SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Table of Contents

Executive Summary

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

VTA has been aggressively moving forward and leveraging its capital structure by issuing sales tax revenue bonds to provide funding for some of the Program. This includes engineering and design of the Silicon Valley Rapid Transit (SVRT) project and the procurement of Low Floor Light Rail Vehicles. VTA has also secured funding under the State's Transportation Congestion Relief Program (TCRP) and Federal Transit Administration's (FTA) grant programs to facilitate this effort. These are reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Assets.

The State Board of Equalization ("SBOE") administers and collects the Tax. VTA has authorized the SBOE to make payment of the Tax revenues directly to the Bond Trustee. Pursuant to its procedures, the SBOE projects receipts of the Tax on a quarterly basis and remits an advance of such receipts to the Bond Trustee on a monthly basis based on such projection. During the last month of each quarter, the SBOE adjusts the amount remitted to reflect the actual receipts of the Tax for the prior quarter and to deduct the full amount of the administrative fee for the prior quarter. Upon receipt of the Tax revenues, the Bond Trustee retains an amount necessary to meet debt service requirements and make the other deposits required by the Bond's Indenture. The balance is then forwarded to the Program.

The 2000 Measure A Transit Improvement Program

The 2000 Measure A Transit Improvement Program, which represents the transit portion of VTA's Valley Transportation Plan and is funded primarily by 2000 Measure A sales tax revenues, consists of those projects and increased operations included in the 2000 Measure A 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") service;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail and paratransit service.

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

- Completed the purchase of low floor light rail vehicles;
- Implemented the 522 Rapid Bus service and began studying other bus rapid transit improvements in the Measure A corridors based on the Comprehensive Operational Analysis (COA);
- Currently in the third year of the Zero Emission Bus demonstration project;
- Currently in the final design phase of the Caltrain double tracking project to Gilroy, with advertisement for bids on the first phase of work being made in FY2008;
- Completed conceptual design and 35% preliminary engineering on the BART extension to Silicon Valley, and proceeding through the 65% preliminary engineering phase;
- Completed conceptual design, preliminary design and proceeding through the final design on Capitol Expressway Light Rail to Eastridge;
- Began conceptual engineering and environmental work for BRT facilities in the Santa Clara/Alum Rock Corridor;
- Conducting new rail corridor study consisting of two phases; developing a transit sustainability policy and mode-specific service design guidelines; and identifying potential new transit corridors. Additionally, VTA is preparing to undertake a study to provide a comprehensive evaluation of infrastructure and operations deficiencies of the existing light rail system and an evaluation of operational impacts and user benefits of the planned light rail extensions and other capital improvements;
- Completed priority list for Caltrain capital needs and began work on the Blossom Hill Pedestrian Overcrossing as well as safety enhancements at crossings along the corridor;
- Re-established the Project Advisory Committee to advise the Board on funding issues, cash flow, potential hold points and "No New Revenue" scenarios;
- Receiving TCRP funds as reimbursements for the preliminary engineering phase on the BART extension;
- In July 2007, completed the sales transaction and received $20.1million for the sale of approximately three miles of former Western Pacific Railroad right-of-way to BART ;
- In August 2007, redeemed 2006 Measure A Sales Tax Revenue Bonds, Series E using the Program funds;

- In September 2007, issued $120.1 million 2000 Measure A Sales Tax Revenue Bonds. The proceeds along with $13.4 million debt service reserve funds and $4.3 million bond premium were used to refund $137.8 million Series F and G of 2006 Measure A Sales Tax Revenue Bonds;
- In FY2008, VTA completed the acquisition of Mitchell Block site in downtown San Jose for approximately $39 million for a future BART facility;
- Providing operating assistance to VTA Transit operations.

FY2008 Financial Highlights

Financial Audit

The Measure A ballot requires an annual audit of the 2000 Measure A Program (Program) accounts and records to be conducted by an independent Certified Public Accountant (Financial Audit). The audit scope is also to ensure that the Program sales tax revenues are expended on projects and activities that were included on the Measure A ballot (Compliance Audit) which will be undertaken by a separate audit firm. The financial audit results along with the Program financial statements must be presented to and reviewed by the Measure A Program Citizens Watchdog Committee. For FY2008, Vavrinek, Trine, Day and Company LLP (VTD), a certified public accounting firm, has audited the Program's financial records and financial statements. The Independent Auditor's Report, Program's financial statements and notes to the financial statements are contained in Section 1.

VTD has issued a "clean" or unqualified opinion on the Program's financial statements. The audit report, found on page 1, states that the Program's financial statements present fairly, in all material respects, the respective financial position of the Program as of June 30, 2008, and the changes in financial position of the Program for the year then ended in conformity with principles generally accepted in the United States of America. There were no significant deficiencies or material weaknesses in internal control procedures.

Program Revenues

The 2000 Measure A Program, while centered on the 30-year ½-cent sales tax, is actually funded by a number of revenue sources. The table below shows the Program revenues for FY2008 and FY2007 (in thousands):

Category	FY2008	FY2007	Change	Percent
2000 Measure A sales tax	$ 160,537	$ 161,361	($824)	(0.5%)
Capital contribution from other agencies	115,471	197,613	(82,142)	(41.6%)
Investment income	11,742	5,073	6,669	131.5%
Miscellaneous income	376	348	28	8.0%
Total Revenues	$ 288,126	$ 364,395	($76,269)	(20.9%)

Total FY2008 Program revenues were $288.1 million, $76.3 million lower than the FY2007 total revenues. The sales tax revenues were $824 thousand (0.5%) less than FY2007 reflecting a slowdown in taxable sales activity in the County. Capital contributions from other agencies in FY2008 decreased $82.1 million over FY2007 actual amounts, primarily due to the lower State TCRP grants for the preliminary engineering phase of the BART extension project. During FY2007, the State approved $365 million in TCRP grants to fund this project. Investment income increased $6.7 million in FY2008 due to greater cash available for investments. Miscellaneous income was slightly higher in FY2008 than the previous fiscal year.

Program Expenditures

The table below shows the Program expenditures on cash basis for FY2008 and FY2007 (in thousands):

Category	FY2008	FY2007	Change	Percent
Operating assistance to VTA Transit	$ 29,630	$ 29,782	($152)	(0.5%)
Repayment of debt service obligation to VTA Transit	12,886	13,642	(756)	(5.5%)
Capital expenditures on behalf of, and contributions to, other agencies	5,751	6,519	(768)	(11.8%)
Debt Principal Payoff(1)	67,700	-	67,700	100.0%
Swap Payments to Congestion Management & Highway	9,030	-	9,030	100.0%
Other operating and non-operating expenses	299	672	(373)	(55.5%)
Capital project expenditures (incl. capitalized interest)(2)	161,440	86,403	75,037	86.8%
Total Expenditures	$ 286,736	$ 137,018	$ 149,718	109.2%

(1) Represents net amount after $3,850 premium received from the issuance of new bonds.
(2) Includes Caltrain right of way access fee reported on Balance sheet as Deferred charges

Total Program expenditures were $286.7 million in FY2008 compared to $137 million in FY2007 an increase of $149.7 million. In FY2008, operating assistance to VTA Transit was $152 thousand lower compared to the prior fiscal year as it is based on the lower Measure A sales tax receipts. Repayment of debt service obligations to VTA Transit represents the amount of debt service VTA Transit paid for revenue bonds issued on behalf of the Program. The amount varies from year to year based on the actual debt service payments.

Capital expenditures on behalf of, and contributions to, other agencies were $768 thousand lower in FY2008, the result of project completion on the design work for Alameda County and the Santa Clara Valley Water District related to the BART extension. The Program is advanced funds from these agencies to cover the costs. These advanced funds are reported as a portion of the Capital Contributions from Other Agencies in the Statement of Revenues, Expenses, and Change in Net Assets page 4. In addition, the Program incurred contributions to other agencies related to capital expenditures for Dumbarton Rail Corridor and Caltrain projects which are part of the Measure A Transit Improvement Program. Finally, in FY2008, Measure A Program expenses include a one-time principal payment of $67.7 million to redeem 2000 Measure A Series E and F bonds. In the current fiscal year, the Program advanced $9 million to Congestion Management and Highway Program (CMH&P) as a swap payment which will be reimbursed to the Program when CMH&P receives grant funds from the State. Lastly, capital project expenditures were $75 million higher in FY2008 mainly due to an increase in spending on the SVRT project.

Program Net Assets and Fund Balance

The Statement of Net Assets on page 3 shows a $546.2 million net assets balance for the Program. Starting in FY2007, the Program is reported as an Enterprise Fund using full-accrual basis of accounting. Of the total net assets, $221 million was related to the investment in capital assets, net of related debt. As a result, this amount is not available for the day-to-day operation of the Program. Of the remaining $325.2 net asset balance, $73.2 million was restricted for debt service for the 2000 Measure A Revenue Bonds and debt reduction program. The remaining balance includes $117.2 million, which is restricted for the Measure A Transit Improvement Program, $125 million restricted for local share of projects already approved by VTA's Board, and $9.8 million is designated for inventory, pre-paid expenses and debt issuance costs.

Historical Program Sources and Uses

Supplemental Schedules on pages 19 and 20 list the Program sources of income and uses of funds from Inception-to-FY2007, FY2008, and Inception-to-FY2008.

Program Summaries

Section 3 of the report includes information for each project including expenditures to date, description, status, and activities for this fiscal year.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

STATEMENTS OF NET ASSETS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority (VTA) 2000 Measure A Program (the Program) as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of management of the Program. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VTA's internal control over financial reporting. Accordingly, we express no such opinion. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements referred to above present only the financial activities of the Program and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2008 and 2007 and the changes in its financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program as of June 30, 2008 and 2007 and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The Executive Summary is presented for the purposes of additional analysis and is not a required part of the basic financial statements but is 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.

The supplementary information related to the program summaries as listed in the table of contents has 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
January 31, 2009

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

Statements of Net Assets

(In Thousands)

	2008	2007[1]
ASSETS		
Current Assets:		
Pooled cash and investments	$ 274,512	$187,852
Cash and investments with fiscal agent	4,980	76,638
Accounts receivable	5	220
Due from other funds	-	50
Due from other governmental agencies	80,062	72,830
Total Current Assets	359,559	337,590
Noncurrent Assets:		
Deferred bond issuance costs	1,756	5,512
Deferred charges	8,026	8,627
Total Noncurrent Assets	9,782	14,139
Capital Assets:		
Capital assets – construction under progress	592,810	432,215
Total Assets	962,151	783,944
LIABILITIES		
Current Liabilities Payable from Assets:		
Accounts payable	18,700	15,193
Other accrued liabilities	4,711	6,109
Due to other governmental agencies	19,893	-
Current portion of long-term debt	855	54,700
Total Current Liabilities Payable from Assets	44,159	76,002
Noncurrent Liabilities Payable from Assets:		
Long-term debt, excluding current portion	371,816	390,951
Total Liabilities	415,975	466,953
NET ASSETS		
Invested in capital assets, net of related debt	220,994	41,264
Restricted:		
Debt service	4,980	21,281
2000 Measure A projects	117,200	92,049
Designated:		
Inventory, prepaid expenses, and issuance costs	9,782	14,139
Local share of capital projects	124,954	93,558
Debt reduction	68,266	54,700
Total Net Assets	$ 546,176	$ 316,991

[1]FY2007 was re-stated to report Measure A as an Enterprise Fund

See accompanying notes to financial statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
Statements of Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	2008	2007
OPERATING EXPENSES:		
Materials and Supplies	$ 118	$ -
Services	1,526	-
Total Operating Expenses	1,644	-
NON-OPERATING REVENUES (EXPENSES)		
2000 Measure A half-cent sales tax	160,537	161,361
Investment earnings	11,742	5,073
Miscellaneous income	376	348
Operating assistance to VTA Transit	(29,630)	(29,782)
Repayment of debt service obligations to VTA Transit	(12,886)	(13,642)
Miscellaneous expenses	-	(672)
Capital expenditures on behalf of, and contributions to, other agencies	(14,781)	(6,519)
Net Non-Operating Revenues (Expenses)	115,358	116,167
CAPITAL CONTRIBUTIONS FROM OTHER AGENCIES	115,471	197,613
CHANGE IN NET ASSETS	229,185	313,780
NET ASSETS (DEFICIT), BEGINNING OF YEAR[1]	316,991	3,211
NET ASSETS (DEFICIT), END OF YEAR	$ 546,176	$ 316,991

[1]Beginning balances were re-stated to report Measure A as Enterprise Fund

See accompanying notes to financial statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Statements of Cash Flows
(In Thousands)

	2008	2007
Cash flows from operating activities:		
Cash paid to suppliers	$ (1,744)	$ -
Net cash (used) by operating activities	(1,744)	-
Cash flows from noncapital and related financing activities:		
Cash payments to VTA for operating assistance	(29,630)	(29,782)
Cash receipts from 2000 Measure A half-cent tax	157,481	157,323
Net cash (used) by noncapital and related financing activities	127,851	127,541
Cash flows from capital and related financing activities:		
Cash payments for capital expenditures on behalf of, and contributions to, other agencies	(14,781)	(6,519)
Cash receipts from capital contributions	111,295	158,874
Cash receipts from other sources	357	438
Measure A capital expenditures	(143,289)	(80,549)
Debt Principal Payoff (Net of Bond Premium received on new bonds)	(67,700)	-
Proceeds from issuance of sales tax revenue bonds, net of issuance costs and payoff of old bonds	-	57,896
Repayment of debt service obligations to VTA Transit	(12,886)	(13,642)
Net cash provided (used) by capital and related financing activities	(127,004)	116,498
Cash flows from investing activities:		
Interest received	10,850	4,854
Borrowing (to)/from other funds	(81,611)	(204,253)
Net cash provided (used) by investing activities	(70,761)	(199,399)
Increase (Decrease) in Cash and Cash Equivalents	(71,658)	44,640
Cash and Cash Equivalents, Beginning of Year	76,638	31,998
Cash and Cash Equivalents, End of Year	4,980	76,638
Non-cash capital and related financing activities:		
Increase (Decrease) in Fair Value of Investments	$ 892	$ -
Amortization of deferred bond issuance costs	-	710
Amortization of deferred charges	-	672
Total non-cash capital and related financing activities	$ 892	$ 1,382

See accompanying notes to financial statements

Notes to Financial Statements

NOTE 1 – ORGANIZATION

The Santa Clara Valley Transportation Authority 2000 Measure A Transit Improvement Program (the Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Program is responsible for a number of key capital transit projects, including the connection of BART to San Jose and increased bus and light rail service, and to provide for related operating expenses.

The Program is funded by a half-cent sales tax imposed for a period of 30 years which became effective on April 1, 2006 upon expiration of the County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006. The Santa Clara Valley Transportation Authority (VTA) has been aggressively moving forward and leveraging its capital structure, by issuing sales tax revenue bonds to provide funding for some of the Program including engineering and design of the Silicon Valley Rapid Transit (SVRT) project and the procurement of Low Floor Light Rail Vehicles. VTA has also secured funding under the State's Transportation Congestion Relief Program (TCRP) and Federal Transit Administration's (FTA) grant programs to facilitate this effort and they are reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial activities of the Program, and are not intended to present the financial position, and changes in financial position and cash flows of the VTA in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

The financial activity of the Program is accounted for as an enterprise fund. Enterprise funds are used to account for government operations in a manner similar to private business enterprises. Enterprise funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Program are included on the accompanying Statements of Net Assets. Revenues are recognized when earned, and expenses are recognized when incurred. There are no operating revenues or expenses, as the purpose of the Program is to collect sales taxes and other grant revenues for carrying out the expenditure plan of Measure A. Revenues from capital grants are recognized in the period in which all eligibility requirements have been satisfied.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Program has elected to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Budgetary Control

VTA budgets biennially for its enterprise fund operations which include the Measure A Program. The annual appropriations for the operating budget lapse at the fiscal year end to the extent that they have not been expended. The unexpended capital budget at fiscal year end is carried forward from year to year until the project is completed.

Cash and Investments

The Program cash and investments are pooled with VTA and are invested in accordance with VTA's Board-approved investment policies and practices. The Program is credited with its share of investment earnings based on its proportionate share of VTA's cash and investment balances.

The Program also has cash and investments accounts with a fiscal agent that are maintained as deposits for the purpose of complying with reserve requirements related to the issuance of long-term debt. Access to cash with a fiscal agent is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

The Program has reported its investments at fair value based on quoted market information obtained from Bloomberg Pricing Service, from its fiscal agent for actively managed accounts, and from management firms for commingled accounts. The fair value of Program investments commingled in the LAIF State Pool is based on VTA's cash position in the commingled accounts as of the end of the fiscal year.

Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets and liabilities payable from restricted assets of the Program consist of monies and other resources, the use of which is legally restricted for certain capital projects.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges

Deferred charges represent payments for access to the right of way owned and maintained by Union Pacific Railroad. The original cost for the right of way access was $10.3 million. The deferred charges are amortized on a straight-line basis over 15 years. As of June 30, 2008 and 2007 accumulated amortization was $2.3 million and $1.6 million, respectively.

Other Accrued Liabilities

Interest payable to bondholders in the amounts of $4.7 million and $6.1 million are included as other accrued liabilities as of June 30, 2008 and 2007, respectively.

Capital Contributions

Capital contributions represent capital grants from federal grant programs, the Transportation Congestion Relief Program which is administered by the State of California, and other local agencies. Total capital contributions for the years ended June 30, 2008 and 2007 were $115.5 million and $197.6 million, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Restatements

In FY2008, VTA's financial statement reported Measure A as part of the enterprise funds, and as a result, FY2007 basic financial statements have been re-stated as an Enterprise Fund.

Reclassifications

Certain amounts in the prior year notes to financial statements have been re-classified to conform to current year's presentation.

GASB Pronouncements

VTA will implement GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Investments"* effective June 15, 2009. Adoption of this Statement will require VTA to record the fair value of their interest rate swaps in the financial statements. It is anticipated that VTA's interest rate swaps will be determined as effective hedges, which will allow the deferral of increases or decreases to fair value. See Note 5 for a summary of the fair values of those swaps as of June 30, 2008. VTA is unable to predict the impact, if any, on the financial statements, when this Statement is required to be adopted.

NOTE 3 – CASH AND INVESTMENTS

Total pooled cash and investments with VTA and cash and cash equivalents with fiscal agent as of June 30, 2008 and June 30, 2007, are reported in the accompanying basic financial statements as follows (in thousands):

Category	2008	2007
Pooled cash and investment with VTA	$ 274,512	$ 187,852
Cash and cash equivalents with fiscal agent	4,980	76,638
Total restricted cash and investments	$ 279,492	$ 264,490

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. Custodial credit risk
3. Concentration of credit risk
4. Interest rate risk

Specific restrictions of investment are noted below:

VTA's investment policies (Unrestricted/Restricted Funds) conform to State statues, and provide written investment guidance regarding the types of investments that may be made, the 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 US Treasury obligations, obligations of Federal Agencies and U.S. Government sponsored enterprises, State of California obligations, local agency obligations, bonds issued by VTA, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, State of California's Local Agency Investment Fund (LAIF), and qualified structured investments. Investments in commercial paper must be rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those rated B or better by Thompson Bankwatch, Inc. rating service. All cash and cash equivalents with fiscal agent reported by the Program are invested in money market mutual funds held by the Trustee.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pooled shares in 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.

NOTE 3 – CASH AND INVESTMENTS, (Continued)

VTA's portfolio includes asset-backed securities, which are invested directly by VTA and structured notes which are invested indirectly through LAIF. At June 30, 2008 and 2007, the Program's pooled investment in LAIF is $21.6 million and $16.5 million, respectively. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2008 was $70 billion. 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, 2008 was 212 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

Interest Rate Risk: The risk that changes in market rates will adversely affect the fair market value of an investment. Of the Program's $274.5 million pooled investments, $180 million or approximately 66% of the investments have a maturity of less than 1 year at June 30, 2008. Of the remainder, less than 5% have a maturity of more than 5 years. Long-term securities of more than 5 years are limited to 40% of the portfolio.

At June 30, 2007, of the Program's $187.9 million pooled investments, $121.9 million or approximately 65% of the investments have a maturity of less than 1 year. Of the remainder, less than 2% have a maturity of more than 10 years. Long-term securities of more than 5 years are limited to 40% of the portfolio.

Credit Risk*:* The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The money market mutual funds held by the Program have a Standard and Poor's rating of AAA. VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those rated B or better by the Thompson Bankwatch Rating, Inc. rating service. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA's portfolio. In addition, VTA is permitted to invest in the State's Local Agency Investment Fund, money market and mutual funds that are non-rated. Table on page 12 shows the credit quality of VTA's investments as of June 30, 2008.

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 Government Code Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of VTA's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the VTA's total deposits. At June 30, 2008, VTA deposits were collateralized by securities held by the financial institutions, but not in VTA's name.

NOTE 3 – CASH AND INVESTMENTS, (Continued)

Custodial Credit Risk – Investments: For investments, custodial credit risk is the risk that in the event of a failure of the counter-party (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 "perfect interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custodial agreement executed between the bank and VTA. All securities are received and delivered using the standard delivery versus payment method. As of June 30, 2008, 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.

Approximately 75% of the Program's investments with VTA at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. At June 30, 2008, the Program had $160.7 million representing 61% of the Program's pooled portfolio invested in debt securities issued by the US governmental agencies

Total pooled cash and investments of the Program at June 30, 2008 and 2007 are $274.5 million and $187.9, respectively. The pooled cash and investments were comprised of the following types and maturities at June 30, 2008 (in thousands):

Type of Investment	Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	Total Value
Corporate Notes – Commercial Paper	$ 7,395	$ -	$ -	$ -	$ 7,395
Corporate Bonds	6,538	18,330	-	-	24,868
U.S. Government Agency Bonds	127,053	29,108	4,503	-	160,664
U.S. Treasuries	3,184	33,821	8,797	-	45,802
SUBTOTAL	144,170	81,259	13,300	-	238,729
Money Market Funds	14,216	-	-	-	14,216
TOTAL INVESTMENT with Money Managers	158,386	81,259	13,300	-	252,945
LAIF	21,567	-	-	-	21,567
TOTAL POOLED INVESTMENTS	$ 179,953	$ 81,259	$ 13,300	$ -	$ 274,512

NOTE 3 – CASH AND INVESTMENTS, (Continued)

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

Rating	FY2008 Fair Value	FY2008 Percentage of Portfolio	FY2007 Fair Value	FY2007 Percentage of Portfolio
Unrated	$21,567	7.86%	$16,510	8.79%
Not Applicable	206,467	75.21%	117,666	62.64%
A-1	5,681	2.07%	5,214	2.77%
A-1+	1,713	0.62%	14,750	7.85%
A	5,989	2.18%	6,039	3.21%
A-	687	0.25%	1,422	0.76%
A+	3,717	1.35%	3,918	2.09%
AA	5,059	1.84%	4,218	2.25%
AA-	5,016	1.83%	4,289	2.28%
AA+	1,545	0.56%	1,104	0.59%
AAA	17,071	6.23%	12,722	6.77%
Total	$ 274,512	100.00%	$ 187,852	100.00%

At June 30, 2008 the Program had $45.8 million or 17% of Program's pooled portfolio invested in securities issued by the U.S. Treasury. In LAIF, the Program has a total investment of $21.6 million or 8% of total Program pooled investment portfolio. Of the $32.3 million Program portfolio invested corporate notes and bonds, no investment in a single issuer exceeds 5%.

Total Program cash and cash equivalents with the fiscal agent at June 30, 2008 and 2007 are $5 and $76.6 million respectively and are comprised of the following (in thousands):

Type of Investment	2008	2007
Money Market Mutual Funds	$ 4,980	$ 5,807
Guaranteed Investment Contracts (GICs)	-	8,038
U.S. Treasuries	-	62,793
Total Cash with Fiscal Agent	$ 4,980	$ 76,638

For cash and cash equivalents with fiscal agent, the Program places no limit on the amount which may be invested in any one issuer. The percent of the Program's cash and cash equivalents in GICs, by issuer, are as follows (in thousands):

Issuer	2008	2007
FSA Investment Management Fund	0.00%	10.50%
Total Guaranteed Investment Contracts	0.00%	10.50%

NOTE 4 – DUE FROM GOVERNMENTAL AGENCIES

Due from governmental agencies at June 30, 2008 and 2007 are $80.1 million and $72.8, respectively, consisting of sales tax due from the State Board of Equalization and grant monies from various federal, state, and local agencies.

NOTE 5 – SALES TAX REVENUE BONDS

Long-term debt as of June 30, 2008, consisted of the following (in thousands):

2007 Series A Measure A Refunding ($120,095 plus unamortized premium of $5,458 and deferred amount in refunding of $4,956)	$ 130,509
2008 Series A-D Measure A Refunding ($236,730 plus unamortized deferred amount in refunding of $5,432)	242,162
Total long-term debt	**372,671**
Less current portion of long-term debt	855
Long-term debt, excluding current portion	$ 371,816

(a) **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 Bonds (Defeased Bonds). The Defeased Bonds were originally issued to finance the retirement of a portion of Measure A Sales Tax Revenue Bonds, Series 2003 A, 2004A and 2004B. Proceeds of the 2007 Measure A Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the Defeased Bonds on the redemption date of November 6, 2007. Maturities for the 2007 Measure A Bonds extend to April 1, 2036. The economic gain, which is calculated by comparing the present value of the original issue debt service to the present value of the refunded issue debt service, is $10.3 million. This assumes that the variable rates on the Defeased Bonds would have remained constant through maturity. The maturities on or before April 1, 2017 shall not be subject to redemption prior to their respective state maturities. The maturities on or after April 1, 2018 shall be subject to redemption prior to their stated maturities

- $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 Bonds (Defeased Bonds), originally issued to finance the retirement of a portion of Measure A Sales Tax Revenue Bonds, Series 2003 A, 2004A and 2004B. The 2008 Measure A Bonds 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 Defeased Bonds were auction rate securities insured by AMBAC Assurance Corp, a municipal insurance provider, who had been downgraded by all three national rating agencies. As a result of the downgrade, VTA was paying weekly interest rates that were above market rates. The purpose of the

NOTE 5 – SALES TAX REVENUE BONDS (Continued)

refunding was to issue uninsured weekly variable rate bonds and terminate the interest rate penalties being assessed by bond investors. The economic loss, which is calculated by comparing the present value of the original issue debt service to the present value of the refunded issue debt service, is $0.86 million. 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 Bonds) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA owes interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties owe VTA interest based on 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.

(b) Interest Rate Swaps

VTA has entered into four interest rate swap agreements that are secured by Measure A Sales Tax Revenues. The agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

Objective of the Swaps*:* The objective of the swaps was to take advantage of low interest rates in the marketplace at costs anticipated to be less than what VTA otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

Summary*:* The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2008 were as follows:
(Dollars in thousands)

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value (FV)	Swap Termination Date	Counterparty Credit Rating (CR)
MA2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(7,129)	4/1/2036	Aa1,AA,AA-
MA2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(4,151)	4/1/2036	Aaa,AA+,AA-
MA2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(4,151)	4/1/2036	Aaa,AAA,--
MA2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(4,151)	4/1/2036	Aa1,A+,AA-
	$235,875				($ 19,582)		

(FV) Includes accrued interest
(CR) Moody's, Standard and Poor's, and Fitch, respectively

NOTE 5 – SALES TAX REVENUE BONDS (Continued)

Terms: The notional amount of swaps associated with the MA 2008 A-D Bonds is $855,000 less than the outstanding principal on the bonds, until April 1, 2009, at which time the notional amount of the swaps will match the aggregate of the amount of bonds outstanding. VTA's swap agreements contain scheduled reductions to outstanding notional amounts that follow scheduled reductions in the associated long-term debt.

Fair Values: At June 30, 2008, the swaps had a negative fair value of $19.6 million. This is because interest rates have declined since the execution of the swaps. The fair values include accrued interest. Because the coupons on VTA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases.

Credit Risks: As of June 30, 2008, VTA was not exposed to credit risk on the swaps because the swaps had negative fair values. All swap agreements contain specific collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are reduced as credit ratings are reduced. Collateral on all swaps must be in the form of US government securities and may be held by the counterparty.

Each swap contains cross-default provisions that allow the non-defaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the non-defaulting party.

Basis Risk: The interest rate on VTA's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties. To the extent these variable payments differ, VTA is exposed to basis risk. On June 30, 2008, the weighted average interest rates of the variable rate debt associated with the 2008 Measure A Bonds was 1.33%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 1.83%.

Termination Risk: VTA has the right to terminate any swap if the counterparty fails to post any collateral that may be required under the swap agreements in the event of ratings downgrade, or, if the counterparty's ratings are downgraded below investment grade. Each counterparty has the right to terminate the swap if VTA's bond insurer's (who has insured VTA's swap payments) financial strength rating falls below A3 by Moody's Investors Service, its claims paying ability rating falls below A- by Standard and Poor's or it fails to maintain an equivalent rating determined by a nationally-recognized ratings service acceptable to both parties, ***and***, if VTA's long-term debt obligations fall below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If the swaps were terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, VTA would be liable to the counterparty for payment equal to the swap's fair value.

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

NOTE 5 – SALES TAX REVENUE BONDS (Continued)

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.

(c) **Swap Payments and Associated Debt**

Using rates as of June 30, 2008, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate	
(Dollars in thousands)	Principal	Interest	Swap,Net	Total
Year Ending June 30:				
2009	-	3,155	(1,162)	1,993
2010	-	3,155	(1,162)	1,993
2011	-	3,155	(1,162)	1,993
2012	-	3,155	(1,162)	1,993
2013	-	3,155	(1,162)	1,993
2014-2018	-	44,403	(5,808)	38,595
2019-2023	-	44,403	(5,808)	38,595
2024-2028	-	44,403	(5,808)	38,595
2029-2033	55,750	44,403	(5,808)	94,345
2034-2036	180,125	13,731	(1,796)	192,060
	$ 235,875	$ 207,118	(30,838)	$ 412,155

NOTE 5 – SALES TAX REVENUE BONDS (Continued)

(d) **Long-term Debt Obligation Summary**

Interest Rates on all outstanding fixed-rate obligations range from 4.00% - 5.25%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2008 are as follows:

(Dollars in thousands)	Principal	Interest[1]	Total
Year ending June 30:			
2009	$ 855	$ 14,814	$ 15,669
2010	-	14,781	14,781
2011	2,430	14,781	17,211
2012	2,525	14,684	17,209
2013	2,625	14,583	17,208
2014-2018	15,160	70,888	86,048
2019-2023	19,120	66,923	86,043
2024-2028	24,410	61,640	86,050
2029-2033	86,895	54,897	141,792
2034-2036	202,805	16,036	218,841
	356,825	$ 344,027	$ 700,852
Unamortized bond discount, premium and deferred amount on refunding, net	15,846		
Total debt	$ 372,671		
Less current portion	(855)		
Long-term portion of debt	$ 371,816		

[1]Rates as of June 30, 2008 were used to determine variable rate expense.

(e) **Restrictions and limitations**

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

NOTE 5 – SALES TAX REVENUE BONDS (Continued)

(f) **Changes in Long Term Liabilities**

Changes in long-term liabilities for the year-ended June 30, 2008 are as follows (in thousands):

Bonds	July 1, 2007	Additions	Retirements	June 30, 2008	Amounts Due Within One Year
2006 Series A-G	$ 428,375	$ -	$ 428,375	$ -	$ -
2007 Series A	-	120,095	-	120,095	-
2008 Series A	-	236,730	-	236,730	855
Total outstanding debt	428,375	356,825	428,375	356,825	855
Unamortized bond discount, premiums, and deferred amount on refunding, net	17,276	15,846	17,276	15,846	-
Total long-term liabilities	**$ 445,651**	**$ 372,671**	**$ 445,651**	**$ 372,671**	**$ 855**

NOTE 6 –COMMITMENTS AND CONTINGENCIES

VTA issued the 2001 and 2005 Series Bonds to commence expenditures under the 2000 Measure A Program. On an annual basis, the Program reimburses VTA for expenditures incurred under the Measure A Transit Improvement Program. The reimbursement, which repays debt service payments VTA has made, will continue until the debt obligations are extinguished. There are no formal reimbursement arrangements or loan terms in place. Accordingly, any reimbursements made by the Program will be recorded in the period in which they occur.

NOTE 7 – SUBSEQUENT EVENT

In November 2008, the County voters approved Measure B (BART Tax) imposing a one-eight cent sales tax to fund the operating and maintenance costs of BART extension to the Santa Clara County. The collection of the Measure B sales tax is contingent on VTA receiving the required federal and other grants to build the BART extension.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2008
SUPPLEMENTAL SCHEDULES

SUPPLEMENTAL SCHEDULE 1 – PROGRAM SOURCES OF FUNDS

The Program sources of funds include 2000 Measure A Half-Cent Sales Tax, various local, state, and federal grants, investment earnings, Measure B Swap Funds, miscellaneous income, and net proceeds from the issuance of revenue bonds. The supplemental schedule on page 19 shows the details of the Program sources of funds from program inception through Fiscal Year 2006. The table below shows total sources of funds from program inception to Fiscal Year 2007 and Fiscal Year 2008 (in thousands):

Source	Inception-to-FY2007	FY2008	Inception-to-FY2008
Sales Tax Receipts	$ 199,531	$ 160,537	$ 360,068
Grants - Local	13,142	2,879	16,021
- State	233,289	103,355	336,644
- Federal	9,603	9,237	18,840
Subtotal - Grants	256,034	115,471	371,505
Investment Earnings	11,230	11,742	22,972
Miscellaneous Income	1,292	376	1,668
Measure B Fund Swap	198,347	-	198,347
Bond Proceeds	445,230	-	445,230
TOTAL SOURCES OF FUNDS	$ 1,111,664	$ 288,126	$ 1,399,790

SUPPLEMENTAL SCHEDULE 2 –PROGRAM USES OF FUNDS

The Program uses of funds include capital expenditures on projects included in the 2000 Measure A Ordinance including the capitalized interest, operating assistance to VTA Transit for enhanced transit service levels, and debt service payments for revenue bonds issued to finance the 2000 Measure A programs. The following table shows total uses of funds for inception to Fiscal Year 2007 and Fiscal Year 2008 (in thousands):

USE	Inception-to-FY2007	FY2008	Inception-to-FY2008
Operating Expenses			
Professional services	$ -	$ 299	$ 299
Subtotal - operating expenses	-	299	299
Non-Operating Expenses [1]			
Operating assistance to VTA Transit	36,827	29,630	66,457
Repayment of debt service to VTA Transit	85,474	12,886	98,360
Debt Principal Payoff	-	67,700	67,700
Swap payments to Congestion Management & Highway Program	-	9,030	9,030
Other expenses	85	-	85
Subtotal - Non-operating expenses	122,386	119,246	241,632
Measure A Capital Project Expenditures			
Interest expenses capitalized as project expenses	54,206	16,639	70,845
Capital expenditures on behalf of, and contributions to, other agencies	7,154	7,056	14,210
Measure A capital project expenditures	606,548	143,496	750,044
Subtotal - Measure A capital project expenditures	667,908	167,191	835,099
TOTAL MEASURE A USES OF FUNDS	$ 790,294	$ 286,736	$ 1,077,030
CAPITAL PROJECT EXPENDITURES BY PROGRAM AREA			
Silicon Valley Rapid Transit Corridor	$ 404,066	$ 148,746	$ 552,812
Light Rail Program			
- Low Floor Light Rail Vehicles	198,347	1	198,348
- Capital Expressway Light Rail to Eastridge	32,686	12,323	45,009
- New Light Rail Corridor Study	427	106	533
- Light Rail System Analysis	-	21	21
Commuter Rail Program			
- Dumbarton Rail Corridor	358	301	659
- Caltrain Service Upgrades	10,472	1,429	11,901
- Palo Alto Intermodal Transit Center	180	9	189
- Caltrain South County	2,920	2,046	4,966
Bus Program	17,579	1,275	18,854
San Jose Mineta Airport People Mover	-	66	66
Measure A Program-Wide	873	868	1,741
TOTAL MEASURE A CAPITAL PROJECT EXPENDITURES	$ 667,908	$ 167,191	$ 835,099

[1] Excludes Amortization of Deferred Charges reported in Inception to FY2007 in FY 2007 Report

PROGRAM SUMMARIES

2000 MEASURE A PROJECT INFORMATION

Silicon Valley Rapid Transit Corridor

BART to Milpitas, San Jose, Santa Clara

Project Expenditures
(In thousands)

Period	SVRT	Scope Funded by Others	Total
Inception-to-FY2007	$400,970	$3,096	$404,066
FY2008	145,802	2,944	148,746
Total Expenditures to date	$546,772	$6,040	$552,812

Project Description:

The Silicon Valley Rapid Transit Corridor (SVRTC) Project extends BART from Warm Springs, through downtown San Jose to Santa Clara, a distance of 16.1 miles. The project includes construction of a heavy rail rapid transit system, all ancillary requirements and the upgrading of the existing BART system to be fully integrated with the enhanced service of SVRT. Six stations and a maintenance and vehicle storage yard are proposed along the alignment.

Project Status:

Project Development and Design

Activity This Fiscal Year:

• In September 2007, the Federal Transit Administration gave approval through a Notice of Intent for VTA to prepare a federal Environmental Impact Statement (EIS).

• The 65% Engineering Phase was 72% complete as of June 2008, and is planned to run through December 2008.

• Final design related to freight railroad relocation (FRR) continued. This work fulfills VTA obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminates ongoing freight operations on VTA property.

Artist's Rendering of Berryessa Station

UPRR Bridges over Mission Blvd (FRR)

P-0501 - P-0508, P-3100 – 3101, P-3121 - P-3125

Light Rail Program

Low Floor Light Rail Vehicles

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$198,347
FY2008	1
Total Expenditures to date	$198,348

Project Description:

Purchase of 70 low floor light rail vehicles to serve the entire VTA Light Rail system. Low floor vehicles provide enhanced ADA accessibility and improved service by minimizing boarding and exit times for all riders. Low floor light rail vehicles enable VTA to enhance ADA service by eliminating the need for wheelchair lifts and enhancing access for all VTA riders, as well as providing additional space for bicycles.

Project Status: Closeout

Activity This Fiscal Year: Project Closeout

Project Disposition: Vehicles are VTA Assets

Low Floor Vehicle at Baypointe Station

Low Floor Vehicles Provide Level Passenger Boarding

Capitol Expressway Light Rail to Eastridge

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$32,686
FY2008	12,323
Total Expenditures to date	$45,009

Project Description:

2.6 miles of double-track LRT along Capitol Expressway from the existing Capitol LRT to Eastridge Mall with three stations and one Transit Center / Park-and-Ride.

Project Status: Design

Activity This Fiscal Year:

- The Final Design Review submittal (65%) was completed in November 2007 with bid-ready documents (100%) to be completed on a schedule consistent with the updated 2000 Measure A Revenue and Expenditure Plan to be considered by the VTA Board in 2009.
- VTA has substantially completed right-of-way acquisition documents. Offers for property acquisition will be made on a schedule that is consistent with the updated 2000 Measure A Revenue and Expenditure Plan to be considered by the VTA Board in 2009.

Artist's Rendering of Eastridge Mall Station

Photo Simulation of Capital Expressway at Story Road

P-0375, P-0476

Light Rail Program

New Rail Corridors Study

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$427
FY2008	106
Total Expenditures to date	$533

Project Description:

This project was divided into two phases. Phase 1 consisted of the development of a VTP 2030 Transit Sustainability Policy (TSP) and mode-specific Service Design Guidelines (SDG). Phase 2 involves the study of potential transit corridors using the newly developed TSP.

Phase 1 involved the development of a new policy framework with guidelines for evaluation of existing and new service, as well as capital expansion. The TSP and SDG offer a mechanism for broadening the range of modes and technologies that may be considered for high-capacity Transit Corridor Expansion, including Bus Rapid Transit (BRT) services. The TSP establishes a policy framework linking decision-making for bus and rail transit considering a range of factors including land use policies, operational integration, and ridership and revenue expectations.

In Phase 2, VTA will conduct studies to define and evaluate up to seven potential new transit corridors, and establish corridor priorities using the process and criteria established as part of the TSP.

Project Status: The study is underway

Activity This Fiscal Year:

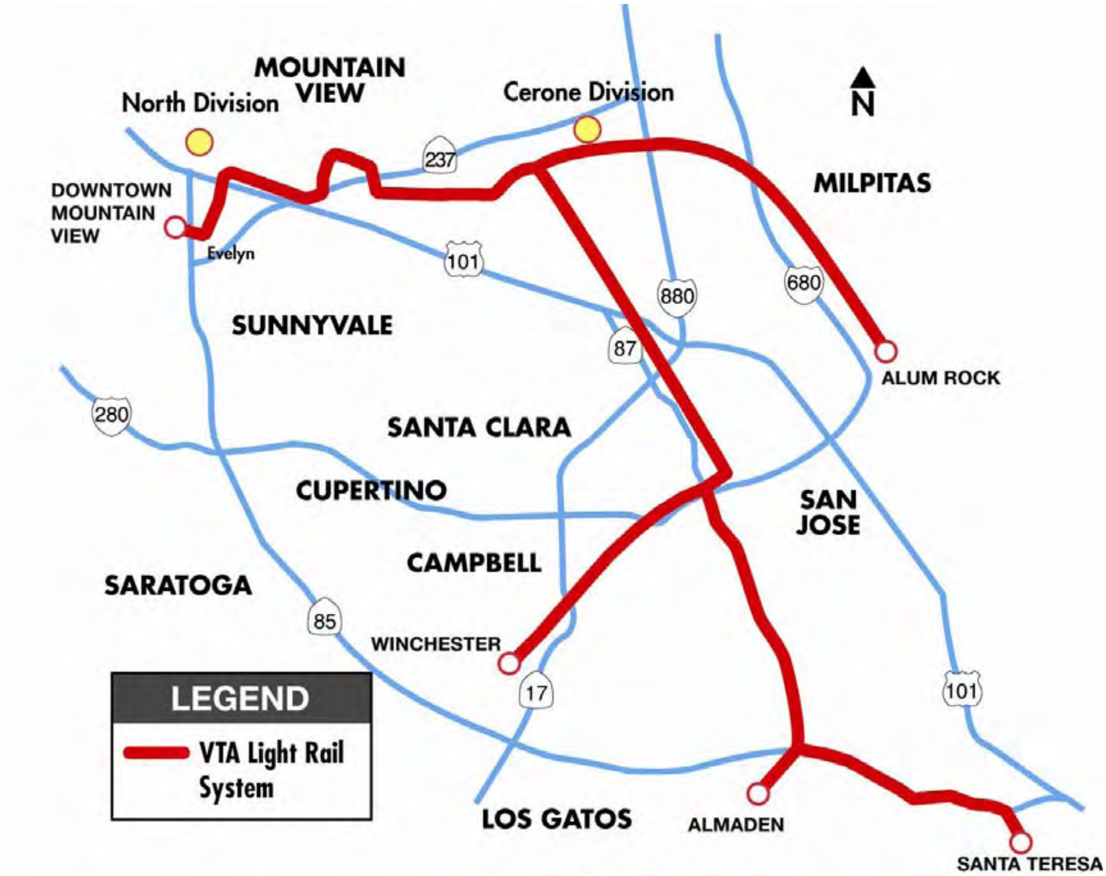
• Phase 1, the development of the TSP, and the related SDG, were adopted by the VTA Board of Directors in February 2007 and will be used in the evaluation of all new transit projects and services.

• Phase 2 studies will be conducted through 2010.

Light Rail System Analysis

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$0
FY2008	21
Total Expenditures to date	$21



Project Description:

The Light Rail System Analysis will provide a comprehensive evaluation of infrastructure and operations deficiencies of the existing light rail system and an evaluation of operational impacts and user benefits of the planned extensions and other capital improvements. The study will consist of these inter-relating components: market analysis, operations analysis and capital needs.

Project Status:

The study is underway

Activity This Fiscal Year:

Procurement activities to engage a consultant to assist VTA with the analysis were undertaken in FY08. URS Consultants was selected for this effort.

Dumbarton Rail Corridor

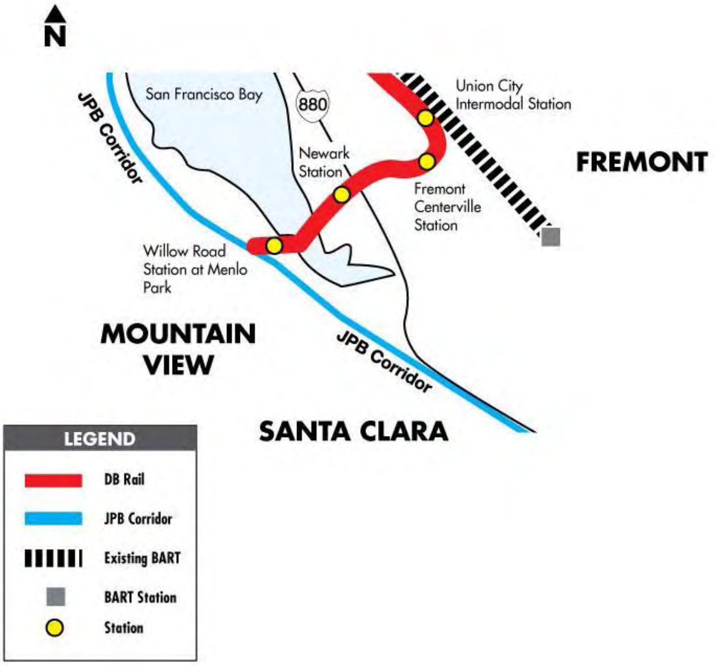
Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$358
FY2008	301
Total Expenditures to date	$659

Project Description:

This project represents VTA's share of matching funds for a partnership with Alameda and San Mateo counties for the rebuilding of the Dumbarton Rail Corridor. The anticipated plan calls for six trains across the bridge during the morning and six trains during the evening.

The project will rehabilitate rail bridges and tracks that span the bay between Redwood City and Newark and make improvements to existing tracks in Union City and Fremont. The project will involve the construction of two new rail stations at Menlo Park and Newark, as well as upgrades to the Fremont Centerville Station and a new intermodal station at the Union City BART station.

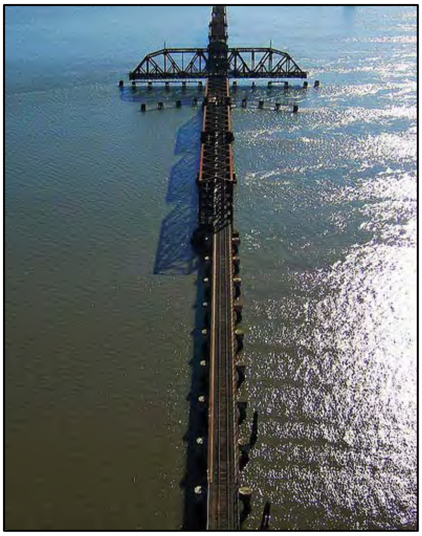


Project Status: Project Development

Activity This Fiscal Year:

In FY07, the VTA Board authorized the General Manager to execute a cooperative agreement with the Peninsula Corridor Joint Powers Board as the lead agency and approved Measure A funds toward the project phasing and alternatives analysis. Payments toward this effort were made in FY08

View of Dumbarton Bridge from the West



Aerial view of the existing alignment

Caltrain Service Upgrades

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$10,472
FY2008	1,429
Total Expenditures to date	$11,901

Project Description:

Capital improvement projects to the Caltrain system with the goals of improving service, ridership and passenger accessibility

Project Status:

Project Development and Design

Activity This Fiscal Year:

- **Mountain View Parking Structure** – Conceptual Engineering and environmental review began in mid-2007, but the project is now on hold per JPB's request pending the result of the High Speed Rail (HSR) bond initiative in November 2008.
- **Blossom Hill Pedestrian Overcrossing** – Preliminary Engineering and environmental work was completed as part of the Project Approval and Environmental Documentation process.
- **Safety Enhancements** – A study was begun to identify and prioritize locations along the Caltrain corridor where safety can be enhanced. Additional design was substantially completed on the first phase of safety improvements, signing and striping at crossings.

Conceptual Rendering of Blossom Hill Crossing

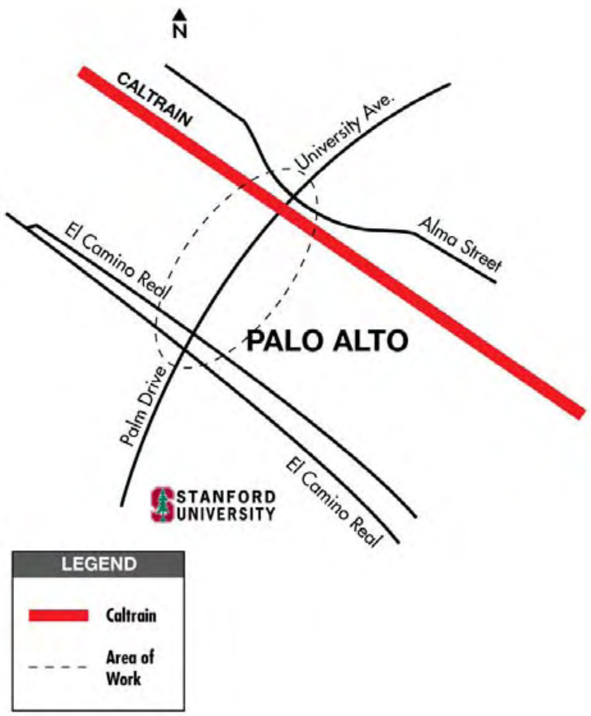
Palo Alto Intermodal Transit Center

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$180
FY2008	9
Total Expenditures to date	$189

Project Description:

This project will create an intermodal facility for trains, buses, bicycles, autos and pedestrians, and act as a gateway to both Downtown Palo Alto and Stanford University. The project will expand rail and bus passenger service capacity, realign existing roadways, construct pedestrian and bicycle grade-separated crossings, create an urban park and civic space, install public art and incorporate urban design elements.



Project Status: Project Development

Activity This Fiscal Year:

Work proceeded on the preparation of a work plan and project implementation plan for the next phases of work.

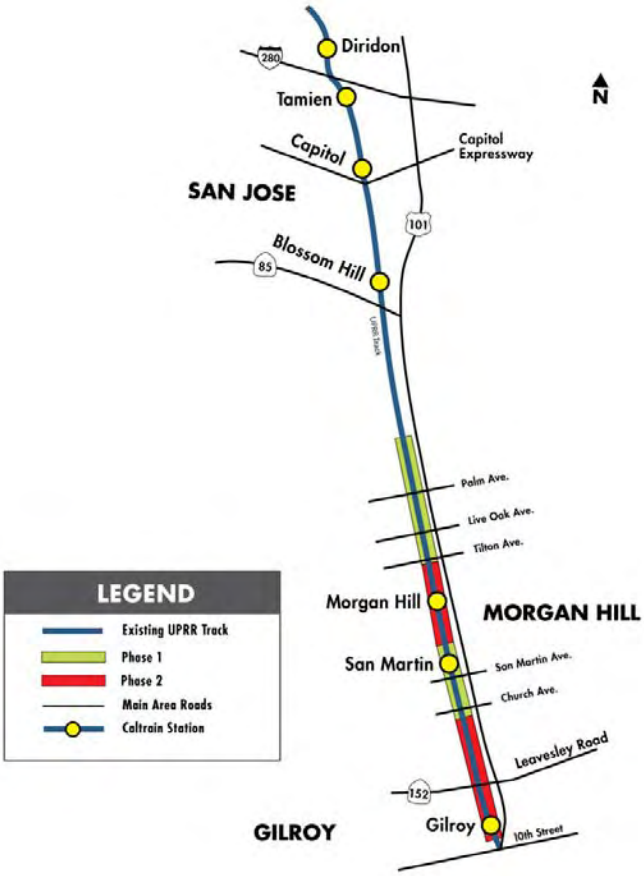
Architectural Model of One Proposed Scheme for the 4-Track Crossing of University Avenue

Architectural Model of One Proposed Scheme for a Public Park and El Camino Real Undercrossing

Caltrain South County

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$2,920
FY2008	2,046
Total Expenditures to date	$4,966



Project Description:

16.5 miles of double track on the Union Pacific Railroad (UPRR) corridor between the Coyote area and Gilroy. Capacity improvements for storage of additional train sets at Gilroy.

Project Status: Design

Activity This Fiscal Year:

• Phase 1 (8.3 miles from Coyote to San Martin) Design of a grading and street crossings improvement contract was completed and the contract was advertised for bids.

• Phase 2 (8.2 miles from San Martin to Gilroy) Preliminary Engineering continued.

Typical South County Crossing

Llagas Creek Bridge

ZEB: Demonstration and Facility Improvements

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$17,579
FY2008	706
Total Expenditures to date	$18,285

Project Description:

VTA, in a joint program with SamTrans, implemented a demonstration program to test the viability of zero- emission fuel-cell bus (ZEB) technology.

VTA procured three 40-foot low-floor ZEBs, modified facilities, installed a hydrogen fueling station, and provided training for staff, emergency responders and others. The three ZEBs started revenue service in February 2005.

Project Status:

The Advanced ZEB Demonstration Program includes providing maintenance facilities, training personnel, and procuring ZEBs for revenue service by January 1, 2009. The ZEBs would operate for a minimum of 12 months, with the agencies retaining operation/maintenance records, and reporting to the California Air Resources Board (CARB).

Activity This Fiscal Year:

Following the completion of the demonstration requirements, VTA continued operating the three ZEBs in accordance with Federal Transit Administration requirements.

Project Disposition:

The ZEB's are jointly owned by VTA, SamTrans, and the Federal Government, in proportion to their cost participation.

ZEB at Fueling Station

ZEB Engine

BRT Strategic Plan

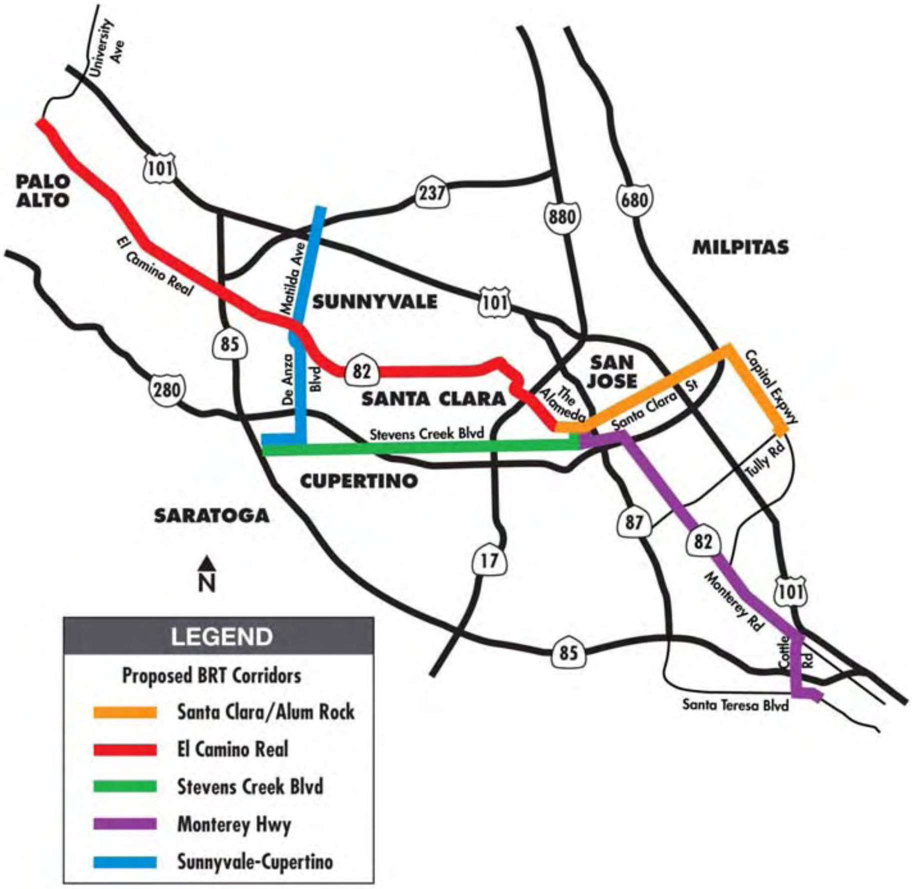
Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$0
FY2008	323
Total Expenditures to date	**$323**

Project Description:

VTA is developing a Strategic Plan that will define the parameters for the future VTA BRT system, focusing on components such as operating and capital costs, vehicle procurement, corridor development sequence and funding strategies.

At least five corridors are in consideration throughout Santa Clara Valley. The level of capital improvement will vary depending on transit needs and corridor constraints. Specialized vehicles will be procured to offer high quality service. BRT improvements will consist of new exclusive bus lanes, bulb outs, distinct shelters, and other bus transit improvements along the corridor.



Project Status:

The five corridors under consideration are:

Santa Clara / Alum Rock – Discussed separately; see following page.

El Camino Real – Rapid Bus Service is currently operating on the corridor. Initial planning for the upgrade to BRT service is underway. Cost estimates and schedules will be refined as this effort progresses.

Stevens Creek, **Monterey Highway**, and **Sunnyvale-Cupertino** - Initial planning for BRT service is underway. Cost estimates and schedules will be refined as this effort progresses

Activity This Fiscal Year:

Work on the Bus Rapid Transit Strategic Plan began in Fall 2007 and will be completed in Fall 2008.

Santa Clara Alum Rock Transit Improvements

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$0
FY2008	246
Total Expenditures to date	$246

Project Description:

VTA will implement BRT facilities in the Santa Clara/Alum Rock corridor. Bus Rapid Transit (BRT) along the corridor will consist of new exclusive bus lanes, bulb outs, distinct shelters, and other bus transit improvements.

The project design will allow for conversion to Light Rail at a future date. Service will include direct limited stop service, circulator service, and local service. This BRT Project is envisioned to include 13 stations, to operate at six minute headways, and to be completed by early 2012.

Project Status:

Project Development

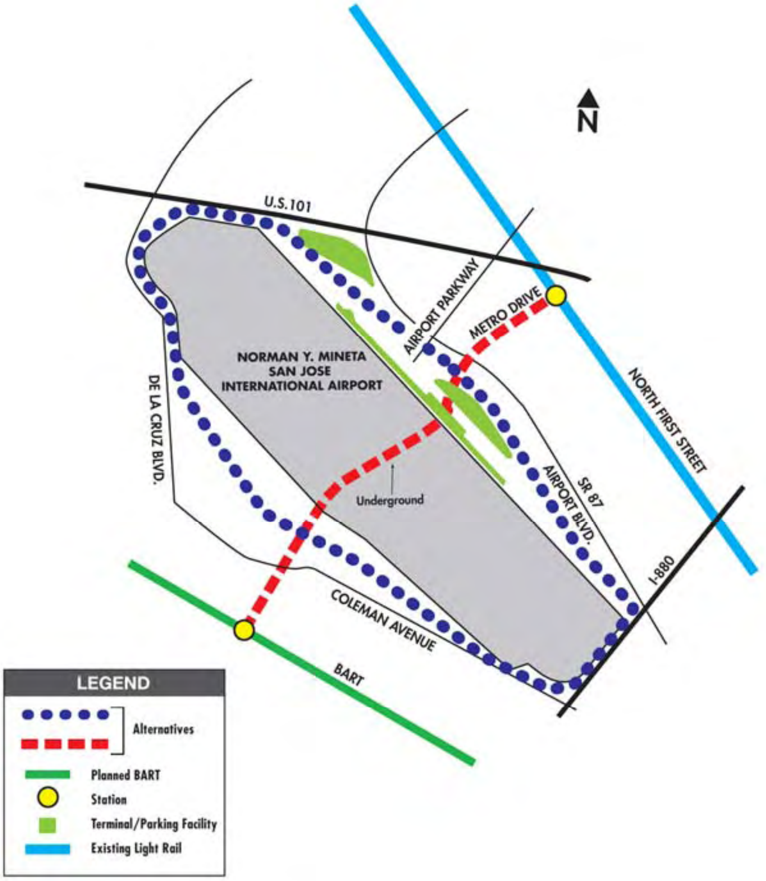
Activity This Fiscal Year:

The Project Team has developed Conceptual Engineering plans for BRT facilities, and the Draft EIR was prepared. The Draft EIR was released on July 7, for consideration by the VTA Board in December 2008.

San Jose Mineta Airport People Mover

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$0
FY2008	66
Total Expenditures to date	$66



Project Description:

This project consists of an Automated People Mover (APM) rail line connecting the new terminal at San Jose Mineta International Airport directly with the future Santa Clara BART and Caltrain Station to the west and the VTA Light Rail to the east.

Project Status:

The City of San Jose plans to undertake an investigation of mode, alignment, and private partnership options through the release of a Request for Interest (RFI) in late 2008.

Activity This Fiscal Year:

VTA and consultant staff undertook preliminary work on the project prior to the City of San Jose taking the lead on the current effort.

Measure A Programwide

Project Expenditures
(In thousands)

Period	Amount
Inception-to-FY2007	$873
FY2008	868
Total Expenditures to date	**$1,741**

Project Description:

This project captures costs related to managing the overall 2000 Measure A Transit Improvement Program. Activities include preparation of progress and cost reports, financial forecasting, publication of annual financial audits and public hearings conducted by the 2000 Measure A Citizen's Watchdog Committee, and other general tasks that are not attributable to individual projects .

Project Status: Active

Activity This Fiscal Year:

VTA and consultant staff continued producing cost and progress reports for the 2000 Measure A Transit Improvement Program. Additionally, costs were incurred for publication of annual financial audits and public hearings conducted by the 2000 Measure A Citizen's Watchdog Committee. Finally, Measure A funds were used to partially fund production of an Environmental Impact Report for the Long Range Transit Plan.