Grants	81,488	581	-
Capital grants:			-
Traffic Congestion Relief Program	41,471	-	-
AB434 BAAQ TFCA	22	-	-
Regional Measure 2	1,029	-	-
Public Transportation Modernization Improvement and Service Enhancement Act	2,355	-	-
Congestion Management Highway Program	-	-	27,079
Measure B Highway	-	-	2,386
Santa Clara County (Measure B Program) – (Note 9)	6,317	-	-
Various cities, counties and others	13,061	-	-
Total Capital Grants	64,255	-	29,465
Total State and Local Grants	$ 145,743	$ 581	$ 29,465

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

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

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

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. The California Transportation Commission (CTC), in consultation with the California Department of Transportation, implements TCRP.

Santa Clara County Fund Swap is Measure B revenue received by VTA for local projects in exchange for federal and/or state grant funds and program them for certain 1996 MBTIP Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Various cities, counties and others contribute revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements and to procurement of zero emission buses and the corresponding facility improvements.

Capital Projects revenues consist of local grant revenues pertaining to Congestion Management and Highway Program of $27.1million and Measure B Highway Program of $2.4 million.

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

(a) Plan Description

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

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

VTA enhanced the Pension benefits for ATU represented employees effective February 1, 2001 and they were enhanced again on February 1, 2003. The enhancement scheduled for February 1, 2004 was accelerated to July 1, 2002.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Fiscal Resources, 3331 North First Street, Building C-2, San Jose, California 95134-1906.

The current membership of the Plan as of June 30, 2009 is comprised of the following:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	966
Terminated vested members not yet receiving benefits	179
Active Members	1,445
Total	2,590

(b) Basis of Accounting

Contributions are recognized as revenue in the period in which employee services are performed. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

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

(c) Actuarial Methods and Assumptions

Description	***Methods/Assumptions***	
Valuation date	January 1, 2009	
Actuarial cost method	Aggregate entry age normal	
Amortization method	Level dollar open method	
Remaining amortization period	20 years	
Actuarial asset valuation method	Market value less unrecognized investment gain or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value.	
Actuarial assumptions	Investment rate of return	8.0%
	Projected salary increases	22.13% for the first three years of service, 3.76% thereafter.
	Inflation rate	3.5%
	Cost of living adjustments	None

(d) Concentration

Investments in the commingled State Street Global Advisers, S&P 500 Conservative Index Fund and MFS Investment Management represented 14.55% and 16.09%, respectively, of the Plan's investments as of June 30, 2009.

(e) Funding Policy

VTA contributes to the Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vesting benefits. VTA's contributions to the Plan for the year ended June 30, 2009 were made in accordance with actuarially determined requirements computed as of January 1, 2008. VTA's contribution rate as a percentage of payroll was 14.85% for fiscal year 2009. The schedule of funding progress can be found on page 2-83.

(f) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2009. The three-year trend information is shown below (in thousands):

Net Pension Obligation

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	$ 14,859	100%	-
6/30/08	16,137	100%	-
6/30/09	14,843	100%	-

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description

All eligible non-ATU employees of VTA participate in the California Public Employees Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account. The transfer of related assets at a market value totaling approximately $52,300,000 was completed by CalPERS in FY1999.

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

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814. A separate report for VTA's plan is not available.

(b) Actuarial Methods and Assumptions

Description	***Methods/Assumptions***
Valuation date	June 30, 2007
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percent of Payroll
Average Remaining Period	26 years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% Depending on Age, Service, and Type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

(c) Funding Policy

Active members in VTA's CalPERS Plan are not required to contribute to the CalPERS Plan. VTA elected to contribute the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate from July 1, 2008 through June 30, 2009, was 12.221% for the employer and 7% for employees. The required employee contribution was paid by VTA. The contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS. The amortization period used is closed which means that amortization periods for initial unfunded liability, benefit change, and assumption change decline every year. The schedule of funding progress can be found on page 2-84**.**

(d) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2009. For FY2009, VTA's annual pension cost was approximately $6.5 million, which was fully contributed. The required contribution for FY2009 was determined as part of the June 30, 2007, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. Three-year trend information follows (in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	$ 6,501	100%	$ -
6/30/07	5,929	100%	-
6/30/08	6,278	100%	-

NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL TRUST

VTA had assets and related liabilities as of June 30, 2009 of approximately $7.0 million for the ATU Spousal Medical Trust and $3.5 million for the Retiree Vision and Dental Trust.

The Spousal Medical Trust is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement, contribution to the Spousal Trust was changed from $.20 to $.25 per hour worked by all ATU employees, effective February 4, 2002. As of June 30, 2009, there were 244 participating spouses who were eligible for benefits from the Spousal Medical Trust. Contributions, which were expensed by VTA, were approximately $868 thousand. Benefit payments made by the

Trust for FY2009 were approximately $1.5 million.

The Retiree Vision and Dental Trust is a vision and dental benefit for eligible pensioners. Effective February 8, 1999 and pursuant to a collective bargaining agreement, VTA is required to contribute $0.10 per hour worked by ATU employees. As of June 30, 2009, there were 864 eligible participants. Contributions, which were expensed by VTA, were approximately $347.0 thousand for the Retiree Vision and Dental Trust.

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2009, the composition of assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absences	Total
Assets	$ 33,430	$ 9,989	$ 22,126	$ 65,545
Liabilities	(22,325)	(5,691)	(22,126)	(50,142)
Net Assets (Reserve)	$ 11,105	$ 4,298	$ -	$ 15,403

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both programs. VTA's annual contribution to General Liability is based on a budgeted self-insured expense amount. Contributions to Workers' Compensation fund occur every pay period. Actuarial studies for both activities are obtained on an annual basis.

Actuarial Information

An actuarial analysis as of June 30, 2009 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 90% confidence level, are $22.3 million and $5.7 million for Workers' Compensation and General Liability, respectively. However, VTA has decided to maintain the provision of estimated outstanding losses for the Workers' Compensation and General Liability programs at higher levels in unrestricted net assets. For Workers' Compensation, the decrease in reserves is predominantly due to paid and incurred development that was far less than anticipated. This favorable emergence is particularly pronounced in the claim experience after January 1, 2004, the date of the first statutory benefit reform. The decrease in reserves for General Liability program was based on similar trends for all policy periods. The accrued liabilities for both Workers' Compensation and General Liability claims were based on the actuarial estimates. It is VTA's practice to obtain full actuarial studies annually.

Changes in the balance of Workers' Compensation and General Claims Liabilities for the two years ended June 30, 2009, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2007	$ 26,442	$ 10,124
Provision for claims and claims adjustment expense	8,390	4,275
Payment for claims and other adjustments	(5,715)	(4,444)
Change in estimates for provision for future claims	(7,001)	-
Unpaid claims at June 30, 2008	22,116	9,955
Provision for claims and claims adjustment expense	5,904	(29)
Payment for claims and other adjustments	(5,695)	(4,235)
Unpaid claims at June 30, 2009	$ 22,325	$ 5,691

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, 2009, the outstanding balance of compensated absence liability was $22.1 million.

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

(a) OPEB Trust Description

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements relating 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 ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select either the Kaiser or PacificCare retiree health plans. Certain ATU retirees are grandfathered in other plans. VTA pays the full cost of employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. As of June 30, 2009, 853 retirees met the eligibility requirements for the ATU Program.

All Non-ATU employees upon retirement with at least five years of service and attaining age 50 are also covered under a Retiree Health Care Program (the Non-ATU Program). Non-ATU represented employees, hired on or after the following dates must have 8 years of service (2,088 days) with VTA to qualify for retiree medical coverage and must retire directly from VTA with age at least 50 years:

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006.
- Transportation Authority Engineers and Architects Association (TAEA) represented employees on or after December 5, 2006.
- American Federation of State, County and Municipal Employees (AFSCME) represented employees on or after August 30, 2007.

VTA's contribution towards retiree health benefits for Non-ATU retirees is limited to the Kaiser rate for active single employees. VTA also reimburses Medicare Part B premiums for retirees eligible for Medicare. Non-ATU employees who retire on or after January 1, 2006, must contribute $25 toward the employee only monthly premium. As of June 30, 2009, 310 retirees met the eligibility requirements for the Non-ATU Program.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing to $10,000 each year until its expiration in the sixth year.

(b) Funding Policy

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Annual Required Contribution (ARC) as determined by an actuarial valuation study. In FY2008, VTA established an irrevocable trust to fund the ARC in accordance with the parameters of GASB Statement 45.

As of June 30, 2009, VTA had assets of $100.8 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust. Separate financial statements are also prepared for the trust. The schedule of funding progress can be found on page 2-85.

(c) Annual OPEB Cost and Net OPEB Obligations

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

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan obligation for the year ended June 30, 2009 is as follows:

Annual Required Contributions	$ (15,350)
Interest on Net Plan Asset	-
Annual Plan Cost (Expense)	(15,350)
Contributions Made	15,900
Net Plan Obligation, Beginning of Year	923
Net Plan Asset, End of Year	$ 1,473

Net plan assets shown above represent the contributed amount above the ARC in FY2009 and FY2008. This amount is recorded as a prepaid item in the other current assets on the Statement of Fund Net Assets – Proprietary Funds (VTA Transit Fund).

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan assets for the year ended June 30, 2009 is as follows:

Annual Required Contribution	Amount Contributed	Percentage Contributed	Net Plan Asset
$15,350	$ 15,900	104%	$ 1,473

(d) Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

NOTE 16 –INSURANCE

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; injuries to the public; and natural disasters. For additional information on workers' compensation and general liability, see Note 14. Coverage provided by self-insurance/insurance and excess coverage as of June 30, 2009, is shown below.

Type of Coverage	Self-Insurance/ Deductible	Excess Coverage (in aggregate)
Workers' compensation	Self-Insured	None
Employer's liability	$3,000,000	$22,000,000 per accident
Excess public liability/property damage	$3,000,000	$22,000,000
Property, boiler, and machinery	$100,000	$70,000,000 combined blanket limit
National Flood Insurance (eligible locations)	$5,000	$500,000
Light rail vehicles (includes spare parts coverage, no earthquake coverage	$250,000	$20,000,000
Buses	$100,000	$20,000,000
Community Buses	$ 75,000	
Vans and mobile equipment	$25,000	Included in 20,000,000 with buses
Public officials liability	Self-Insured $3,000,000	$22,000,000

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, and warehouses under lease agreements that expire at various dates through 2030. These agreements are accounted for as operating leases. Rent expense was approximately $275.0 thousand in FY2009. The future lease payments under noncancellable lease agreements are as follows (in thousands):

Year ending June 30,		Future Lease Payments
2010		$ 297
2011		313
2012		330
2013		348
2014		366
2015-2019		386
2020-2024		2,270
2025-2029		2,964
2030		3,854
	Total	$ 11,128

NOTE 18 – LITIGATION

As of September 30, 2009, VTA has open claims with reserves totaling $3.5 million. VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2009.

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. Amounts paid to the County for such services were approximately $5.3 million during FY2009.

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 FY2009, 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, 2009, VTA paid $15.9 million to the PCJPB for operating costs.

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

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

Summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2008 and 2007 (in thousands), are as follows (1):

PCJPB Financial Information	2008	2007
Total assets	$ 1,175,491	$ 1,123,303
Total liabilities	(64,157)	(48,252)
Total net assets	$ 1,111,334	$ 1,075,051
Operating revenues	43,760	37,961
Operating expenses	(133,248)	(114,515)
Non-operating revenues, net	43,220	45,134
Capital contributions	82,551	91,222
Change in net assets	$ 36,283	$ 59,802

[1] Latest audited information available.

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

(b) Altamont Commuter Express

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission which also serves as the managing agency.

ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 42% from VTA, 28% from San Joaquin Regional Rail Commission and 30% from the Alameda County Congestion Management Agency. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Congestion Management Agency (ACCMA) for continued VTA funding of Altamont Commuter Express (ACE) commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC and ACCMA. During the year ended June 30, 2009, VTA contributed approximately $2.7 million for operating costs.

Summary financial information (not included in VTA's financial statements) for the Altamont Commuter Express for the years ended June 30, 2008 and 2007 (in thousands), are as follows [1]:

ACE Financial Information	2008	2007
Total assets	$ 117,287	$ 120,642
Total liabilities	(2,243)	(11,909)
Total net assets	$ 115,044	$ 108,733
Operating revenues	4,352	4,289
Operating expenses	(16,978)	(18,407)
Non-operating revenues, net	10,697	10,755
Capital contributions	8,646	11,250
Change in net assets	$ 6,717	$ 7,887

(1) Latest audited information available.

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

(c) Capitol Corridor Intercity Rail Service

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

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

(d) California Transit Finance Authority

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

2000, VTA borrowed an additional $40,000,000 under the Program and evidenced its borrowing through the issuance of $40,000,000 Junior Lien Sales Tax Revenue Bonds, 2000 Series A held by the CTFA Bond trustee. (Note 7 – Long-Term Liabilities).

Complete financial statements for the CTFA can be obtained from Shaw/Yoder Inc. at 1414 K Street, Suite 320, Sacramento, California 95814.

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease 50 vehicle cars to investors (Headlease), U.S. Bank National Association (Successor Trustee), and simultaneously subleased the vehicles back from the investors for a period of 32 to 33 years. VTA maintains ownership of the vehicles and is obligated to insure and maintain the vehicles throughout the term of the lease. VTA has the right to buy out the lease after 16.5 and 18.5 years depending on the equity investor and the condition of the equipment.

VTA received a prepayment of approximately $92,286,000, which represented certain rental obligations owed by the investors under the Headlease. Investors made equity contributions of approximately 20% and a financial institution made loans to the trust for the balance of the Headlease rental prepayment amount. VTA is required to make annual rental payments pursuant to the sublease.

Simultaneously, VTA entered into a payment agreement with a American International Group, Inc (AIG). Under the terms of the payment agreement, VTA made a payment of $68,149,000 in consideration of the agreement by AIG to make payments equal to the debt portion of future rental payments, the debt portion of the early buy-out option and its absolute, unconditional and irrevocable guarantee of the prompt payment of such amounts when due. VTA is obligated to replace American International Group (AIG) if the credit rating assigned to such Provider by Standard & Poor's or Moody's falls below Baa1/BBB+.

VTA used an additional $16,853,000 of the Headlease prepayment to purchase obligations of the United States government in various dollar amounts and maturities, which coincide with the due dates of the equity portion of the sublease rental obligations and the equity portion of the early buy-out option. The investments have been transferred to a custodian. Additionally, VTA acquired a financial guaranty insurance policy from FSA to secure part of the equity portion of the sublease termination obligations. VTA is obligated to replace FSA if its credit rating by Standard & Poor's or Moody's falls below Aa3/AA-.

VTA paid $1,683,000 in appraisal, legal advisor and other fees. The pecuniary benefit to VTA in fiscal 1999 was $5,600,000.

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

In May 2003, the VTA Board approved the execution of the sublease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sublease of 50 UTDC Light Rail Vehicles (LRVs) with aggregate prepaid rent in the amount of $9.3 million.

Per the sublease agreement, VTA shipped 29 LRV cars to UTA and 21 LRV cars to Sacramento. The UTA/RT Agreements provide that UTA and RT pay the prorated portion of the prepaid rent for the UTDC LRVs upon the delivery of each vehicle to UTA or RT. The aggregate amount of rental payments for UTA and RT are $5.2 million and $4.1 million, respectively. During FY2006, VTA shipped 14 cars to UTA, 21 cars to Sacramento, and the remaining 15 cars were shipped to UTA with total proceeds of approximately $2.3 million.

The basic sublease term is approximately 13 years with a sublease renewal term of 9 years thereafter. The sublease transaction was recorded as a capital lease during FY2004. The net book value of assets amounting to $23 million was taken out from the books and a loss in the amount of $16 million was immediately recognized as a special item in FY2004 and FY2005 respectively.

(c) Lease to Service Contracts

In August and December 2003, VTA entered into four "lease to service" agreements covering 66 Kinkisharyo low floor light rail vehicles. These agreements included four head leases to lease the vehicles to trusts created by equity and simultaneously lease them back under separate leases. Under certain conditions there could be 12-19 year service periods following the lease periods, which range from 24-30 years. VTA received prepayments of the head lease rents from the investors of approximately $291.2 million, of which $221.5 million was invested with a debt payment undertaker, who will make the scheduled lease rent payments and $33.5 million was invested in fixed rate securities or payment undertakers to fund purchase options at the end of the lease terms, should VTA decide to exercise its purchase options.

Approximately $30.0 million represents considerations for tax benefits net of $6.2 million in expenses, and was reported as revenue from head lease in the enterprise fund.

VTA's payment obligations under these leases are guaranteed by either AIG or Ambac Assurance Corporation (Ambac). VTA is obligated to replace these parties if their credit rating by Standard & Poor's or Moody's falls below designated levels.

During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. The downgrade of AIG impacted three of four lease to service contracts. Although each equity investor had the right to demand that VTA replace AIG as guarantor, one of the investors decided to exercise the option to terminate a transaction. VTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account plus a return of $3.0 million (equal to 24% of the original net benefit received by VTA for the transaction). The negotiations were finalized in FY2009 and final payment was made and a termination agreement was executed. VTA is in negotiations with the other equity investor (covering two transactions) to determine a mutually agreeable resolution as no replacements for AIG are available in the current market.

During 2008, Ambac's credit rating was also reduced, impacting the fourth lease to service contract. VTA is also in negotiations with this equity investor to determine a mutually agreeable resolution as no replacements for Ambac are available in the current market.

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

REQUIRED SUPPLEMENTARY INFORMATION
(other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information[1]

Schedule of Funding Progress

As of June 30, 2009

Amalgamated Transit Union Pension Plan

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/2007	$ 314,816,391	$397,853,860	$ 83,037,469	79.0%	$93,985,560	88.0%
1/1/2008	344,521,552	423,739,213	79,217,661	81.3%	98,722,453	80.2%
1/1/2009	325,247,483	442,830,578	117,583,095	73.0%	100,877,989	117.0%

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress

As of June 30, 2009

CalPERS Plan

(Unaudited)

(In thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Actuarial Accrued Liability (AAL)	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
6/30/2005	$ 160,104	$ 135,508	$ 24,596	84.6%	$ 50,194	49.0%
6/30/2006	177,983	152,536	25,447	85.7%	50,302	50.6%
6/30/2007	195,099	170,837	24,262	87.6%	49,682	48.8%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress

As of June 30, 2009

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2007	$ 101,738	$ 208,775	$ 107,037	48.7%	$ 153,176	69.9%
7/1/2008	104,404	225,482	121,078	46.3%	155,426	77.9%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the Year Ended June 30, 2009
(In thousands)

	Original Budget	Final Budget	Actual	Favorable/ (Unfavorable)
Revenue:				
Assessments to member agencies	$ 2,495	$ 2,495	$ 2,495	$ -
Federal grant revenues	915	915	915	-
Administrative fees	140	140	123	(17)
State operating assistance grants	1,050	1,050	581	(469)
Other non-operating revenue	515	515	161	(354)
Total Revenue	5,115	5,115	4,275	(840)
Expenditures:				
VTA labor and overhead costs	4,156	4,632	4,894	(262)
Services and other:				
Professional services	1,000	1,000	784	216
Other services	6	6	9	(3)
Data processing	30	30	17	13
Office expense	-	-	4	(4)
Employee related expenses	-			
Miscellaneous	22	22	20	2
Capital outlay on behalf of other agencies	-	65	45	20
Total expenditures	5,214	5,755	5,773	(18)
Change in fund balance, on a budgetary basis	$ (99)	$ (640)	(1,498)	$ (858)
Revenues and Expenditure not budgeted:				
Investment earnings			41	
Project revenues			14	
Change in fund balance, on a GAAP basis			(1,443)	
Fund Balance, Beginning of Year			1,495	
Fund Balance, End of Year			$ 52	

Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. VTA budgets annually for its Congestion Management Program Special Revenue Fund. The budget for the Special Revenue Fund is prepared on a modified accrual basis.

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

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SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Statements)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Fund Net Assets
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 5,502	$ 2,831
Investments	4,167	17,848
Receivables, Net	4,417	3,145
Due From Other Funds	526	592
Due From Other Governmental Agencies	65,149	75,167
Inventories	21,158	19,944
Other Current Assets	2,778	847
Total Current Assets	103,697	120,374
Restricted assets:		
Cash and Cash Equivalents	11,266	20,119
Cash and Investments With Fiscal Agent	20,563	23,995
Investments	433,587	422,481
Receivables, Net	1,267	-
Due From Other Governmental Agencies	47,883	80,062
Other Current Assets	173	5
Total Restricted Current Assets	511,739	546,662
Non-Current Assets:		
Deferred Charges	10,944	11,788
Capital Assets		
***Nondepreciable*:**		
Land and Right-of-Way	1,119,217	1,118,212
Construction in Progress	781,381	639,708
Depreciable		
Buildings, Improvements, Furniture, and Fixtures	488,156	487,116
Vehicles	442,771	462,027
Light-Rail Tracks and Electrification	399,824	399,824
Caltrain - Gilroy Extension	53,155	53,155
Other	41,730	39,770
Less: Accumulated Depreciation	(519,886)	(493,895)
Net Capital Assets	2,806,348	2,705,917
TOTAL ASSETS	$ 3,435,728	$ 3,384,741

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Assets *(continued)*

Enterprise Fund

For the Years Ended June 30,

(In thousands)

	2009	2008
LIABILITIES		
Current Liabilities:		
Current Portion of Long-Term Debt	$ 9,180	$ 11,790
Accounts Payable	13,272	19,859
Other Accrued Liabilities	10,816	10,389
Due To Other Governmental Agencies	448	2,915
Total Current Liabilities	33,716	44,953
Liabilities Payable From Restricted Assets:		
Current Portion of Long-Term Debt	-	855
Accounts Payable	19,326	21,639
Other Accrued Liabilities-Current	7,230	4,711
Due To Other Funds	1,173	22
Due To Other Governmental Agencies	33,811	35,929
Total Current Liabilities Payable From Restricted Assets	61,540	63,156
Non-Current Liabilities		
Long-Term Debt, Excluding Current Portion	616,162	649,014
Other Accrued Liabilities	238	134
Total Non-Current Liabilities	616,400	649,148
TOTAL LIABILITIES	711,656	757,257
NET ASSETS	$ 2,724,072	$ 2,627,484

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2009	2008
OPERATING REVENUES:		
Passenger Fares	$ 36,184	$ 35,830
Advertising and Other	2,255	2,223
TOTAL OPERATING REVENUES	38,439	38,053
OPERATING EXPENSES:		
Labor Cost	246,150	240,154
Materials and Supplies	27,097	31,513
Services	22,777	27,098
Utilities	6,869	6,867
Casualty and Liability	5,818	5,278
Purchased Transportation	27,974	28,392
Leases and Rentals	3,499	420
Miscellaneous	1,966	1,856
Depreciation Expense	51,762	53,292
Costs Allocated to Capital and Other Programs	(39,628)	(39,691)
TOTAL OPERATING EXPENSE	354,284	355,179
OPERATING LOSS	(315,845)	(317,126)
NON-OPERATING REVENUES (EXPENSES)		
Sales Tax Revenue	274,903	323,575
Federal Operating Assistance Grants	33,449	22,425
State and Local Operating Assistance Grants	81,488	104,080
Caltrain Subsidy	(15,878)	(15,416)
Capital Expenses on Behalf of, and Contribution To, Other Agencies	(42,626)	(19,331)
Altamont Commuter Express Subsidy	(2,707)	(2,621)
Investment Earnings	15,341	20,370
Interest Expense	(11,651)	(12,214)
Other Income	3,385	3,523
Other Expense	(5,446)	(3,280)
NON-OPERATING REVENUE, NET	330,258	421,111
INCOME(LOSS) BEFORE CONTRIBUTIONS	14,413	103,985
CAPITAL CONTRIBUTIONS	82,175	153,443
CHANGE IN NET ASSETS	96,588	257,428
NET ASSETS, BEGINNING OF YEAR	2,627,484	2,370,056
NET ASSETS, END OF YEAR	$ 2,724,072	$ 2,627,484

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Passenger Fares	$ 36,184	$ 35,830
Cash Received from Advertising	2,255	2,223
Cash Paid to Employees	(206,475)	(200,463)
Cash Paid to Suppliers	(79,011)	(66,351)
Cash Paid for Purchased Transportation	(27,974)	(28,392)
Net Cash Provided By/(Used In) Operating Activities	(275,021)	(257,153)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	113,712	126,115
Sales Tax Received	292,241	321,205
Caltrain Subsidy	(15,878)	(15,416)
Altamont Commuter Express Subsidy	(2,707)	(2,621)
Other Miscellaneous Receipts/(Payments)	(1,237)	(134)
Contributions to Other Agencies	(23,893)	(4,550)
	362,238	424,599
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Long-Term Debt	(9,745)	(11,315)
Advance from Other Governments	(2,114)	14,186
Proceeds from Issuance of Bonds	-	531,210
Payoff of Old Bonds	-	(596,960)
Interest Paid on Long-Term Debt	(26,500)	(12,214)
Cost of Bond Issuance	(11,651)	(2,312)
Acquisition and Construction of Capital Assets	(180,496)	(210,651)
Capital Contribution from Other Governments	107,550	150,300
	(122,956)	(137,756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,151,288	2,070,212
Purchases in Investments	(1,135,915)	(2,169,197)
Interest Income Received	10,752	18,909
	26,125	(80,076)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,614)	(50,386)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	46,945	97,331
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 37,331	$ 46,945

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows *(continued)*
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2009	2008
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (315,845)	$ (315,482)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	51,762	53,292
Changes in Operating Assets and Liabilities:		
Receivables	(2,539)	806
Inventories	(1,214)	290
Accounts Payable	(6,911)	6,030
Other Accrued Liabilities	1,665	(7,019)
Other Current Assets	(2,099)	750
Due to Other Governmental Agencies	30,718	2,159
Due to/From Other Funds	(30,558)	2,021
Net Cash Provided By/(Used In) Operating Activities	$ (275,021)	$ (257,153)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET ASSETS:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 5,502	$ 2,831
Restricted	31,829	44,114
	$ 37,331	$ 46,945
NONCASH ACTIVITIES:		
Increase/(Decrease) in Fair Value of Investments	$ 3,316	$ 1,527
Amortization expense of Caltrain Access Fee	(832)	-
Change in Estimates for Provision of Workers' Compensation, General Liability, and Compensated Absences Claims	-	(4,366)
Net Cash Provided By/(Used In) Operating Activities	$ 2,484	$ (2,839)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund
VTA Transit Fund
For the Year Ended June 30, 2009
(In thousands)

	Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Fares	$ 34,015	$ 34,015	$ 36,184	$ 2,169
1976 1/2 Cent Sales Tax	179,531	179,531	137,642	(41,889)
Transportation Development Act Funds	84,829	84,829	73,357	(11,472)
Measure A Sales Tax Oper Assistance	33,136	33,136	25,334	(7,802)
State Transit Assistance funds	9,419	9,419	6,483	(2,936)
Federal Operating Grants	17,084	17,084	33,449	16,365
State Operating Grants	1,333	1,333	1,649	316
Investment Earnings	5,059	5,059	1,290	(3,769)
Advertising Income	1,844	1,844	1,964	120
Other Income	13,436	13,436	15,530	2,094
TOTAL REVENUES	**379,686**	**379,686**	**332,881**	**(46,805)**
OPERATING EXPENSES				
Labor Costs	265,972	265,972	246,150	19,822
Materials & Supplies	17,041	17,340	15,440	1,900
Security	7,579	7,670	7,642	28
Professional & Special Services	5,031	5,969	3,766	2,203
Other Services	10,061	10,068	8,528	1,540
Fuel	13,914	13,303	11,187	2,116
Traction Power	3,735	3,735	3,150	585
Tires	1,897	1,570	1,451	119
Utilities	2,509	2,512	2,560	(48)
Insurance	5,925	5,898	5,818	80
Data Processing	3,121	3,121	2,858	263
Office Expense	436	445	412	33
Communications	1,448	1,448	1,159	289
Employee Related Expense	1,732	1,565	874	691
Leases & Rents	477	3,581	3,499	82
Miscellaneous	1,702	1,709	717	992
Reimbursements	(53,687)	(53,687)	(43,157)	(10,530)
TOTAL OPERATING EXPENSES	**288,893**	**292,219**	**272,054**	**20,165**
OTHER EXPENSES				
Paratransit	33,286	32,666	26,843	5,823
Caltrain	16,899	16,619	15,878	741
Light Rail Shuttles	547	207	26	181
Altamont Commuter Express	4,106	4,106	3,812	294
Highway 17 Express	479	479	297	182
Dumbarton Express	505	505	376	129
Monterey-San Jose Express Service	109	109	35	74
Contribution to Other Agencies	552	1,405	1,410	(5)
Debt Service	24,358	22,041	20,734	1,307
Other Expenses	-	-	1	(1)
Contingencies	2,000	-	-	-
TOTAL OTHER EXPENSES	**82,841**	**78,137**	**69,412**	**8,725**
TOTAL OPERATING AND OTHER EXPENSES	**371,734**	**370,356**	**341,466**	**28,890**
NET INCOME, ON A BUDGETARY BASIS	**7,952**	**9,330**	**(8,585)**	**(17,915)**

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund *(continued)*
VTA Transit Fund
For the Year Ended June 30, 2009
(In thousands)

	Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
NET INCOME, ON A BUDGETARY BASIS	**$ 7,952**	**$ 9,330**	**$ (8,585)**	**$ (17,915)**
Reconciliation of Net Income on a Budgetary Basis to Net Income on a GAAP Basis:				
Project Revenues - VTA Enterprise			20,259	
Project Expenditure			(2,415)	
Capital Contributions to Other Agencies			(3,101)	
Bond Principal Payment			8,890	
Amortization of Bond Discounts			(1,352)	
Unrealized Gain on investment			1,066	
Debt Reduction Fund Interest Earnings			2,417	
Other non-budgetary revenues/(expenses)			205	
Gain/(Loss) on Disposal of Assets			(674)	
Depreciation			(51,762)	
Net Income, on a GAAP Basis			**$ 35,052**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Assets
Retiree Trust Funds
For the Year Ended June 30, 2009
(In thousands)

	ATU Pension	OPEB Trust	ATU Medical: Spousal Medical	ATU Medical: Retiree Vision/ Dental	ATU Medical: Total ATU Medical	Total
ASSETS						
Restricted Assets:						
Investments	$ 281,782	$ 100,278	$ 6,973	$ 3,530	$ 10,503	$ 392,563
Receivables	1,276	541	-	-	-	1,817
Other assets	10	-	-	-	-	10
TOTAL ASSETS	**283,068**	**100,819**	**6,973**	**3,530**	**10,503**	**394,390**
LIABILITIES						
Restricted Liabilities:						
Accounts Payable	266	527	1	-	1	794
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	282,802	-	-	-	-	282,802
OPEB Trust	-	100,292	-	-	-	100,292
Spousal Medical Benefits	-	-	6,972	-	6,972	6,972
Retiree Dental and Vision Benefits	-	-	-	3,530	3,530	3,530
TOTAL NET ASSETS	**$ 282,802**	**$ 100,292**	**$ 6,972**	**$ 3,530**	**$ 10,502**	**$ 393,596**

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year Ended June 30, 2009
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trust: Spousal Medical	ATU Medical Trust: Vision/ Dental	ATU Medical Trust: Total Medical Trust	Total
ADDITIONS						
Contributions	$ 14,843	$ 15,900	$ 868	$ 347	$ 1,215	$ 31,958
Investment Earnings:						
Investment Income	(13,153)	2,541	(27)	2	(25)	(10,637)
Net Change in the Fair Value of Investments	(19,329)	(15,063)	(1,035)	(345)	(1,380)	(35,772)
Investment Expense	(1,162)	(103)	-	-	-	(1,265)
Net Investment Income	(33,644)	(12,625)	(1,062)	(343)	(1,405)	(47,674)
TOTAL ADDITIONS	(18,801)	3,275	(194)	4	(190)	15,716
DEDUCTIONS						
Benefit Payments	21,377	7,368	1,461	-	1,461	30,206
Administrative Expenses	177	24	2	-	2	203
TOTAL DEDUCTIONS	21,554	7,392	1,463	-	1,463	30,409
NET INCREASE	(40,355)	(4,117)	(1,657)	4	(1,653)	(46,125)
NET ASSETS HELD IN TRUST						
BEGINNING OF YEAR	323,157	104,409	8,629	3,526	12,155	439,721
END OF YEAR	$282,802	$ 100,292	$ 6,972	$ 3,530	$ 10,502	$ 393,596

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2009

(In thousands)

	BAAQMD Program	Measure B Ancillary Program	Total
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	$ -	$ 8,285	$ 8,285
Investments	3,012	-	3,012
TOTAL ASSETS	3,012	8,285	11,297
LIABILITIES			
Liabilities payable from restricted assets:			
Accounts Payable	3,012	411	3,423
Due To Other Funds	-	3	3
Due To Other Governmental Agencies	-	7,871	7,871
Total Liabilities Payable from Restricted Assets	$ 3,012	$ 8,285	$ 11,297

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009
(In thousands)

	Balance 30-Jun-08	Increase	Decrease	Balance 30-Jun-09
BAAQMD PROGRAM				
Restricted assets:				
Investments	$ 2,043	$ 969	$ -	$ 3,012
Liabilities payable from restricted assets:				
Accounts payable	1,991	1,021	-	3,012
Due to other funds	52	-	52	-
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	2,043	1,021	52	3,012
MEASURE B ANCILLARY PROGRAM				
Restricted Assets:				
Cash and Cash Equivalents	16,639	-	8,354	8,285
Liabilities payable from restricted assets:				
Accounts payable	4,070	-	3,659	411
Due to other funds	-	3	-	3
Due to other governmental agencies	12,569	-	4,698	7,871
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	16,639	3	8,357	8,285
TOTAL - ALL AGENCY FUNDS				
Restricted assets:				
Cash and cash equivalents	16,639	-	8,354	8,285
Investments	2,043	969	-	3,012
TOTAL RESTRICTED ASSETS	18,682	969	8,354	11,297
Liabilities payable from restricted assets:				
Accounts payable	6,061	-	2,638	3,423
Due to other funds	52	-	49	3
Due to other governmental agencies	12,569	-	4,698	7,871
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	$ 18,682	$ -	$ 7,385	$ 11,297

SECTION 3 – **STATISTICAL SECTION**

FINANCIAL TRENDS:

These schedules contain trend information to help the reader understand how VTA's financial performance and financial condition have changed over time:

- Table 1 – Changes in Net Assets
- Table 2 – Net Assets by Components
- Table 3 – Fund Balances and Changes in Fund Balances, Governmental Funds
- Table 4 – Current Ratio
- Table 5 – Operating Revenues and Operating Expenses
- Table 6 – Non Operating Assistance and Interest Income
- Table 7 – Targeted Operating Reserves

REVENUE CAPACITY:

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

- Table 8 – Revenue Base and Revenue Rates
- Table 9 – Overlapping Revenue
- Table 10 – Principal Sales Tax Payers by Segments

DEBT CAPACITY:

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

- Table 11 – Total Outstanding Debt by Type
- Table 12 – Ratios of Outstanding Debt
- Table 13 – Direct and Overlapping Debt and Debt Limitation
- Table 14 – Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds
- Table 15 – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
- Table 16 – Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

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

- Table 17 – Population Trends
- Table 18 – Income and Unemployment Rates
- Table 19 – Wage and Salary Employment by Industry (Annual Average)
- Table 20 – Silicon Valley Major Employees

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

TABLE 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Changes in Net Assets
Eight Years Ended June 30, 2009
(Accrual Basis of Accounting)
(In thousands)

	Fiscal Year							
	2002 [1]	2003	2004	2005	2006	2007	2008	2009
EXPENSES								
Business-type activities:								
Operations and Operating Projects	$ 341,209	$ 335,760	$ 286,098	$ 300,430	$ 339,857	$ 321,059	$ 344,469	$ 343,973
Caltrain Subsidy	25,315	22,298	16,805	14,112	14,801	15,237	15,416	15,878
Capital Expenses on behalf of, and contribution to other agencies	-	-	-	-	27,399	7,272	19,331	42,626
Altamont Commuter Express Subsidy	1,740	2,715	2,392	2,470	2,470	2,542	2,621	2,707
Interest Expense	14,717	14,222	13,690	13,761	11,562	13,672	12,214	11,651
Other Expenses	2,838	4,858	3,022	3,316	6,972	4,636	3,280	5,446
Benefit Payments	-	-	14,816	21,370	11,538	14,285	10,513	9,826
Total Business-Type Activities Expenses	385,819	379,853	336,823	355,459	414,599	378,703	407,844	432,107
Governmental activities:								
Operations and operating projects	2,740	3,582	2,858	4,735	5,982	6,528	6,450	8,840
Capital projects for the benefit of other agencies	112,697	141,271	115,262	94,146	80,763	45,806	43,798	26,398
Total governmental activities expenses	115,437	144,853	118,120	98,881	86,745	52,334	50,248	35,238
Total primary government expenses	$ 501,256	$ 524,706	$ 454,943	$ 454,340	$ 501,344	$ 431,037	$ 458,092	$ 467,345
PROGRAM REVENUES								
Business-type activities:								
Charges for services	$ 37,122	$ 34,376	$ 33,422	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439
Operating grants	127,373	104,132	111,577	113,925	114,764	140,431	126,505	114,937
Capital grants	226,125	316,997	217,053	96,860	22,522	199,999	153,443	82,175
Total business-type activates program revenues	390,620	455,505	362,052	245,477	174,212	378,306	318,001	235,551
Governmental activities:								
Charges for services	1,686	2,177	1,862	2,231	2,290	2,397	2,475	2,618
Operating grants	2,405	852	517	1,190	850	1,023	2,193	1,496
Capital grants	112,668	141,364	116,012	95,746	83,207	48,180	45,109	29,479
Total governmental activates program revenues	116,759	144,393	118,391	99,167	86,347	51,600	49,777	33,593
Total primary government revenues	$ 507,379	$ 599,898	$ 480,443	$ 344,644	$ 260,559	$ 429,906	$ 367,778	$ 269,144
NET (EXPENSE)/REVENUE								
Business-type activities	$ 4,801	$ 75,652	$ 25,229	$ (109,982)	$(240,387)	$ (397)	$ (89,843)	$ (196,556)
Governmental activities	1,322	(460)	271	286	(398)	(734)	(471)	(1,645)
Total primary government net expense	$ 6,123	$ 75,192	$ 25,500	$ (109,696)	$(240,785)	$ (1,131)	$ (90,314)	$ (198,201)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Business-type activities:								
Sales tax revenue	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903
Investment income	24,512	14,245	6,382	11,206	10,537	27,288	22,511	16,862
Other income	2,883	4,104	2,102	2,628	9,158	1,347	3,523	3,385
Special items:								
Loss from sublease of vehicles	-	-	(15,918)	(7,773)	-	-	-	-
Revenue from headlease	-	-	29,999	-	-	-	-	-
Gain on sale of land	-	12,224	-	-	-	-	-	-
Transfer to OPEB Trust	-	-	-	-	-	-	(101,738)	-
Change in provisions for workers' compensation claims	-	-	-	-	-	23,769	4,662	3,500
Total business-type activities	171,613	163,205	161,482	151,069	215,148	377,441	252,533	298,650
Governmental activities:								
Sales tax revenue	-	61	-	-	-	-	-	-
Investment income	30	99	79	174	207	267	349	41
Other income	8	12	18	19	28	3	151	161
Total governmental activities	38	172	97	193	235	270	500	202
TOTAL PRIMARY GOVERNMENT	$ 171,651	$ 163,377	$ 161,579	$ 151,262	$ 215,383	$ 377,711	$ 253,033	$ 298,852
CHANGE IN NET ASSETS								
Business-type activities	176,414	238,857	186,711	41,087	(25,239)	377,044	162,690	102,094
Governmental activities	1,360	(288)	368	479	(163)	(464)	29	(1,443)
Total primary government	$ 177,774	$ 238,569	$ 187,079	$ 41,566	$ (25,402)	$ 376,580	$ 162,719	$ 100,651

[1] The data is shown retroactively to fiscal years when VTA implemented GASB Statement No. 34.
Source: Comprehensive Annual Financial Reports

TABLE 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Assets by Component
Eight Years Ended June 30, 2009
(Accrual Basis of Accounting)
(In thousands)

	Fiscal Year							
	2002 (1)	2003	2004	2005	2006	2007	2008	2009
BUSINESS-TYPE ACTIVITIES								
Invested in Capital Assets, Net of Related Debt	$ 1,367,401	$1,686,313	$1,846,221	$ 1,867,513	$ 1,817,396	$ 1,888,879	$2,056,769	$2,180,768
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	384,841
Unrestricted	242,699	162,644	169,798	210,973	245,098	232,626	438,848	173,866
Total Business-Type Activities Net Assets	1,610,100	1,848,957	2,081,799	2,122,886	2,097,647	2,474,691	2,637,381	2,739,475
GOVERNMENTAL ACTIVITIES								
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Unrestricted	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52
Total Governmental Activities Net Assets	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52
PRIMARY GOVERNMENT								
Invested in Capital Assets, Net of Related Debt	1,367,401	1,686,313	1,846,221	1,867,513	1,817,396	1,888,879	2,056,769	2,180,768
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	384,841
Unrestricted	244,323	163,980	171,503	213,157	247,028	234,092	438,848	173,918
Total Primary Government Net Assets	$ 1,611,724	$1,850,293	$ 2,083,504	$ 2,125,070	$ 2,099,577	$ 2,476,157	$2,638,876	$ 2,739,527

Notes:
(1) The data is shown retroactively to fiscal years when VTA implemented GASB Statement No. 34.
Source: Comprehensive Annual Financial Reports

TABLE 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2009
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Year									
	2000	2001[1]	2002	2003	2004	2005	2006	2007	2008 [2]	2009
REVENUES										
Member Agency Assessment Revenue	$ 1,240	$ 1,240	$ 1,587	$ 2,032	$ 1,783	$ 2,174	$ 2,250	$ 2,329	$ 2,410	$ 2,495
Federal Technical Studies Operating Assistance Grants	1,042	453	452	453	223	1,036	621	794	1,102	915
Federal Grants	27	-	-	-	-	-	-	-	-	-
Other Contributions	390	-	-	-	-	-	-	-	-	-
Sales Tax	-	71	-	60	-	-	-	-	-	-
Administrative Fees	85	53	99	145	80	57	40	68	65	123
State Operating Assistance Grants	31	118	1,953	400	293	63	229	229	1,091	581
Local Grant Revenue	15,888	41,107	112,668	141,364	116,013	95,746	83,207	48,180	45,109	29,479
Other Revenues	2	35	8	12	17	19	28	3	151	161
Investment Earnings	15	37	30	99	79	174	207	267	349	41
Total Revenues	18,720	43,114	116,797	144,565	118,488	99,269	86,582	51,870	50,277	33,795
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	1,296	1,551	1,388	2,604	2,733	4,177	5,179	5,640	5,680	8,006
Professional Services	1,786	1,469	1,283	919	390	640	803	888	770	793
Program Expenditures	70	-	-	-	-	-	-	-	-	41
Capital Improvement Projects	15,888	40,963	112,697	141,271	115,262	94,064	80,763	45,806	43,798	26,398
Total Expenditures	19,040	43,983	115,368	144,794	118,385	98,881	86,745	52,334	50,248	35,238
Excess (Deficiency) of Revenues Over Expenditures	(320)	(869)	1,429	(229)	103	388	(163)	(464)	29	(1,443)
OTHER FINANCING SOURCES (USES):										
Transfer In	-	-	-	-	-	86	-	-	-	-
Transfer Out	-	-	-	-	-	(86)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ (320)	$ (869)	$ 1,429	$ (229)	$ 103	$ 388	$ (163)	$ (464)	$ 29	$ (1,443)
TOTAL GOVERNMENTAL FUNDS										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	1,133	402	1,831	1,602	1,705	2,093	1,930	1,466	1,495	52
Total Governmental Funds	$ 1,133	$ 402	$ 1,831	$ 1,602	$ 1,705	$ 2,093	$ 1,930	$ 1,466	$ 1,495	$ 52

Notes:

[1] FY2001 restated for changes in accounting principles.

[2] The major changes to prior fiscal years are explained in Management Discussion & Analysis.

Source: Comprehensive Annual Financial Reports

TABLE 4
Santa Clara Valley Transportation Authority
Financial Trends – Current Ratio
Enterprise Fund
Ten Years Ended June 30, 2009

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.

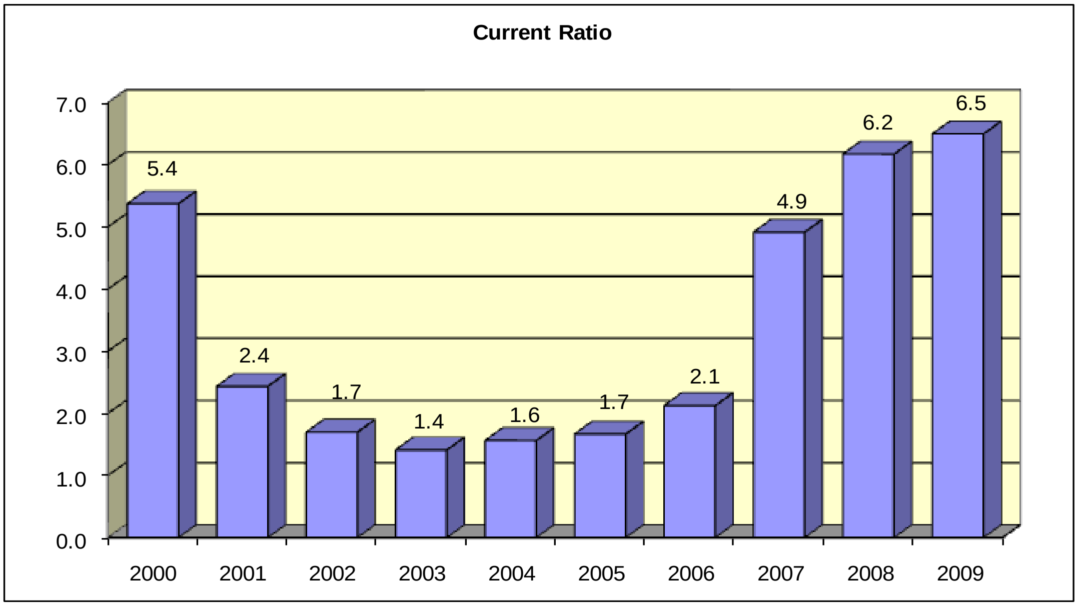
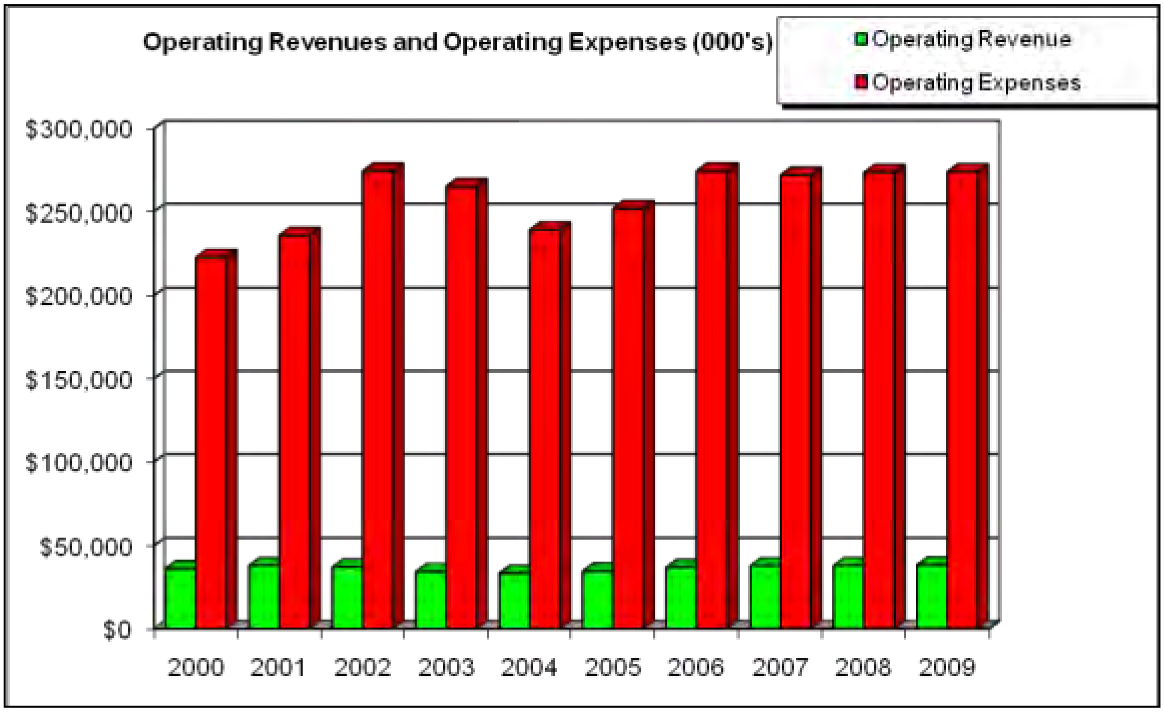


TABLE 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Operating Revenues and Operating Expenses
VTA Transit
Ten Years Ended June 30, 2009

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.

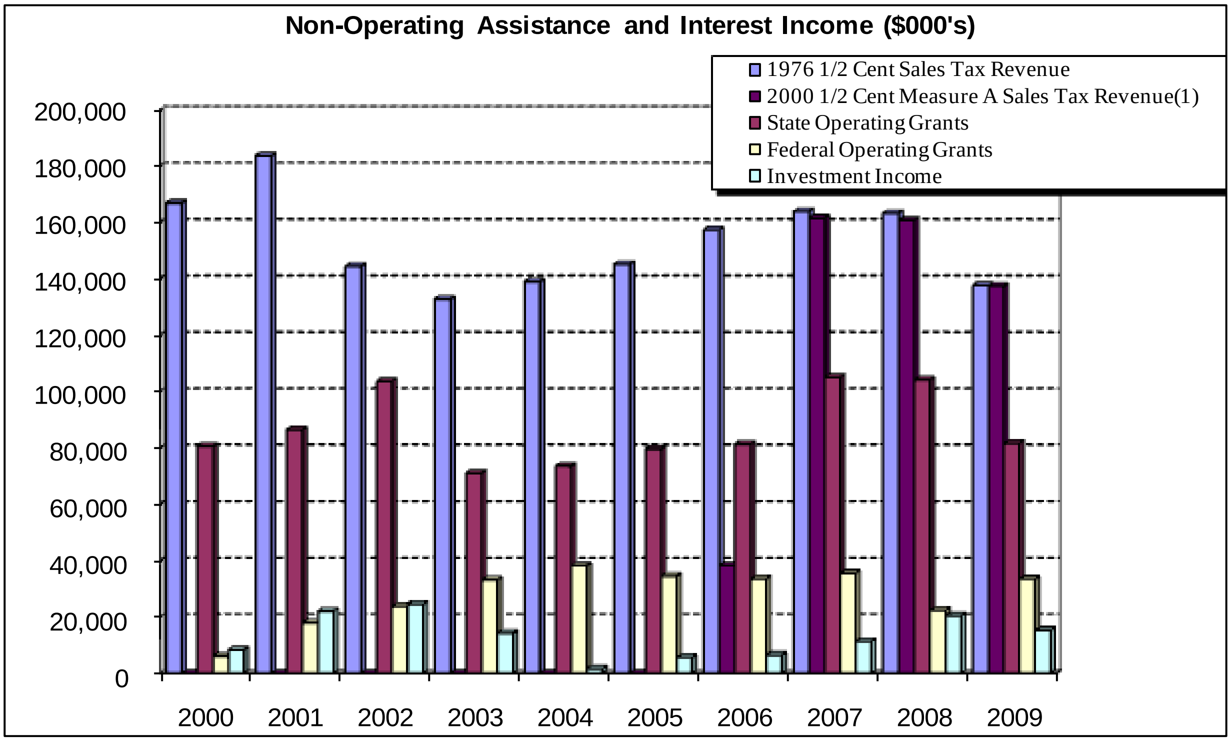


Operating Revenues and Operating Expenses

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenue	$36,253	$37,982	$37,122	$34,376	$33,421	$34,692	$36,926	$37,876	$38,053	$38,439
Operating Expenses	222,875	236,137	274,407	265,180	239,411	251,874	274,426	271,975	273,495	273,979

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance and Interest Income
Enterprise Fund
Ten Years Ended June 30, 2009

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 fourth year 2000 Measure A Half-Cent Sales Tax revenue has been collected.



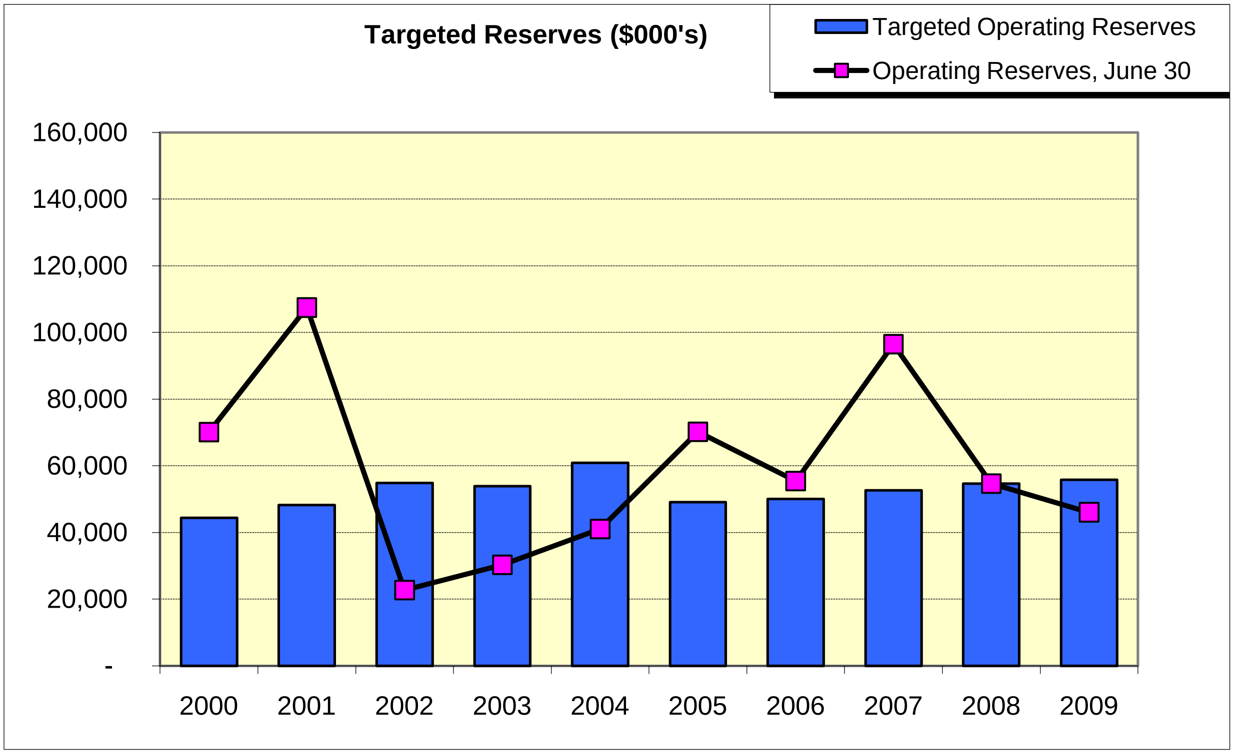
Non-Operating Assistance and Interest Income

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1976 1/2 Cent Sales Tax Revenue	$ 166,764	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$163,038	$137,642
2000 1/2 Cent Measure A Sales Tax Revenue[(1)]	-	-	-	-	-	-	38,170	161,361	160,537	137,261
State Operating Grants	80,436	86,388	103,561	70,956	73,433	79,509	81,199	104,917	104,080	81,488
Federal Operating Grants	6,051	17,867	23,811	33,176	38,144	34,416	33,565	35,514	22,425	33,449
Investment Income	8,286	22,078	24,513	14,245	1,592	5,666	6,457	11,304	20,370	15,341

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

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
Enterprise Fund
Ten Years Ended June 30, 2009

The policy adopted by the VTA Board established an operating reserve goal of 15% of adopted budget expenses. To calculate the actual reserve at fiscal year end, total current assets are reduced by total current liabilities to determine current net assets. Current Net Assets are then reduced by inventory and other current assets to reach a current operating reserve total.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Current Assets	$113,002	$169,905	$ 84,793	$ 96,026	$111,232	$126,644	$113,717	$208,291	$120,374	$103,697
Total Current Liabilities	(25,941)	(46,804)	(41,876)	(43,785)	(45,865)	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)
Net Current Assets	87,061	123,101	42,917	52,241	65,367	88,882	75,772	166,689	75,421	69,981
Less: Inventory & Other Current Assets[(1)]	(17,006)	(15,634)	(20,239)	(21,951)	(24,335)	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)
Operating Reserves, June 30	$ 70,055	$107,467	$ 22,678	$ 30,290	$ 41,032	$ 70,169	$ 55,411	$ 96,455	$ 54,630	$ 46,045
Operating Reserves Target (15% of Budgeted Expenses)	$ 44,366	$ 48,221	$ 54,784	$ 53,843	$ 60,899	$ 49,112	$ 50,081	$ 52,599	$ 54,630	$ 55,760

[(1)]Starting FY2008, includes inventory and other current assets; prior years included inventory only

TABLE 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Revenue Base and Revenue Rates
Ten Years Ended June 30, 2009

	Fiscal Year									
Revenue Rates (In thousands)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Passenger Fares [1]	$ 32,325	$ 33,838	$ 31,282	$ 30,960	$ 30,625	$ 32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184
Percentage Increase/(Decrease) from Prior Year	19.4%	4.7%	(7.6)%	(1.0)%	(1.1)%	4.7%	7.1%	2.6%	1.7%	1.0%
Revenue Base										
Number of Passengers [2]	54,921,324	56,474,822	52,690,092	45,221,844	38,375,374	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434
Percentage Increase/(Decrease) from Prior Year	1.1%	2.8%	(6.7)%	(14.2)%	(15.1)%	(3.4)%	5.8%	7.1%	3.7%	3.9%
Fare Structure										
Adult Local Fare	$1.25	$1.25	$0.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75
Youth Local Fare	0.70	0.70	0.70	0.85	1.25	1.50	1.50	1.50	1.50	1.50
Senior/Disabled Local Fare	0.40	0.40	0.40	0.45	0.75	0.75	0.75	0.75	0.75	0.75
Half-Cent Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 166,764	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642
2000 Measure A 1/2 Cent Sales Tax [4]	-	-	-	-	-	-	38,170	161,361	160,537	137,261
Total Sales Tax Revenue Receipts [5]	$ 166,764	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	16.0%	10.1%	(21.4)%	(8.0)%	4.7%	4.4%	8.5%	4.1%	(0.4)%	(15.6)%
2000 Measure A 1/2 Cent Sales Tax [4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	322.7%	(0.5)%	(14.5)%
Total Sales Tax Revenue Receipts										

Notes:

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

[2] 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 improvements.

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

[5] VTA receives the sales tax based on the total taxable sales activity in the County.

TABLE 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2009

Fiscal Year	State	City	County[1]	VTA[2]	Total
1999	6.25%	1.00%	0.5%	0.5%	8.25%
2000	6.25%	1.00%	0.5%	0.5%	8.25%
2001	6.25%	1.00%	0.5%	0.5%	8.25%
2002	6.25%	1.00%	0.5%	0.5%	8.25%
2003	6.25%	1.00%	0.5%	0.5%	8.25%
2004	6.25%	1.00%	0.5%	0.5%	8.25%
2005	6.25%	1.00%	0.5%	0.5%	8.25%
2006[3]	6.25%	1.00%[3]	0.0%[3]	1.00%	8.25%
2007	6.25%	1.00%	0.0%	1.00%	8.25%
2008	6.25%	1.00%	0.0%	1.00%	8.25%
2009[4]	7.25%[4]	1.00%	0.0%	1.00%	9.25%

(1) Measure B, approved by Santa Clara County voters in the November 1996 General Election, authorized the Santa Clara County Board of Supervisors to collect a half-cent sales tax for nine years. The 1996 sales tax funded specific countywide transportation projects approved by voters under Measure A during the same election. The 1996 sales tax expired on March 31, 2006.

(2) VTA has two specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 30-year sales tax measure will sunset on March 31, 2036.

(3) There was a partial year collection of 1996 Measure B Sales Tax which expired March 31, 2006. The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

(4) California state legislature approved a 1% sales tax increase effective July 1, 2009.

Source: California Board of Equalization

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

	Fiscal Year 2008 [1]			Fiscal Year 1999		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	34.7%	$ 11,643	1	41.0%	$ 13,877
Other Retail Stores	2	12.8%	4,292	11	1.5%	497
Automotive	3	9.6%	3,202	2	14.5%	4,908
General Merchandise	4	9.3%	3,120	4	8.1%	2,737
Eating and Drinking	5	8.6%	2,866	5	6.4%	2,159
Service Stations	6	7.6%	2,551	3	11.8%	3,995
Building Material	7	4.5%	1,500	7	3.8%	1,270
Apparel Stores	8	3.9%	1,312	9	2.4%	816
Business and Personal Services	9	3.7%	1,224	6	5.0%	1,695
Food Stores	10	2.7%	902	10	2.4%	814
Household Group	11	2.6%	864	8	3.1%	1,077
Total		100.0%	$ 33,476		100.0%	$ 33,845

Notes:
(1) 2009 data not available at printing
(2) This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producers, publishers, and a multitude of part-time permittees.

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, 2009
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2000	$ 29,660	$ 85,008	$ -	$ 114,668
2001	29,660	321,354	-	351,014
2002	29,660	313,641	-	343,301
2003	29,660	387,810	-	417,470
2004	29,660	297,415	250,042	577,117
2005	29,660	288,758	390,309	708,727
2006	29,660	280,319	390,036	700,015
2007	29,200	271,277	445,651	746,128
2008	26,500	279,600	356,825	662,925
2009	-	270,710	355,970	626,680

Notes:
(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, 2009
(In thousands)

Fiscal Year	Total Outstanding Debt	Total County Taxable Sales[1]	Total Debt as a % of Taxable Sales	Personal Income[2]	Total Debt as a % of Personal Income
2000	$ 114,668	$ 30,194,000	0.38%	$ 91,386,000	0.13%
2001	351,014	28,491,600	1.23%	83,839,000	0.42%
2002	343,301	27,062,700	1.27%	77,549,000	0.44%
2003	417,470	27,453,900	1.52%	77,680,000	0.54%
2004	577,118	27,906,967	2.07%	82,639,000	0.70%
2005	708,727	28,878,355	2.45%	87,909,716	0.81%
2006	700,015	31,623,873	2.21%	96,443,117	0.73%
2007	746,128	33,131,466	2.25%	104,102,000	0.72%
2008	662,925	33,476,000	1.98%	107,225,060	0.62%
2009	626,680	28,789,000	2.16%	106,152,809	0.59%

Notes:
The total VTA outstanding debt is pledged by its sales tax revenues. VTA has two sales tax revenue measures approved by the voters. The 1976 1/2 cent Sales Tax measure was approved in 1976 and the 2000 Measure A 1/2 cent Sales Tax was passed by County voters in the 2000 general election. The collection of this tax measure started in April 2006.
[1]Taxable sales data is available through Fiscal 2008. 2009 assumes a 14% decline over 2008 numbers.
[2]Personal income actual available through Fiscal 2007. 2009 assumes a 1% decrease over 2008 numbers which assumed a 3% growth over 2007 numbers.

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

PLEASE NOTE:

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, 2009
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	Sales Tax Revenue	Principal	Interest [1]	Total	Coverage [2]
2000	$166,764	$ 782	$4,616	$5,398	30.9
2001	183,540	2,124	6,806	8,930	20.6
2002	144,218	7,952	14,717	22,669	6.4
2003	132,632	8,159	14,222	22,381	5.9
2004	138,917	8,894	13,691	22,585	6.2
2005	145,008	9,290	13,761	23,051	6.3
2006	157,283	10,955	11,562	22,517	7.0
2007	163,676	10,855	13,672	24,527	6.7
2008	163,038	11,315	12,214	23,529	6.9
2009	137,642	8,890[3]	11,651	20,541	6.7

Notes:
[1] Interest does not include interest paid from bond proceeds.
[2] Bond indenture requires VTA to maintain coverage ratio of at least 2.0 times on its outstanding bonds.
[3]Does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates bonds redeemed inFY2009.

TABLE 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Five Years Ended June 30, 2009
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest [1]**	**Total**	**Coverage [2]**
2004	$ -	$ -	$ 1,874	$ 1,874	-
2005	-	-	11,996	11,996	-
2006	38,170	-	17,467	17,467	n/a[3]
2007	161,361	-	15,202	15,202	10.6
2008	160,537	-	14,943	14,943	10.7
2009	137,261	855	12,321	13,176	10.4

Notes:
[1] Interest does not include interest paid from bond proceeds.

[2] Bond indenture requires VTA to maintain coverage ratio of at least 1.25 times on its outstanding bonds.

[3] Collection of the 2000 Measure A Sales Tax started in April 2006.

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

The table below presents a five-year projection of forecasted debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2010 through 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2010 – 2014 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[(1)*]	Aggregate Debt Service [(2)]	Projected Coverage [(3)]
2010	$119,599	(13.11)%	$13,718	8.7
2011	122,410	2.35%	13,549	9.0
2012	132,068	7.89%	13,293	9.9
2013	137,126	3.83%	13,251	10.3
2014	140,376	2.37%	12,915	10.9

(1) Source: Growth rates provided by outside economists.
(2) Includes actual debt service on the 2001, 2007 and 2008 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.

The table below presents a five-year projection of forecasted debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2010 through 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2010 – 2014 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[(1)*]	Aggregate Debt Service [(2)]	Projected Coverage [(3)]
2010	119,265	(13.11)%	14,781	8.1
2011	122,068	2.35%	17,211	7.1
2012	131,699	7.89%	17,209	7.7
2013	136,743	3.83%	17,208	7.9
2014	139,984	2.37%	17,212	8.1

(1) Source: Growth rates provided by outside economists.
(2) Includes debt service on the 2007 Series A Measure A Bonds, which is calculated based on true interest rate of 4.60%, and 2008 Series A-D bonds interest cost is calculated at 3.765%
(3) Does not include any additional parity debt.

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

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

According to population estimates provided by the state of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 13.1% in 2009 compared to the 2000 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**	**2009**
Campbell	11,863	24,731	26,843	36,048	38,138	40,420
Cupertino	3,664	18,216	34,297	40,263	50,546	55,840
Gilroy	7,348	12,665	21,641	31,487	41,464	51,508
Los Altos	19,696	24,872	25,769	26,303	27,693	28,458
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	8,889
Los Gatos	9,036	23,466	26,906	27,357	28,592	30,497
Milpitas	6,572	27,149	37,820	50,686	62,698	70,817
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,619
Morgan Hill	3,151	6,485	17,060	23,928	33,556	39,814
Mountain View	30,889	54,206	58,655	67,460	70,708	74,762
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,484
San Jose	204,196	445,779	629,400	782,248	894,943	1,006,892
Santa Clara	58,880	87,717	87,700	93,613	102,361	117,242
Saratoga	14,861	27,199	29,261	28,061	29,843	31,679
Sunnyvale	51,898	95,408	106,618	117,229	131,760	138,826
Unincorporated	162,056	152,181	127,021	106,193	100,300	93,874
County Total(1)	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,857,621
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	38,292,687

(1)Totals may not be precise due to independent rounding.
Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit

TABLE 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates

Year	Santa Clara County Personal Income (In millions) [1][2]	Santa Clara County Per Capita Personal Income [1][2]	Unemployment Rate [3]
2000	$ 91,386,181	$ 54,195	3.1%
2001	83,838,707	49,615	5.1%
2002	77,548,912	46,305	8.5%
2003	77,680,349	46,363	8.5%
2004	82,638,917	49,132	6.6%
2005	89,926,000	51,277	5.5%
2006	97,685,000	55,020	5.0%
2007	104,102,241	60,107	4.7%
2008	107,225,060	61,909	5.1%
2009	106,152,809	61,290	11.8%

Notes:
[1] Source: Bureau of Economic Analysis U.S. Department of Commerce.
[2] Actual data is available through 2007. 2008 data is preliminary and assumes a 3% increase over 2007. 2009 data assumes a 1% decline over 2008.
[3] Source: California Employment Development Department. Not seasonally adjusted.

TABLE 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Wage and Salary Employment by Industry (Annual Average)
(In thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Civilian Labor Force (1)	958.8	965.5	1,001.8	1,005.8	958.2	895.1	828.8	823.7	834.4	855.2	876.8
Civilian Employment	927.9	936.3	982.0	960.0	877.6	821.6	774.2	778.7	797.1	814.7	825.2
Civilian Unemployment	30.9	29.2	19.8	45.8	80.6	73.5	54.6	45.0	37.3	40.5	51.7
Civilian Unemployment Rate											
County	3.2%	3.0%	2.0%	4.6%	8.5%	8.2%	6.6%	5.5%	4.5%	4.7%	5.9%
State of California	5.9%	5.2%	4.9%	5.3%	6.7%	6.5%	6.5%	5.4%	4.9%	5.4%	7.0%
Wage and Salary Employment (2)											
Total Farm Agriculture	5.2	5.3	5.0	4.6	4.5	4.2	4.1	3.8	3.8	3.7	4.6
Construction and Mining	41.3	44.8	47.6	48.0	42.5	39.0	40.1	42.7	45.5	49.5	50.1
Manufacturing	246.1	234.9	251.7	240.5	201.2	177.0	167.9	168.6	167.4	163.7	166.3
Transportation & Public Utilities	17.0	17.3	17.6	16.3	15.0	14.2	13.3	13.0	12.6	13.1	13.8
Wholesale Trade	42.4	42.3	42.2	40.7	35.7	33.5	34.0	35.1	37.6	39.1	39.9
Retail Trade	83.8	86.6	90.6	88.2	83.6	81.0	80.2	81.7	83.1	86.2	88.2
Finance, Insurance & Real Estate	33.8	34.2	34.0	35.2	35.0	34.8	34.7	35.9	36.8	38.2	39.5
Services	403.0	419.8	451.8	440.0	391.7	379.9	385.0	384.8	401.3	416.7	424.1
Government	88.9	91.4	94.5	94.6	98.1	94.8	91.7	93.0	93.5	90.2	92.7
Total(3)	961.5	976.6	1,035.0	1,008.1	907.3	858.4	851.0	858.6	881.6	900.4	919.2

(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 2008.

(2) Wage and salary employment is reported by place of work. Data are benchmarked to 2008.

(3) Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department
Department of Finance, Statistics & Demographic Research.
www.dice.com, April 2007 - Technology Job Market – Silicon Valley, CA Q1 2007

TABLE 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Silicon Valley Major Employers
Fiscal Year Ended June 30, 2009

Company Name	Number of Employees	Nature of Operations
Cisco Systems, Inc.	17,000	Computer network equipment manufacturer
Santa Clara County	15,350	County government
Kaiser Permanente	13,515	Health care organization
Stanford University, SLAC	12,219	Higher education, academic research, electron accelerators & related facilities
Lockheed Martin Space Systems Co.	8,088	Aerospace systems
Oracle Corp.	8,000	Software developer
State of California	7,751	State government
Hewlett-Packard Co.	7,500	Technology solutions provider
Sun Microsystems Inc.	6,400	Network computing servers, storage, software and services
City of San Jose	6,256	Local government
Stanford Hospital & clinics	6,145	Hospital
Intel Corp.	5,783	Semiconductor manufacturer
Yahoo Inc.	5,500	Internet information provider
San Jose State University	5,062	Higher education
Santa Clara Valley Medical Center	4,886	Hospital
New United Motor Manufacturing, Inc.	4,800	Automotive manufacturing
IBM Corp.	4,719	Creates, develops and manufactures information technologies
EBay Inc.	4,500	Online global trading platform
University of California, Santa Cruz	4,093	Higher education
Applied Materials Inc.	3,988	Semiconductor equipment manufacturer
San Jose Unified School District	3,200	Public education
AT&T	3,000	Communications holding company
Juniper Networks Inc	2,800	Computer network infrastructure
Network Appliance	2,707	Data storage solutions
Veterans Affairs, Palo Alto Health Care System	2,600	Veterans hospital
VMware	2,600	Virtualization software developer

Source: Silicon Valley/San Jose Business Journal January 2009

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 15,350 workers. The City of San Jose alone has 6,256 full-time employees.

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

TABLE 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Operating Indicators
Ten Years Ended June 30, 2009

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles	Peak Buses	Active Buses	Bus Fleet
2000	47,007,594	151,480	22,923,518	1,623,603	19,373,302	178,688,295	427	512	548
2001	47,237,748	152,708	22,640,485	1,616,941	19,176,759	182,186,543	418	502	562
2002	44,900,522	144,823	22,043,527	1,589,200	18,714,024	177,882,517	402	491	690
2003	39,169,325	126,030	20,556,769	1,497,846	17,471,291	152,035,735	375	454	524
2004	32,902,350	105,588	18,681,967	1,359,608	15,754,661	136,692,813	345	457	523
2005	30,296,718	97,117	18,259,119	1,330,707	15,416,363	125,952,546	344	441	525
2006	30,938,044	99,966	18,499,971	1,346,841	15,678,367	120,582,641	345	440	524
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,289,594	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,101,576	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856,130	336	424	448

LIGHT RAIL

Fiscal Year	Total Ridership [1]	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles	Peak Cars	Light Rail Fleet
2000	7,913,730	25,673	1,648,334	112,202	1,608,254	35,758	43	54
2001	9,237,074	30,383	1,986,763	136,483	1,925,908	42,462	41	54
2002	7,789,570	25,573	2,032,588	137,087	1,961,941	34,656	41	66
2003	6,052,519	19,772	1,567,594	106,416	1,498,685	26,815	29	98
2004	5,473,024	17,636	1,464,325	98,930	1,372,375	24,166	26	80
2005	6,780,431	21,436	1,774,543	114,663	1,647,376	32,290	34	100
2006	8,279,807	26,137	2,129,189	138,348	1,993,940	41,913	39	100
2007	10,278,460	32,567	2,220,230	143,816	2,105,819	54,528	53	100
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99

Note:
Source: VTA Operations Division.
[1] Light rail ridership increased in FY2006 with the opening of the Vasona Light Rail Extension.

TABLE 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Farebox Recovery Ratio
Ten Years Ended June 30, 2009

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

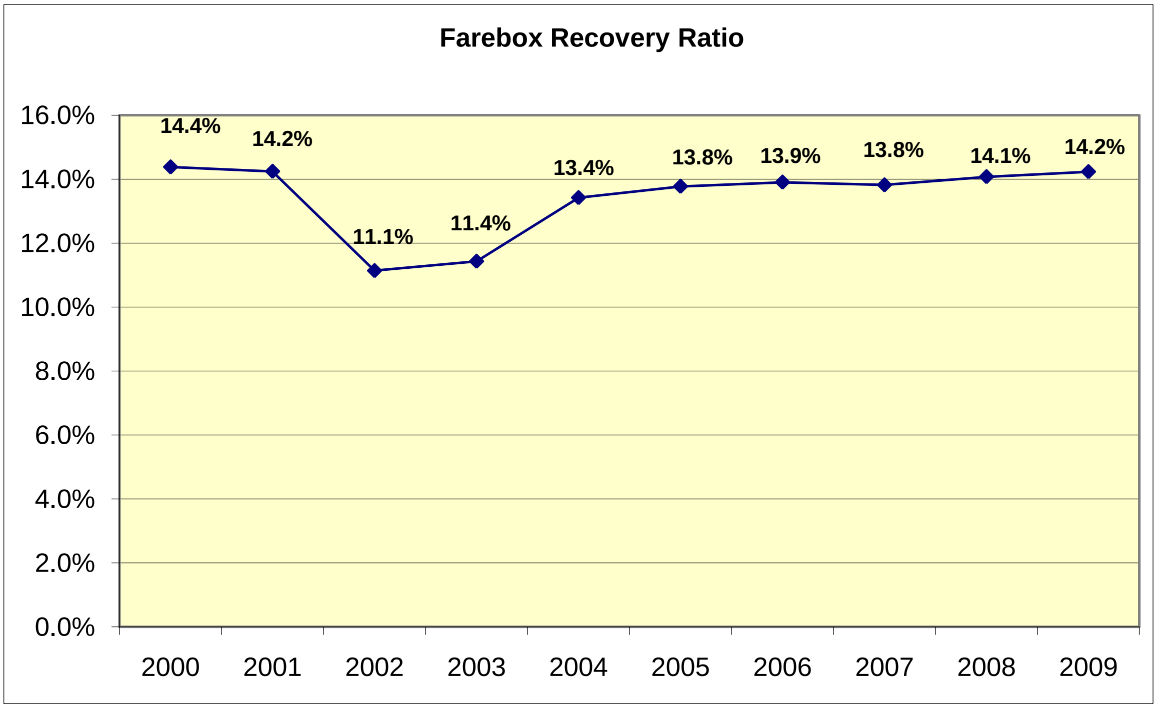


TABLE 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Revenue Miles
Ten Years Ended June 30, 2009

The following chart shows total vehicle miles in revenue service. FY2009 marked the fourth consecutive year since FY2002 that there was an increase in total revenue miles. This is attributable to the opening of the Vasona light rail extension between the San Fernando and Winchester stations in FY2006 and adding service on existing segments.

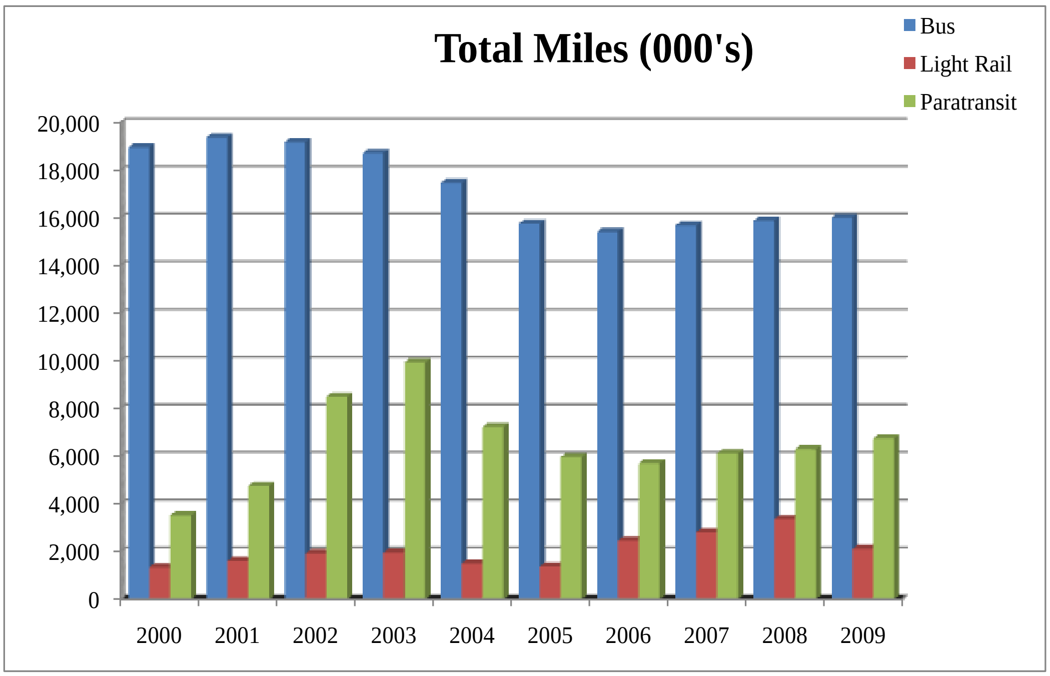


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Passenger Miles
Ten Years Ended June 30, 2009

Passenger mile statistics are presented in the chart below. During the last three fiscal years, passenger miles have increased with the extension of the light rail system as well as gains in ridership on bus segments. The increase in total passenger miles during FY2009 is due to the increase in ridership with the implementation of the Comprehensive Operations Analysis.

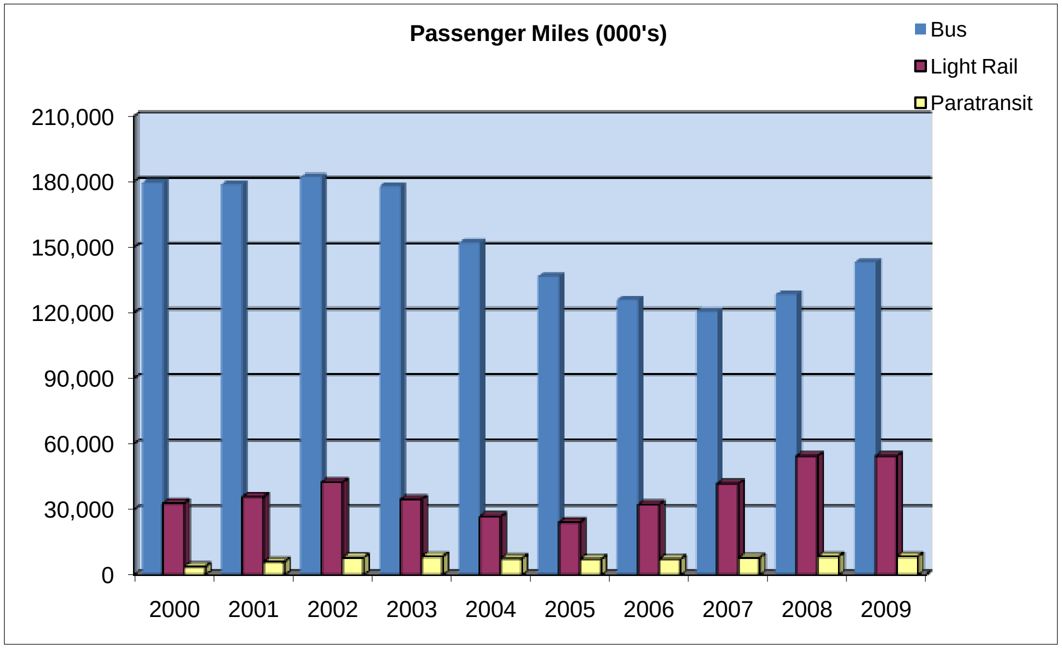


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FAREBOX REVENUE ($000's)[1]	$ 32,326	$ 33,837	$ 31,282	$ 30,959	$ 30,625	$32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184
VEHICLE REVENUE MILES (000's)										
BUS	19,373	19,177	18,714	17,471	15,755	15,315	15,573	15,851	15,951	15,800
LIGHT RAIL	1,608	1,926	1,962	1,499	1,372	2,460	2,810	3,354	2,112	2,106
PARATRANSIT	4,748	8,495	9,937	7,233	5,967	5,702	6,126	6,296	6,746	7,582
PASSENGER MILES (000's)										
BUS	178,688	182,187	177,883	152,036	136,693	125,953	120,581	128,290	143,102	152,856
LIGHT RAIL	35,758	42,462	34,656	26,815	24,166	32,290	41,913	54,528	54,475	58,708
PARATRANSIT	6,013	6,711	7,947	8,497	7,546	7,314	7,896	7,835	8,486	9,908
FLEET SIZE										
BUS	512	502	491	524	523	525	524	539	480	448
LIGHT RAIL	55	54	68	98	80	100	100	100	100	99
CASH FARE SINGLE RIDE										
ADULT	$1.25	$1.25	$1.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75
YOUTH	$0.70	$0.70	$0.70	$0.85	$1.25	$1.50	$1.50	$1.50	$1.50	$1.50
SENIOR	$0.40	$0.40	$0.40	$0.45	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75

[1] Note: Includes fare revenue from motor bus, light rail and shuttle services.

TABLE 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
Fiscal Year Ended June 30, 2009

URBANIZED AREA (UZA):

326 Square Miles

ROUTES

Type of Route	Number of Routes
Local	57
Limited Stop	4
Express	11
Rapid	1
Light Rail	2
Total	75

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	8	560
Light Rail	21	6,471
Caltrain	16	5,029
Total	45	12,060

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,804
Shelters	802
Benches	1,932
Trash Receptacles	828
Transit Centers	16

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Employees
Five Years Ended June 30, 2009[1]

Full-time Equivalent Employees[2]

Fiscal Year	Operations	Congestion Management	Fiscal Resources	Engineering & Construction	External Affairs[3]	Administrative Services	General Counsel	General Manager	SVRT Program[3]	Total
2005	1,665	111	113	114	NA	106	9	37	NA	2,155
2006	1,597	104	105	107	NA	101	9	30	NA	2,053
2007	1,584	101	100	98	NA	102	8	27	NA	2,020
2008	1,628	48	103	98	70	92	10	4	4	2,057
2009	1,649	51	97	99	74	102	8	4	4	2,088

Note:
(1) Data from prior years not available in this organizational format.
(2) A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,088. The table shows the total full-time equivalent by division.
(3) New divisions created as part of the reorganization in FY2008.

TABLE 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2009
(In thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Capital assets, not being depreciated:										
Land and right of way	$ 515,329	$ 571,682	$ 572,665	$ 570,715	$ 747,679	$ 761,818	$ 1,131,579	$ 1,118,577	$ 1,118,212	$ 1,119,217
Construction in Progress	217,897	332,370	608,403	923,872	690,853	775,711	380,776	488,192	639,708	781,381
Total capital assets, not being depreciated	733,226	904,052	1,181,068	1,494,587	1,438,532	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598
Capital assets, being depreciated:										
Buildings, improvements, furniture and fixtures	204,247	229,820	227,826	237,239	337,565	340,546	462,448	460,900	487,116	488,156
Vehicles	178,103	185,851	220,504	306,328	363,270	480,174	457,616	458,001	462,027	442,771
Light-rail tracks and electrification	245,809	272,750	276,398	281,182	375,049	365,505	384,435	399,563	399,824	399,824
Caltrain – Gilroy extension	48,763	48,775	48,775	48,962	52,990	52,990	52,990	53,155	53,155	53,155
Other operating equipment	29,010	27,452	28,366	28,706	28,830	28,830	29,002	29,416	39,770	41,730
Leasehold Improvement	-	-	-	-	-	-	-	2,169	9,686	-
Total capital assets, being depreciated	705,932	764,648	801,869	902,417	1,157,704	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636
Less accumulated depreciation										
Total accumulated depreciation	(208,592)	(239,635)	(242,026)	(270,924)	(289,653)	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)
Total capital assets, being depreciated, net	497,340	525,013	559,843	631,493	868,051	932,845	987,856	956,796	957,683	905,750
Total capital assets, net	$ 1,230,566	$ 1,429,065	$ 1,740,911	$ 2,126,080	$ 2,306,583	$ 2,470,374	$ 2,500,211	$ 2,563,565	$ 2,715,603	$ 2,806,348

Source: Comprehensive Annual Financial Reports