2000 Measure A Program Financial Report

Fiscal Year Ended June 30, 2007

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007

Table of Contents

Page

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007

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;
- 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 (part of the DTEV extension);
- 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;
- Completed priority list for Caltrain capital needs;
- 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 (see Subsequent Events on page 21);
- In August 2007, redeemed 2006 Measure A Sales Tax Revenue Bonds, Series E using the Program funds (see Subsequent Events on page 21);
- 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 (see Subsequent Events on page 21);
- Providing operating assistance to VTA Transit operations.

FY2007 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. 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. The audit results along with the Program financial statements must be presented to and reviewed by the Measure A Program Citizens Watchdog Committee. For FY2007, 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, 2007, 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 reportable conditions 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 FY2007 and FY2006 (in thousands).

Category	FY2007	FY2006	Change	Percent
2000 Measure A sales tax	$ 161,361	$ 38,170	$ 123,191	322.7%
Capital contribution from other agencies	197,613	3,904	193,709	4961.8%
Investment income	5,073	3,580	1,493	41.7%
Miscellaneous income	348	355	(7)	-2.0%
Total Revenues	$ 364,395	$ 46,009	$ 318,386	692.0%

Total FY2007 Program revenues were $364.4 million, $318.4 million over the FY2006 total revenues. The sales tax revenues were $123.2 million higher than FY2006 as FY2007 was the first full-year of collection. Capital contributions from other agencies in FY2007 increased $193.8 million over FY2006 actual amounts, primarily due to the 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 $1.5 million in FY2007 due to a combination of higher interest rates and greater cash available for investments. Miscellaneous income was slightly lower in FY2007 than the previous fiscal year.

Program Expenditures

The table below shows the Program expenditures for FY2007 and FY2006 (in thousands).

Category	FY2007	FY2006	Change	Percent
Operating assistance to VTA Transit	$ 29,782	$ 7,045	$ 22,737	322.7%
Repayment of debt service obligation to VTA Transit	13,642	13,410	232	1.7%
Capital expenditures on behalf of, and contributions to, other agencies	6,519	2,386	4,133	173.2%
Amortization of deferred charges	672	667	5	0.7%
Capital project expenditures (incl. capitalized interest)[1]	86,403	98,763	(12,360)	-12.5%
Total Expenditures	$ 137,018	$ 122,271	$ 14,747	12.1%

[1] Includes Caltrain right of way access fee reported on Balance sheet as Deferred charges

Total Program expenditures were $137.0 million in FY2007 compared to $122.3 million in FY2006, an increase of $14.7 million. In FY2007, operating assistance to VTA Transit was $22.7 million higher than the prior fiscal year as it was based on the first full-year of 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 $4.1 million higher in FY2007, the result of project 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 FY2007 Measure A capital project expenditures were $12.4 million lower than in FY2006 mainly due to a decrease in spending on the SVRT project.

Program Net Assets and Fund Balance

The Statement of Net Assets on page 3 shows a negative $115.2 million net assets balance for the Program. This is due to the fact that the Program does not capitalize the Measure A capital expenditures in its accounting records as they are reported as capital assets in the VTA Transit fund. As of June 30, 2007, the Program has a fund balance (Current Assets less Current Liabilities) of $261.6 million. Of this amount, $21.3 million was restricted for debt service for the 2000 Measure A Revenue Bonds and the remaining $240.3 million was restricted for the Measure A Transit Improvement Program.

Historical Program Sources and Uses

Section 2 of the Financial Report includes supplemental schedules on the Program sources of income and uses of funds from the Program inception through FY2006. Notes 6 and 7 to Financial Statements on pages 19 and 20 list the Program sources of income and uses of funds from Inception-to-FY2006, FY2007, and Inception-to-FY2007.

Program Summaries

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF NET ASSETS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' 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, 2007 and 2006, 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, 2007 and 2006 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, 2007 and 2006 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.

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

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The supplementary information listed in the table of contents is also presented for the purposes of additional analysis. The supplementary information presented for the year ended June 30, 2006 has been subjected to the auditing procedures applied in the audit for the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information presented for years ended June 30, 2001 through June 30, 2005 was derived from the financial statements of the 2000 Measure A Program for those respective years, audited by other auditors who expressed unqualified opinions on those statements.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
March 21, 2008

Statements of Net Assets
(In thousands)

	2007	2006
ASSETS		
Current Restricted Assets:		
Pooled cash and investments	$ 187,852	$ -
Cash and investments with fiscal agent	76,638	31,998
Accounts receivable	220	-
Due from other funds	50	-
Due from other governmental agencies	72,830	30,143
Total Current Restricted Assets	337,590	62,141
Noncurrent Restricted Assets:		
Deferred bond issuance costs	5,512	4,801
Deferred charges	8,627	9,000
Total Noncurrent Restricted Assets	14,139	13,801
Total Restricted Assets	351,729	75,942
LIABILITIES		
Current Liabilities Payable from Restricted Assets:		
Accounts payable	15,193	8,060
Other accrued liabilities	6,109	4,397
Due to other funds	-	16,350
Current portion of long-term debt	54,700	6,385
Total Current Liabilities Payable from Restricted Assets	76,002	35,192
Noncurrent Liabilities Payable from Restricted Assets:		
Long-term debt, excluding current portion	390,951	383,651
Total Liabilities Payable from Restricted Assets	466,953	418,843
NET ASSETS (DEFICIT)		
Net Assets (Deficit)	$ (115,224)	$ (342,901)

Statements of Revenues, Expenses, and Changes in Net Assets
(In thousands)

	2007	2006
NON-OPERATING REVENUES (EXPENSES)		
2000 Measure A half-cent sales tax	$ 161,361	$ 38,170
Investment earnings	5,073	3,580
Miscellaneous income	348	355
Operating assistance to VTA Transit	(29,782)	(7,045)
Repayment of debt service obligations to VTA Transit	(13,642)	(13,410)
Amortization of deferred charges	(672)	(667)
Capital expenditures on behalf of, and contributions to, other agencies	(6,519)	(2,386)
Net Non-Operating Revenues (Expenses)	116,167	18,597
CAPITAL CONTRIBUTIONS FROM OTHER AGENCIES	197,613	3,904
MEASURE A CAPITAL EXPENDITURES	(86,103)	(98,763)
CHANGE IN NET ASSETS	227,677	(76,262)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(342,901)	(266,639)
NET ASSETS (DEFICIT), END OF YEAR	$ (115,224)	$ (342,901)

Statements of Cash Flows
(In thousands)

	2007	2006
Cash flows from noncapital and related financing activities:		
Cash payments to VTA for operating assistance	$ (29,782)	$ (7,045)
Cash payments for capital expenditures on behalf of, and contributions to, other agencies	(6,519)	(2,386)
Net cash provided (used) by noncapital and related financing activities	(36,301)	(9,431)
Cash flows from capital and related financing activities:		
Cash receipts from 2000 Measure A half-cent sales tax	157,323	10,828
Cash receipts from capital contributions	158,874	3,048
Cash receipts from other sources	438	375
Measure A capital expenditures	(80,549)	(98,726)
Proceeds from the issuance of sales tax revenue bonds, net of issuance costs and payoff of previous bonds	57,896	-
Repayment of debt service obligations to VTA transit	(13,642)	(13,410)
Borrowings (to)/from other funds	(204,253)	13,154
Net Cash provided (used) by capital and related financing activities	76,087	(84,731)
Cash flows from investing activities:		
Interest received	4,854	3,580
Increase (Decrease) in Cash and Cash Equivalents	44,640	(90,582)
Cash and Cash Equivalents, Beginning of Year	31,998	122,580
Cash and Cash Equivalents, End of Year	$ 76,638	$ 31,998
Non-cash capital and related financing activities:		
Amortization of 2003 Series A Sales Tax Revenue Bonds premium	$ -	$ 140
Amortization of 2004 Series A Sales Tax Revenue Bonds premium	-	28
Amortization of 2004 Series B Sales Tax Revenue Bonds premium	-	105
Amortization of deferred bond issuance costs	710	161
Amortization of deferred charges	672	667
Total non-cash capital and related financing activities	$ 1,382	$ 1,101

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 effective 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

A. 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).

B. 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.

C. Budgetary Control

VTA budgets biennially for its enterprise fund operations which includes 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.

D. 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 construction projects and 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.

E. 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.

F. 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, 2007 accumulated amortization was $1.7 million.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. Other Accrued Liabilities

Interest payable to bondholders in the amounts of $6.1 million and $4.4 million are included as other accrued liabilities as of June 30, 2007 and 2006, respectively.

H. Capital Contributions

Capital contributions represent capital grants from federal grants; Measure B Ancillary Program, which is administered by VTA (received by the County of Santa Clara Measure B Program, approved by the voters of 1996); the Transportation Congestion Relief Program which is administered by the State of California; and other local agencies. Total capital contributions at June 30, 2007 and 2006 are $197.6 million and $3.9 million, respectively.

I. 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.

J. Reclassifications

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

NOTE 3 – CASH AND INVESTMENTS

Total pooled cash and investments with VTA and cash and cash equivalents with fiscal agent as of June 30, 2007 and June 30, 2006, are reported in the accompanying basic financial statements as follows (in thousands):

Category	2007	2006
Pooled cash and investment with VTA	$ 187,852	$ -
Cash and cash equivalents with fiscal agent	76,638	31,998
Total restricted cash and investments	$ 264,490	$ 31,998

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

NOTE 3 – CASH AND INVESTMENTS, (Continued)

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 investments with fiscal agent reported by the Program are invested in money market mutual funds, US Treasuries, and guaranteed investment contracts (GICs) 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.

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, 2007, the Program's pooled investment in LAIF is $16.5 million. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2007 was $65.6 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, 2007 was 176 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.

NOTE 3 – CASH AND INVESTMENTS, (Continued)

Interest Rate Risk: The risk that changes in market rates will adversely affect the fair market value of an investment. 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.

For the Program's cash and cash equivalents with fiscal agent, interest rate risk has been minimized by investing the proceeds of the sales tax revenue bonds into money market mutual funds and GICs. The money market mutual funds have a weighted average maturity of less than 1 year. At June 30, 2007, the GICs and U.S. Treasuries have a weighted average maturity of less than 1 year. At June 30, 2006, the GICs had a weighted average maturity of 1.13 years.

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. The GICs are unrated.

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.

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, 2007, VTA deposits were collateralized by securities held by the financial institutions, but not in VTA's name.

Custodial Credit Risk – Investments: For investments, custodial credit risk is the risk that in the event of a failure of the counter-party, VTA may not be able to recover the value of its investments. All securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. All securities are received and delivered using the standard delivery versus payment procedure. At year-end, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk: 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. About 63% of the Program's investments.

NOTE 3 – CASH AND INVESTMENTS, (Continued)

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, 2007, the Program had $107.2 million representing 57% 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, 2007 and 2006 are $187.9 million and $0, respectively. The pooled cash and investments were comprised of the following types and maturities at June 30, 2007 (in thousands):

Type of Investment	Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	Total Value
Corporate Notes – Commercial Paper	$ 19,964	$ -	$ -	$ -	$ 19,964
Corporate Bonds	4,498	28,725	-	-	33,223
U.S. Government Agency Bonds	80,447	20,026	6,677	-	107,150
U.S. Treasuries	-	6,898	-	3,618	10,516
SUBTOTAL	104,909	55,649	6,677	3,618	170,853
Money Market Funds	489	-	-	-	489
TOTAL INVESTMENT with Money Managers	105,398	55,649	6,677	3,618	171,342
LAIF	16,510	-	-	-	16,510
TOTAL POOLED INVESTMENTS	$ 121,908	$ 55,649	$ 6,677	$ 3,618	$ 187,852

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	Fair Value	Percentage of Portfolio
Unrated	$ 16,510	8.79%
Not Applicable	117,666	62.64%
A-1	5,214	2.77%
A-1+	14,750	7.85%
A	6,039	3.21%
A-	1,422	0.76%
A+	3,918	2.09%
AA	4,218	2.25%
AA-	4,289	2.28%
AA+	1,104	0.59%
AAA	12,722	6.77%
Total	$ 187,852	100.00%

NOTE 3 – CASH AND INVESTMENTS, (Continued)

At June 30, 2007 the Program had $10.5 million or 6% of Program's pooled portfolio invested in securities issued by the U.S. Treasury. In LAIF, the Program has a total investment of $16.5 million or 9% of total Program pooled investment portfolio. Of the 28% of the 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, 2007 and 2006 are $76.6 and $32 million respectively and are comprised of the following (in thousands):

Type of Investment	2007	2006
Money Market Mutual Funds	$ 5,807	$ 652
Guaranteed Investment Contracts (GICs)	8,038	31,346
U.S. Treasuries	62,793	-
Total Cash with Fiscal Agent	$ 76,638	$ 31,998

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	2007	2006
XL Asset Funding Company	0.00%	6.68%
CSC Funding Investment Management	0.00%	8.79%
FSA Investment Management Fund	10.50%	82.50%
Total Guaranteed Investment Contracts	10.50%	97.97%

NOTE 4 – DUE FROM GOVERNMENTAL AGENCIES

Due from governmental agencies at June 30, 2007 and 2006 are $72.8 million and $30.1, 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

The sales tax revenue bonds, considered long-term debt, outstanding at June 30, 2007 and 2006 consisted of the following (in thousands):

Bond	2007	2006
2003 Series A Senior Lien ($131,240 plus unamortized premium of $0 and $ 6,681 at June 30, 2007 and 2006, respectively)	$ -	$ 137,921
2004 Series A Senior Lien ($104,710 plus unamortized premium of $0 and $ 6,795 at June 30, 2007 and 2006, respectively)	-	111,505
2004 Series B Senior Lien ($135,165 plus unamortized premium of $0 and $ 5,445 at June 30, 2007 and 2006, respectively)	-	140,610
2006 Series A through G Senior Lien ($428,375 plus unamortized deferred amount in refunding $17,276)	445,651	-
Total sales tax revenue bonds	$ 445,651	$ 390,036

2003 Series A Senior Lien Sales Tax Bonds

In November 2003, VTA issued $131.2 million of 2003 Measure A Sales Tax Revenue Bonds (2003 Bonds) to: 1) finance the repayment of the 2002 Bonds and Grant Anticipation Notes that matured on December 4, 2003, 2) reimburse VTA for certain debt service payments made in connection with the 2001 Bonds, and 3) finance capitalized interest payments through October 2006. The 2003 Bonds were issued as long-term variable rate bonds, with an initial fixed rate term through October 2, 2006, at which time there is a mandatory tender for purchase of the 2003 Bonds. The 2003 Bonds were refunded on August 10, 2006 by the proceeds of the 2006 Measure A Bonds.

2004 Series A Senior Lien Sales Tax Revenue Bonds

In May 2004, VTA issued $104.7 million of Measure A Sales Tax Revenue Bonds (2004A Bonds) to pay certain working capital and capital expenditures and to finance capitalized interest payments through October 2006. The 2004A Bonds were issued as long-term variable rate bonds, with an initial fixed rate term through October 2, 2006, at which time there was a mandatory tender for purchase of the 2004A Bonds. The 2004A Bonds were refunded on August 10, 2006 by the proceeds of the 2006 Measure A Bonds.

2004 Series B Senior Lien Sales Tax Revenue Bonds

In December 2004, VTA issued $135.2 million of Measure A Senior Lien Sales Tax Revenue Bonds (2004B Bonds) to pay certain working capital and capital expenditures and to finance capitalized interest payment through October 2006. The 2004B Bonds were issued as long-term variable rate bonds, with an initial fixed rate term through October 2, 2006, at which time there was a mandatory tender for purchase of the 2004B Bonds. The 2004B Bonds were refunded on August 10, 2006 with the proceeds of the 2006 Measure A Bonds.

NOTE 5 – SALES TAX REVENUE BONDS, (Continued)

2006 Series A through G Senior Lien Tax Revenue Bonds

In August 2006, VTA issued $428 million of 2000 Measure A Sales Tax Revenue Bonds, Series A-G (2006 Bonds) to refund $371 million of VTA' Sales Tax Revenue 2003 Series A Bonds, 2004 Series A Bonds, and 2004 Series B Bonds (Defeased Bonds); and to finance portion of the costs associated with capital projects. The Defeased Bonds were subject to a mandatory tender for purchase on October 2, 2006. On this date, VTA was obligated to remarket the Defeased Bonds as either variable or fixed rate securities. In the event of a failed remarketing, VTA's interest rate would have been reset at 150% of One-Year LIBOR[1] for each subsequent year until a successful remarketing was completed. Had there been a failed remarketing at the time of issuance, VTA's interest rate would have reset at 8.175% (150% of One-Year LIBOR in effect at that time). Based on this rate, the economic gain is $164.3 million. However, had VTA remarketed the Defeased Bonds as fixed rate securities, the interest rate would have reset to approximately 4.62% (prevailing rate at the time of issuance), which would have resulted in an economic gain of $15.5 million. In lieu of remarketing, VTA chose to refund the Defeased Bonds through the issuance of the 2006 Bonds. The maturities of the 2006 Bonds extend to April 1, 2036. Concurrent with the issuance and sale of the 2006 Bonds, VTA entered into four separate interest rate swap agreements for the 2006 Bonds, Series A through D. 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 SIFMA[2] Swap Index, which is reset weekly, prior to October 1, 2007. Beginning October 1, 2007, counterparties will pay VTA a variable rate of interest based on 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. The swap agreements are expected to terminate on the final stated maturity date of each series of the 2006 Bonds. The 2006 Bonds Series E was issued as auction rate bonds, subject to an 8% interest rate cap provided by Bank of America. The 2006 Bonds Series F and G were issued as auction rate securities, with an initial fixed rate interest through August 2007, at which time they converted to 90-day auction rate securities. The 2006 Bonds Series A-G are subject to optional redemption by VTA on any Interest Payment Date immediately following the end of an Auction Period. If VTA redeems any series of the 2006 Bonds by mandatory sinking funds, the redemptions shall be on each April 1 of the mature year for each series.

Interest Rate Swaps

VTA has entered into four interest rate swap agreements relating to Measure A Bonds. The agreements require that VTA pay fixed interest rates and receive interest at SIFMA index rate through October 1, 2007 and thereafter at 65% of 3-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.

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

2 SIFMA: Securities Industry and Financial Municipal Swap Index. This index represents the national average for variable rate bonds.

NOTE 5 – SALES TAX REVENUE BONDS, (Continued)

***Summary**:* The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2007 were as follows (in thousands):

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value[1]	Swap Termination Date	Counterparty Credit Rating[2]
STRRB[3] 2006A	$ 85,875	8/10/06	3.765%	SIFMA[4]	$ (42)	4/1/36	Aaa, AA+, AA+
STRRB 2006B	50,000	8/10/06	3.765%	SIFMA	(24)	4/1/36	Aaa, AA+, AA
STRRB 2006C	50,000	8/10/06	3.765%	SIFMA	(24)	4/1/36	Aaa, AAA, --
STRRB 2006D	50,000	8/10/06	3.765%	SIFMA	(24)	4/1/36	Aa3, A+, AA-
Total	$ 235,875				$ (114)		

[1] Includes accrued interest
[2] Moody's, Standard and Poor's, and Fitch, respectively
[3] Sales Tax Revenue Refunding Bonds
[4] Swap Index to October 2007; 65% of three month LIBOR thereafter

Terms: The notional amounts of swaps match the principal amounts of the associated debt in total. 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, 2007, the swaps associated with the 2006 Series A-G (2006 Bonds) have a negative fair value, $0.1 million, resulting from the fact that interest rates have slightly declined since the swaps were executed. 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, 2007, VTA was not exposed to credit risk on the swap associated with the 2006 Bonds because their swaps had negative fair values.

Basis Risk: VTA has no basis risk for the swaps associated with the 2006 Bonds. 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. As of June 30, 2007, the weighted average interest rates of the variable rate debt associated with the 2006 Bonds, Series A-D swap transactions were 3.68%, and VTA's variable rate payments received from the counterparties of these swaps was 3.73%.

NOTE 5 – SALES TAX REVENUE BONDS, (Continued)

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 Aa3 by Moody's Investors Service, its claims paying ability rating falls below AA- by Standard and Poor's or it fails to maintain a rating of AA- by Fitch Ratings, or, if VTA's long-term debt obligations fall below "Baa2" by Moody's Investors Service, "BBB" by Standard and Poor's or "BBB" by Fitch Ratings. 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 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.

(a) Swap Payments and Associated Debt

Using rates as of June 30, 2007, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows: (in thousands) (As rates vary, variable rate bond interest payments and net swap payments will vary.)

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2008	$ -	$ 8,668	$ (130)	$ 8,538
2009	-	8,668	(130)	8,538
2010	-	8,668	(130)	8,538
2011	-	8,668	(130)	8,538
2012	-	8,668	(130)	8,538
2013-2017	-	43,342	(649)	42,693
2018-2022	-	43,342	(649)	42,693
2023-2027	-	43,342	(649)	42,693
2028-2032	-	43,342	(649)	42,693
2033-2036	235,875	22,071	(330)	257,616
Total	$ 235,875	$ 238,779	$ (3,576)	$ 471,078

NOTE 5 – SALES TAX REVENUE BONDS, (Continued)

Scheduled Payments

Annual debt service requirements (including sinking fund requirements) to maturity for long-term debt are as follows (in thousands):

Fiscal Year	Principal	Interest[1]	Total
2008	$ 1,125	$ 21,264	$ 22,389
2009	3,950	16,044	19,994
2010	4,250	16,341	20,591
2011	4,450	16,186	20,636
2012	4,725	16,022	20,747
2013-2017	27,750	77,319	105,069
2018-2022	36,350	71,637	107,987
2023-2027	47,600	64,190	111,790
2028-2032	62,300	54,447	116,747
2033-2036	235,875	24,113	259,988
Total debt service	$ 428,375	$ 377,563	$ 805,938
Unamortized deferred amount in refunding	17,276		
Total debt	445,651		
Less current portion	(54,700)		
Long-term portion of debt	$ 390,951		

[1] Rates as of June 30, 2007 were used to determine variable rate interest expense.

NOTE 5 – SALES TAX REVENUE BONDS, (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are as follows (in thousands):

Bond	July 1, 2006	Additions	Retirements	June 30, 2007	Amounts Due Within One Year
2003 Series A Senior Lien	$ 131,240	$ -	$ 131,240	$ -	$ -
2004 Series A Senior Lien	104,710	-	104,710	-	-
2004 Series B Senior Lien	135,165	-	135,165	-	-
2006 Series A Senior Lien	-	58,950	-	58,950	-
2006 Series B Senior Lien	-	58,975	-	58,975	-
2006 Series C Senior Lien	-	58,975	-	58,975	-
2006 Series D Senior Lien	-	58,975	-	58,975	-
2006 Series E Senior Lien	-	54,700	-	54,700	54,700
2006 Series F Senior Lien	-	68,900	-	68,900	-
2006 Series G Senior Lien	-	68,900	-	68,900	-
Total outstanding debt	371,115	428,375	371,115	428,375	54,700
Plus premiums	18,921	601	19,522	-	-
Deferred amount in refunding	-	17,276	-	17,276	-
Outstanding debt, net	$ 390,036	$ 446,252	$ 390,637	$ 445,651	$ 54,700

Changes in long-term liabilities for the year ended June 30, 2006 are as follows (in thousands):

Bond	July 1, 2005	Additions	Retirements	June 30, 2006	Amounts Due Within One Year
2003 Series A Senior Lien	$ 131,240	$ -	$ -	$ 131,240	$ 2,705
2004 Series A Senior Lien	104,710	-	-	104,710	1,395
2004 Series B Senior Lien	135,165	-	-	135,165	2,285
Total outstanding debt	371,115	-	-	371,115	6,385
Plus premiums	19,194	-	273	18,921	-
Outstanding debt, net	$ 390,309	$ -	$ 273	$ 390,036	$ 6,385

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

NOTE 6 – 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 22 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 2006 and Fiscal Year 2007 (in thousands):

Source	Inception-to-FY2006[1]	FY2007	Inception-to-FY2007
Sales Tax Receipts	$ 38,170	$ 161,361	$ 199,531
Grants - Local	9,492	2,222	11,714
- State	39,894	170,720	210,614
- Federal	6,422	3,139	9,561
- Year-End Accruals	2,613	21,532	24,145
Subtotal – Grants	58,421	197,613	256,034
Investment Earnings	6,157	5,073	11,230
Miscellaneous Income	944	348	1,292
Measure B Fund Swap	198,347	-	198,347
Bond Proceeds	387,334	57,896	445,230
TOTAL SOURCES OF FUNDS	$ 689,373	$ 422,291	$ 1,111,664

[1] See supplemental schedule on page 22 for detail by Fiscal Year

NOTE 7 –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, amortization of various deferred expenditures, and debt service payments for revenue bonds issued to finance the 2000 Measure A programs. The supplemental schedule on page 23 shows the details of the Program uses of funds from program inception through Fiscal Year 2006. The following table shows total uses of funds for inception to Fiscal Year 2006 and Fiscal Year 2007 (in thousands):

Use	Inception-to-FY2006[1]	FY2007	Inception-to-FY2007
Non-Operating Expenses			
Operating assistance to VTA Transit	$ 7,045	$ 29,782	$ 36,827
Repayment of debt service to VTA Transit	71,832	13,642	85,474
Amortization of deferred charges	1,000	672	1,672
Other expenses	85	-	85
Subtotal – Non-Operating Expenses	79,962	44,096	124,058
Capital Expenditures			
Interest expenses capitalized as project expenses	38,430	15,776	54,206
Capital expenditures on behalf of, and contributions to, other agencies	2,386	6,519	8,905
Measure A capital project expenditures	534,170	70,627	604,797
Subtotal – Capital Expenditures (see below)	574,986	92,922	667,908
TOTAL MEASURE A USES OF FUNDS	$ 654,948	$ 137,018	$ 791,966

Capital Expenditures by Program Area[2]	Inception-to-FY2006	FY2007	Inception-to-FY2007
Silicon Valley Rapid Transit Corridor	$ 326,723	$ 77,341	$ 404,064
Light Rail Program			
- Low Floor Light Rail Vehicles	198,347	-	198,347
- Capital Expressway Light Rail to Eastridge	22,448	10,239	32,687
- New Light Rail Corridor Study	125	302	427
Commuter Rail Program			
- Dumbarton Rail Corridor	230	128	358
- Caltrain Service Upgrades	10,000	472	10,472
- Palo Alto Intermodal Transit Center	50	130	180
- Caltrain South County	1,099	1,821	2,920
Bus Program	15,810	1,768	17,578
Measure A Program-Wide	154	721	875
TOTAL CAPITAL EXPENDITURES[3]	$ 574,986	$ 92,922	$ 667,908

[1] See supplemental schedule on page 23 for breakdown by Fiscal Year
[2] See pages 24-33 for Project Summaries
[3] Includes interest expense capitalized as project expense and capital expenditures on behalf of, and contributions to, other agencies

NOTE 8 –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 9 – SUBSEQUENT EVENTS

In August 2007, VTA redeemed 2006 Measure A Sales Tax Revenues Bonds, Series E, which totaled $54.7 million using Measure A Program funds.

In July 2007, VTA completed the sale transaction and received $20.1 million for the sale of approximately three miles of former Western Pacific Railroad Road (WPPR) right-of-way to BART. With the acquisition of this property BART would be in a position to construct the Warm Springs Extension, which is precursor to the construction of the potential BART extension to the Silicon Valley.

In September 2007, VTA issued $120.1 million traditional fixed rate bonds, 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (2007 Bonds), at a true interest cost of 4.60%. The proceeds along with $13.4 million debt service reserve funds and $4.3 million premium from the 2007 Bonds were used to refund $137.8 million Series F and Series G of VTA's 2006 Measure A Sales Tax Revenue Bonds (Defeased Bonds), which were originally issued as 90-day auction rate securities. Proceeds of the 2007 Bonds plus debt service reserve funds 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 their next interest payment date in November 2007, which was also the first available date that the Defeased Bonds could be redeemed. Maturities for the 2007 Bonds extend to April 1, 2036.

SUPPLEMENTAL SCHEDULES

HISTORICAL 2000 MEASURE A PROGRAM SOURCES OF FUNDS

HISTORICAL 2000 MEASURE A PROGRAM USES OF FUNDS

Sources of Funds
Inception to FY2006
(In thousands)

Source	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Inception-to-FY2006
Sales Tax Receipts	$ -	$ -	$ -	$ -	$ -	$ 38,170	$ 38,170
Grants - Local	-	-	6,165	435	2,525	367	9,492
- State	-	3,062	12,823	12,894	8,865	2,250	39,894
- Federal	-	-	1,077	2,019	3,336	(10)	6,422
- Year-End Accruals	127	5,456	(821)	(2,063)	(1,383)	1,297	2,613
Subtotal – Grants	127	8,518	19,244	13,285	13,343	3,904	58,421
Investment Earnings	-	-	-	360	2,217	3,580	6,157
Miscellaneous Income	-	(28)	162	196	259	355	944
Measure B Fund Swap	-	47,071	65,732	68,217	17,327	-	198,347
Bond Proceeds	-	-	82,666	164,559	140,109	-	387,334
TOTAL SOURCES OF FUNDS	$ 127	$ 55,561	$ 167,804	$ 246,617	$ 173,255	$ 46,009	$ 689,373

Uses of Funds
Inception to FY2006
(In thousands)

Use	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Inception-to-FY2006
Non-Operating Expenses							
Operating assistance to VTA Transit	$ -	$ -	$ -	$ -	$ -	$ 7,045	$ 7,045
Repayment of debt service to VTA Transit	-	-	-	19,958	38,464	13,410	71,832
Amortization of deferred charges	-	-	-	-	333	667	1,000
Other expenses	-	-	(13)	81	17	-	85
Subtotal – Non-Operating Expenses	-	-	(13)	20,039	38,814	21,122	79,962
Capital Expenditures							
Interest expenses capitalized as project expenses	-	-	712	4,484	11,431	21,803	38,430
Capital expenditures on behalf of, and contributions to, other agencies	-	-	-	-	-	2,386	2,386
Measure A capital project expenditures	554	56,436	166,953	95,299	137,968	76,960	534,170
Subtotal – Capital Expenditures (see below)	554	56,436	167,665	99,783	149,399	101,149	574,986
TOTAL MEASURE A USES OF FUNDS	$ 554	$ 56,436	$ 167,652	$ 119,822	$ 188,213	$ 122,271	$ 654,948

Capital Expenditures by Program Area[1]	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Inception-to-FY2006
Silicon Valley Rapid Transit Corridor	$ 120	$ 6,017	$ 96,350	$ 24,665	$ 108,624	$ 90,947	$ 326,723
Light Rail Program							
- Low Floor Light Rail Vehicles	-	47,198	65,605	68,216	17,328	-	198,347
- Capital Expressway Light Rail to Eastridge	434	3,201	2,171	2,114	7,115	7,413	22,448
- New Light Rail Corridor Study	-	-	-	-	-	125	125
Commuter Rail Program							
- Dumbarton Rail Corridor	-	-	-	-	-	230	230
- Caltrain Service Upgrades	-	-	-	-	10,000	-	10,000
- Palo Alto Intermodal Transit Center	-	-	-	-	1	49	50
- Caltrain South County	-	-	-	-	-	1,099	1,099
Bus Program	-	20	3,539	4,788	6,331	1,132	15,810
Measure A Program-Wide	-	-	-	-	-	154	154
TOTAL CAPITAL EXPENDITURES[2]	$ 554	$ 56,436	$ 167,665	$ 99,783	$ 149,399	$ 101,149	$ 574,986

[1] See pages 24-33 for Project Summaries
[2] Includes interest expense capitalized as project expense and capital expenditures on behalf of, and contributions to, other agencies

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-FY2006	$325,825	$898	$326,723
FY2007	75,143	2,198	77,341
Total Expenditures to date	**$400,968**	**$3,096**	**$404,064**

*See pages 20 & 23

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: Design

Activity This Fiscal Year:

- VTA issued a Notice of Preparation (NOP) for a state Supplemental Environmental Impact Report (SEIR) in July 2006 for design changes since the VTA Board certified the FEIR in December 2004
- The VTA Board approved a list of qualified Relocation Consultants in November 2006.
- Preliminary Engineering was completed in December 2006, and the 65% design phase began.
- The Final SEIR was approved by the VTA Board in June 2007.

Artist's Rendering of Santa Clara Station

Low Floor Light Rail Vehicles

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$198,347
FY2007	0
Total Expenditures to date	$198,347

*See pages 20 & 23

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

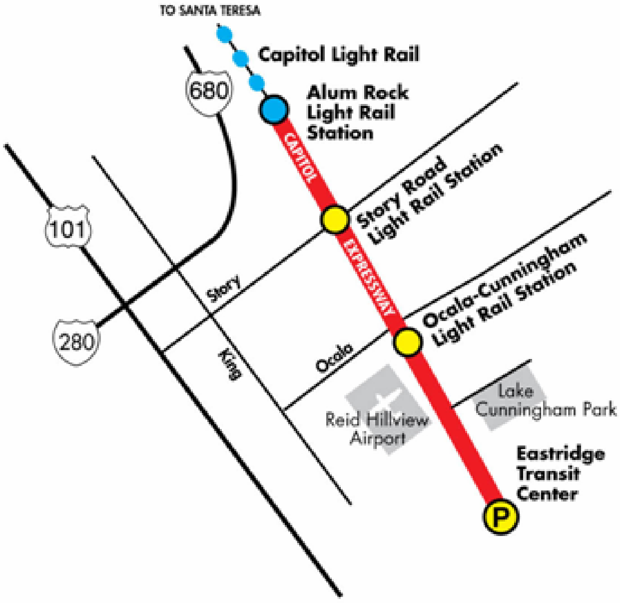
Low Floor Vehicles Provide Level Passenger Boarding

Capitol Expressway Light Rail to Eastridge

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$22,448
FY2007	10,239
Total Expenditures to date	$32,687

*See pages 20 & 23



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

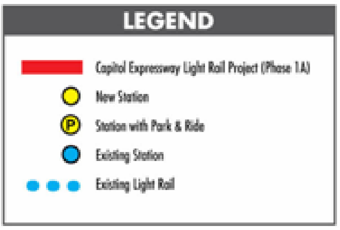
Activity This Fiscal Year:

• A Supplemental Environmental Document (SEIR) was prepared for the Eastridge extension to address changes identified during Preliminary Engineering.

• Preparation of the Final Design Review submittal (65%) was begun.

• Most agreements with utility companies for the utility relocation final design were executed.

• VTA substantially completed right-of-way acquisition documents.



Artist's Rendering of Eastridge Mall Station

Photo Simulation of Capital Expressway at Story Road

New Rail Corridors Study

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$125
FY2007	302
Total Expenditures to date	$427

*See pages 20 & 23

Project Description:

This project is divided into two phases. Phase 1 consists 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 involves 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: Project Development

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 were started.

Dumbarton Rail Corridor

Project Expenditures*
(In thousands)

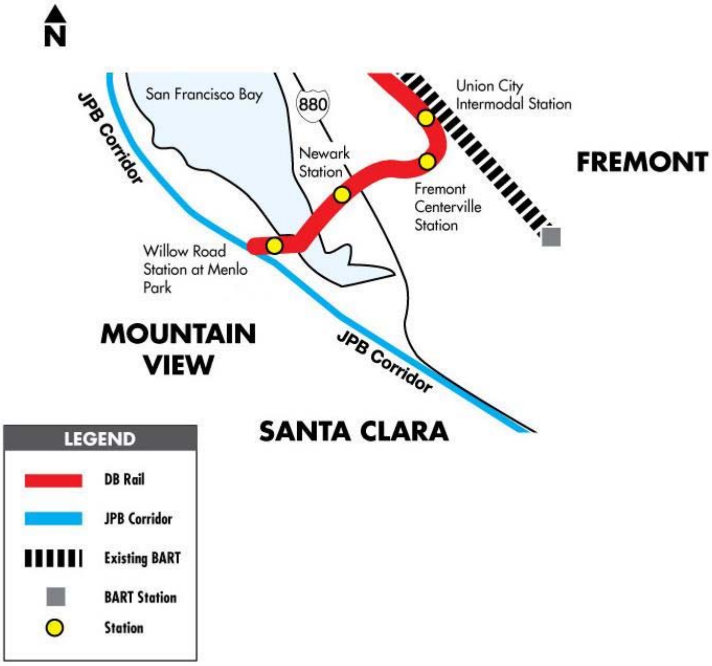
Period	Amount
Inception-to-FY2006	$230
FY2007	128
Total Expenditures to date	$358

*See pages 20 & 23

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.

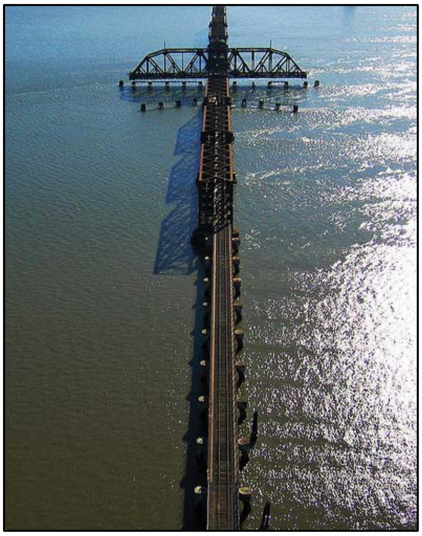


Project Status: Project Development

Activity This Fiscal Year:

• In March 2007, 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 $250,000 to help fund the project phasing and alternatives analysis.

View of Dumbarton Bridge from the West



Aerial view of the existing alignment

Caltrain Service Upgrades

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$10,000
FY2007	472
Total Expenditures to date	$10,472

*See pages 20 & 23

Project Description:

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

Project Status: Design

Activity This Fiscal Year:

- **Mountain View Parking Structure** – Conceptual Engineering and environmental review began in mid-2007, for which the City of Mountain View has committed $0.425 million.
- **Blossom Hill Pedestrian Overcrossing** - The City of San Jose, through a cooperative agreement with VTA, committed $0.25 million for conceptual engineering, which got underway.
- **Safety Enhancements** – A study was begun to identify and prioritize locations along the Caltrain corridor where safety can be enhanced.

Conceptual Rendering of Blossom Hill Crossing

Palo Alto Intermodal Transit Center

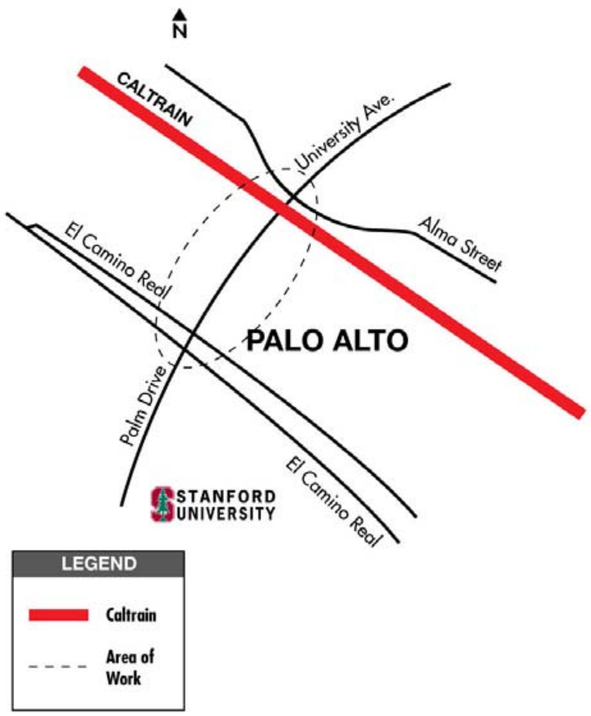
Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$50
FY2007	130
Total Expenditures to date	$180

*See pages 20 & 23

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: Design

Activity This Fiscal Year:

• The studies underway included technical studies, environmental analysis, and conceptual engineering to support the preparation of an Environmental Impact Statement/Report.

• Work also 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

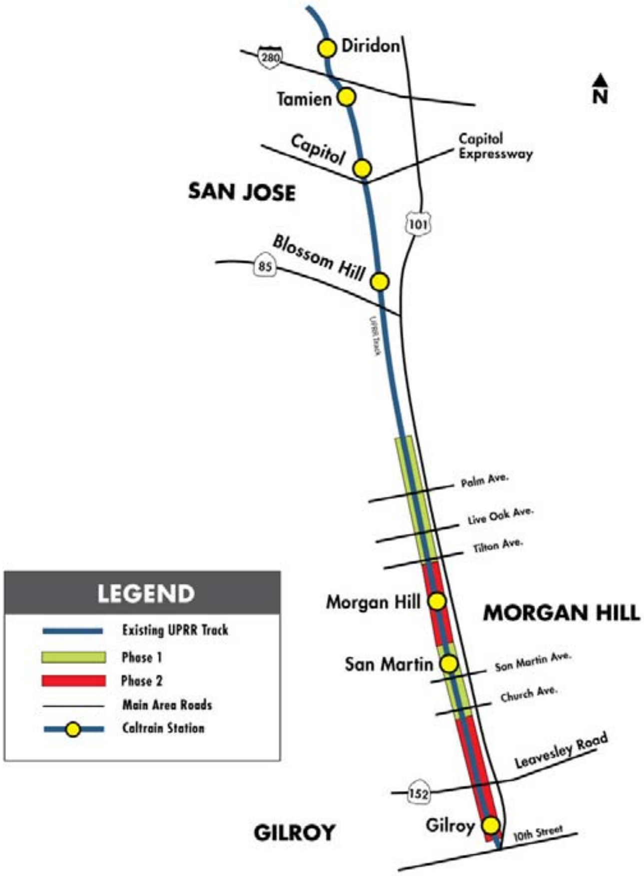
Architectural Model of One Proposed Scheme for a Public Park and El Camino Real Undercrossing

Caltrain South County

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$1,099
FY2007	1,821
Total Expenditures to date	$2,920

*See pages 20 & 23



Project Description:

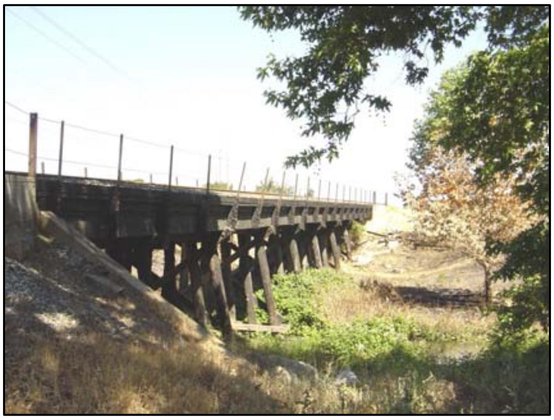
16.5 miles of double track on the Union Pacific Railroad (UPRR) corridor between the Coyote area and Gilroy. Capacity improvements for storage of additional train sets at Gilroy.

Project Status: Design

Activity This Fiscal Year:

- Phase 1 (8.3 miles from Coyote to San Martin) 65% Design continued.
- Phase 2 (8.2 miles from San Martin to Gilroy) Preliminary Engineering commenced.

Typical South County Crossing



Llagas Creek Bridge

ZEB: Demonstration and Facility Improvements

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$15,810
FY2007	1,768
Total Expenditures to date	**$17,578**

*See pages 20 & 23

Project Description:

In December 2000, the VTA Board adopted the low-emission diesel path in complying with California Air Resources Board's (CARB) regulation to reduce nitrogen oxide and particulate matter emitted by public transit buses. In accordance with these regulations, VTA, in a joint program with SamTrans, implemented a demonstration program to test the viability of zero-emission fuel-cell bus (ZEB) technology.

Project Status:
Complete

Activity This Fiscal Year:

• VTA's three ZEBs continued in revenue service, and the initial demonstration requirements for the revenue operation of the ZEBs were completed in August 2006.

• 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 in New Maintenance Facility

ZEB Hydrogen Fuel Cell

Measure A Programwide

Project Expenditures*
(In thousands)

Period	Amount
Inception-to-FY2006	$154
FY2007	721
Total Expenditures to date	**$875**

*See pages 20 & 23

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 developed the first cost and progress reports for the 2000 Measure A Transit Improvement Program. Taxable sales projections were made to assist in financial modeling of the Measure A Program. Late in the fiscal year, work on an overall VTA light rail system simulation was started in order to develop a framework to analyze options for improving operating efficiency as well as to model the impacts of future light rail extensions.