SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2011

For Fiscal Year Ended
June 30, 2011
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, 2011

VTA's Light Rail service runs 42.2 miles with 62 stations throughout Santa Clara Valley, and now provides passengers with free high-speed Wi-Fi connections.

Construction projects such as installation of sound walls, are underway in anticipation of BART service coming to Santa Clara County.

VTA's current bus fleet includes American-made, low-emission diesel electric hybrid buses.

VTA will soon open express lanes on SR 237 to provide congestion relief through more effective use of existing roadways.

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

VTA's Commuter Express service saves south San Jose riders time during commute hours.

The Blossom Hill Pedestrian Overcrossing, now under construction, will provide safe passage over UPRR tracks in south San Jose.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2011

Prepared by:
Fiscal Resources Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

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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, 2010

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**

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LETTER OF TRANSMITTAL

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SANTA CLARA
Valley Transportation Authority

October 19, 2011

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, 2011. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness, and fairness of the data and the clarity of the presentation, including all disclosures, rests with VTA. To the best of our knowledge, the enclosed data is reported in a manner designed to present fairly, in all material respects, VTA's financial position, changes in financial position, and cash flows, where applicable, in accordance with the requirements of accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion for the fiscal year ended June 30, 2011, 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 requirements of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the fair presentation of the financial statements, agency's internal controls and compliance with legal requirements.

REPORTING ENTITY

VTA is an independent public agency responsible for bus and light rail operations in Santa Clara County (County), regional commuter and inter-city rail service, Americans with Disabilities Act (ADA) paratransit service, congestion management, specific highway improvements, and other transportation projects, as well as countywide transportation planning and funding. A map showing VTA's bus and rail transit service area is set forth on page 1-14. VTA was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the VTA's Board of Directors. Effective January 1, 1995, pursuant to state of California (state) legislation, VTA has operated under a separate Board of Directors composed of county and city representatives. On January 1, 2000, pursuant to the state legislation, VTA's name was officially changed from the Santa Clara County Transit District to Santa Clara Valley Transportation Authority.

VTA is governed by a Board of Directors (the "Board" or the "Board of Directors") consisting of 12 elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the San Jose City Council. 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. 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 approximately 1.8 million residents. The per capita income in Santa Clara County is $56,902, and the median household income is also one of the highest in the state at $85,569. The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies. With varied and relatively stable employers such as Google, Cisco, Hewlett-Packard, Stanford University, and Apple among others, Santa Clara County has enjoyed a diverse employment and revenue base. However, the recent economic downturn had an adverse impact on employment and the housing market.

According to a recent US Department of Labor report, the number of unemployed persons in August 2011 was 14 million. The unemployment rate has shown little change since April 2011 and remained at 9.1 percent.[1] The housing market shows spotty evidence of rebounding and the overall recovery is sluggish.

Similar to other jurisdictions throughout the country, the County is showing signs of slow recovery. In June 2011, the County's unemployment rate dropped slightly to 10.3% from 10.4% the prior year. During the same period, the state's unemployment rate was 12.4%[2]. The net assessed value of all real and business property in the County declined by 2.43% or $7.4 billion[3] and this reduction is believed to be a direct consequence of the disappointing unemployment rate in Santa Clara County.

The state has its own financial challenges which have and will continue to negatively impact local governments and agencies. In January 2011, the Governor submitted the State's fiscal year 2011-12 budget which showed more than $25 billion in deficit spending. The final budget approved by the legislature and signed by the Governor assumed revenue increases to cover the projected deficit. The State Transit Assistance Program (STA), the only State program that directly provides funds to operate bus and rail systems in California, was spared from cuts in the adopted budget.

On a brighter note, the taxable sales activity showed positive signs in FY2011 especially in the business to business, transportation, and general retail sectors. VTA's largest revenue sources for operations and capital activity, 1976 Half-Cent Sales Tax and 2000 Measure A Sales Tax both grew approximately 10% in FY2011 after a less than 2% growth in prior fiscal year.

CURRENT YEAR FINANCIAL HIGHLIGHTS

GASB Statement Number 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's

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[1] Economic News Release U.S. Labor Department. September 2, 2011
[2] California Employment Development Department and U.S. Labor Department. Monthly Labor Force Data for Counties
[3] Santa Clara County's 2010-11 Assessment Roll

Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A beginning on page 2-3 and should be read in conjunction with it.

The following presents supplemental information to the MD&A, providing comparative financial data for VTA's Enterprise Fund for FY2011 and FY2010.

(in thousands)			Change Favorable/(Unfavorable)	
Enterprise Fund	**FY2011**	**FY2010**	**Amount**	**%**
Operating Revenues	$ 40,014	$ 38,830	$1,184	3.05%
Operating Expenses	(353,812)	(347,819)	(5,993)	-1.72%
Sales Tax- 1976 Half-Cent	153,601	140,037	13,564	9.69%
Sales Tax- 2000 Measure A Half-Cent	152,855	139,305	13,550	9.73%
Federal and State Operating Grants	137,804	126,934	10,870	8.56%
Federal subsidy for Build America Bonds	5,848	0	5,848	N/A
Investment and Other Income	17,204	8,839	8,365	94.64%
Other Non-Operating Expenses	(122,593)	(128,150)	5,557	4.34%
Capital Contributions	148,303	92,594	55,709	60.16%
Special Item	32,650	0	32,650	N/A
Change in Net Assets	211,874	70,570	141,304	200.23%
Net assets, beginning of year	2,794,642	2,724,072	70,570	2.59%
Net assets, end of year	$ 3,006,516	$ 2,794,642	$ 211,874	7.58%

As reflected above, Enterprise Fund net assets increased by $211.9 million to $3.0 billion. Net assets in the 2000 Measure A Transit Improvement Program increased $128.8 million which can only be expended on projects included on the 2000 Measure A ballot approved by the voters. For VTA Transit Fund, net assets increased by $80.6 million resulting from capital contributions and the transfer in of more than $32 million from the internal service funds. VTA's largest revenue sources for operating and capital funding – 1976 Half-Cent Sales Tax and 2000 Measure A Half-Cent Sales Tax, were each $13.6 million (9.7%) higher compared to FY2010, reflecting an increase of taxable activity in the County. The increase in operating expenses in FY2011 is a result primarily of higher costs in benefits, as well as diesel fuel and gasoline. Additionally, depreciation expense increased in FY 2011 due to capitalization of 70 hybrid buses.

Total FY2011 net assets consisted of the following (in thousands):

Invested in capital assets, net of related debt	$2,220,118
Debt service	76,181
Retention	3,499
2000 Measure A projects	383,414
Restricted for 1996 Measure B Projects	1,646
Inventory, prepaid expenses, and issuance costs	33,762
Local share of capital projects	28,415
Debt reduction	93,527
SWAP/lease collateral	73,552
Joint Development	1,157
OPEB liability reduction	20,650
Sales tax stabilization	16,000
Operating reserve	54,595
Total Net Assets	$3,006,516

SIGNIFICANT FINANCIAL POLICIES

Biennial Budget and Long-Range Planning

To comply with the legal requirements of State of California and the VTA Administrative Code, VTA management proposes and the Board of Directors adopts an Operating Budget at the fund level and a capital budget on a project basis. The General Manager may reallocate appropriation between budget units and objects within each fund up to the limits of each fund's annual appropriations. Any net increase in authorized appropriation to any fund (including an allocation from reserves) requires an affirmative vote of at least eight Directors. Capital appropriations, which are not expended during the fiscal year, are carried over to successive fiscal years until the projects are completed or otherwise terminated. VTA annually updates and incorporates the VTA Financial Forecasting Model as part of its long-range planning process.

Internal Control

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

Basis of Accounting

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

Reserve Policies

The VTA Board has established an operating reserve goal of 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated revenue shortfalls or unavoidable expenditure needs. As of June 30, 2011, the operating reserve is at $54.6 million, 15.19% of the FY2012 adopted operating budget. The detailed calculation and information on the operating reserve is shown on page 3-8.

The reserves for Other Post-Employment Benefit (OPEB) Liability Reduction and the Sales Tax Stabilization were set up in FY2011. The OPEB Liability Reduction Reserve is designed to enhance VTA's fiduciary governance practices by allocating $20.65 million of one-time funds to facilitate a reduction in unfunded OPEB obligations.

The VTA Transit Sales Tax Stabilization Fund serves to mitigate the impact of sales tax receipt volatility on service levels and the VTA Transit Fund Operating Budget. Sales tax based revenues for the VTA Transit Fund include the 1976 half-cent local sales tax, a quarter-cent state sales tax (from Transportation Development Act or TDA), and 2000 Measure A Sales Tax-Operating Assistance which is derived from 18.5% of 2000 Measure A half-cent sales tax revenues. The VTA Transit Sales Tax Stabilization Fund is distinguished from the 15% Transit Enterprise Operating Reserve in that the Operating Reserve is designed to ensure that sufficient funds are available in the event of either unavoidable expenditure needs or unanticipated revenue shortfalls from sources other than sales tax based revenues.

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 and Self-Insurance

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

TRUST FUNDS

Pension and Other Post-Employment Benefits

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

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

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

MAJOR INITIATIVE

BART Silicon Valley

Bay Area Rapid Transit (BART) Silicon Valley is an extension of the existing BART regional heavy rail system to Milpitas, San Jose and Santa Clara. The 16-mile BART Silicon Valley Project will be delivered through a phased approach.

The Berryessa Extension is the 10-mile, two-station, first phase of BART Silicon Valley. This extension of the BART system will begin south of the future BART Warm Springs Station in Fremont and proceed alongside the Union Pacific Railroad (UPRR) through Milpitas and end in the Berryessa area of north San Jose at Las Plumas Avenue. Engineering on the project is advancing, and full construction activities are scheduled to begin in 2012.

The total capital cost of the BART Silicon Valley Berryessa Extension is estimated at approximately $2.3 billion. Funding for this project will come through multiple revenue streams. The 2000 Measure A, 1/2 cent sales tax and other local sources would contribute 40%, the State of California and its Traffic Congestion Relief Program (TCRP) would contribute 17% and federal grants including the New Starts Program would provide the remaining 43% of the funding.

The President's budget requests released February 14, 2011 recommended the project for a full funding grant agreement (FFGA) and also recommended $130 million in funding for the project, in Federal Fiscal Year 2012. The recommendation for an FFGA comes from the Federal Transit Administration (FTA) indicating the project has met the technical and procedural requirements for an FFGA and is key to enabling construction by early 2012. A fully executed FFGA is anticipated in February 2012.

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 FY2010 Comprehensive Annual Financial Report. This is the 15th consecutive year that VTA achieved this prestigious award.

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

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

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

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

Joseph T. Smith
Chief Financial Officer

2011 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 meets normally on the first Thursday of each month.

Margaret Abe-Koga, Chairperson
Ken Yeager, Vice Chairperson

GROUP 1

City of San Jose	Chuck Reed, Mayor
	Xavier Campos
	Rose Herrera
	Ash Kalra
	Sam Liccardo*
	Nancy Pyle, Alt.

*Serves on the Metropolitan Transportation Commission, representing Cities of Santa Clara County

GROUP 3

City of Campbell	
City of Cupertino	
Town of Los Gatos	
City of Monte Sereno	Marshall Anstandig, Alt.
City of Saratoga	Chuck Page

GROUP 5

County of Santa Clara	Liz Kniss
	Ken Yeager
	George Shirakawa, Alt.

GROUP 2

City of Los Altos	
Town of Los Altos Hills	Rich Larsen
City of Mountain View	Margaret Abe-Koga
City of Palo Alto	
City of Santa Clara	Jamie Matthews, Alt.
City of Sunnyvale	Chris Moylan

GROUP 4

City of Gilroy	Perry Woodward
City of Milpitas	Pete McHugh, Alt.
City of Morgan Hill	

GROUP 6

Ex Officio Metropolitan Transportation Commission	Dave Cortese

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

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

2. **Audit Committee** manages and monitors VTA's auditing and financial reporting activities in order to fulfill the Board's financial oversight responsibilities. It also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's annual financial audit. In addition, it reviews the findings of any assessments conducted.

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

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

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** is a 23-member committee comprised of individuals from the disabled community, representatives from human services agencies, an ex-officio member representing VTA's paratransit broker, and an ex-officio member from the VTA Board of Directors. The CTA provides advice to the VTA Board and staff on bus and rail system accessibility issues, as well as on paratransit service. Many of these issues are related to VTA's efforts to comply with the federal Americans with Disabilities Act (ADA).

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee** is a 17-member committee representing the residents of Santa Clara County, as well as specified community stakeholder groups, including business and labor, with an interest in transportation. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It ***also serves as***: (1) the ballot-specified ***Citizens Watchdog Committee*** for the 2000 Measure A Transit Improvement Program; and (2) the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.

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

4. **Technical Advisory Committee (TAC)** consists of one staff member (usually a public works, planning or community development director) from each of the 15 cities and the county of Santa Clara. In addition, VTA and the California Department of Transportation (Caltrans) have one non-voting member on the TAC. The TAC provides in-depth analysis, technical expertise and timely recommendations regarding transportation projects, programs, funding, and other policy matters, while giving voice to and reconciling local and regional perspectives.

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

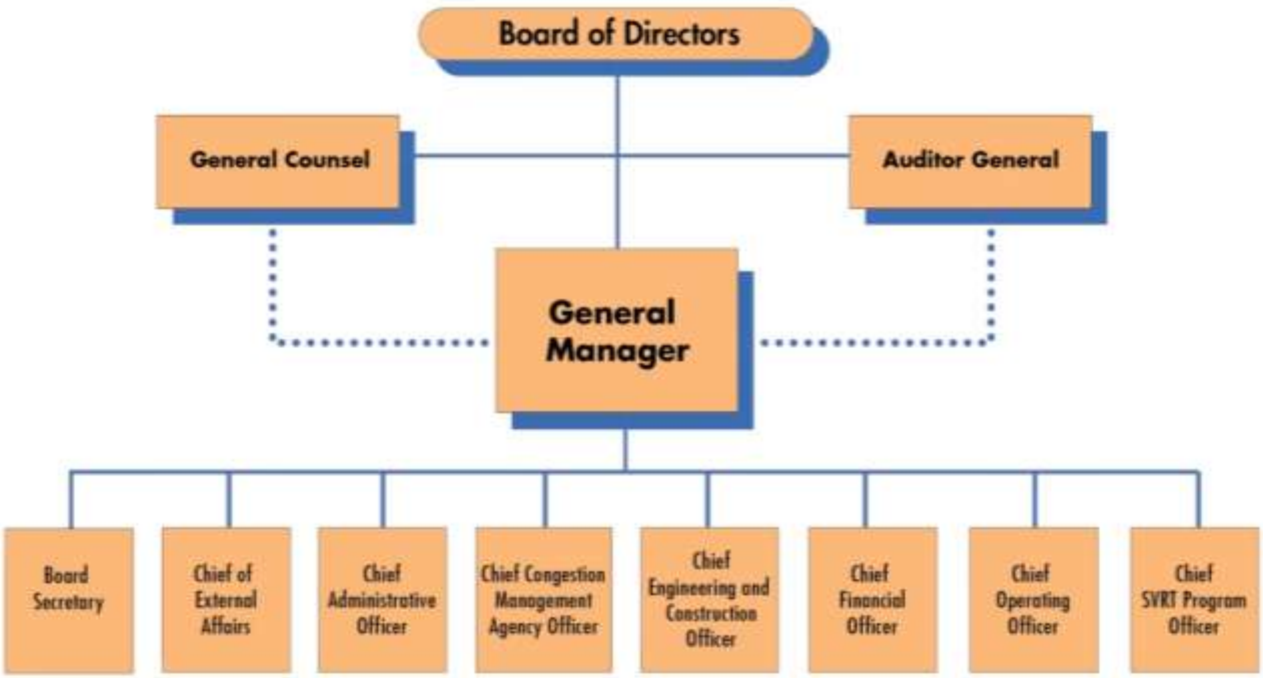
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

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

- **Diridon Station Joint Policy Advisory Board**
- **Downtown East Valley Policy Advisory Board**
- **El Camino Real Rapid Transit Policy Advisory Board**
- **Silicon Valley Rapid Transit Corridor & BART Warm Springs Extension Policy Advisory Board**

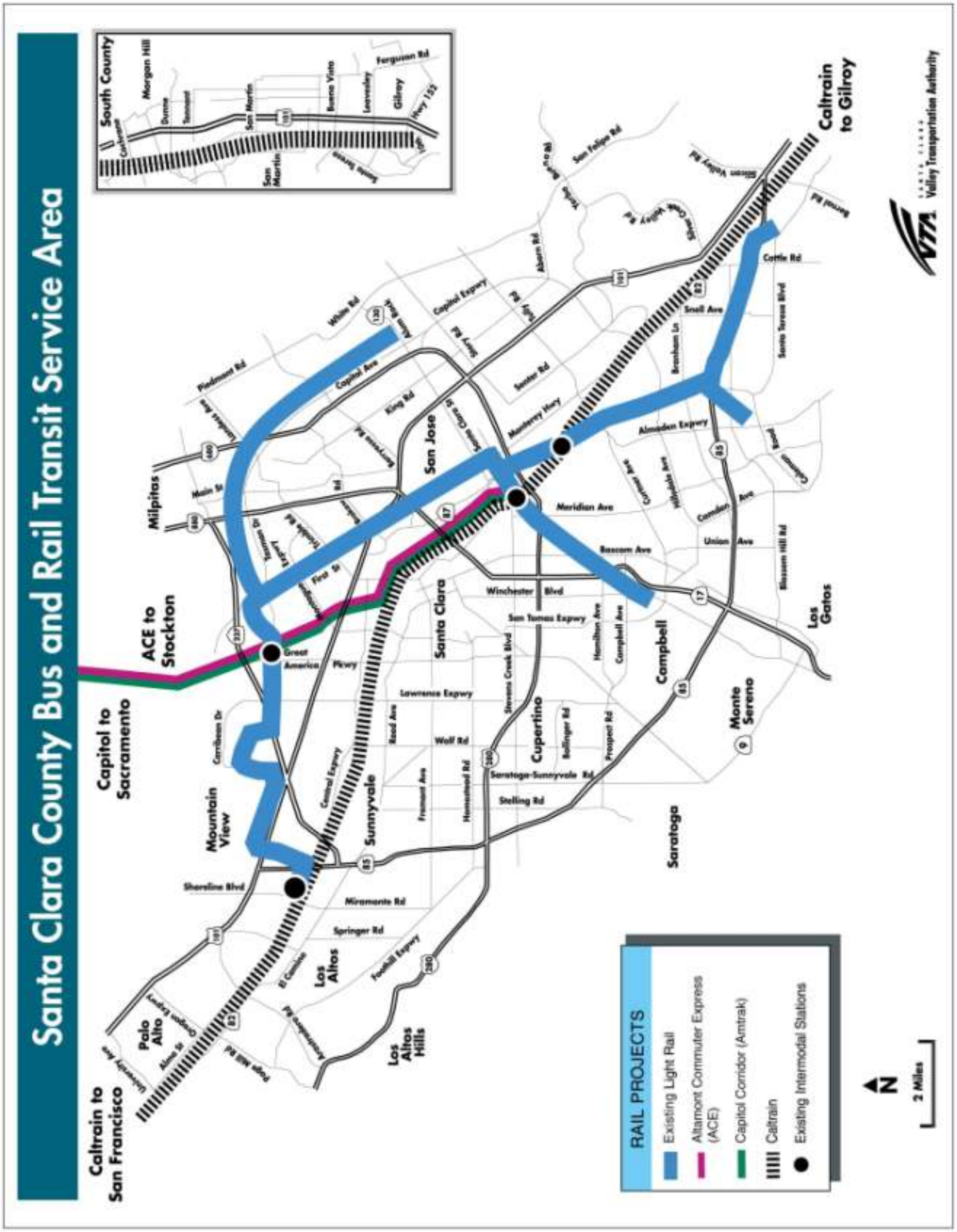
Santa Clara Valley Transportation Authority

As of June 30, 2011



Principal Officials as of June 30, 2011

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



Santa Clara County Bus and Rail Transit Service Area
South County
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
Caltrain to Gilroy
Milpitas
San Jose
Santa Clara
Sunnyvale
Mountain View
Palo Alto
Los Altos
Los Altos Hills
Cupertino
Saratoga
Campbell
Monte Sereno
Los Gatos
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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

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- Statement of Net Assets
- Statement of Activities

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- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

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

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- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets – Retiree Trust Funds

NOTES TO THE BASIC FINANCIAL STATEMENTS

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- Schedule of Funding Progress – CalPERS Plan
- Schedule of Funding Progress – Retirees' Other Post Employment Benefits Trust
- Budgetary Comparison Schedule – Congestion Management Program Special Revenue Fund
- Note to Required Supplementary Information – Budgetary Basis of Accounting

Supplementary Information – Combining and Individual Fund Statements and Schedules:

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

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

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INDEPENDENT AUDITOR'S REPORT

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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, 2011, 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, 2011, 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 October 7, 2011, 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.

260 Sheridan Avenue, Suite 440, Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

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The management's discussion and analysis, the schedules of funding progress and the budgetary comparison schedules on pages 2-3 through 2-20 and pages 2-81 through 2-85 are not required parts 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, 2010, which are not presented with the accompanying financial statements. In our report dated October 15, 2010, 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 2010 supplementary information is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010. 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
October 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

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Management's Discussion and Analysis

Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY2011. To obtain a complete understanding of VTA's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2011, VTA's assets exceeded liabilities by approximately $3.0 billion. Of the $3.0 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 $40.0 million, an increase of $1.2 million or 3.1 percent compared to FY2010.
- As of June 30, 2011, VTA has total outstanding bonds in the amount of $1.3 billion compared to $616 million the previous fiscal year. During FY2011, VTA issued $645.9 million (par value) of 2010 Measure A Bonds to fund BART Silicon Valley and other capital projects in the Measure A Transit Improvement fund.
- In FY2011, VTA Transit Fund net assets increased $80.6 million to $2.1 billion. The five board-designated reserves: Transit Operating Reserve, Debt Reduction Fund, SWAP/Lease Collateral, Sales Tax Stabilization Reserve, and Other Post-Employment Benefits (OPEB) Liability Reduction Reserve were $54.6 million, $93.5 million, $31.4 million, $16.0 million, and $20.7 million, respectively.
- In FY2011, VTA Measure A Fund net assets increased $128.8 million to a total of $895.1 million. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenues increased $13.6 million or 9.7% to $153.6 million in FY2011 compared to FY2010 reflecting an improvement in taxable sales activity in the County.
- The 2000 Measure A Sales Tax revenues increased $13.6 million or 9.7% to $152.9 million in FY2011 compared to FY2010.
- Federal, state and local operating assistance were $10.9 million or 8.6% higher in FY2011 mainly due to reinstatement of State Transit Assistance (STA) grant.
- Capital grants were also $55.7 million above FY2010 mainly due to higher Traffic Congestion Relief Program (TCRP) grant receipts for the BART Silicon Valley project and capital grants received under the American Recovery and Reinvestment Act (ARRA) for the procurement of 70 diesel-electric hybrid buses.

- In FY2011, VTA created a new enterprise fund to account for the joint development activities. As of June 30, 2011, total net assets amount is $1.2 million.
- In FY 2011, $32.65 million was transferred from Internal Service Funds to VTA Transit. The transfers of $26.65 million from Workers' Compensation and General Liability funds to VTA Transit were made to bring provision for future claims liability in these programs in line with recommended actuarial valuation. Although Compensated Absences liability in FY 2011 remained unchanged from FY 2010, $6 million was transferred to VTA Transit as this liability is funded in the following year's operating budget.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Senate Bill 83 Vehicle Registration Fee (SB83 VRF) program, The Bay Area Air Quality Management District (BAAQMD) program and the 1996 Measure B Ancillary Programs, which includes the Pavement Management and Bicycle Programs, are accounted for in an agency fund. Agency funds are used to account for assets held solely in a custodial capacity.

3. **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-32 through 2-80 of this report.

   In addition to the basic financial statements and notes, *required supplementary information* is presented as required by GAAP. The required supplementary information shows VTA's progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule. Required supplementary information can be found on pages 2-81 through 2-85 of this report.

   Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-86 through 2-96 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Assets and the Statement of Activities reports a $189 million increase in net assets.

The increase was mainly in the Business-Type activities as the Government-type activities only experienced $660 thousand increase in its net assets. The business-type net asset increase was primarily due to Measure A sales tax receipts and capital grants related to the BART Silicon Valley project as the locally funded capital expenditures were lower compared to the revenue receipts. During FY2011, VTA enterprise funds acquired or built total capital assets of approximately $156 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants, bond proceeds as well as local Measure A sales tax revenues.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Assets
FY2011 and FY2010
(In thousands)

	Business-Type Activity		Governmental Activity		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	$ 1,572,862	$ 835,018	$ 23,772	$ 24,914	$ 1,596,634	$ 859,932
Capital assets, net	2,909,780	2,811,863	-	-	2,909,780	2,811,863
Total assets	4,482,642	3,646,881	23,772	24,914	4,506,414	3,671,795
Liabilities:						
Current liabilities	130,289	122,071	22,825	24,627	153,114	146,698
Long-term liabilities outstanding	1,350,817	711,656	-	-	1,350,817	711,656
Total liabilities	1,481,106	833,727	22,825	24,627	1,503,931	858,354
Net assets:						
Invested in capital assets, net of related debt	2,220,118	2,195,790	-	-	2,220,118	2,195,790
Restricted	527,784	409,136	947	-	528,731	409,136
Unrestricted	253,634	208,228	-	287	253,634	208,515
Total net assets	$ 3,001,536	$ 2,813,154	$ 947	$ 287	$ 3,002,483	$ 2,813,441

The largest portion of VTA's net assets (approximately 74%) 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, Measure A debt service with the bond trustees, Measure A SWAP/Lease collateral, reserve for inventory, prepaid expenses, and bond issuance unamortized costs. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects, VTA transit operating reserve, and debt reduction and swap/lease collateral reserves, joint development program fund, sales tax stabilization, OPEB liability reduction and for workers' compensation and general liability claims. The unrestricted net assets are available for appropriation with Board approval. The details of net assets categories are shown on page 2-21.

Santa Clara Valley Transportation Authority

Statement of Activities
FY2011 and FY2010
(In thousands)

	Business-Type Activity		Governmental Activity		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
Operations, support services, and CMP program	$ 343,302	$ 338,771	$ 7,196	$ 7,164	$ 350,498	$ 345,935
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	80,917	97,592	-	-	80,917	97,592
Altamont Commuter Express subsidy	2,706	2,707	-	-	2,706	2,707
Interest Expense	23,536	20,583	-	-	23,536	20,583
Other non-operating expenses	15,434	7,268	-	-	15,434	7,268
Claims and change in future claim estimates	8,410	7,693	-	-	8,410	7,693
Contribution to agencies	-	-	867	-	867	-
Capital outlay on behalf of other agencies	-	-	21,091	19,402	21,091	19,402
Total expenses	474,305	474,614	29,154	26,566	503,459	501,180
Program revenues:						
Charges for services	40,014	38,830	2,520	2,606	42,534	41,436
Operating grants	137,804	126,934	2,127	1,854	139,931	128,788
Capital grants	148,303	92,594	24,051	22,314	172,354	114,908
Total program revenues	326,121	258,358	28,698	26,774	354,819	285,132
Net program revenues (expenses)	(148,184)	(216,256)	(456)	208	(148,640)	(216,048)
General revenues:						
Sales tax revenue	306,456	279,342	-	-	306,456	279,342
Investment income	11,039	7,352	10	12	11,049	7,364
Proceed from sales of land	642	-	-	-	642	-
Federal subsidy for Build America Bonds	5,848	-	-	-	5,848	-
Other income	6,865	3,241	1,106	15	7,971	3,256
Total general revenues	330,850	289,935	1,116	27	331,966	289,962
Special items:						
Change in provisions for general liability & workers' compensation claims	5,716	-	-	-	5,716	-
Change in net assets	188,382	73,679	660	235	189,042	73,914
Net assets beginning of year	2,813,154	2,739,475	287	52	2,813,441	2,739,527
Net assets, end of year	$ 3,001,536	$ 2,813,154	$ 947	$ 287	$ 3,002,483	$ 2,813,441

Business-Type Activity. Total net assets were $3.0 billion in FY2011, an increase of $188.3 million compared to FY2010. Net program expenses (total expenses minus program revenues) were $148.1 million during FY2011 compared to $216.3 million in FY2010. Total expenses decreased $0.3 million compared to FY2010. Major increases were operation and support services which include labor, material and supplies, utilities, and other operating expenses ($4.5 Million), interest expenses on transit bonds ($3.0 million), other non-operating expenses ($8.2 million), and claim payments for self-insured programs ($0.7 million). They were offset by a $16.7 million decrease in the capital expenditures on behalf of, and contributions to other agencies category. Operations and Support Services expenses only increased by 1% in FY2011 as VTA implemented various cost containment measures in response to declining revenues in FY2010.

In the program revenue categories, charges for services increased $1.2 million mainly due to fare increases, operating assistance grants increased as State resumed the funding of State Transit Assistance program, and higher capital contributions of $55.7 million primarily due to receipt of State grant for BART Silicon Valley capital project and ARRA grant. Total general revenues increased $40.9 million resulting from higher sales tax ($27.1 million), investment income ($3.7 million), federal subsidy for newly issued Build America Bonds ($5.9 million), proceeds from sale of land ($0.6 million), and other income ($3.6 million). In addition, a one-time special item of $5.7 million was recorded in FY2011 resulting from change in provision for general liability and workers' compensation programs.

Governmental Activity. Total net assets for the governmental funds increased $660 thousand in FY2011, with an ending balance of $947 thousand, all in the Special Revenue Fund. Major elements of changes in net assets were as follows:

- In the Capital Projects Funds, total federal, state, and local grant revenues were $24.1 million and capital expenses and labor/overhead costs were also $24.1 million, with no net assets.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $5.8 million, an increase of $1.2 million over FY2010 mainly due to a reimbursement of SB83 VRF ballot measure election expenditures from local program reserve. Total expenditures were $5.1 million reflecting $0.7 million higher expenses (again due to payment of SB83 VRF election costs) compared to prior year, with a net change in net assets of $660 thousand. Certain elements of the FY11 Work Program were reduced due to initial budget concerns. CMP projects are funded only from member assessments and various federal, state, and local grants.

Financial Analysis of VTA's Funds

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

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

Comparison of
Proprietary Funds Revenue
FY2011 and FY2010
(In thousands)

Proprietary Funds Revenue	2011	2010	Change Favorable/(Unfavorable) Amount	Change Favorable/(Unfavorable) Percent
Charges for services	$ 40,014	$ 38,830	$ 1,184	3.05%
Operating grants	137,804	126,934	10,870	8.56%
Capital grants	148,303	92,594	55,709	60.16%
1976 half-cent sales tax	153,601	140,037	13,564	9.69%
2000 Measure A half-cent sales tax	152,855	139,305	13,550	9.73%
Investment earnings	11,039	7,352	3,687	50.15%
Proceed from sales of land	642	-	642	NA
Federal subsidy for Build America Bonds	5,848	-	5,848	NA
Other income	6,865	3,241	3,624	111.82%
Special Item	5,716	-	5,716	NA
TOTAL	$ 662,687	$ 548,293	$ 114,394	20.86%

Charges for Services

Charges for services, derived from bus fare box receipts, light rail ticket sales, the sale of monthly passes (including Eco Pass and tokens) and advertisement income were $40.0 million in FY2011, $1.2 million or 3.1% higher compared to FY2010 mainly as the current fiscal year reflected the full year of fare increases implemented in January 2010. Overall for the fiscal year, bus and light rail ridership was 41.4 million which reflects a 0.8% decrease compared to the prior year. Continued high unemployment in Silicon Valley hampered ridership for bus transit services while light rail showed modest gains. Advertising and Shuttle revenues from contracted services were $1.9 million which were $65 thousand or 3.3% lower compared to FY2010.

Operating Grants

Operating grants include California Transportation Development Act (TDA), State Transit Assistance (STA) grant, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), and federal planning grants. In FY2011, total operating grants increased $10.9 million or 8.6% higher compared to FY2010. This is primarily due to reinstatement of the STA grant and increase in TDA revenues.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 96.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenues are VTA's second largest sources of revenue for operations. For FY2011, the actual TDA receipts were $74.5 million, reflecting $8.7 million or 13.2% increase over the prior fiscal year as the taxable sales activity improved in the County during FY2011.

STA funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues in the region from the prior fiscal year. In FY2011, VTA received $16.7 million compared to FY2010 when VTA did not receive STA funds.

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 FY2011, total grant revenues under this program were $41.5 million, a $17.1 million decrease from FY2010.

Capital Grants

Capital grants include Federal Section 5309 capital grants, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. In FY2011, total capital grants increased $55.7 million or 60.2% to $148.3 million. This was primarily due to higher grant revenues from the federal ARRA program and state Transit Congestion Relief Program (TCRP).

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. Subsequent to the recovery from the dot.com bust, they were growing annually, but declined significantly in FY2009. For FY2011, total sales tax revenues were $153.6 million, $13.6 million or 9.7% higher compared to the prior fiscal years. Even though sales tax revenues growth in FY2011 improved, the ongoing economic slowdown, lower consumer confidence, and credit tightening along with high unemployment continue to have an impact on the 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 the Measure A half-cent sales tax revenue occurred after the expiration of 1996 Half-Cent Measure B Sales Tax on March 31, 2006. FY2011 revenues of $152.9 million were $13.6 million or 9.7% higher than the prior year. The 2000 Sales Tax revenues are restricted for projects and operational activities included on the 2000 Measure A ballot.

Investment Earnings

The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. In FY2011, the investment earnings are higher by $3.7 million compared to FY2010. This was a result of FY10 investment earnings being reduced by capitalized interest income from prior years. However, interest rates for investments are still historically low affecting the growth of portfolio interest earnings.

Federal Subsidy for Build America Bonds (BABs)

In FY2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. As per Governmental Aaccounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item on its financial statements.

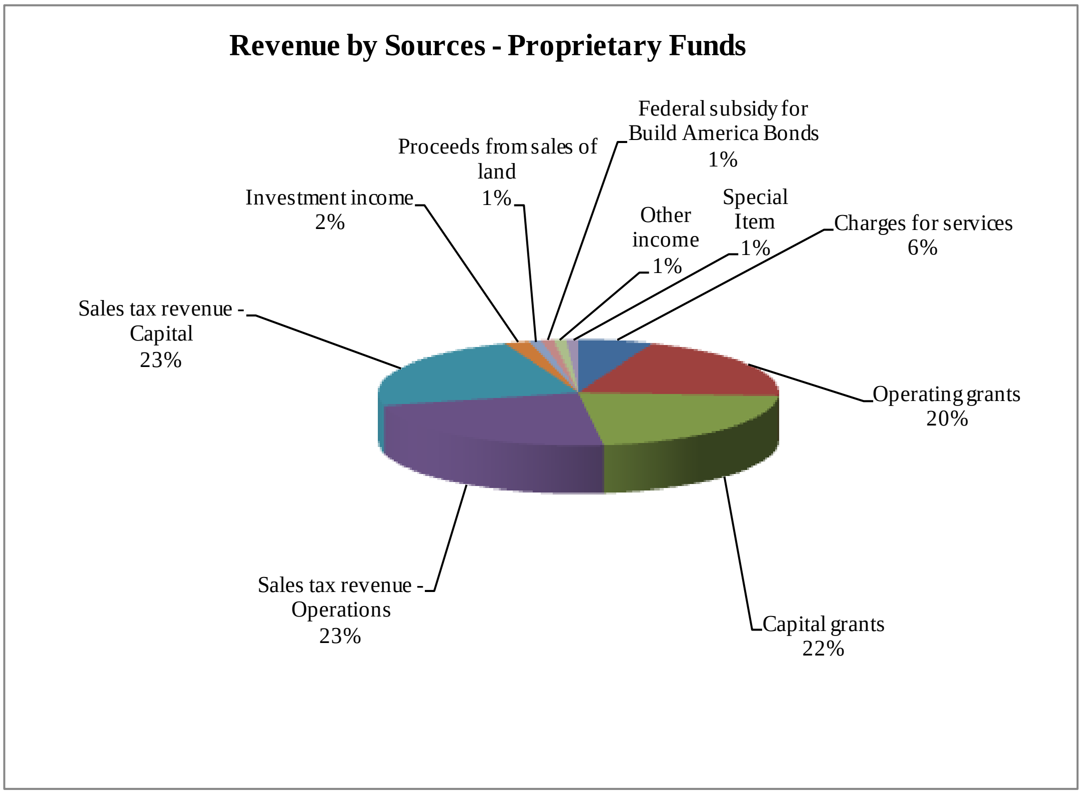
Other Income

In FY2011, total other income was $6.9 million; $3.6 million higher than the prior fiscal year. It was mainly due to the reduction of unemployment insurance liability because of lower usage in prior fiscal years. It was recorded as non-operating revenue instead of reduction of current year expenditures.

Special Items

Special items are significant items subject to management's control that, taking into account the environment in which the entity operates, are unusual in nature or infrequent in occurrence or not reasonably expected to occur in the foreseeable future.

In FY2011, the $5.7 million special item is related to the change in estimates for provision of future claims of workers' compensation and general liability programs. The estimates used were based on actuarial valuation reports.



Total expenses for Proprietary Funds increased $309 thousand or 0.07% in FY2011. A detail analysis of major expense categories is discussed in the following page.

Comparison of
Proprietary Funds Expenses
for FY2011 and FY2010
(In thousands)

Proprietary Funds Expenses	2011	2010	Change Favorable/(Unfavorable) Amount	Percent
Operations and support services	$ 343,302	$ 338,771	$ (4,531)	-1.34%
Caltrain and ACE subsidy	16,841	18,585	1,744	9.38%
Capital contributions to/or expenses on-behalf of other agencies	66,782	81,714	14,932	18.27%
Interest expense	23,536	20,583	(2,953)	-14.35%
Other non-operating expenses	15,434	7,268	(8,166)	-112.36%
Claims and change in future claim estimates	8,410	7,693	(717)	-9.32%
TOTALS	**$ 474,305**	**$ 474,614**	**$ 309**	0.07%

Operations and Support Services

Operations and support services expenses are incurred for labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services, and support programs. For FY2011, they were $4.5 million or 1.3% higher compared to FY2010 even though VTA implemented various cost containment measures in response to declining revenues. Labor and benefit costs increased only $1.8 million or 0.7% higher in FY2011 as increases in benefits costs were offset by vacant positions and a wage freeze. VTA continued to implement furlough programs for various employee categories. Another major category which increased in FY2011 was the cost of diesel fuel and gasoline.

Caltrain and Altamont Commuter Express (ACE) Subsidy

Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain was $14.1 million in FY2011; $1.7 million lower than contributed in FY2010.

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 FY2011. Approximately the same amount was contributed in FY2010. The annual subsidy was based on the joint power agreements with these agencies.

Capital Expenses to/or On Behalf of Other Agencies

As a part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY2011, total capital contributions and expenses were $66.8 million, a decrease of $14.9 million compared to FY2010. The FY2011 contribution included $17.4 million swap payment to Congestion Management and Highway Program Fund and other agencies in the Measure A Transit Improvement Fund. In addition, VTA Transit and Measure A Transit Improvement Fund expended $49.4 million to/or on behalf of other agencies. VTA was partially reimbursed for these capital expenses by other agencies and are reported as capital contributions.

Interest Expenses

Bond interest expense was $23.5 million, $3.0 million higher compared to prior year primarily due to the issuance of bonds in FY2011.

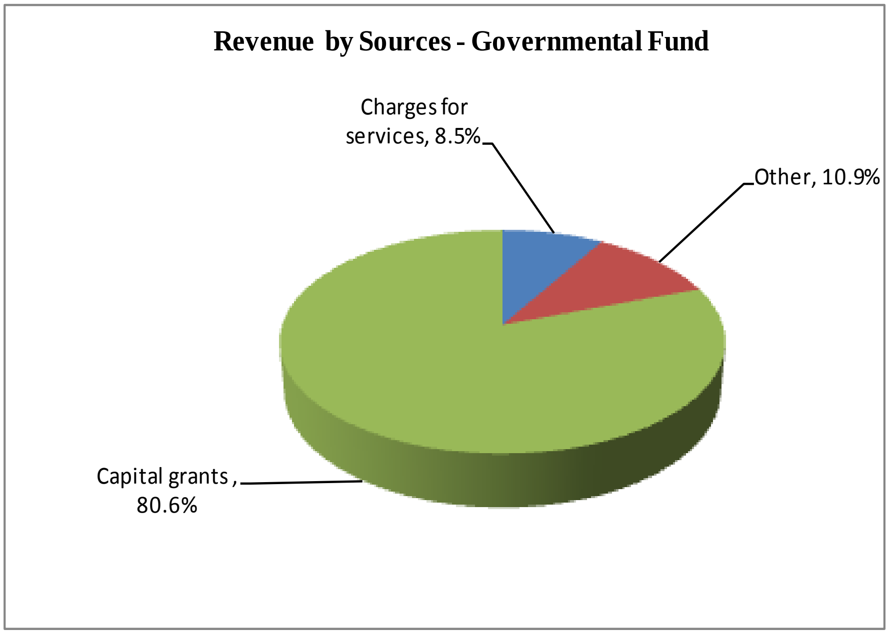
Other Non-Operating Expenses

Other non-operating expenses were $8.2 million higher in FY2011 compared to the prior fiscal year. It was mainly a result of accrual of right-of-way acquisition loan payment to SamTrans in VTA Transit Fund.

Claims and Change in Future Claim Estimates

Claim payments in FY2011 were $8.4 million, $0.7 million higher than FY2010 due to payments made for workers' compensation and liability claims.

Internal Service Funds. VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to other VTA funds. As of June 30, 2011, total deficit for this fund category was $5 million, a decrease of $23.5 million from prior fiscal year. In FY2011, a $32.7 million transfer was made to VTA Transit Fund to bring General Liability and Workers' Compensation provisions in line with what was recommended by actuarial valuation report. The transfer from Compensated Absences was made because the liability is funded by VTA Transit's FY2012 operating budget.



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

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

Comparison of
Special Revenue Fund
FY2011 and FY2010
(In thousands)

Special Revenue Fund	2011	2010	Change Favorable/(Unfavorable) Amount	Percent
Member agency assessment revenues	$ 2,407	$ 2,495	$ (88)	-3.53%
Federal technical studies operating assistance grants	1,398	1,235	163	13.20%
Other revenues	1,106	15	1,091	7273.33%
State and local assistance grants	729	619	110	17.77%
Administrative fees	113	111	2	1.80%
Investment earnings	10	12	(2)	-16.67%
Federal, state and local capital grant revenues	-	27	(27)	-100.00%
Total Revenues	5,763	4,514	1,249	
Salaries and benefits	(3,854)	(3,709)	(145)	-3.91%
Contribution to other agencies	(867)	-	(867)	NA
Professional services	(374)	(541)	167	30.87%
Material and services	(8)	(8)	-	0.00%
Miscellaneous	-	(9)	9	100.00%
Capital outlay on behalf of other agencies	-	(12)	12	100.00%
Total Expenses	(5,103)	(4,279)	(824)	
Change in Net Assets	660	235	425	180.85%
Net assets, beginning of year	287	52	235	
Net assets, end of year	$ 947	$ 287	$ 660	229.97%

Total fund revenues, which mainly include member assessments, and grants were $5.8 million in FY2011, $1.2 million higher than prior year. The increase was mainly due to a one-time transfer of $867 thousand from local program reserve to pay for the cost of a ballot measure in November 2010 election. In addition, federal and state operating assistance grants were also higher in FY2011 compared to FY2010. Total expenses were $5.1 million, an increase of $824 thousand mainly due to a contribution to other agency related to the cost of ballot measure election. The ending fund balance was $947 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
FY2011 and FY2010
(In thousands)

Capital Projects Funds	2011	2010	Change Favorable/(Unfavorable) Amount	Percent
Federal, state, and local capital grant revenues	$ 24,051	$ 22,287	$ 1,764	7.91%
VTA labor and overhead costs	(2,960)	(2,897)	(63)	-2.17%
Capital expenditures on behalf of other agencies	(21,091)	(19,390)	(1,701)	-8.77%
Change in Net Assets	$ -	$ -	$ -	

As of June 30, 2011, total revenues were $24.1 million which represent the total amount expended on the projects during the fiscal year and billed to other governmental agencies. The VTA labor and overhead costs were $63 thousand higher in FY2011.

Capital Assets and Debt Administration

Capital assets. VTA's investment in capital assets for its business-type activity as of June 30, 2011, amounts to $2.9 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 FY2011, VTA expended $156 million on the acquisition and construction of capital assets.

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

	2011	2010
Land and Right-of-way	1,122,805	$ 1,123,321
Construction in Progress	902,026	814,241
Buildings & Improvements Equipment & Fixtures	288,264	292,603
Vehicles	318,280	286,826
Caltrain-Gilroy Extension	39,061	40,696
Light Rail Tracks/Electrification	216,057	232,223
Other Operating Equipment	15,189	13,414
Leasehold Improvements	8,098	8,539
Total	$ 2,909,780	$ 2,811,863

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

Long-term debt. At year-end, VTA had $1.3 billion bonds outstanding versus $616.1 million in FY2010. In FY2011, VTA issued $645.9 million (notional amount) in Measure A Sales Tax Revenues Bonds to finance BART Silicon Valley and other capital projects. There was also a payment of $11.8 million representing the amount due in FY2011.

Outstanding Debt
Proprietary Funds
(In thousands)

		2011		2010
Jr. Lien Sales Tax Revenue Bonds (1976 Tax)	$	64,595	$	67,395
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)		173,222		178,903
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)		1,036,892		369,775
Total	**$**	**1,274,709**	**$**	**616,073**

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

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

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

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

VTA Transit Fund Budgetary Highlights

In June 2009, VTA Board of Directors adopted a biennial budget for Fiscal Years 2010 and 2011. Overall, the adopted biennial budget represented a balanced approach by asking riders and employees to share the burden of bridging the funding gap in difficult economic times while attempting to avoid more drastic solutions like widespread service cuts or layoffs. In addition, the adopted budget included drawing of operating reserves to balance the operating budget. In response to precipitous declines in FY 2009 sales tax revenues and alarming deficit projections subsequent to adoption of the FY 2010 and FY 2011 Biennial Budget, the VTA Board of Directors approved several budget reduction strategies in December 2009 to address projected budget shortfalls in FY 2010 and FY 2011. One of the strategies called for a reduction in the VTA Transit Fund Operating Budget of $7.5 million in each of the two fiscal years.

As shown on the Budgetary Comparison Schedule for the VTA Transit Fund (pages 2-91 & 2-92), the FY2011 actual results for revenues and expenses were favorable compared to both the Adopted and Final Budget.

In June 2011, VTA Board of Directors adopted a biennial budget for Fiscal Years 2012 and 2013. The FY2012 and FY2013 Biennial Budget reflect an improved, although somewhat tenuous, economic outlook with lower unemployment rates, increased sales tax revenues, and improved ridership. The budget invests in service, infrastructure, and the Measure A capital program promised to voters in 2000.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Net Assets
June 30, 2011
(In thousands)

	Business-Type Activity	Governmental Activity	Total
ASSETS			
Cash and investments	$ 65,082	$ 1,160	$ 66,242
Receivables, net	3,488	-	3,488
Internal balances	(851)	851	-
Due from other governmental agencies	58,099	639	58,738
Inventories	19,637	-	19,637
Other current assets	680	-	680
Restricted assets:			
Cash and investments	1,259,079	15,224	1,274,303
Receivables, net	1,634	-	1,634
Due from other governmental agencies	96,353	5,898	102,251
Other current assets	185	-	185
Long-term assets:			
Deferred charges	13,837	-	13,837
Deferred outflow of resources	55,639	-	55,639
Capital assets - nondepreciable	2,024,831	-	2,024,831
Capital assets - depreciable, net of accumulated depreciation	884,949	-	884,949
Total assets	**4,482,642**	**23,772**	**4,506,414**
LIABILITIES			
Accounts payable and accrued expenses	14,553	47	14,600
Deposits	499	-	499
Accrued payroll and related liabilities	6,519	-	6,519
Bond interest and other fee payable	647	-	647
Deferred revenues	1,900	-	1,900
Other accrued expenses	3	-	3
Due to other governmental agencies	8,159	805	8,964
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	16,230	3,770	20,000
Bond interest and other fee payable	12,444	-	12,444
Deferred revenues	15	-	15
Due to other government agencies	46,380	18,203	64,583
Long-term liabilities:			
Derivative instruments	55,639	-	55,639
Due within one year	22,940	-	22,940
Due in more than one year	1,295,178	-	1,295,178
Total liabilities	**1,481,106**	**22,825**	**1,503,931**
NET ASSETS			
Invested in capital assets, net of related debt	2,220,118	-	2,220,118
Restricted:			
2000 Measure A debt service	63,334	-	63,334
2000 Measure A SWAP/lease collateral	42,129	-	42,129
Retention	3,499	-	3,499
2000 Measure A projects	383,414	-	383,414
1996 Measure B projects	1,646	-	1,646
Inventory, prepaid expenses, and issuance cost	33,762	-	33,762
Congestion management program	-	947	947
Unrestricted:			
Transit debt service	12,847	-	12,847
Local share of capital projects	28,415	-	28,415
Debt reduction	93,527	-	93,527
VTA transit SWAP/lease collateral	31,423	-	31,423
Joint Development	1,157	-	1,157
OPEB liability reduction	20,650	-	20,650
Sales tax stabilization	16,000	-	16,000
Operating reserve	54,595	-	54,595
Workers' compensation, general liability & compensated absences	(4,980)	-	(4,980)
Total net assets	**$ 3,001,536**	**$ 947**	**$ 3,002,483**

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year ended June 30, 2011
(In thousands)

	Business-Type Activity	Governmental Activity	Total
Expenses:			
Operations, support services, and CMP program	$ 343,302	$ 7,196	$ 350,498
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	80,917	-	80,917
Altamont Commuter Express subsidy	2,706	-	2,706
Interest expense	23,536	-	23,536
Other non-operating expenses	15,434	-	15,434
Claims and change in future claim estimates	8,410	-	8,410
Contribution to agencies	-	867	867
Capital outlay on behalf of other agencies	-	21,091	21,091
Total expenses	474,305	29,154	503,459
Program revenues:			
Charges for services	40,014	2,520	42,534
Operating grants	137,804	2,127	139,931
Capital grants	148,303	24,051	172,354
Total program revenues	326,121	28,698	354,819
Net program revenues (expenses)	(148,184)	(456)	(148,640)
General revenues:			
Sales tax revenue	306,456	-	306,456
Investment income	11,039	10	11,049
Proceeds from sales of land	642	-	642
Federal subsidy for Build America Bonds	5,848	-	5,848
Other income	6,865	1,106	7,971
Total general revenues	330,850	1,116	331,966
Special item:			
Change in estimates for provision of worker's compensation and general liability claims	5,716	-	5,716
Change in net assets	188,382	660	189,042
Net assets beginning of year	2,813,154	287	2,813,441
Net assets, end of year	$ 3,001,536	$ 947	$ 3,002,483

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds
June 30, 2011
(In thousands)

	Enterprise Funds					
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Joint Development Program Fund	Total Enterprise Funds	Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	$ 16,893	$ -	$ -	$ 135	$ 17,028	$ -
Investments	9,352	-	-	507	9,859	38,195
Receivables, net	3,488	-	-	-	3,488	-
Due from other funds	247	-	-	515	762	-
Due from other governmental agencies	58,099	-	-	-	58,099	-
Inventories	19,637	-	-	-	19,637	-
Other current assets	680	-	-	-	680	-
Restricted assets:						
Cash and cash equivalents	-	6,639	14,678	-	21,317	-
Cash and cash equivalents with fiscal agent	12,857	-	651,870	-	664,727	-
Investments	186,922	-	386,113	-	573,035	-
Receivables	-	-	1,634	-	1,634	-
Due from other governmental agencies	30,704	-	65,649	-	96,353	-
Other current assets	-	-	185	-	185	-
TOTAL CURRENT ASSETS	338,879	6,639	1,120,129	1,157	1,466,804	38,195
Noncurrent assets:						
Deferred charges	1,492	-	12,345	-	13,837	-
Deferred outflow of resources	13,510	-	42,129	-	55,639	-
Capital assets - Non-depreciable:						
Land and right of way	1,122,805	-	-	-	1,122,805	-
Construction in progress	59,074	714	842,238	-	902,026	-
Capital assets - Depreciable:						
Caltrain - Gilroy extension	53,307	-	-	-	53,307	-
Buildings, improvements, furniture, and fixtures	504,531	-	-	-	504,531	-
Vehicles	485,590	-	-	-	485,590	-
Light-rail tracks and electrification	403,831	-	-	-	403,831	-
Leasehold Improvements	9,686	-	-	-	9,686	-
Other	46,065	-	-	-	46,065	-
Less accumulated depreciation	(618,061)	-	-	-	(618,061)	-
Net capital assets	2,066,828	714	842,238	-	2,909,780	-
TOTAL NONCURRENT ASSETS	2,081,830	714	896,712	-	2,979,256	-
TOTAL ASSETS	2,420,709	7,353	2,016,841	1,157	4,446,060	38,195

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets (*continued*)
Proprietary Funds
June 30, 2011
(In thousands)

	Enterprise Funds					
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Joint Development Program Fund	Total Enterprise Funds	Internal Service Fund
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	14,395	-	-	-	14,395	158
Deposits	499	-	-	-	499	-
Accrued payroll and related liabilities	6,519	-	-	-	6,519	-
Bond interest and other fee payable	647	-	-	-	647	-
Deferred revenues	1,900	-	-	-	1,900	-
Due to other funds	1,362				1,362	-
Due to other governmental agencies	8,159	-	-	-	8,159	-
Other accrued expenses	3	-	-	-	3	-
Claims liability	-	-	-	-	-	4,355
Compensated absences	-	-	-	-	-	6,540
Liabilities payable from restricted assets:						
Current portion of long-term debt	9,520	-	2,525	-	12,045	-
Accounts payable and accrued expenses	-	2	16,228	-	16,230	-
Bond interest and other fee payable	-	-	12,444	-	12,444	-
Deferred revenues	-	-	15	-	15	-
Due to other funds	-	4	247	-	251	-
Due to other governmental agencies	27,611	4,987	13,782	-	46,380	-
TOTAL CURRENT LIABILITIES	70,615	4,993	45,241	-	120,849	11,053
Non-current liabilities:						
Long-term debt, excluding current portion	228,297	-	1,034,367	-	1,262,664	-
Derivative instruments	13,510	-	42,129	-	55,639	-
Claims liability	-	-	-	-	-	16,537
Compensated absences	-	-	-	-	-	15,585
Other accrued expenses	392	-	-	-	392	-
TOTAL NON-CURRENT LIABILITIES	242,199	-	1,076,496	-	1,318,695	32,122
TOTAL LIABILITIES	312,814	4,993	1,121,737	-	1,439,544	43,175
NET ASSETS						
Invested in capital assets, net of related debt	1,829,011	714	390,393	-	2,220,118	-
Restricted:						
2000 Measure A Debt service	-	-	63,334	-	63,334	-
2000 Measure A SWAP/lease collateral	-	-	42,129	-	42,129	-
Retention	10	-	3,489	-	3,499	-
2000 Measure A projects	-	-	383,414	-	383,414	-
1996 Measure B projects	-	1,646	-	-	1,646	-
Inventory, prepaid expenses, and issuance cost	21,417	-	12,345	-	33,762	-
Unrestricted:						
Transit debt service	12,847	-	-	-	12,847	-
Local share of capital projects	28,415	-	-	-	28,415	-
Debt reduction	93,527	-	-	-	93,527	-
VTA transit SWAP/lease collateral	31,423	-	-	-	31,423	-
Joint Development	-	-	-	1,157	1,157	-
OPEB liability reduction	20,650	-	-	-	20,650	-
Sales tax stabilization	16,000	-	-	-	16,000	-
Operating reserve	54,595	-	-	-	54,595	-
Workers' compensation, general liability and compensated absences	-	-	-	-	-	(4,980)
TOTAL NET ASSETS	$ 2,107,895	$ 2,360	$ 895,104	$ 1,157	$ 3,006,516	$ (4,980)

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

Net Assets of Enterprise Fund	$ 3,006,516
Net Assets of Internal Service Fund, which benefits Business-type Activity	(4,980)
Net Assets (Page 2-21)	$ 3,001,536

See Accompanying Notes to 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, 2011
(In thousands)

	Enterprise Funds					
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Joint Development Program Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUE:						
Passenger fares	$ 38,106	$ -	$ -	$ -	$ 38,106	$ -
Advertising and other	1,908	-	-	-	1,908	-
Charges for services	-	-	-	-	-	12,721
Total Operating Revenues	40,014	-	-	-	40,014	12,721
OPERATING EXPENSE:						
Labor cost	248,373	-	-	-	248,373	-
Materials and supplies	29,765	-	-	-	29,765	-
Services	18,116	-	-	-	18,116	-
Utilities	6,787	-	-	-	6,787	-
Casualty and liability	4,962	-	-	-	4,962	-
Purchased transportation	20,768	-	-	-	20,768	-
Leases and rentals	495	-	-	-	495	-
Miscellaneous	1,313	-	-	-	1,313	2,211
Depreciation expense	55,060	-	-	-	55,060	-
Costs allocated to capital and other programs	(31,827)	-	-	-	(31,827)	-
Claims and change in future claims estimates	-	-	-	-	-	8,410
Total Operating Expense	353,812	-	-	-	353,812	10,621
Operating Income/(Loss)	(313,798)	-	-	-	(313,798)	2,100
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	153,601	-	152,855	-	306,456	-
Measure A operating assistance	28,213	-	(28,213)	-	-	-
Federal operating assistance and other grants	42,225	-	-	-	42,225	-
Federal subsidy for Build America Bonds	-	-	5,848	-	5,848	-
State and local operating assistance grants	95,579	-	-	-	95,579	-
Caltrain subsidy	(14,135)	-	-	-	(14,135)	-
Capital expenditure on behalf of, and contribution to other agencies	(5,474)	-	(61,308)	-	(66,782)	-
Altamont Commuter Express subsidy	(2,706)	-	-	-	(2,706)	-
Investment earnings	2,251	-	7,816	-	10,067	972
Interest expense	(6,748)	-	(16,788)	-	(23,536)	-
Measure A repayment obligations	11,278	-	(11,278)	-	-	-
Proceeds from sales of land	-	-	-	642	642	-
Other income	6,105	-	390	-	6,495	370
Other expense	(11,196)	-	(4,238)	-	(15,434)	-
Non-operating revenues, net	298,993	-	45,084	642	344,719	1,342
Income(loss) before capital contributions and transfers and special item	(14,805)	-	45,084	642	30,921	3,442
Capital grants and contributions	63,308	1,286	83,709	-	148,303	-
Transfer in/(out) (Note 2O)	32,135	-	-	515	32,650	(32,650)
Special item (Note 2P)						
Change in estimates for provision of worker's compensation and general liability claims	-	-	-	-	-	5,716
Change in net assets	80,638	1,286	128,793	1,157	211,874	(23,492)
Net assets, beginning of year	2,027,257	1,074	766,311	-	2,794,642	18,512
Net assets, end of year	$2,107,895	$ 2,360	$ 895,104	$ 1,157	$3,006,516	$ (4,980)

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

Change in net assets of the Enterprise Fund	$ 211,874
Change in net assets of the Internal Service Fund, which benefits Business-type Activity	(23,492)
Change in net assets of Business-type Activity (Page 2-22)	$ 188,382

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from passenger fares	$ 38,106	$ -	$ -	$ -	$ 38,106	$ -
Cash received from advertising	1,908	-	-	-	1,908	-
Cash paid to employees	(216,546)	-	-	-	(216,546)	-
Cash paid to suppliers	(60,620)	-	-	-	(60,620)	-
Cash paid for purchased transportation	(20,768)	-	-	-	(20,768)	-
Cash received from contributions	-	-	-	-	-	12,721
Payments made to beneficiaries	-	-	-	-	-	(10,145)
Payments made to third party contractors	-	-	-	-	-	(476)
Other non-operating receipts/(payments)	(852)	-	1,564	642	1,354	370
Net cash provided by/(used in) operating activities	(258,772)	-	1,564	642	(256,566)	2,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants received	132,711	-	-	-	132,711	-
Sales tax received	151,059	-	150,538	-	301,597	-
Measure A operating assistance	27,966	-	(27,966)	-	-	-
Measure A repayment obligations	11,278	-	(11,278)	-	-	-
Caltrain subsidy	(14,135)	-	-	-	(14,135)	-
Altamont Commuter Express subsidy	(2,706)	-	-	-	(2,706)	-
Capital contributions to other agencies	(5,474)	-	(61,308)	-	(66,782)	-
Transfer in	32,650	-	-	515	33,165	-
Transfer out	(515)	-	-	-	(515)	(32,650)
Net cash provided by/(used in) non-capital financing activities	332,834	-	49,986	515	383,335	(32,650)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payment of long-term debt	(9,370)	-	(2,430)	-	(11,800)	-
Proceeds from issuance of long-term debt	-	-	645,890	-	645,890	-
Premium on issuance of long-term bonds	-	-	27,262	-	27,262	-
Issuance and other cost	-	-	(3,272)	-	(3,272)	-
Advance (to)/from other governments	10,614	(1,300)	(7,277)	(515)	1,522	-
Interest and other fees paid on long-term debt	(9,205)	-	(9,865)	-	(19,070)	-
Acquisition and construction of capital assets	(70,606)	(35)	(93,506)	-	(164,147)	-
Capital contribution from other governments	61,898	1,286	75,073	-	138,257	-
Net cash provided by/(used in) capital and related financing activities	(16,669)	(49)	631,875	(515)	614,642	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	439,041	-	710,307	-	1,149,348	66,176
Purchase of investments	(484,042)	-	(746,278)	(512)	(1,230,832)	(38,195)
Interest income received	3,799	-	11,316	5	15,120	972
Net cash provided by/(used in) investment activities	(41,202)	-	(24,655)	(507)	(66,364)	28,953
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,191	(49)	658,770	135	675,047	(1,227)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,559	6,688	7,778	-	28,025	1,227
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,750	$ 6,639	$ 666,548	$ 135	$ 703,072	$ -
Reconciliation to Fund Balance Sheet						
Unrestricted:						
Cash and cash equivalents	$ 16,893	$ -	$ -	$ 135	$ 17,028	$ -
Restricted						
Cash and cash equivalents	-	6,639	14,678	-	21,317	-
Cash and cash equivalents with fiscal agent	12,857	-	651,870	-	664,727	-
	$ 29,750	$ 6,639	$ 666,548	$ 135	$ 703,072	$ -

(continued on next page)

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows *(Continued)*
Proprietary Funds
For the Year Ended June 30, 2011
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:						
Operating income/(loss)	$ (313,798)	$ -	$ -	$ -	$ (313,798)	$ 2,100
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	55,060	-	-	-	55,060	-
Changes in operating assets and liabilities:						
Other current assets	1,465	-	-	-	1,465	-
Receivables	38	-	-	-	38	-
Accounts payable	(1,397)	-	-	-	(1,397)	-
Other accrued liabilities	(491)	-	-	-	(491)	-
Inventories	1,184	-	-	-	1,184	-
Deposits from others	19	-	-	-	19	-
Other non operating receipts/(payments)	(852)	-	1,564	642	1,354	370
Net cash provided by/(used in) operating activities	$ (258,772)	$ -	$ 1,564	$ 642	$ (256,566)	$ 2,470
Reconciliation of cash and cash equivalents to the Balance Sheet:						
Cash and cash equivalents, end of year:						
Unrestricted	$ 16,893	$ -	$ -	$ 135	$ 17,028	$ -
Restricted	12,857	6,639	666,548	-	686,044	-
	$ 29,750	$ 6,639	$ 666,548	$ 135	$ 703,072	$ -
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	$ (1,548)	$ -	$ (3,062)	$ (5)	$ (4,615)	$ -
Amortization expense of Caltrain Access Fee	-	-	(881)	-	(881)	-
Total non-cash activities	$ (1,548)	$ -	$ (3,943)	$ (5)	$ (5,496)	$ -

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2011
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,160	$ -	$ -	$ 1,160
Due from other governmental agencies	639	-	-	639
Restricted assets:				
Cash and cash equivalents	-	12,796	2,428	15,224
Due from other funds	-	849	2	851
Due from other governmental agencies	-	5,898	-	5,898
TOTAL ASSETS	$ 1,799	$ 19,543	$ 2,430	$ 23,772
LIABILITIES				
Accounts payable	$ 47	$ -	$ -	$ 47
Due to other government agencies	805	-	-	805
Liabilities payable from restricted assets:				
Accounts payable	-	3,597	173	3,770
Due to other governmental agencies	-	15,946	2,257	18,203
TOTAL LIABILITIES	852	19,543	2,430	22,825
FUND BALANCES				
Restricted for congestion management program	947	-	-	947
TOTAL LIABILITIES AND FUND BALANCES	$ 1,799	$ 19,543	$ 2,430	$ 23,772

See Accompanying Notes to 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, 2011
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
REVENUES:				
Assessment to member agencies	$ 2,407	$ -	$ -	$ 2,407
Federal grant revenues	1,398	-	-	1,398
Administrative fees	113	-	-	113
State and local operating assistance grants	729	-	-	729
Federals capital grant revenues	-	6,686	-	6,686
State and local capital grant revenues	-	16,700	665	17,365
Other revenues	1,106	-	-	1,106
Investment earnings	10	-	-	10
TOTAL REVENUES	5,763	23,386	665	29,814
EXPENDITURES:				
VTA labor and overhead costs	3,854	2,960	-	6,814
Professional services	374	-	-	374
Material and services	8	-	-	8
Contribution to agencies	867	-	-	867
Capital expenditures on behalf of other agencies	-	20,426	665	21,091
TOTAL EXPENDITURES	5,103	23,386	665	29,154
CHANGES IN FUND BALANCES	660	-	-	660
FUND BALANCES, BEGINNING OF YEAR	287	-	-	287
FUND BALANCES, END OF YEAR	$ 947	$ -	$ -	$ 947

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(In thousands)

	Retiree Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Cash and Cash Equivalents	$ 339	$ 2,577
Corporate Bond	66,423	-
U.S. Government Securities	26,603	-
U.S. Agency notes	88,019	-
Equity Based	101,947	-
Mutual Funds	254,217	-
Money Market Funds	2,074	-
Investment Pool	2,142	3,103
Receivables	1,579	-
TOTAL ASSETS	$ 543,343	$ 5,680
LIABILITIES		
Liabilities payable from restricted assets:		
Accounts payable	$ 842	$ -
Program payable	-	5,680
TOTAL LIABILITIES	$ 842	$ 5,680
NET ASSETS		
Net assets held in trust for:		
ATU Pension benefits	377,077	
Retiree medical benefits	150,715	
ATU Retiree spousal medical benefits	9,190	
ATU Retiree dental and vision benefits	5,519	
TOTAL NET ASSETS	$ 542,501	

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year ended June 30, 2011
(In thousands)

	Retiree Trust Fund
ADDITIONS	
Employer Contributions	$ 34,786
Investment earnings:	
Investment income	20,725
Net appreciation in the fair value of investments	72,326
Investment expense	(1,739)
Net investment income	91,312
TOTAL ADDITIONS	126,098
DEDUCTIONS	
Benefit payments	32,345
Administrative expenses	268
TOTAL DEDUCTIONS	32,613
NET INCREASE	93,485
NET ASSETS HELD IN TRUST	
Beginning of year	449,016
End of year	$ 542,501

See Accompanying Notes to 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 Post Employment Benefit Plan (the Plans) in the Trust Funds. The financial activities of the Plans are included in the basic financial statements because they exclusively serve the employees of VTA. Due to the fact that the Plans are fiscally dependent on VTA, they are considered trust funds by VTA.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

VTA reports the following major funds:

- The *Proprietary 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, 2000 Measure A Transit Improvement Program and Joint Development Program as major funds in the Enterprise Fund.

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

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

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

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

VTA reports the following additional funds:

- The *Proprietary 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 Fund* is used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. VTA's trust and agency funds include the VTA/ATU Pension Plan, Retirees' Other Post Employment Benefits Trust (OPEB Trust), ATU Spousal Medical and Retiree Dental Vision Fund, Bay Area Air Quality Management District (BAAQMD) Program, Senate Bill 83 Vehicle Registration Fee (SB83 VRF) Program, and Measure B Ancillary Program. The VTA/ATU Pension Plan, OPEB Trust, and the ATU Medical and Retiree Dental Vision Fund are reported as Retiree Trust Funds. The BAAQMD, SB83 VRF, and the Measure B Ancillary Programs are reported as agency funds. The BAAQMD agency fund accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) Program. The Measure B Ancillary Program agency fund was established to administer the 1996 Measure B funds. The SB83 VRF fund was established to administer the vehicle registration fee collected under California Senate Bill 83 and approved by voters in 2010.

(b) Basis of Accounting

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

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

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

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

(c) Cash and Investments

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

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

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

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

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

(d) Inventories

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

(e) Restricted Assets

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

(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 on a straight line basis over a period equal to the term of the related bond. Government-wide and enterprise fund bond discounts and deferred amount on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as a deferred cost (asset).

(g) Capital Assets

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

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

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

Depreciation on such assets is included in the accompanying statement of activities and enterprise statement of revenues, expenses, and changes in fund net 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 $19.4 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 reflecting the year-end value of unused vacation and sick leave is reported in the Internal Service Fund.

(i) Self-Insurance

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

(j) Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt (including deferred bond issuance costs) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category consists of Measure A bond service reserve, Measure A SWAP/lease collateral, net assets restricted for Measure B Transit, 2000 Measure A capital programs, carrying balances of inventory, retention payable, prepaid expenses and unamortized bond issuance cost, and Congestion Management Program.
- *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 pages 2-23 & 24 reports that enterprise fund net assets amount to $3.0 billion as of June 30, 2011, of which $895.0 million 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) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses and Changes in Net Assets, the VTA Transit Fund reports $31.8 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

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

(m) Fund Balance - Governmental funds

In FY 2011, VTA implemented the GASB Statement 54, "Fund Balance Reporting and Governmental Fund-Type Definitions". The Congestion Management Program net assets are classified restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

(n) Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, VTA considers restricted funds to have been spent first.

(o) Transfers In/(Out)

The transfers represent the interfund transactions among various funds. During FY2011, total transfers in and out were as follows:

a. Transfer from Internal Service Funds to VTA Transit Fund of $32.65 million - these transfers reflected the excess liability and reserve balances from Workers' Compensation and General Liability. The transfer from Compensated Absences was made because the liability is funded by VTA transit's FY2012 operating budget.

b. Transfer from VTA transit to Joint Development Fund of $515 thousand - this transfer relates to the sale of land proceeds per the Board policy.

(p) Special Items

Special items are significant items subject to management's control that, taking into account the environment in which the entity operates, are unusual in nature or infrequent in occurrence or not reasonably expected to occur in the foreseeable future.

In FY2011, the $5.7 million special item is related to the change in estimates for provision of future claims of workers' compensation and general liability programs. The estimates used were based on actuarial valuation reports.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2011, are reported in the accompanying basic financial statements as follows (in thousands):

Cash and Cash Equivalents	Enterprise Fund	Internal Service Fund	Governmental Fund	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 17,028	$ -	$ 1,160	$ -	$ -	$ 18,188
Investments	9,859	38,195	-	-	-	48,054
Total unrestricted	26,887	38,195	1,160	-	-	66,242
Restricted:						
Cash and Cash Equivalents	21,317	-	15,224	339	2,577	39,457
Cash and Cash Equivalents with Fiscal Agents	664,727	-	-	-	-	664,727
Investments	573,035	-	-	541,425	3,103	1,117,563
Total restricted	1,259,079	-	15,224	541,764	5,680	1,821,747
Total Cash and Investments	$ 1,285,966	$ 38,195	$ 16,384	$ 541,764	$ 5,680	$ 1,887,989

As of June 30, 2011, total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	$ 57,645
Cash & Cash Equivalents with Fiscal Agents	664,727
Investments	1,165,617
Total	**$ 1,887,989**

Cash and Cash Equivalents

VTA maintains checking accounts for its operations, the Congestion Management and Highway Programs (CM&HP) and the Measure B Transportation Improvement Program (Measure B account). These checking accounts earn interest based on the bank's monthly sweep average repurchase agreement rate. At June 30, 2011, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$	38,210
CM&HP Account		12,796
Measure B Account		6,639
Total Deposits	**$**	**57,645**

Investments

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

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

Specific restrictions of investment are noted below:

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

The Local Investment Advisory Board has oversight responsibility for Local Agency Investment Fund (LAIF). The Board consists of five members as designated by the state statute. 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 and managed by money managers and structured notes which are invested indirectly through LAIF. At June 30, 2011, investment in LAIF is $44.8 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2011 was approximately $66.4 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, 2011 was 237 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

<u>Interest rate risk</u> – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's (Operation Funds and Plan Trust Funds) $1,165.6 million in investments, over 49% of the investments have a maturity of less than 1 year. Only 8.5% of the remainder has a maturity of more than 10 years. Per VTA's investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

<u>Credit risk</u> – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit is 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 2-44 shows the credit quality of VTA's investments as of June 30, 2011.

Custodial Credit Risk - Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA's deposits may not be returned to it. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA's cash on deposit or first trust deed mortgage notes with a value of 150 percent of the deposit as collateral for these deposits. Under California Law this collateral is held in VTA's name and places VTA ahead of general creditors of the institutions. At June 30, 2011, VTA deposits were collateralized by securities held by the financial institutions, but not in VTA's name.

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA's Investment Policy limits its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. As of June 30, 2011, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk - Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. Forty two and eight tenths percent (42.8%) of VTA's investments at year-end are in U.S. Government or Agency investments. There is no limitation on amounts invested in these types of issues. At June 30, 2011, VTA had $174.8 million representing 15% of VTA's portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2011, VTA had $38.6 million, $103.2 million and $9.5 million representing 3.3%, 8.9% and 0.8% 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 30.6% 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, 2011 (in thousands):

Investment Type	Maturity Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	Market Value
Corporate Bonds - Commingled[1]	$ 37,034	$ 159,809	$ -	$ -	$ 196,843
Corporate Bonds - Pension Plan	304	9,402	24,113	11,747	45,566
Corporate Bonds - OPEB Trust	81	4,871	11,170	4,735	20,857
US Goverment Agency Bonds					
Commingled[1]	16,804	65,485	6,126	-	88,415
Pension Plan	876	1,885	7,210	48,822	58,793
OPEB Trust	350	325	1,952	26,599	29,226
US Treasury					
Commingled[1]	90,201	155,178	51,766	-	297,145
Pension Plan	14,773	1,205	-	-	15,978
OPEB Trust	8,215	2,410	-	-	10,625
SUB TOTAL	**168,638**	**400,570**	**102,337**	**91,903**	**763,448**
Money Market Funds - Commingled [1,2]	(869)	-	-	-	(869)
Money Market Funds - Pension	1,902	-	-	-	1,902
Money Market Funds - OPEB Trust	172	-	-	-	172
Cash with Fiscal Agents - Commercial Paper/CD	369,770	119,716	-	-	489,486
Cash with Fiscal Agents - Money Market Funds	51,675	-	-	-	51,675
Cash with Fiscal Agents - Repurchase Agreement	-	-	-	7,563	7,563
Cash with Fiscal Agents - LAIF	112,504	-	-	-	112,504
TOTAL INVESTMENTS with Money Managers	**703,792**	**520,286**	**102,337**	**99,466**	**1,425,881**
LAIF	44,800	-	-	-	44,800
TOTAL INVESTMENTS	**$ 748,592**	**$ 520,286**	**$ 102,337**	**$ 99,466**	1,470,681
Equity-Based Investments					356,164
Retention Fund at Escrow Agents (Deposits)					3,499
Cash Deposits[1]					57,645
TOTAL					**$ 1,887,989**

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 Porfolios
Unrated	$ 635,055	33.64%
Not Applicable	498,538	26.41%
BBB	13,757	0.73%
BBB-	8,000	0.42%
BBB+	9,668	0.51%
A-1	414,517	21.96%
A-1+	76,489	4.05%
A	56,160	2.97%
A-	37,157	1.97%
A+	39,959	2.12%
AA	11,018	0.58%
AA-	28,271	1.50%
AA+	15,700	0.83%
AAA	43,700	2.31%
TOTAL	$ 1,887,989	**100.00%**

[1] $2,142 thousand in Retiree's Investment is included in these line items

[2] This is to record trades on June 30, 2011. GASB requires that investments be stated at the trade date.

As of June 30, 2011, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan Investments	$ 376,257
ATU Spousal Medical Investments	14,533
Retirees Medical Trust	150,635
	$ 541,425

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2011 is as follows (in thousands):

Due from other funds	Due to other funds	Amount
Measure B Highway Program Fund	Measure B Transit Fund	$ 2 [1]
Congestion Management & Highway Program Fund	Measure B Transit Fund	2 [1]
Congestion Management & Highway Program Fund	VTA Transit Fund	847 [1]
Joint Development Program Fund	VTA Transit Fund	515 [2]
VTA Transit Fund	Measure A Transit Fund	247 [3]
		$ 1,613

[1] represents the swap project cost.
[2] represents transfer of land sale proceeds to Joint Development Program.
[3] represents operating assistance due from VTA transit fund.

NOTE 5 – DUE FROM AND DUE TO OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies as of June 30, 2011 consisted of the following (in thousands):

	Business Type Activity	Governmental Activity		
GOVERNMENTAL AGENCY	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Total
Federal Government	$ 46,883	$ -	$ 4,216	$ 51,099
State Government	105,804	439	1,232	107,475
Others	1,765	200	450	2,415
Total All Governmental Agencies	$ 154,452	$ 639	$ 5,898	$ 160,989

Due from other governmental agencies as of June 30, 2011, 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	$ 58,099	$ 639	$ -	$ 58,738
Current assets - restricted	96,353	-	5,898	102,251
Total	$ 154,452	$ 639	$ 5,898	$160,989

Due to other governmental agencies as of June 30, 2011, 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	$ 37,645	$ -	$ -	$ -	$ 37,645
Caltrain	7,177	-	-	-	7,177
County of Santa Clara	4,987	805	12,379	2,257	20,428
City of San Jose	-	-	808	-	808
City of Fremont	3,876	-	-	-	3,876
Misc.	854	-	2,759	-	3,613
Total	$ 54,539	$ 805	$ 15,946	$ 2,257	$ 73,547

Due to other agencies as of June 30, 2011, 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)	$ 8,159	$ 805	$ -	$ -	$ 8,964
Current Liabilities (restricted)	46,380	-	15,946	2,257	64,583
Total	$ 54,539	$ 805	$ 15,946	$ 2,257	$ 73,547

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activity for the year ended June 30, 2011 were as follows (in thousands):

	June 30, 2010	Additions	Retirements	Transfers	June 30, 2011
Capital assets, not being depreciated:					
Land and right of way	$ 1,123,321	$ -	$ (3,115)	$ 2,599	$ 1,122,805
Construction in progress	814,241	153,907	-	(66,122)	902,026
Total capital assets, not being depreciated	1,937,562	153,907	(3,115)	(63,523)	2,024,831
Capital assets, being depreciated:					
Caltrain – Gilroy extension	53,307	-	-	-	53,307
Buildings, improvements, furniture and fixtures	495,436	1,499	(601)	8,197	504,531
Vehicles	435,652	152	(1,412)	51,198	485,590
Light-rail tracks and electrification	402,622	437	-	772	403,831
Leasehold Improvement	9,686	-	-	-	9,686
Other operating equipment	42,610	99	-	3,356	46,065
Total capital assets, being depreciated	1,439,313	2,187	(2,013)	63,523	1,503,010
Accumulated Depreciation:					
Buildings, improvements, furniture and fixtures	(202,833)	(14,033)	599	-	(216,267)
Vehicles	(148,826)	(19,896)	1,412	-	(167,310)
Light-rail tracks and electrification	(170,399)	(17,375)	-	-	(187,774)
Caltrain – Gilroy extension	(12,611)	(1,635)	-	-	(14,246)
Other operating equipment	(29,196)	(1,680)	-	-	(30,876)
Leasehold Improvement	(1,147)	(441)	-	-	(1,588)
Total accumulated depreciation	(565,012)	(55,060)	2,011	-	(618,061)
Total capital assets, being depreciated, net	874,301	(52,873)	(2)	63,523	884,949
Total capital assets, net	**$ 2,811,863**	**$ 101,034**	**$ (3,117)**	**$ -**	**$ 2,909,780**

Construction in progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2011 (in thousands):

Silicon Valley Rapid Transit Corridor	$ 767,574
Light Rail Program	61,970
Light Rail - Way, Power & Signal	27,287
Information Systems Technology	11,124
Revenue Vehicle & Equipment	10,777
Bus Program	10,742
Operating Facilities & Equipment	5,481
Vasona Corridor Projects	3,794
Commuter Rail Program	1,912
Passenger Facilities	1,365
Total project costs expended to date	$ 902,026

Additional information regarding projects in progress as of June 30, 2011 is as follows (in thousands):

Information Regarding Projects:	Costs
Total Board approved project budget	$ 1,537,713
Expended to date	(902,026)
Remaining budget available for CIP	$ 635,687
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 304,190
Local contributions	331,497
Total funding sources	$ 635,687

VTA has outstanding commitments of about $132.8 million as of June 30, 2011, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2011, consisted of the following (in thousands):

Secured by VTA's 1976 1/2 cent Sales Tax	
1998 Series A Junior Lien	$ 35,585
2000 Series A Junior Lien	29,010
2007 Series A Refunding ($22,685 plus unamortized premium of $685 and less unamortized loss in refunding of $1,897)	21,473
2008 Series A-C Refunding ($164,880 less refunding deferred amount of $13,131)	151,749
Secured by VTA's 2000 Measure A 1/2 cent Sales Tax	
2007 Series A Measure A Refunding ($117,665 plus unamortized premium of $3,647 and deferred amount in refunding of $4,317)	125,629
2008 Series A-D Measure A Refunding ($235,875 plus deferred amount in refunding of $4,844)	240,719
2010 Series A-B Measure A ($645,890 plus unamortized premium of $24,654)	670,544
Total long-term debt	**1,274,709**
Less current portion of long-term debt	(12,045)
Long-term debt, excluding current portion	**$ 1,262,664**

(a) 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.

- $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. The 2007 Bonds maturing on or before June 1, 2017 are not subject to redemption prior to their respective stated maturities. The 2007 Bonds maturing on or after June 1, 2018 are subject to redemption prior to their stated maturities any time on or after June 1, 2017.

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

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

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

55.5% of 1 Month LIBOR plus 0.44%). The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

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

- $120.1 million of 2007 Measure A Series A Sales Tax Revenue Refunding Bonds (2007 Measure A Bonds) were issued, at a true interest cost of 4.60%, to current refund Series F and G of the 2006 Measure A 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.

- $645.9 million of 2010 Measure A Bonds (2010 Measure A Bonds) were issued as fixed rate bonds, at a true interest cost of 3.54%, to fund certain Measure A transit capital improvement projects, most notably the BART extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B).

(c) Interest Rate Swaps

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

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

(d) ***Summary:*** The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2011 were as follows (dollars in thousands):

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating[CR]
2008A	$ 66,060	7/7/2005[ED]	3.15%	Cal-E[VR]	$ (5,412)	6/1/2026	Aa1,AAA,---
2008B	49,410	7/7/2005[ED]	3.15%	Cal-E[VR]	(4,049)	6/1/2026	A1, A+, ---
2008C	49,410	7/7/2005[ED]	3.15%	Cal-E[VR]	(4,049)	6/1/2026	A2, A, A
MA2008A	85,875	8/10/2006	3.77%	65% 3Mo LIBOR	(15,339)	4/1/2036	A1, A+, ---
MA2008B	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(8,930)	4/1/2036	Aa3, A+, A+
MA2008C	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(8,930)	4/1/2036	A2, A, A
MA2008D	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(8,930)	4/1/2036	Aa1,AAA,---
	$400,755				**$ (55,639)**		

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

Fair Values: At June 30, 2011, the swaps had a negative fair value of $55.6 million due to the decline in interest rates since the execution of the swaps. The bonds do not have corresponding fair value increases or decreases because the coupons on VTA's variable rate bonds adjust to changing interest rates. The fair values of the interest rate swaps were estimated using the zero-coupon method. The swaps were deemed to be effective derivative instruments using regression analysis and therefore were recorded as deferred outflow of resources net of accrued interest in the assets section of the statement of net assets and as a derivative instrument liability in the liability section of the statement of net assets.

Credit Risks: It is VTA's policy to enter into derivative agreements with highly rated counterparties. As of the end of the period, all interest rate swap counterparties are rated A2 or when the fair value is positive higher by Moody's, and A or higher by S&P. VTA manages credit risk by requiring counterparties to post collateral based on certain events. VTA is entitled to collateral in an amount up to 100% of the swap's fair value as identified in the following table.

Swap	Amount of Collateral Required	Rating Threshold for Collateral Requirement[CR]	Rating Threshold for 100% Collateral
2008A	$ 5,000,000	A3/A-	Baa1/BBB+
2008B	7,000,000	A2/A	A3/A-
2008C	5,000,000	A3/A-	Baa3/BBB-
MA2008A	7,000,000	A2/A	A3/A-
MA2008B	7,000,000	A2/A	A3/A-
MA2008C	5,000,000	A3/A-	Baa1/BBB+
MA2008D	5,000,000	A3/A-	Baa3/BBB-

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

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities, held by a third party custodian. VTA enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, VTA has interest rate swaps with four different counterparties and no counterparty accounts for more than 35% of outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: The variable rate debt hedged by VTA's derivatives are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the hedging derivative are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable payments on the hedged item are not offset by the variable receipts from the hedging derivative. On June 30, 2011, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.05%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.19%.

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

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

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

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

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

Commitments: All of the swap agreements contain provisions that require collateral posting by VTA at specific fair value amounts based on VTA's unenhanced long term credit ratings during times when the swaps are in liability positions (negative fair value). For swaps associated with long-term variable rate bonds secured by VTA's 1976 Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transactions should VTA's credit rating fall below A or A2 for two of the swaps and below A- or A3 for one of the swaps. For the swaps associated with long-term variable rate bond secured by 2000 Measure A Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transaction should the long-term unenhanced rating fall below A or A2 for two swaps, A- or A3 for one swap or below BBB or Baa2 for the fourth remaining Measure A swap. 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, 2011, no collateral is posted by VTA to any counterparty under any swap agreement.

(e) Swap Payments and Associated Debt

Using rates as of June 30, 2011, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principal	Interest	Swap, Net	Total
2012	$ 4,670	$ 190	$ 13,493	$ 18,353
2013	4,760	188	13,355	18,303
2014	4,555	186	13,215	17,956
2015	4,570	184	13,080	17,834
2016	10,165	182	12,931	23,278
2017-2021	55,520	840	59,972	116,332
2022-2026	80,640	695	50,511	131,846
2027-2031	-	590	43,127	43,717
2032-2036	235,875	389	28,431	264,695
	$ 400,755	**$ 3,444**	**$ 248,115**	**$ 652,314**

Long-term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 3.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2011 are as follows:

(Dollars in thousands)			
Year ending June 30:	Principal	Interest	Total
2012	$ 12,045	$ 58,530	$ 70,575
2013	12,465	58,064	70,529
2014	34,455	57,302	91,757
2015	35,895	55,749	91,644
2016	42,435	54,184	96,619
2017-2021	240,930	241,701	482,631
2022-2026	296,135	182,070	478,205
2027-2031	255,285	108,754	364,039
2032-2036	321,945	36,709	358,654
	$ 1,251,590	$ 853,063	$ 2,104,653
Unamortized bond discount, premium and deferred amount on refunding,	23,119		
Total debt	1,274,709		
Less current portion	(12,045)		
Long-term portion of debt	$ 1,262,664		

(f) Restrictions and limitations

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

(g) Long Term Liabilities

(Dollars in thousands)	July 1, 2010	Additions	Reductions	June 30, 2011	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
1998 Series A	$ 37,120	$ -	$ (1,535)	$ 35,585	$ 1,585
2000 Series A	30,275	-	(1,265)	29,010	1,305
2001 Series A	3,455	-	(3,455)	-	-
2007 Series A	24,525	-	(1,840)	22,685	1,960
2008 Series A-C	166,155	-	(1,275)	164,880	4,670
Sales Tax Revenue Bonds: Secured by 2000 Measure A ½ Cent Sales Tax					
2007 Series A	120,095	-	(2,430)	117,665	2,525
2008 Series A-D	235,875	-	-	235,875	-
2010 Series A-B	-	645,890	-	645,890	-
Total Outstanding Debt	617,500	645,890	(11,800)	1,251,590	12,045
Plus (less) premiums, deferred amount on refundings and discounts	(1,427)	25,726	(1,180)	23,119	-
Outstanding Debt, Net	616,073	671,616	(12,980)	1,274,709	12,045
Derivative Instruments Liability	71,490	-	(15,851)	55,639	-
Arbitrage Liability	343	49	-	392	-
Claims Liability:					
General Liability	4,916	-	(1,213)	3,703	1,906
Workers' Compensation	21,693	-	(4,504)	17,189	2,449
Compensated Absences	22,125	-	-	22,125	6,540
Total Long-Term Liabilities	$ 736,640	$ 671,665	$ (34,548)	$ 1,373,757	$ 22,940

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 FY2011 was $153.6 million and $152.9 million respectively, totaling $306.5 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

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

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 those 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 $3.1 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $1.3 million of Measure B fund for transit projects**;** $0.7 million ($0.6 million Measure B fund and $0.1 million Measure B Swap fund) for highway projects in the Measure B Highway Capital Projects Fund; and $1.1 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. To date, Measure A efforts have:

- Completed the purchase of low floor light rail vehicles
- Completed the Zero Emission Bus demonstration project.
- Reached a Project Agreement between the City of San Jose and VTA establishing a project description and vision statement for Bus Rapid Transit (BRT) in the Santa Clara/Alum Rock corridor. VTA has initiated a federal environmental review to make this project eligible for federal funds, and engineering efforts are underway. In addition, Conceptual Engineering for BRT improvements has begun on the El Camino Real Transit Improvement project.
- Substantially completed Fiber optic cable relocation on Phase 1 of the South County Improvements, consisting of grading and crossing work in preparation for eight miles of double-track installation in the UPRR corridor from Coyote to Morgan Hill.
- Resulted in a Record of Decision (ROD) from the FTA for the first 10-mile phase of the SVRT project. This milestone signifies that VTA satisfied the requirements of the National Environmental Policy Act (NEPA), thereby issuing environmental impact approval for the $2.1 billion Berryessa Extension.
- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Freight Railroad Relocation (FRR) activities fulfill VTA's obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminate ongoing freight operations on VTA property. The FRR activities are compatible with the eventual use of the property as a transportation corridor but do not include SVRT project-level elements. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contract are substantially complete.
- Initiated preparation of a Federal Environmental Impact Statement for the Capitol Expressway Light Rail Extension to Eastridge, with approval expected in 2012. Pedestrian Improvements (sidewalk and landscaping) and the Eastridge Transit Center are underway as the initial stage of the light rail project.
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Light Rail Improvement Plan serves as an action plan for future implementation and an investment program which identifies capital and operating improvements for the system over the next 20 years.
- Finished safety improvements to eight JPB crossings from Sunnyvale to Palo Alto for the Caltrain Safety Improvements – JPB Crossings project.
- Begun construction on the Blossom Hill Pedestrian Overcrossing.
- Received TCRP funds as reimbursements for the preliminary engineering phase on the BART extension.
- Continued to provide 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, 2011 are summarized as follows (in thousands):

	Enterprise Fund	Special Revenue Fund	Capital Project Funds
Operating Assistance Grants:			
FTA Section 9	$ 41,550	$ -	$ -
Guaranteed Ride Home	204	-	-
Section 5311	275	-	-
Mobility Options Travel Training Program	51	-	-
Federal Technical Studies/Training Grants	145	1,398	-
Total Operating Assistance Grants	42,225	1,398	-
Capital Grants:			
FTA Section 3	3,313	-	-
FTA Section 9	48,374	-	-
Pass-through Grants	-	-	6,686
Total Capital Grants	51,687	-	6,686
Total Operating Assistance and Capital Grants	$ 93,912	$ 1,398	$ 6,686

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

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

Guaranteed Ride Home Program is provided by FHWA Surface Transportation Project funds. This project provides CalWorks participants and low income residents in Santa Clara County a guaranteed ride home. The program is being administered by Outreach, a community-based non-profit organization that is currently under contract with the VTA to provide paratransit brokerage service.

Section 5311 represents federal operating assistance being administered by the California Department of Transportation, Division of Mass Transportation. This assistance applies to the operating costs of a non-urbanized area bus route being serviced by VTA.

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

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

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

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

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

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:

- Clipper® fees are funds received from the Metropolitan Transportation Commission in accordance with the Clipper® Phase II site preparation fund agreement whereby VTA is to perform site preparation on its premises for the implementation of Clipper® 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 Transit Security Grant Program (TSGP) award comes from the State Governor's Office of Homeland Security for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional Transit Security Strategy as well as a regional consensus on the expenditure of TSGP funds.

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

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2011, are summarized as follows (in thousands):

	Enterprise Fund	Special Revenue Fund	Capital Projects Funds
Operating Assistance Grants:			
Transportation Development Act	$ 74,452	$ -	$ -
State Transit Assistance	16,695	-	-
State Operating Assistance Grants	2,914	729	-
AB434	1,518	-	-
Total Operating Assistance Grants	95,579	729	-
Capital grants:			
Traffic Congestion Relief Program	67,652	-	-
Public Transportation Modernization Improvement and Service Enhancement Act	17,182	-	-
Proposition 1B Fund	1,999	-	-
PTA & CATIA	2,150	-	-
Regional Measure 2	321	-	-
Congestion Management Highway Program	-	-	16,700
Measure B Highway	-	-	665
Santa Clara County (Measure B Program) –	1,285	-	-
Various cities, counties and others	6,027	-	-
Total Capital Grants	96,616	-	17,365
Total State and Local Grants	$ 192,195	$ 729	$ 17,365

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

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

State Operating Assistance Grants represent (a) reimbursement receipts for operating bus lines in the City of Gilroy under the Enterprise Fund and (b) grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program under the Congestion Management Program.

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

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.

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

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 federal, state, and local grant revenues pertaining to Congestion Management and Highway Program of $23.4 million and Measure B Highway Program of $0.7 million.

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

(a) Plan Description

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

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

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

The membership of the Plan as of June 30, 2011 is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,020
Terminated vested members not yet receiving benefits	166
Active Members	1,380
Total	2,566

(b) Basis of Accounting

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

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

(c) Actuarial Methods and Assumptions

Description	***Methods/Assumptions***	
Valuation date	January 1, 2011	
Actuarial cost method	Individual Entry Age Normal (Aggregate Entry Age Normal for Prior Valuation)	
Amortization method	Level dollar open	
Remaining amortization period	20 years	
Actuarial asset valuation method	Market value less unrecognized investment gain or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value.	
Actuarial assumptions	Investment rate of return	7.75%
	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 15.95% and 14.90%, respectively, of the Plan's investments as of June 30, 2011.

(e) Funding Policy

VTA contributes to the Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contributions to the Plan for the year ended June 30, 2011 were made in accordance with actuarially determined requirements computed as of January 1, 2010. VTA's contribution rate as a percentage of payroll was 18.0 % for fiscal year 2011.

(f) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2011. 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
6/30/09	$ 14,843	100%	-
6/30/10	17,905	100%	-
6/30/11	17,807	100%	-

(g) Funding Status & Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 75.6% funded. The actuarial accrued liability was $486.7 million and the actuarial value of assets was $368.1 million resulting in an unfunded actuarial accrued liability (UAAL) of $118.6 million. The total covered payroll was $97.6 million which resulted in a UAAL percentage of 121.6% of total covered payroll. The schedule of funding progress is presented on page 2-81, in the required supplementary information following the notes to the financial statements.

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, 2009
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Average Remaining Period	25 years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and Type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

(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 contribution rate from July 1, 2010 through June 30, 2011, was 12.227% for the employer and 6.851% for employees. The 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.

(d) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2011. For FY2011, VTA's annual pension cost was approximately $6.1 million, which was fully contributed. The required contribution for FY2011 was determined as part of the June 30, 2008, 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
6/30/09	$ 6,507	100%	-
6/30/10	6,167	100%	-
6/30/11	6,090	100%	-

(e) Funding Status and Progress

As of June 30, 2009, the most recent actuarial valuation date, plan was 85.4% funded. The actuarial accrued liability was $238.0 million and the actuarial value of assets was $203.3 million resulting in an unfunded accrued actuarial liability of $34.7 million. The total covered payroll was $54.6 million which resulted in a 63.6% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-82, in the required supplementary information following the notes to the financial statements**.**

NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee plans. As of June 30, 2011, VTA had net assets of approximately $9.2 million for the ATU Spousal Medical Fund and $5.5 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU represented employees, contribution to the Spousal Fund was changed from $0.20 to $0.35 per hour worked. In May 2010, the contribution was increased to $0.40 per hour worked. As of June 30, 2011, there were 259 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2011 contributions were approximately $1.3 million while benefit payments made by the Fund were approximately $1.1 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute $0.10 per hour worked. As of June 30, 2011, there were 819 eligible participants. Contributions for the fiscal year were approximately $321 thousand for the Retiree Vision and Dental Fund.

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2011, the assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absences	Total
Assets	$ 17,523	$ 4,621	$ 16,051	$ 38,195
Liabilities	17,300	3,750	22,125	43,175
Net Assets (Reserve)	$ 223	$ 871	$ (6,074)	$ (4,980)

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. There was a transfer of $26.65 million from Workers' Compensation and General Liability funds to VTA Transit to bring provision for future claims in line with actuarial valuation. Actuarial studies for both activities are obtained on an annual basis.

<u>Actuarial Information</u>

An actuarial analysis as of June 30, 2011 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 60% confidence level, are $17.2 million and $3.7 million for Workers' Compensation and General Liability, respectively. The accrued liabilities for both Workers' Compensation and General Liability claims were based on the actuarial estimates.

Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2011, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2009	$ 22,325	$ 5,691
Provision for claims and claims adjustment expense	5,726	2,479
Payment for claims and other adjustments	(6,114)	(3,207)
Unpaid claims at June 30, 2010	21,937	4,963
Provision for claims and claims adjustment expense	5,872	2,726
Changes in estimates for provision for future claims	(5,928)	(1,704)
Payment for claims and other adjustments	(4,692)	(2,282)
Unpaid claims at June 30, 2011	$ 17,189	$ 3,703

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. Although Compensated

Absences liability in FY 2011 remained unchanged from FY 2010, $6 million was transferred to VTA Transit as this liability is funded in the following year's operating budget. At June 30, 2011, 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

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

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements relating to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or upon Board approval age 65 with 5 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select either the Kaiser, United Health Care, or Valley Health Plan retiree health plans. VTA pays the full cost of the employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. Employees who retiree on or after January 1, 2011 pay $35 or the excess above the Kaiser Medicare out of area (OOA) rate. As of June 30, 2011, 821 retirees met the eligibility requirements for the ATU Program.

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

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006 (8 years).
- Transportation Authority Engineers and Architects Association (TAEA) represented employees on or after December 5, 2006 (8 years).
- American Federation of State, County and Municipal Employees (AFSCME) represented employees hired between August 10, 2007 and December 31, 2009 (8 years), and on or after January 1, 2010 (15 years).
- Non-represented employees hired before 2/11/08 (5 years), hired between 2/11/08 and 10/31/09 (8 years), and on or after November 1, 2009 (15 years).

Administrative retirees who retired before 1/2/06 pay any premium in excess of the Kaiser single active rate. Administrative retirees who retired on or after January 2, 2006, pay $25 toward their monthly premium, plus any premium in excess of the Kaiser single active rate. Medicare part B premium is reimbursed for administrative retirees eligible for Medicare. As of June 30, 2011, 358 retirees met the eligibility requirements for the administrative retiree program.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing 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 provisions of GASB Statement 45.

As of June 30, 2011, VTA had assets of $151.2 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust. Separate financial statements are also prepared for the trust.

(c) Annual OPEB Cost and Net OPEB Obligations

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

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

Annual Required Contributions	$	(16,208)
Interest on Net Plan Asset		-
Annual Plan Cost (Expense)		(16,208)
Contributions Made		15,371
Net Plan Assets, Beginning of Year		837
Net Plan Assets, End of Year	$	-

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan assets for the year ended June 30, 2011 is presented below (in thousands):

Annual Required Contribution	Amount Contributed	Percentage Contributed	Net Plan Asset
$ 16,208	$ 16,208	100%	-

Net Other Post Employment Benefit Obligation

Fiscal Year Ended	Annual Other Post Employment Benefit (OPEB)Cost	Percentage of Annual OPEB Contributed	Net Other Post Employment Benefit Asset
6/30/09	$ 15,900	104%	1,473
6/30/10	15,187	102%	837
6/30/11	16,208	100%	-

(d) Funding Status and Funding Progress

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

As of July 1, 2010, the most recent actuarial valuation date, the plan was 53.0% funded. The actuarial accrued liability was $226.0 million and the actuarial value of assets was $119.7 million, resulting in an unfunded accrued liability (UAAL) of $106.3 million. The covered payroll was $140.6 million which resulted in a 75.6% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-83, in the required supplementary information following the notes to the financial statements.

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, 2011, is shown as follows:

Type of Coverage	Self-Insurance/ Deductible	Excess Coverage (in aggregate)
Workers' compensation	Self-Insured	None
Employer's liability	$3,000,000	$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	$50,000,000
Hybrid Buses	$150,000	$50,000,000
Buses	$100,000	
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, office buildings, and warehouses under lease agreements that expire at various dates through 2020. VTA may renew the leases after their expiration. These agreements were accounted for as operating leases in VTA Transit Fund for approximately $343 thousand in FY2011. Some leases were charged to capital project expenditures and were capitalized in FY2011. The future lease payments under noncancellable lease agreements are as follows (in thousands):

Year ending June 30,	Future Lease Payments
2012	$ 870
2013	745
2014	597
2015	600
2016	618
2017-2020	1,412
Total	$ 4,842

NOTE 18 – LITIGATION

As of August 31, 2011, VTA has no open claims which will have any adverse financial impact or liability. VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2011.

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 FY2011.

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 FY2011, 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, 2011, VTA paid $14.1 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, 2010 and 2009 (in thousands), are as follows[1]:

PCJPB Financial Information	2010	2009
Total assets	$ 1,222,379	$ 1,191,493
Total liabilities	(75,380)	(61,087)
Total net assets	$ 1,146,999	$ 1,130,406
Operating revenues	$ 46,462	$ 46,719
Operating expenses	(145,983)	(143,450)
Non-operating revenues, net	44,535	41,407
Capital contributions	71,579	71,241
Change in net assets	$ 16,593	$ 15,917

[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 37% from VTA, 35.6% from San Joaquin Regional Rail Commission and 27.4% 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, 2011, 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, 2010 and 2009 (in thousands), are as follows[1]:

ACE Financial Information	2010	2009 [2]
Total assets	$ 121,648	$ 155,322
Total liabilities	(15,346)	(20,947)
Total net assets	$ 106,302	$ 134,375
Operating revenues	$ 4,183	$ 4,793
Operating expenses	(23,558)	(19,811)
Non-operating revenues, net	9,602	11,800
Capital contributions	15,321	22,906
Change in net assets	$ 5,548	$ 19,688

[1] Latest audited information available.
[2] 2009 financial statements restated in 2010

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., 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 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 leases to service contracts. Although each equity investor had the right to demand that VTA replace AIG as guarantor, one of the investors decided to exercise the option to terminate a transaction. VTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account plus a return of $3.0 million (equal to 24% of the original net benefit received by VTA for the transaction). The negotiations were finalized in 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. In June 2010, VTA and the equity investor entered into a Collateral Delivery and Pledge Agreement (Pledge Agreement). Under the terms of the Pledge Agreement the equity investor waived the requirement to replace Ambac as the surety provider in the transaction, in exchange for a pledge of collateral in an amount equal to 50% of Ambac's scheduled obligations, which is adjusted on an annual basis pursuant to transaction documents and market values. Pledged collateral is held by VTA's custodian and is included in the Statement of Fund Net Assets as a restricted investment. Also in June 2010, one light rail vehicle was removed from this transaction due to loss.

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

NOTE 22 – SUBSEQUENT EVENTS

(a) Posting of collateral for interest rate swaps

VTA is subject to collateral posting requirements for its interest rate swaps if the market value of the swaps exceeds certain thresholds tied to the long term credit ratings of affiliated bonds. Based on the long term credit ratings of AAA/Aa2 (Standard & Poor's and Moody's, respectively) for the VTA Bonds and AA+/Aa2 for the Measure A bonds, this threshold is $20 million. If the market value of any of the swaps falls below a negative $20 million, VTA is required to post collateral in an amount of the difference between the market value of the swap and the $20 million threshold. Based on the year end market value of the swaps, there was no collateral requirement for these swaps as of June 30, 2011. However, on September 1, 2011, VTA was required to post $6 million of collateral as a result of declines in market value on the 2006 Swap with Citibank. Adjustments to the required collateral amounts are made daily, based on updated market values.

(b) Issuance of 2011 Series A Bonds

On September 15, 2011, VTA competitively sold $47.5 million of Sales Tax Revenue Refunding Bonds, 2011 Series A (2011 Bonds) with a true interest cost of 2.73%. Bond proceeds will be used to retire VTA's 1998 and 2000 Junior Lien Bonds on their next interest payment date of October 5, 2011. The maturities of the 2011 Bonds extend through June 1, 2028.

(c) Partial termination of 1998 lease/leaseback transaction

VTA successfully negotiated a termination of one of its 1998 lease/leaseback transactions with an investor at the current market value in the equity defeasance account (less transaction costs). Final payment was made and the termination agreement was executed on September 19, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION
(other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2011

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
1/1/2009	$ 325,247	$ 442,831	$ 117,583	73.0%	$ 100,878	117.0%
1/1/2010	354,785	462,912	108,127	77.0%	102,626	105.0%
1/1/2011	368,134	486,770	118,636	75.6%	97,569	121.6%

[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, 2011

CalPERS Plan
(Unaudited)
(In thousands)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/2007	$ 195,099	$ 170,837	$ 24,262	87.60%	$ 49,682	48.80%
6/30/2008	214,451	188,898	25,553	88.10%	51,043	50.10%
6/30/2009	238,083	203,338	34,745	85.40%	54,589	63.60%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress

As of June 30, 2011

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability AAL - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	$ 104,404	$ 225,482	$ 121,078	46.3%	$ 155,426	77.9%
7/1/2010	119,687	226,022	106,335	53.0%	140,601	75.6%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

Congestion Management Program Special Revenue Fund

For the Year ended June 30, 2011

(In thousands)

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenue:				
Assessments to member agencies	$ 2,582	$ 2,582	$ 2,407	$ (175)
Federal grant revenues	1,085	1,085	1,398	313
Administrative fees	130	130	113	(17)
State operating assistance grants	850	850	729	(121)
Other revenues	250	250	1,125	875
TOTAL REVENUE	4,897	4,897	5,772	875
Expenditures:				
VTA labor and overhead costs	5,125	5,125	3,854	1,271
Services and other:				
Professional services	379	379	370	9
Other services	31	31	4	27
Data processing	12	12	8	4
Miscellaneous	25	25	-	25
Contribution to other agencies	1,000	1,000	867	133
Total Expenditures	6,572	6,572	5,103	1,469
Change in fund balance, on a budgetary basis	$ (1,675)	$ (1,675)	669	$ 2,344
Revenues and Expenditure not budgeted:				
Unrealized Loss on Investments			(9)	
Change in fund balance, on a GAAP basis			660	
Fund Balance, Beginning of Year			287	
Fund Balance, End of Year			$ 947	

Budgetary Basis of Accounting

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

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

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SUPPLEMENTARY INFORMATION

(Combining and Individual Fund Statements)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Assets

Enterprise Funds

June 30,

(In thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,028	$ 510
Investments	9,859	3,847
Receivables, net	3,488	3,526
Due from other funds	762	1,529
Due from other governmental agencies	58,099	73,395
Inventories	19,637	20,818
Other current assets	680	1,308
Total current assets	**109,553**	**104,933**
Restricted assets:		
Cash and cash equivalents	21,317	6,707
Cash and investments with fiscal agent	664,727	20,808
Investments	573,035	500,164
Receivables, net	1,634	1,003
Due from other governmental agencies	96,353	52,347
Other current assets	185	33
Total restricted current assets	**1,357,251**	**581,062**
Non-current assets:		
OPEB obligation over-contributions	-	837
Deferred charges	13,837	11,767
Deferred outflow of resources	55,639	71,490
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,122,805	1,123,321
Construction in progress	902,026	814,241
Depreciable		
Caltrain - Gilroy extension	53,307	53,307
Buildings, improvements, furniture, and fixtures	504,531	495,436
Vehicles	485,590	435,652
Light-rail tracks and electrification	403,831	402,622
Leasehold Improvement	9,686	-
Other	46,065	52,296
Less: Accumulated depreciation	(618,061)	(565,012)
Net capital assets	**2,909,780**	**2,811,863**
TOTAL ASSETS	**4,446,060**	**3,581,952**

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Assets *(Continued)*

Enterprise Funds

June 30,

(In thousands)

	2011	2010
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	-	9,370
Accounts payable and accrued expenses	14,395	15,755
Deposits	499	481
Accrued payroll and related liabilities	6,519	10,033
Bond interest and other fee payable	647	763
Deferred revenues	1,900	2,116
Due to other funds	1,362	-
Due to other governmental agencies	8,159	1,669
Other accrued liabilities	3	133
Total current liabilities	**33,484**	**40,320**
Liabilities payable from restricted assets:		
Current portion of long-term debt	12,045	2,430
Accounts payable and accrued expenses	16,230	19,093
Bond interest and other fee payable	12,444	3,665
Deferred revenues	15	27
Due to other funds	251	2,609
Due to other governmental agencies	46,380	43,060
Total current liabilities payable from restricted assets	**87,365**	**70,884**
Non-current liabilities		
Long-term debt, excluding current portion	1,262,664	604,273
Derivative instruments	55,639	71,490
Other accrued liabilities	392	343
Total non-current liabilities	**1,318,695**	**676,106**
TOTAL LIABILITIES	**1,439,544**	**787,310**
NET ASSETS	**$ 3,006,516**	**$ 2,794,642**

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)

	2011	2010
OPERATING REVENUES:		
Passenger fares	$ 38,106	$ 36,857
Advertising and other	1,908	1,973
TOTAL OPERATING REVENUES	40,014	38,830
OPERATING EXPENSES:		
Labor cost	248,373	246,539
Materials and supplies	29,765	26,216
Services	18,116	18,345
Utilities	6,787	6,718
Casualty and Liability	4,962	4,689
Purchased transportation	20,768	24,245
Leases and rentals	495	2,217
Miscellaneous	1,313	1,461
Depreciation expense	55,060	51,378
Costs allocated to capital and other programs	(31,827)	(33,989)
TOTAL OPERATING EXPENSE	353,812	347,819
OPERATING LOSS	(313,798)	(308,989)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	306,456	279,342
Federal operating assistance and other grants	42,225	59,101
Federal subsidy for Build America Bonds	5,848	-
State and local operating assistance grants	95,579	67,833
Caltrain subsidy	(14,135)	(15,878)
Capital expenses on behalf of, and contribution to, other agencies	(66,782)	(81,714)
Altamont Commuter Express subsidy	(2,706)	(2,707)
Investment earnings	10,067	5,764
Interest expense	(23,536)	(20,583)
Proceed from sales of land	642	-
Other income	6,495	3,075
Other expense	(15,434)	(7,268)
NON-OPERATING REVENUE, NET	344,719	286,965
INCOME (LOSS) BEFORE CONTRIBUTIONS	30,921	(22,024)
CAPITAL CONTRIBUTIONS	148,303	92,594
TRANSFER IN/(OUT)	32,650	-
CHANGE IN NET ASSETS	211,874	70,570
NET ASSETS, BEGINNING OF YEAR	2,794,642	2,724,072
NET ASSETS, END OF YEAR	$ 3,006,516	$ 2,794,642

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 38,106	$ 36,857
Cash received from advertising	1,908	1,973
Cash paid to employees	(216,546)	(212,509)
Cash paid to suppliers	(60,620)	(53,698)
Cash paid for purchased transportation	(20,768)	(24,245)
Other non operating receipts/(payments)	1,354	2,477
Net cash provided by/(used in) operating activities	(256,566)	(249,145)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	132,711	125,894
Sales tax received	301,597	267,139
Caltrain subsidy	(14,135)	(15,878)
Altamont Commuter Express subsidy	(2,706)	(2,707)
Capital contribution to other agencies	(66,782)	(68,190)
Transfers in	33,165	-
Transfers out	(515)	-
Net cash provided by/(used in) non-capital financing activities	383,335	306,258
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(11,800)	(9,180)
Proceeds from issuance of long-term debt	645,890	-
Premium on issuance of long-term bonds	27,262	-
Issuance and other cost	(3,272)	-
Advance (to) from other governments	1,522	14,210
Interest paid on long-term debt	(19,070)	(12,454)
Acquisition and construction of capital assets	(164,147)	(92,384)
Capital contribution from other governments	138,257	100,189
Net cash provided by/(used in) capital and related financing activities	614,642	381
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,149,348	685,211
Purchases in investments	(1,230,832)	(756,365)
Interest income received	15,120	4,354
Net cash provided by/(used in) investing activities	(66,364)	(66,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS	675,047	(9,306)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,025	37,331
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 703,072	$ 28,025

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows *(Continued)*

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (313,798)	$ (308,989)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	55,060	51,378
Changes in operating assets and liabilities:		
Receivables	38	1,155
Deposits from others	19	(1,003)
Inventories	1,184	340
Accounts payable	(1,397)	2,709
Other accrued liabilities	(491)	133
Other Current assets	1,465	(3)
Due to other governmental agencies		2,658
Other non operating receipts/(payments)	1,354	2,477
Net cash provided by/(used in) operating activities	$ (256,566)	$ (249,145)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 17,028	$ 510
Restricted	686,044	27,515
	$ 703,072	$ 28,025
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ (4,615)	$ 3,315
Amortization expense of Caltrain Access Fee	(881)	(1,314)
Total non-cash activities	$ (5,496)	$ 2,001

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2011

(In thousands)

	FY11 Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Fares	$ 40,620	$ 40,620	$ 38,106	$ (2,514)
1976 1/2 Cent Sales Tax	140,088	140,088	153,601	13,513
Transportation Development Act funds	65,841	65,841	74,452	8,611
Measure A Sales Tax Oper Assistance	25,588	25,588	28,213	2,625
STA	-	-	16,695	16,695
Federal Operating Grants	42,626	42,626	42,225	(401)
State Operating Grants	1,801	1,984	4,431	2,447
Investment Earnings	3,295	3,295	2,322	(973)
Advertising Income	2,025	2,025	1,547	(478)
Other Income	14,371	14,188	13,383	(805)
Total revenues	**336,255**	**336,255**	**374,975**	**38,720**
OPERATING EXPENSES				
Labor Costs	255,106	252,048	248,373	3,675
Materials & Supplies	15,216	16,016	16,115	(99)
Security	8,019	8,019	7,439	580
Professional & Special Services	3,752	3,447	2,149	1,298
Other Services	8,066	7,935	6,509	1,426
Fuel	10,886	10,886	12,186	(1,299)
Traction Power	3,506	3,506	3,011	495
Tires	1,694	1,694	1,479	215
Utilities	2,460	2,460	2,607	(147)
Insurance	5,140	5,140	4,962	178
Data Processing	2,720	2,720	2,778	(58)
Office Expense	337	338	313	25
Communications	1,080	1,080	1,169	(89)
Employee Related Expense	792	792	523	269
Leases & Rents	551	551	495	56
Miscellaneous	805	767	706	61
Reimbursements	(41,095)	(39,497)	(40,025)	528
Total operating expenses	**279,035**	**277,902**	**270,789**	**7,113**
OTHER EXPENSES				
Paratransit[1]	34,263	24,014	22,383	1,630
Caltrain[1]	18,683	16,157	16,157	-
Light Rail Shuttles[1]	39	39	44	(5)
Altamont Commuter Express[1]	4,679	4,679	4,403	276
Highway 17 Express[1]	428	428	259	169
Dumbarton Express[1]	486	486	410	75
Monterey-San Jose Express Service[1]	51	51	40	12
Contribution to Other Agencies	676	7,853	7,771	81
Debt Service	20,689	20,039	17,657	2,381
Contingencies	500	250	-	250
Total other expenses	**80,494**	**73,996**	**69,124**	**4,872**
Total operating and other expenses	**359,529**	**351,898**	**339,913**	**11,985**
Net income(loss), on a budgetary basis	**$ (23,274)**	**$ (15,643)**	**$ 35,062**	**$ 50,705**

(continued on next page)

1 Includes allocation of indirect costs.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund (continued)
VTA Transit Fund
For the year ended June 30, 2011
(In thousands)

	Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
Net income(loss), on a budgetary basis	**$ (23,274)**	**$ (15,643)**	**$ 35,062**	**$ 50,705**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			63,308	
Capital Contributions to Other Agencies			(3,000)	
Bond Principal Payment			9,370	
Amortization of Bond Discounts			(1,217)	
Unrealized Loss on investment			(1,548)	
Debt Reduction Fund Interest Earnings			1,381	
Other non-budgetary revenues/(expenses)			209	
Gain/(Loss) on Disposal of assets			(2)	
Depreciation			(55,060)	
Net Transfers In			32,135	
Net Loss, on a GAAP Basis			**$ 80,638**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Fiduciary Net Assets
Retiree Trust Funds
June 30, 2011
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trust: Spousal Medical	ATU Medical Trust: Vision/ Medical	ATU Medical Trust: Total Medical Trust	Total
ASSETS						
Restricted assets:						
Cash and cash equivalents	$ 101	$ 61	$ 110	$ 67	$ 177	$ 339
Investments	376,257	150,635	9,081	5,452	14,533	541,425
Receivables	1,048	531	-	-	-	1,579
Total assets	377,406	151,227	9,191	5,519	14,710	543,343
LIABILITIES						
Restricted liabilities:						
Accounts payable	329	512	1	-	1	842
NET ASSETS						
Net assets held in trust for:						
Pension benefits	377,077	-	-	-	-	377,077
Other post-employment benefits	-	150,715	-	-	-	150,715
Spousal medical benefits	-	-	9,190	-	9,190	9,190
Retiree dental and vision benefits	-	-	-	5,519	5,519	5,519
TOTAL NET ASSETS	$377,077	$ 150,715	$ 9,190	$ 5,519	$14,709	$542,501

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year ended June 30, 2011
(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	$ 17,807	$ 15,371	$ 1,287	$ 321	$ 1,608	$ 34,786
Investment earnings:						
Investment income	18,237	2,479	6	3	9	20,725
Net appreciation in the fair value of investments	48,858	21,185	1,439	844	2,283	72,326
Investment expense	(1,601)	(135)	(3)	-	(3)	(1,739)
Net investment income	65,494	23,529	1,442	847	2,289	91,312
TOTAL ADDITIONS	83,301	38,900	2,729	1,168	3,897	126,098
DEDUCTIONS						
Benefit payments	23,392	7,845	1,108	-	1,108	32,345
Administrative expenses	226	27	9	6	15	268
TOTAL DEDUCTIONS	23,618	7,872	1,117	6	1,123	32,613
NET INCREASE	59,683	31,028	1,612	1,162	2,774	93,485
NET ASSETS HELD IN TRUST						
BEGINNING OF YEAR	317,394	119,687	7,578	4,357	11,935	449,016
END OF YEAR	$ 377,077	$ 150,715	$ 9,190	$ 5,519	$ 14,709	$ 542,501

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011
(In thousands)

	BAAQMD Program	SB83 VRF Agency	Measure B Ancillary Program	Total
Assets				
Restricted assets:				
Cash and cash equivalents	$ 401	$ 7	$ 2,169	$ 2,577
Investments	3,103	-	-	3,103
TOTAL ASSETS	3,504	7	2,169	5,680
Liabilities				
Liabilities payable from restricted assets:				
Program payable	3,504	7	2,169	5,680
Total Liabilities Payable from Restricted Assets	$ 3,504	$ 7	$ 2,169	$ 5,680

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011
(In thousands)

	Balance June 30, 2010	Increase	Decrease	Balance June 30, 2011
BAAQMD Program				
Restricted assets:				
Cash and cash equivalents	$ 230	$ 171	$ -	$ 401
Investments	3,052	51	-	3,103
Total restricted assets	$ 3,282	$ 222	$ -	$ 3,504
Liabilities payable from restricted assets:				
Program payable	$ 3,282	$ 222	$ -	$ 3,504
Total liabilities payable from restricted assets	$ 3,282	$ 222	$ -	$ 3,504
SB83 VRF Program				
Restricted assets:				
Cash and cash equivalents	$ -	$ 7	$ -	$ 7
Total restricted assets	$ -	$ 7	$ -	$ 7
Liabilities payable from restricted assets:				
Program payable	$ -	$ 7	$ -	$ 7
Total liabilities payable from restricted assets	$ -	$ 7	$ -	$ 7
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ 2,168	$ 1	$ -	$ 2,169
Due from other funds	7	-	7	-
Total restricted assets	$ 2,175	$ 1	$ 7	$ 2,169
Liabilities payable from restricted assets:				
Program payable	$ 2,175	$ -	$ 6	$ 2,169
Total liabilities payable from restricted assets	$ 2,175	$ -	$ 6	$ 2,169
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ 2,398	$ 179	$ -	$ 2,577
Investments	3,052	51	-	3,103
Due from other funds	7	-	7	-
Total restricted assets	$ 5,457	$ 230	$ 7	$ 5,680
Liabilities payable from restricted assets:				
Program payable	$ 5,457	$ 229	$ 6	$ 5,680
Total liabilities payable from restricted assets	$ 5,457	$ 229	$ 6	$ 5,680

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SECTION 3 – **STATISTICAL SECTION**

FINANCIAL TRENDS:

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

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

REVENUE CAPACITY:

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

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

DEBT CAPACITY:

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION:

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

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

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TABLE 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Changes in Net Assets
Ten Years Ended June 30, 2011
(In thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXPENSES										
Business-type activities:										
Operations and Operating Projects	$ 341,209	$ 335,760	$ 286,098	$ 300,430	$ 339,857	$ 321,059	$ 344,469	$ 343,973	$ 338,771	$ 343,302
Caltrain Subsidy	25,315	22,298	16,805	14,112	14,801	15,237	15,416	15,878	15,878	14,135
Capital Expenses on behalf of, and contribution to other agencies	-	-	-	-	27,399	7,272	19,331	42,626	81,714	66,782
Altamont Commuter Express Subsidy	1,740	2,715	2,392	2,470	2,470	2,542	2,621	2,707	2,707	2,706
Interest Expense	14,717	14,222	13,690	13,761	11,562	13,672	12,214	11,651	20,583	23,536
Other Expenses	2,838	4,858	3,022	3,316	6,972	4,636	3,280	5,446	7,268	15,434
Benefit Payments	-	-	14,816	21,370	11,538	14,285	10,513	9,826	7,693	8,410
Total Business-Type Activities Expenses	385,819	379,853	336,823	355,459	414,599	378,703	407,844	432,107	474,614	474,305
Governmental activities:										
Operations and operating projects	2,740	3,582	2,858	4,735	5,982	6,528	6,450	8,840	7,164	7,196
Contribution to agencies	-	-	-	-	-	-	-	-	-	867
Capital projects for the benefit of other agencies	112,697	141,271	115,262	94,146	80,763	45,806	43,798	26,398	19,402	21,091
Total governmental activities expenses	115,437	144,853	118,120	98,881	86,745	52,334	50,248	35,238	26,566	29,154
Total primary government expenses	$ 501,256	$ 524,706	$ 454,943	$ 454,340	$ 501,344	$ 431,037	$ 458,092	$ 467,345	$ 501,180	$ 503,459
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 37,122	$ 34,376	$ 33,422	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014
Operating grants	127,373	104,132	111,577	113,925	114,764	140,431	126,505	114,937	126,934	137,804
Capital grants	226,125	316,997	217,053	96,860	22,522	199,999	153,443	82,175	92,594	148,303
Total business-type activates program revenues	390,620	455,505	362,052	245,477	174,212	378,306	318,001	235,551	258,358	326,121
Governmental activities:										
Charges for services	1,686	2,177	1,862	2,231	2,290	2,397	2,475	2,618	2,606	2,520
Operating grants	2,405	852	517	1,190	850	1,023	2,193	1,496	1,854	2,127
Capital grants	112,668	141,364	116,012	95,746	83,207	48,180	45,109	29,479	22,314	24,051
Total governmental activates program revenues	116,759	144,393	118,391	99,167	86,347	51,600	49,777	33,593	26,774	28,698
Total primary government revenues	$ 507,379	$ 599,898	$ 480,443	$ 344,644	$ 260,559	$ 429,906	$ 367,778	$ 269,144	$ 285,132	$ 354,819
NET (EXPENSE)/REVENUE										
Business-type activities	$ 4,801	$ 75,652	$ 25,229	$ (109,982)	$(240,387)	$ (397)	$ (89,843)	$ (196,556)	$ (216,256)	$ (148,184)
Governmental activities	1,322	(460)	271	286	(398)	(734)	(471)	(1,645)	208	(456)
Total primary government net expense	$ 6,123	$ 75,192	$ 25,500	$ (109,696)	$(240,785)	$ (1,131)	$ (90,314)	$ (198,201)	$ (216,048)	$ (148,640)

TABLE 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Changes in Net Assets
Ten Years Ended June 30, 2011
(In thousands)

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
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	$ 279,342	$ 306,456
Investment income	24,512	14,245	6,382	11,206	10,537	27,288	22,511	16,862	7,352	11,039
Proceed from sales of land	-	-	-	-	-	-	-	-	-	642
Federal subsidy for Build America Bonds	-	-	-	-	-	-	-	-	-	5,848
Other income	2,883	4,104	2,102	2,628	9,158	1,347	3,523	3,385	3,241	6,865
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	-	5,716
Total business-type activities	171,613	163,205	161,482	151,069	215,148	377,441	252,533	298,650	289,935	336,566
Governmental activities:										
Sales tax revenue	-	61	-	-	-	-	-	-	-	-
Investment income	30	99	79	174	207	267	349	41	12	10
Other income	8	12	18	19	28	3	151	161	15	1,106
Total governmental activities	38	172	97	193	235	270	500	202	27	1,116
TOTAL PRIMARY GOVERNMENT	$ 171,651	$ 163,377	$ 161,579	$ 151,262	$ 215,383	$377,711	$ 253,033	$ 298,852	$ 289,962	$ 337,682
CHANGE IN NET ASSETS										
Business-type activities	176,414	238,857	186,711	41,087	(25,239)	377,044	162,690	102,094	73,679	188,382
Governmental activities	1,360	(288)	368	479	(163)	(464)	29	(1,443)	235	660
Total primary government	$ 177,774	$ 238,569	$ 187,079	$ 41,566	$ (25,402)	$ 376,580	$ 162,719	$ 100,651	$ 73,914	$ 189,042

TABLE 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Assets by Component
TenYears Ended June 30, 2011
(In thousands)

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**[1]	**2010**	**2011**
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	$2,195,790	$2,220,118
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	362,079	409,136	527,784
Unrestricted	242,699	162,644	169,798	210,973	245,098	232,626	438,848	196,628	208,228	253,634
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	2,813,154	3,001,536
GOVERNMENTAL ACTIVITIES										
Restricted	-	-	-	-	-	-	-	-	-	947
Unrestricted	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52	287	-
Total Governmental Activities Net Assets	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52	287	947
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	2,195,790	$2,220,118
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	362,079	409,136	528,731
Unrestricted	244,323	163,980	171,503	213,157	247,028	234,092	438,848	196,680	208,515	253,634
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	$ 2,813,441	$ 3,002,483

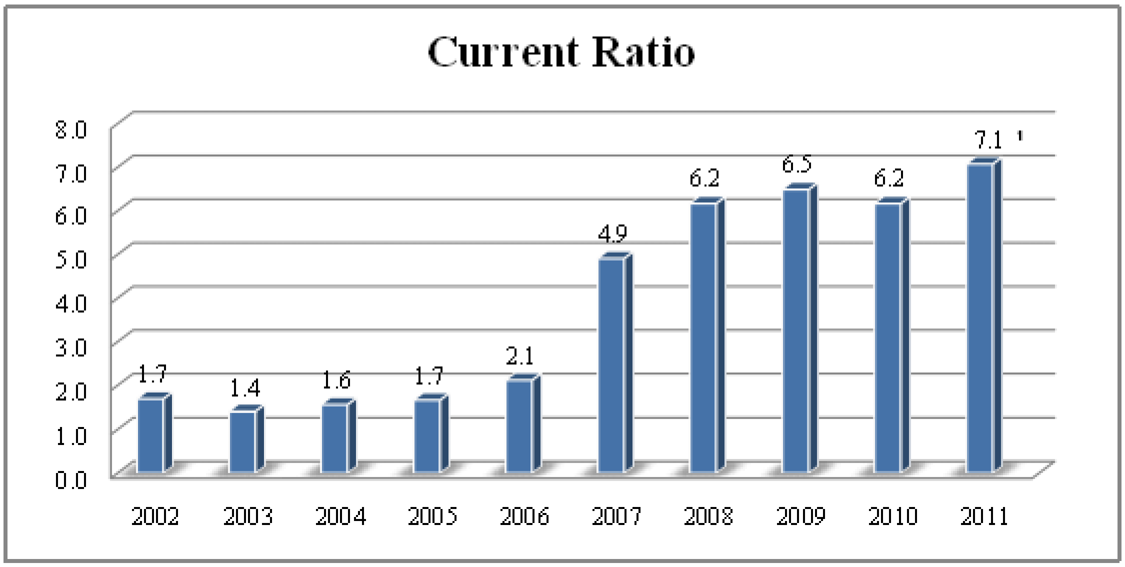
[1] Business-type amount reclassified to match 2010 persentation.

TABLE 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2011
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Member Agency Assessment Revenue	$ 1,587	$ 2,032	$ 1,783	$ 2,174	$ 2,250	$ 2,329	$ 2,410	$ 2,495	$ 2,495	$ 2,407
Federal Technical Studies Operating Assistance Grants	452	453	223	1,036	621	794	1,102	915	1,235	1,398
Sales Tax	-	60	-	-	-	-	-	-	-	-
Administrative Fees	99	145	80	57	40	68	65	123	111	113
State and Local Assistance Grants	1,953	400	293	63	229	229	1,091	581	619	729
Federal, State and Local Grant Revenues	112,668	141,364	116,013	95,746	83,207	48,180	45,109	29,479	22,314	24,051
Other Revenues	8	12	17	19	28	3	151	161	15	1,106
Investment Earnings	30	99	79	174	207	267	349	41	12	10
Total Revenues	116,797	144,565	118,488	99,269	86,582	51,870	50,277	33,795	26,801	29,814
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	1,388	2,604	2,733	4,177	5,179	5,640	5,680	8,006	6,606	6,814
Professional Services	1,283	919	390	640	803	888	770	793	541	374
Program Expenditures	-	-	-	-	-	-	-	41	17	8
Contribution to agencies	-	-	-	-	-	-	-	-	-	867
Capital Improvement Projects	112,697	141,271	115,262	94,064	80,763	45,806	43,798	26,398	19,402	21,091
Total Expenditures	115,368	144,794	118,385	98,881	86,745	52,334	50,248	35,238	26,566	29,154
Excess (Deficiency) of Revenues Over Expenditures	1,429	(229)	103	388	(163)	(464)	29	(1,443)	235	660
OTHER FINANCING SOURCES (USES):										
Transfer In	-	-	-	86	-	-	-	-	-	-
Transfer Out	-	-	-	(86)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 1,429	$ (229)	$ 103	$ 388	$ (163)	$ (464)	$ 29	$ (1,443)	$ 235	$ 660
TOTAL GOVERNMENTAL FUNDS										
Restricted – Capital Projects Funds	-	-	-	(258)	-	-	-	-	-	-
Restricted – Special Revenue Funds	1,831	1,602	1,705	2,351	1,930	1,466	1,495	52	287	947
Total Governmental Funds	$ 1,831	$ 1,602	$ 1,705	$ 2,093	$ 1,930	$ 1,466	$ 1,495	$ 52	$ 287	$ 947

TABLE 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Current Ratio
Enterprise Fund
Ten Years Ended June 30, 2011

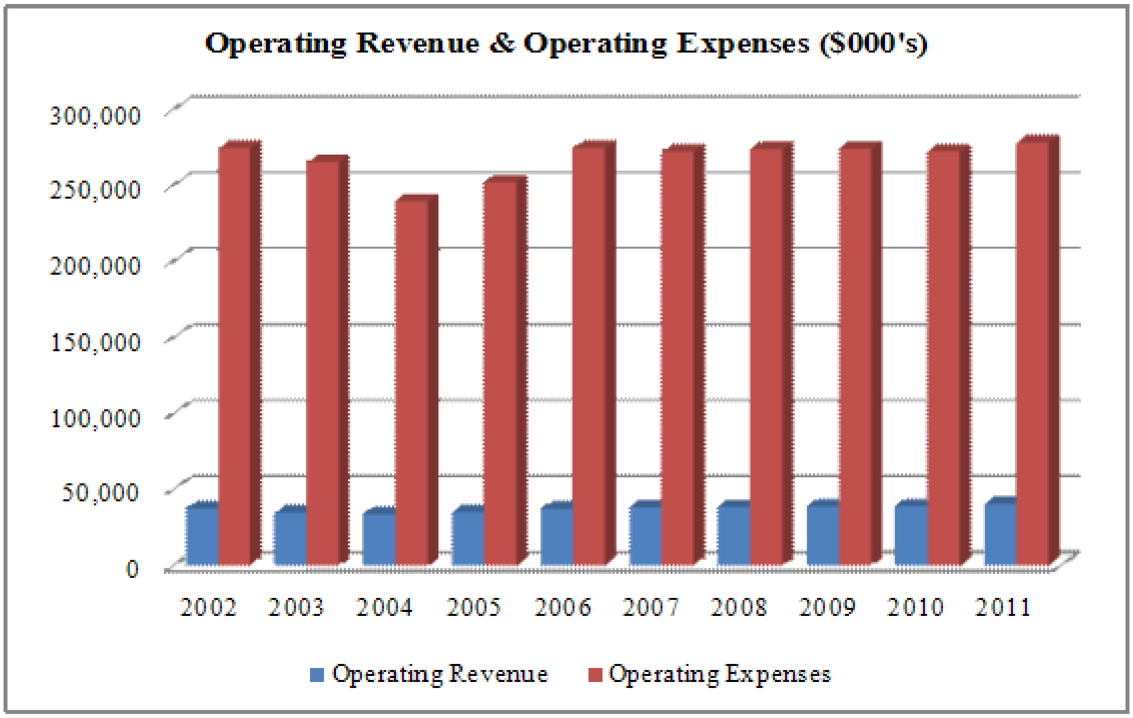
The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets, by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of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



[1]Current assets exclude 2010 Measure A bond proceeds of $611 million. Although bond proceeds are with fiscal agent and categorized as current, it is restricted for 2000 Measure A projects.

TABLE 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Operating Revenues & Operating Expenses
VTA Transit
Ten Years Ended June 30, 2011

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.

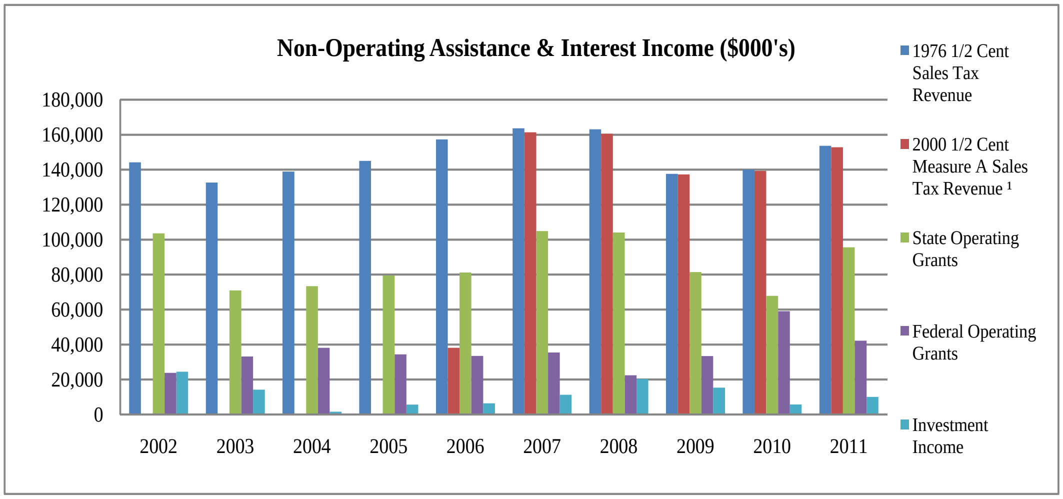


Operating Revenues and Operating Expenses

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenue	$ 37,122	$ 34,376	$ 33,421	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014
Operating Expenses	274,407	265,180	239,411	251,874	274,426	271,975	273,495	273,979	272,196	277,984

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance and Interest Income
Enterprise Fund
Ten Years Ended June 30, 2011

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



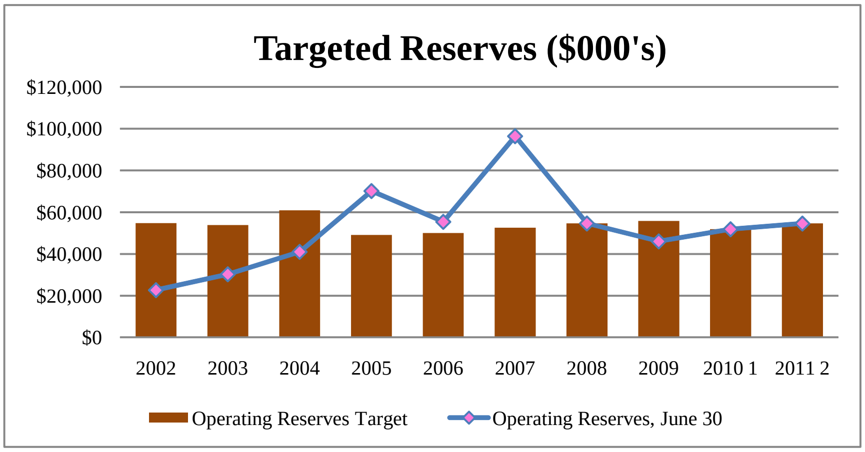
[1)]The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

Non-Operating Assistance and Interest Income

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1976 1/2 Cent Sales Tax Revenue	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601
2000 1/2 Cent Measure A Sales Tax Revenue [1]	-	-	-	-	38,170	161,361	160,537	137,261	139,305	152,855
State Operating Grants	103,561	70,956	73,433	79,509	81,199	104,917	104,080	81,488	67,834	95,579
Federal Operating Grants	23,811	33,176	38,144	34,416	33,565	35,514	22,425	33,449	59,100	42,225
Investment Income	24,513	14,245	1,592	5,666	6,457	11,304	20,370	15,341	5,764	10,067

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
Enterprise Fund
Ten Years Ended June 30, 2011

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 (except current portion of long-term debt) to determine current net assets. Current Net Assets are then reduced by inventory and other current assets to reach a current operating reserve total.



	2002	2003	2004	2005	2006	2007	2008	2009	2010 [1]	2011 [2]
Current Assets	$ 84,793	$ 96,026	$ 111,232	$ 126,644	$ 113,717	$ 158,291 [3]	$ 120,374	$103,697	$104,933	$108,396
Total Current Liabilities	(41,876)	(43,785)	(45,865)	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)	(30,950)	(33,484)
Net Current Asset	$ 42,917	$ 52,241	$ 65,367	$ 88,882	$ 75,772	$ 116,689	$ 75,421	$ 69,981	$ 73,983	$ 74,912
Less: Inventory & Other Current Assets [4]	(20,239)	(21,951)	(24,335)	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)	(22,126)	(20,317)
Operating Reserves, June 30	$ 22,678	$ 30,290	$ 41,032	$ 70,169	$ 55,411	$ 96,455	$ 54,630	$ 46,045	$ 51,857	$ 54,595
Operating Reserves Target (15% of Budgeted Expenses)	$ 54,784	$ 53,843	$ 60,899	$ 49,112	$ 50,081	$ 52,599	$ 54,630	$ 55,760	$ 51,857	$ 54,595

[1] Starting FY2010, the operating reserve target is 15% of final operating budget at June 30. In Prior years, it was based on 15% of adopted operating budget.

[2] FY2011 operating reserve target is based on 15% of subsequent year's operating budget.

[3] Includes transfer to debt reduction fund of $50 M.

[4] Starting FY2008, this includes inventory and other current assets; prior years included inventory only.

TABLE 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Revenue Base and Revenue Rates
Ten Years Ended June 30, 2011

	Fiscal Year									
Revenue Rates (In thousands)	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Passenger Fares [1]	$ 31,282	$ 30,960	$ 30,625	$ 32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857	$ 38,106
Percentage Increase/(Decrease) from Prior Year	(7.6)%	(1.0)%	(1.1)%	4.7%	7.1%	2.6%	1.7%	1.0%	1.9%	3.4%
Revenue Base										
Number of Passengers [2]	52,690,092	45,221,844	38,375,374	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434	41,733,376	41,409,630
Percentage Increase/(Decrease) from Prior Year	(6.7)%	(14.2)%	(15.1)%	(3.4)%	5.8%	7.1%	3.7%	3.9%	(7.8)%	(0.8)%
Fare Structure										
Adult Local Fare	$0.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00	$2.00
Youth Local Fare	0.70	0.85	1.25	1.50	1.50	1.50	1.50	1.50	1.75	1.75
Senior/Disabled Local Fare	0.40	0.45	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Half-Cent Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601
2000 Measure A 1/2 Cent Sales Tax [4]	-	-	-	-	38,170	161,361	160,537	137,261	139,305	152,855
Total Sales Tax Revenue Receipts [5]	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	(21.4)%	(8.0)%	4.7%	4.4%	8.5%	4.1%	(0.4)%	(15.6)%	1.7%	9.7%
2000 Measure A 1/2 Cent Sales Tax	N/A	N/A	N/A	N/A	N/A	322.7%	(0.5)%	(14.5)%	1.5%	9.7%

[1] Includes fares for directly operated transit services such as bus, light rail, and shuttle services.
[2] Represents system ridership total boardings.
Source: VTA Operations Division.
[3] The 1976 half-cent Sales Tax was approved by 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, 2011

Fiscal Year	State	City	County[1]	VTA[2]	Total
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%	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%	1.00%	0.0%	1.00%	9.25%
2010	7.25%	1.00%	0.0%	1.00%	9.25%
2011	7.25%	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 on March 31, 2006. The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

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

Source: California Board of Equalization

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

	Fiscal Year 2010[1]			Fiscal Year 2001		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	40.6%	$11,672	1	46.1%	$16,852
Motor Vehicle & Parts Dealers	2	8.5%	2,435	2	10.9%	3,994
General Merchandise Stores	3	8.1%	2,319	4	6.8%	2,488
Gasoline Stations	4	7.0%	2,006	7	4.2%	1,520
Food Services & Drinking Places	5	6.6%	1,893	5	6.4%	2,326
Food & Beverage Stores	6	6.4%	1,845	9	2.7%	1,001
Clothing & Clothing Accessories	7	6.1%	1,757	8	3.0%	1,114
Electronics & Appliance Stores	8	4.4%	1,264	12	1.0%	382
Bldg. Matrl.&Garden Equip. & Suppl.	9	4.2%	1,197	6	4.2%	1,541
Miscellaneous Store Retailers	10	2.2%	630	3	10.3%	3,761
Furniture & Home Furnishing Stores	11	2.1%	619	10	2.1%	782
Sport Goods, Hobby, Book & Music	12	1.8%	505	11	1.1%	385
Health & Personal Care Stores	13	1.5%	443	13	1.0%	367
Non-Store Retailers	14	0.5%	135	14	0.2%	85
Total		100.0%	$ 28,720		100.0%	$ 36,598

[1] 2011 data not available at printing

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

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

TABLE 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2011
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
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
2010	-	246,298	369,775	616,073
2011	-	237,817	1,036,892	1,274,709

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, 2011
(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**
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%	103,992,999	0.64%
2009	626,680	29,009,000	2.16%	99,549,995	0.63%
2010	616,073	28,720,000	2.15%	100,545,495	0.61%
2011	1,274,709	29,007,000	4.39%	101,550,950	1.26%

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 Year 2010. FY 2011 assumes a 1% increase over 2010 numbers.
[2] Personal income actual is available through Fiscal Year 2009. FYs 2010 and 2011 assume a 1% increase over the prior years' numbers.

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

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

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

TABLE 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2011
(In thousands)

	Available Revenue	Annual Debt Service[1]			
Fiscal Year	Sales Tax Revenue	Principal	Interest[2]	Total	Coverage
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	11,651	20,541	6.7
2010	140,037	9,180[3]	7,025	16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4

[1]This schedule includes Junior and Senior Lien debts.
[2] Interest is exclusive of interest earned from bond proceeds.
[3]This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY2009.

TABLE 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Eight Years Ended June 30, 2011
(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
2010	139,305	-	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2

[1] This is exclusive of interest earned from bond proceeds.
[2] Bond indenture requires VTA to maintain coverage ratio of at least 1.3.
[3] Collection of the 2000 Measure A Sales Tax began in April 2006.

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

The table below presents a five-year projection of forecasted debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2012 through 2016.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2012 – 2016 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service [2]	Projected Coverage [3]
2012	$156,242	3.49%	$ 12,860	12.15
2013	165,273	5.78%	12,829	12.88
2014	172,196	4.19%	12,505	13.77
2015	177,126	2.86%	12,408	14.28
2016	180,585	1.95%	17,406	10.37

[1] Source: Growth rates provided by outside economists.
[2] Includes actual debt service on the 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, 2012 through 2016.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2012 – 2016 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[4*]	Aggregate Debt Service [5]	Projected Coverage [6]
2012	$ 155,528	3.49%	$ 52,484	2.96
2013	164,518	5.78%	52,475	3.14
2014	171,409	4.19%	74,052	2.31
2015	176,317	2.86%	74,050	2.38
2016	179,760	1.95%	74,050	2.43

[4] Source: Growth rates provided by outside economists.
[5] Includes actual debt service on the 2007 and 2010 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
[6] 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 5.9% in 2010 Census 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	2010 [1]
Campbell	11,863	24,731	26,843	36,048	38,138	39,349
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403
San Jose	204,196	445,779	629,400	782,248	894,943	945,942
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960
County Total [2]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956

[1]This report includes the result of the 2010 census published in March 2011.
[2]Totals may not be precise due to independent rounding.
Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.

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

Year	Santa Clara County Personal Income (In thousands)[1,2]	Santa Clara County Per Capita Personal Income[1,2]	Unemployment Rate[3]
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	103,992,999	59,227	5.1%
2009	99,549,995	55,781	11.8%
2010	100,545,495	56,339	11.3%
2011	101,550,950	56,902	10.3%

1 Bureau of Economic Analysis U.S. Department of Commerce.
2 Actual data is available through 2009. Years 2010 and 2011 data are preliminary and assume a 1% increase over prior year.
3 California Employment Development Department. Not seasonally adjusted.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Civilian Labor Force [1]	1,005.8	958.2	895.1	828.8	823.7	834.4	855.2	876.8	879.8	871.6
Civilian Employment	960.0	877.6	821.6	774.2	778.7	797.1	814.7	825.2	777.5	774.0
Civilian Unemployment	45.8	80.6	73.5	54.6	45.0	37.3	40.5	51.7	102.2	97.6
Civilian Unemployment Rate										
County	4.6%	8.5%	8.2%	6.6%	5.5%	4.5%	4.7%	5.9%	11.6%	11.2%
State of California	5.3%	6.7%	6.5%	6.5%	5.4%	4.9%	5.4%	7.0%	11.6%	12.2%
Wage and Salary Employment [2]										
Total Farm Agriculture	4.6	4.5	4.2	4.1	3.8	3.8	3.7	4.6	3.6	3.6
Construction and Mining	48.0	42.5	39.0	40.1	42.7	45.5	49.5	50.1	32.9	32.3
Manufacturing	240.5	201.2	177.0	167.9	168.6	167.4	163.7	166.3	153.5	150.7
Transportation & Public Utilities	16.3	15.0	14.2	13.3	13.0	12.6	13.1	13.8	11.7	11.9
Wholesale Trade	40.7	35.7	33.5	34.0	35.1	37.6	39.1	39.9	36.0	34.7
Retail Trade	88.2	83.6	81.0	80.2	81.7	83.1	86.2	88.2	77.4	75.6
Finance, Insurance & Real Estate	35.2	35.0	34.8	34.7	35.9	36.8	38.2	39.5	31.5	30.8
Services	440.0	391.7	379.9	385.0	384.8	401.3	416.7	424.1	404.4	418.5
Government	94.6	98.1	94.8	91.7	93.0	93.5	90.2	92.7	95.0	93.4
Total[3]	1,008.1	907.3	858.4	851.0	858.6	881.6	900.4	919.2	846.0	851.5

1 Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2010.
2 Wage and salary employment is reported by place of work. Data are benchmarked to 2010.
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, 2011

Company Name	Number of Employees	Nature of Operations
Cisco Systems, Inc.	17,335	Computer network equipment manufacturer
Santa Clara County	15,481	County government
Kaiser Permanente	13,500	Health care organization
Stanford University, SLAC	11,569	Higher education, academic research, electron accelerators & related facilities
Apple Inc.	10,000	Computer & consumer electronics products
Oracle Corp.	8,000	Software developer
Google Inc.	7,700	Internet applications
Lockheed Martin Space System Co.	7,600	Aerospace systems
State of California	7,492	State government
City of San Jose	5,910	Local government
Stanford Hospital & clinics	5,775	Hospital
San Mateo County	5,495	County government
Intel Corp.	5,241	Semiconductor manufacturer
Hewlett-Packard Co.	5,000	Computer hardware, software & services
Yahoo Inc.	4,895	Internet information provider
University of California, Santa Cruz	4,252	Public university
eBay Inc.	4,215	E-commerce
County of Monterey	4,200	County government
IBM Corp.	4,000	Information technology
U.S. Postal Service	3,921	Shipping & mailing
Wells Fargo Bank	3,753	Financial services
Palo Alto Medical Foundation	3,612	Health care
Veterans Affairs, Palo Alto Health Care System	3,587	Veterans hospital
Lucile Salter Packard Children’s Hospital at Stanford	3,500	Children’s health care
Juniper Networks Inc	3,040	Networking

Source: Silicon Valley/San Jose Business Journal December 2010

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 15,481 workers. The City of San Jose alone has 5,910 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, 2011

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2002	44,900,522	144,823	22,043,527	1,589,200	18,714,024	177,883	402	491	690
2003	39,169,325	126,030	20,556,769	1,497,846	17,471,291	152,036	375	454	524
2004	32,902,350	105,588	18,681,967	1,359,608	15,754,661	136,693	345	457	523
2005	30,296,718	97,117	18,259,119	1,330,707	15,416,363	125,953	344	441	525
2006	30,938,044	99,966	18,499,971	1,346,841	15,678,367	120,583	345	440	524
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,290	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494

LIGHT RAIL

Fiscal Year	Total Ridership[1]	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
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
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99

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

TABLE 22
Santa Clara Valley Transportation Authority
Operating Information - Farebox Recovery Ratio
Ten Years Ended June 30, 2011

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.

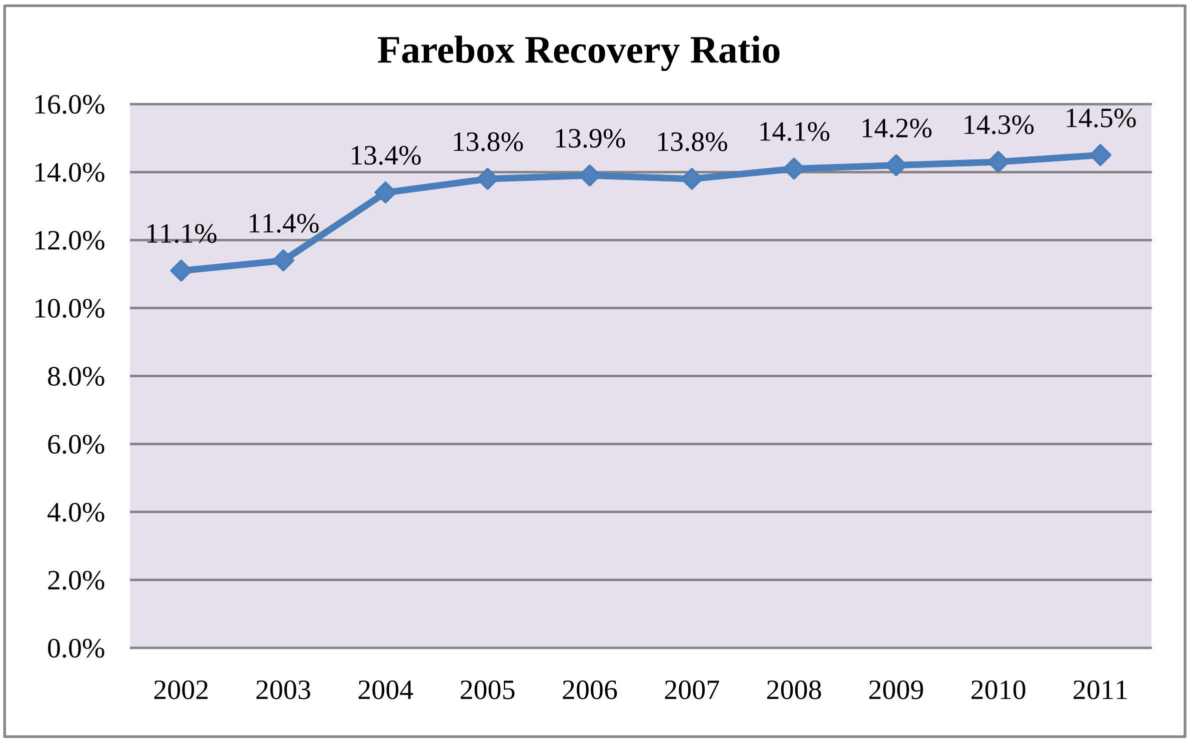


TABLE 23

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Operating Information - Revenue Miles

Ten Years Ended June 30, 2011

The following Chart shows total vehicle miles in revenue service.

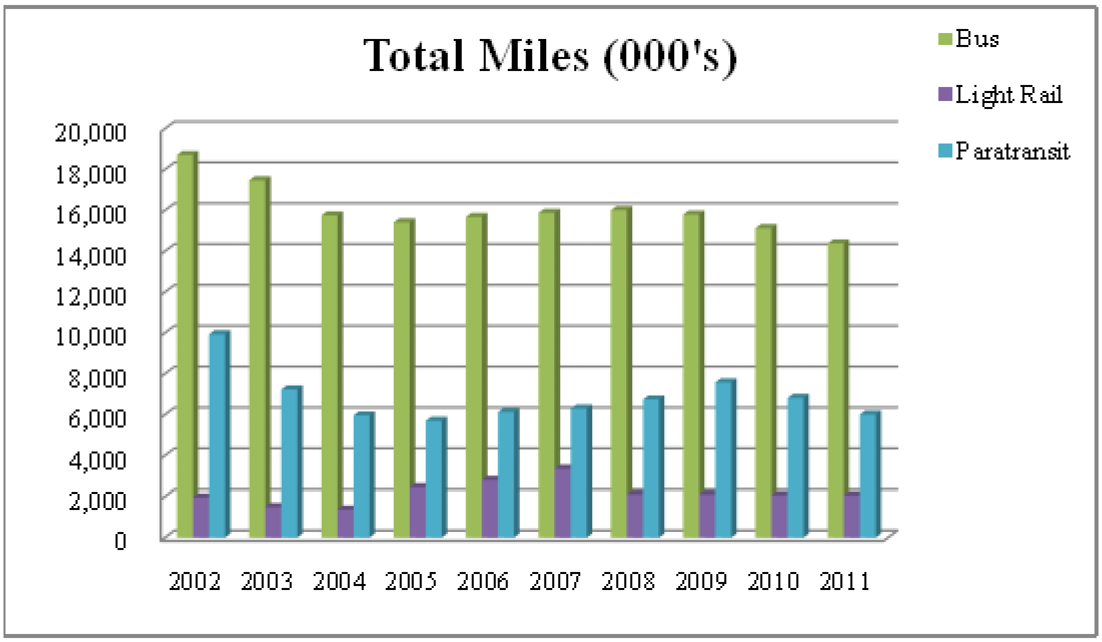


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Passenger Miles
Ten Years Ended June 30, 2011

Passenger mile statistics are presented in the chart below. In FY 2011 the total passenger miles have increased by 4.2% from 2010.

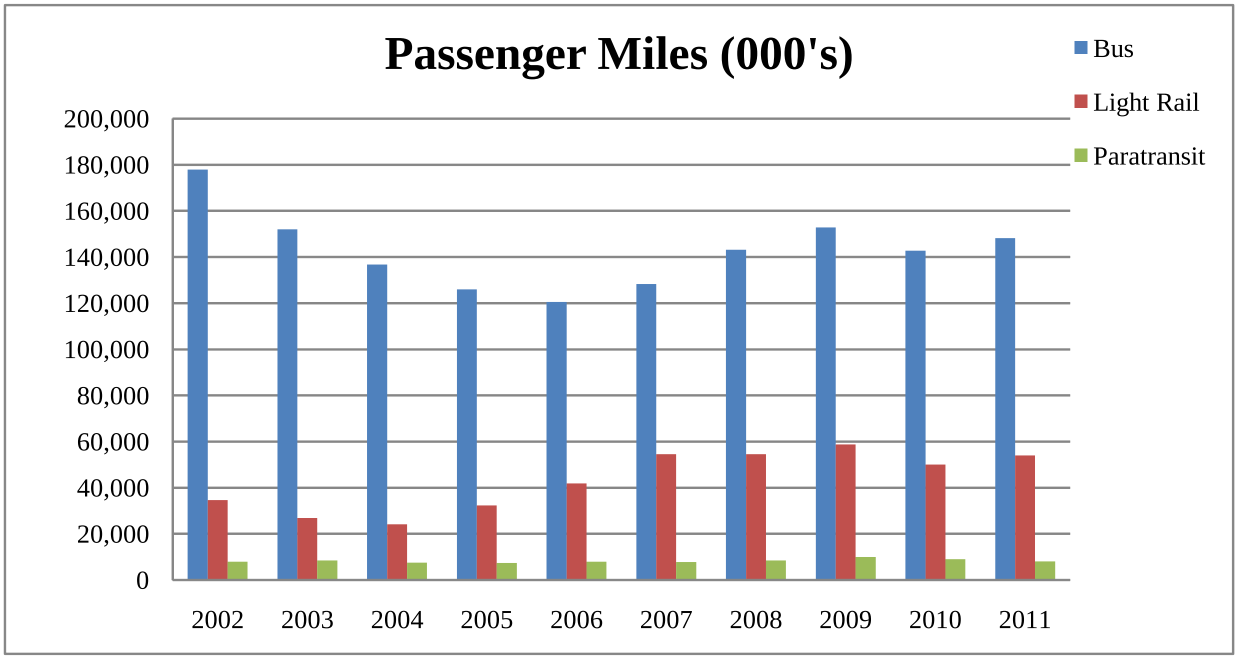


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FAREBOX REVENUE ($000's)[1]	$ 31,282	$ 30,959	$ 30,625	$32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857	$ 38,106
VEHICLE REVENUE MILES (000's)										
BUS	18,714	17,471	15,755	15,315	15,573	15,851	15,951	15,800	15,131	14,377
LIGHT RAIL	1,962	1,499	1,372	2,460	2,810	3,354	2,112	2,106	2,063	2,056
PARATRANSIT	9,937	7,233	5,967	5,702	6,126	6,296	6,746	7,582	6,816	6,011
PASSENGER MILES (000's)										
BUS	177,883	152,036	136,693	125,953	120,581	128,290	143,102	152,856	142,754	148,225
LIGHT RAIL	34,656	26,815	24,166	32,290	41,913	54,528	54,475	58,708	50,000	54,048
PARATRANSIT	7,947	8,497	7,546	7,314	7,896	7,835	8,486	9,908	9,005	8,017
FLEET SIZE										
BUS	491	524	523	525	524	539	480	448	424	494
LIGHT RAIL	68	98	80	100	100	100	100	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$1.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00	$2.00
YOUTH	$0.70	$0.85	$1.25	$1.50	$1.50	$1.50	$1.50	$1.50	$1.75	$1.75
SENIOR	$0.40	$0.45	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$1.00	$1.00

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

TABLE 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2011

URBANIZED AREA (UZA):

326 Square Miles

ROUTES

Type of Route	Number of Routes
Local	53
Limited Stop	4
Express	11
Rapid	1
Light Rail	3
Total	72

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	11	707
Light Rail	21	6,471
Caltrain	16	5,006
Total	48	12,184

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,762
Shelters	798
Benches	1,917
Trash Receptacles	826
Transit Centers	16

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Employees
Six Years Ended June 30, 2011[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
2006	1,597	104	105	107	NA	101	9	30	NA	2,053
2007	1,584	101	100	98	NA	102	8	27	NA	2,020
2008	1,628	48	103	98	70	92	10	4	4	2,057
2009	1,649	51	97	99	74	102	8	4	4	2,088
2010	1,588	50	95	97	57	100	8	18	4	2,017
2011	1,576	50	90	90	53	102	8	11	5	1,985

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, 2011
(In thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Capital assets, not being depreciated:										
Land and right of way	$ 572,665	$ 570,715	$ 747,679	$ 761,818	$ 1,131,579	$ 1,118,577	$ 1,118,212	$ 1,119,217	$ 1,123,321	$ 1,122,805
Construction in Progress	608,403	923,872	690,853	775,711	380,776	488,192	639,708	781,381	814,241	902,026
Total capital assets, not being depreciated	1,181,068	1,494,587	1,438,532	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598	1,937,562	2,024,831
Capital assets, being depreciated:										
Buildings, improvements, furniture and fixtures	227,826	237,239	337,565	340,546	462,448	460,900	487,116	488,156	495,436	504,531
Vehicles	220,504	306,328	363,270	480,174	457,616	458,001	462,027	442,771	435,652	485,590
Light-rail tracks and electrification	276,398	281,182	375,049	365,505	384,435	399,563	399,824	399,824	402,622	403,831
Caltrain – Gilroy extension	48,775	48,962	52,990	52,990	52,990	53,155	53,155	53,155	53,307	53,307
Other operating equipment	28,366	28,706	28,830	28,830	29,002	29,416	39,770	32,044	42,610	46,065
Leasehold Improvement	-	-	-	-	-	2,169	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	801,869	902,417	1,157,704	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636	1,439,313	1,503,010
Less accumulated depreciation										
Total accumulated depreciation	(242,026)	(270,924)	(289,653)	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)	(565,012)	(618,061)
Total capital assets, being depreciated, net	559,843	631,493	868,051	932,845	987,856	956,796	957,683	905,750	874,301	884,949
Total capital assets, net	$ 1,740,911	$ 2,126,080	$ 2,306,583	$ 2,470,374	$ 2,500,211	$ 2,563,565	$ 2,715,603	$ 2,806,348	$ 2,811,863	$ 2,909,780

Source: Comprehensive Annual Financial Reports

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