

**OFFICIAL STATEMENT
DATED DECEMBER 9, 2020**

NEW ISSUE: Book-Entry-Only

S&P Rating: "AA+"
(See "RATING" herein.)

The Bonds (defined herein) are not obligations described in section 103(a) of the Internal Revenue Code of 1986. Interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.



\$23,790,000
VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT
(A political subdivision of the State of Texas located in Bexar County)
SALES TAX REVENUE REFUNDING BONDS, TAXABLE SERIES 2020

Dated Date: December 1, 2020
(Interest accrues from the Delivery Date)

Due: August 1, as shown on page ii herein

The VIA Metropolitan Transit Advanced Transportation District (the "District") is issuing its \$23,790,000 Sales Tax Revenue Refunding Bonds, Taxable Series 2020 (the "Bonds") pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, ("Chapter 1207"), and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Trustees (the "District Board") of the District on November 17, 2020. As permitted by Chapter 1207, the District Board, in the Bond Resolution, delegated to certain authorized officials of the District (each a "Designated Financial Officer") the authority to execute a pricing certificate establishing the pricing terms of the Bonds (the "Pricing Certificate" and together with the Bond Resolution, the "Resolution"). The Pricing Certificate was duly executed by a Designated Financial Officer on December 9, 2020.

The Bonds are special obligations of the District payable as to principal and interest from, and secured, together with the outstanding Previously Issued Bonds (defined herein) and any Additional Parity Bonds (defined herein) hereafter issued by the District, solely by, a lien on and pledge of the Pledged Revenues (defined herein), which consists (primarily) of the ATD Share (defined herein) of the ATD Tax (defined herein). The Bonds are not secured by a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or the Authority (defined herein) or the Transit System (defined herein). The registered owner of a Bond shall never have the right to demand payment of the Bonds from any other sources or properties of the District, the Authority, the State of Texas, or any other political subdivision of the State of Texas. The Bonds are not payable from or secured by any other revenue of the District or Authority (including revenues derived from the Authority's imposition and collection of sales and use taxes or its ownership and operation of its Transit System), or any other entity. Neither the District nor the Authority are authorized to levy any ad valorem tax for any purpose, including for payment of the Bonds. In the Resolution, the District reserves the right to issue Additional Parity Bonds (being additional parity lien obligations of the District) and additional obligations secured by a lien on and pledge of District revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the Bonds and any Additional Parity Bonds, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "SECURITY FOR THE BONDS – Additional Parity Bonds" herein.)

Interest on the Bonds will accrue from the date of their initial delivery (the "Delivery Date") to the initial purchasers thereof named below (the "Underwriters"), will be payable on February 1, 2021, and on each August 1 and February 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the paying agent/registrant (the "Paying Agent/Registrar"), initially BOKF, NA, Dallas, Texas. The definitive Bonds will be registered in the name of Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer relating to the Bonds. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the Beneficial Owners (defined herein) of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) So long as the Bonds are in Book-Entry-Only form, DTC will be the securities depository therefor, and Cede & Co., as nominee for DTC, will be the registered owner of the Bonds. References herein to registered owners shall mean Cede & Co. and not the beneficial owners of the Bonds.

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL
YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS RELATING TO THE BONDS

The Bonds are offered for delivery, when, as, and if issued, to the Underwriters subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P. of San Antonio, Texas, Bond Counsel for the District (see "OTHER INFORMATION – Legal Matters" and "TAX MATTERS" herein). Certain legal matters will be passed upon for the Underwriters by their legal co-counsel, Winstead PC and Kassahn & Ortiz, P.C., both of San Antonio, Texas. It is anticipated that the definitive Bonds will be tendered for delivery through the services of DTC on or about December 29, 2020.

STEPHENS INC.

BLAYLOCK VAN, LLC

SIEBERT WILLIAMS SHANK & Co., LLC

VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT

STATED MATURITY SCHEDULE

\$17,485,000 Serial Bonds

<u>Stated Maturity (August 1)</u>	<u>Principal Amount* (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP No. Suffix⁽¹⁾</u>
2021	540,000	0.349	0.349	BX9
2022	340,000	0.429	0.429	BY7
2023	340,000	0.611	0.611	BZ4
2024	340,000	0.904	0.904	CA8
2025	345,000	0.954	0.954	CB6
2026	350,000	1.271	1.271	CC4
2027	350,000	1.371	1.371	CD2
2028	1,740,000	1.636	1.636	CE0
2029	1,770,000	1.736	1.736	CF7
2030	1,805,000	1.836	1.836	CG5
2031	1,835,000	1.986	1.986	CH3
2032	1,870,000	2.086	2.086	CJ9
2033	1,910,000	2.186	2.186	CK6
2034	1,955,000	2.286	2.286	CL4
2035	1,995,000	2.386	2.386	CM2

(Interest to accrue from the Delivery Date)

\$6,305,000 Term Bonds

\$6,305,000 2.673% Term Bond Due August 1, 2038 Priced to Yield 2.673% CUSIP Suffix⁽¹⁾: CN0

(Interest to accrue from the Delivery Date)

Redemption. The Bonds stated to mature on and after August 1, 2031, are subject to redemption, at the option of the District, in whole or in part, on August 1, 2030 or any date thereafter, at the price of par plus accrued interest to the date fixed for redemption. The Bonds maturing on August 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption. (See “THE BONDS – Redemption” herein.)

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the District, the Authority, nor the Co-Financial Advisors is responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the Schedule, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Authority, the Co-Financial Advisors, or the Underwriters.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the District, the Authority, the Co-Financial Advisors, nor the Underwriters makes any representation or warranty with respect to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company, New York, New York ("DTC") regarding its Book-Entry-Only System, as such information has been provided by DTC.

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VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT

BOARD OF TRUSTEES

Board Member	Position	Appointing Authority
Hope Andrade	Chair	VIA Board of Trustees
Ezra Johnson	Vice-Chair	San Antonio City Council
Akeem Brown	Secretary	Bexar County
Bob Comeaux	Trustee	San Antonio City Council
Louis R. Cooper	Trustee	Mayors of Serviced Cities
Marina Alderete Gavito	Trustee	Bexar County
Athalie Malone	Trustee	San Antonio City Council
A. David Marne	Trustee	Mayors of Serviced Cities
Jordana Mathews	Trustee	Bexar County
Kristi G. Villanueva	Trustee	San Antonio City Council
Vacant	Trustee	San Antonio City Council

VIA METROPOLITAN TRANSIT AUTHORITY MANAGEMENT

Officer	Position
Jeffrey Arndt	President & Chief Executive Officer
Steven Lange	Chief Financial Officer/Vice President of Fiscal Management
Edward Johnson	Deputy CEO
Kammy Horne	Senior Vice President Development
Jon Gary Herrera	Senior Vice President Public Engagement
Bonnie Prosser-Elder	General Counsel/Senior Vice President Legal
Sam Marra	Vice President of Fleet and Facility
Marcus Peoples	Vice President of Human Resources
Dyanne Sampson	Vice President of Procurement
Steve Young	Vice President of Technology and Innovation
Priscilla Ingle	Vice President Customer Relations and Sales
Curtis Koleber	Vice President of Transportation
Tremell Brown	Vice President of Safety, Security and Training

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P., San Antonio, Texas
Paying Agent/Registrar	BOKF, NA, Dallas, Texas
Independent Certified Public Accountants	Baker, Tilly, Virchow, Krause, LLP, Austin, Texas
Co-Financial Advisors	Estrada Hinojosa & Company, Inc., San Antonio, Texas and Hilltop Securities, Inc., Austin, Texas

For additional information regarding the District, please contact:

Mr. Steven Lange Chief Financial Officer VIA Metropolitan Transit Authority 800 West Myrtle San Antonio, Texas 78212 Telephone: (210) 362-2000 Fax: (210) 362-2571 Email: steven.lange@viainfo.net	Mr. Richard Ramirez Hilltop Securities, Inc. 2700 Via Fortuna, Suite 410 Austin, Texas 78746 Telephone: (512) 481-2007 Fax: (512) 481-2010 Email: richard.ramirez@hilltopsecurities.com	Mr. Donald J. Gonzales Estrada Hinojosa & Company, Inc. 14414 Blanco Road, Suite 320 San Antonio, TX 78216 Telephone: (210) 223-4888 Fax: (210) 223-4849 Email: don@ehmuni.com
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SUMMARY STATEMENT

This Summary Statement is subject to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds (defined herein) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Bonds are being issued by the VIA Metropolitan Transit Advanced Transportation District (the “District”, the “ATD”, or the “Issuer”), a public transportation authority and political subdivision of the State of Texas (the “State”) created and existing pursuant to Subchapter O of Chapter 451, Texas Transportation Code, as amended, (the “ATD Act”).
Issue and Dated Date	The District is issuing its \$23,790,000 Sales Tax Revenue Refunding Bonds, Taxable Series 2020 (the “Bonds”). The Bonds are dated December 1, 2020, but interest accrues from the date of initial delivery of the Bonds to the initial purchasers thereof.
Use of Proceeds	The proceeds of the Bonds will be used to (i) refund a portion of the District’s currently outstanding obligations as identified in Schedule I attached hereto, and (ii) pay the costs of issuance of the Bonds. (See “PLAN OF FINANCE – Purpose of the Bonds” herein.)
Amounts and Maturities	The Bonds are stated to mature on August 1 in the years and in the amounts evidenced in the table appearing on page ii of this Official Statement.
Interest Payment Dates	Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2021, until stated maturity or prior redemption thereof.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, (“Chapter 1207”), and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Trustees of the District (the “District Board”) on November 17, 2020. As permitted by Chapter 1207, the District Board, in the Bond Resolution, delegated to certain authorized officials of the District the authority to execute a pricing certificate establishing the pricing terms of the Bonds (the “Pricing Certificate” and together with the Bond Resolution, the “Resolution”). The Pricing Certificate was duly executed by a Designated Financial Officer on December 9, 2020. (See “THE BONDS – Authority for Issuance” herein.)
Redemption	The Bonds stated to mature on and after August 1, 2031 are subject to redemption, at the option of the District, in whole or in part, on August 1, 2030 or any date thereafter, at the price of par plus accrued interest to the date fixed for redemption. The Bonds maturing on August 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption. (See “THE BONDS – Redemption” herein.)
Paying Agent/Registrar	The initial paying agent/registrar for the Bonds is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York (“DTC”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Security for and Sources of Payment	The Bonds are special obligations of the District, payable as to principal and interest from, and secured, together with the outstanding Previously Issued Bonds (defined herein) and any Additional Bonds (defined herein) hereafter issued by the District, solely by a parity lien on and pledge of the Pledged Revenues (defined herein), which consists (primarily) of the ATD Share (defined herein) of the ATD Tax (defined herein). (See “THE BONDS – Security and Source of Payment” and “SECURITY FOR THE BONDS” herein.)
Rating	S&P Global Ratings (“S&P”) has assigned a rating of “AA+” to the Bonds. (See “RATING” herein.)
Concurrent Debt Issuance	Concurrently with the delivery of the Bonds, the Authority (defined herein) anticipates delivering its \$28,940,000 VIA Metropolitan Transit Authority Farebox Revenue Refunding Bonds, Taxable Series 2020 (the “2020 VIA Farebox Refunding Bonds”). This Official Statement pertains only to the Bonds and not the 2020 Via Farebox Refunding Bonds. (See “CERTAIN FINANCIAL AND OPERATING INFORMATION CONCERNING THE AUTHORITY – Authority Debt Policy and Outstanding and Future Indebtedness of the Authority and the District” herein.)
Delivery	When issued, anticipated to occur on or about December 29, 2020.

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OFFICIAL STATEMENT

relating to

\$23,790,000

**VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT
(A political subdivision of the State of Texas located in Bexar County)
SALES TAX REVENUE REFUNDING BONDS, TAXABLE SERIES 2020**

INTRODUCTION

General

This Official Statement of the VIA Metropolitan Transit Advanced Transportation District (the “Issuer”, the “District”, or the “ATD”) is provided to furnish information in connection with the District’s issuance and sale of its \$23,790,000 Sales Tax Revenue Refunding Bonds, Taxable Series 2020 (the “Bonds”). Unless specified otherwise, capitalized terms used herein without definition have the respective meanings ascribed thereto in the hereinafter-defined Resolution. (See “EXCERPTS FROM THE RESOLUTION” attached hereto as Appendix A.)

This Official Statement contains a description of the Bonds and certain other information about the District and its finances. This Official Statement also describes the VIA Metropolitan Transit Authority (the “Authority”), whose board of trustees (the “VIA Board”) ordered the election that authorized the District’s creation and is the owner and operator of the Transit System (defined herein) that is supported by the District’s revenues. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District at its offices or, during the offering period from the Authority’s Co-Financial Advisors using the contact information provided on page -v- hereof by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement and Escrow Agreement (defined herein) pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s and the Authority’s undertaking to provide certain information on a continuing basis.

District Overview

The District was created at an election, ordered by the VIA Board and held in the City of San Antonio, Texas (the “City”) on November 2, 2004 (the “ATD Election”), pursuant to Subchapter O of Chapter 451, as amended, Texas Transportation Code (the “ATD Act”). At the ATD Election, City voters also authorized the District’s imposition and collection of a sales and use tax in the amount of 1/4 of 1% within the City (the “ATD Tax”), one-half of the proceeds of which (resulting in a net sales and use tax rate of 1/8 of 1% directly benefitting the District; referred to, and as further described, herein as the “ATD Share”) are required to be used by the District for the purpose of acquiring, constructing, financing, improving, and implementing Advanced Transportation and Mobility Enhancement (as each such term is herein defined) within its boundaries. The District is a financing vehicle, designed and existing to support and enhance the operations of and services provided by the Authority. The District does not own or operate any property or assets, nor does it have any employees. Capital acquisitions and expenditures made by the District from its revenues inure to the benefit, and become a part, of the Authority’s Transit System.

INFECTIOUS DISEASE OUTBREAK

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (COVID-19), has been characterized as a pandemic by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended. In addition, pursuant to Chapter 418 of the Texas Government Code, as amended, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on October 7, 2020 of Executive Order GA-32, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, local government operations, youth camps, recreational programs, schools, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-32 permits visits to nursing homes, State-supported living centers, assisted living facilities, or long-term care facilities as determined through the guidance from the Texas Health and Human Services Commission. Executive Order GA-32 remains in place until amended, rescinded, or superseded by the Governor.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District.

COVID-19 has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries. The continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. See "COVID-19 Impacts on the Authority and District" herein.

COVID-19 Impacts on the Authority and District

COVID-19 impacted the Authority's and the District's financial results for March through September of the 2020 fiscal year. Sales tax and farebox revenue shortfalls totaled approximately \$16.4 million (unaudited) for that period, compared to the same period in the prior year. Of that approximate amount, \$9.4 million is attributable to a loss in sales tax revenue, and \$7 million is attributable to a loss in farebox revenues (due to impacts of the COVID-19 pandemic, including bus ridership being down approximately 50% from normal levels, and paratransit ridership being down approximately 60%). Incremental COVID-19 related expenses (including costs resulting from or related to COVID-19 sick pay, the Emergency Family and Medical Leave Expansion Act, personal protective equipment ("PPE"), contract cleaning, materials and supplies) are approximately \$2.1 million.

For the 2021 fiscal year, the Authority adopted a budget of \$247.5 million, which is more than \$1.9 million less than the budget adopted for the 2020 fiscal year. The budget is a result of implementation of cost-saving measures, COVID-19 related decreases in ridership and a projected decrease in sales tax revenue. The new budget includes no fare increases and no active staff reductions. It also accounts for a reduced service schedule to match customer demand

and social distancing protocols, and also accounts for the addition of new mobility-on-demand service to certain areas. Additionally, the Authority has eliminated 58 vacant positions and has been proactive in taking action to lower professional and technical service costs.

Approximately \$1.6 million of the approved 2021 budget will fund cleaning costs and PPE for the Authority employees, including hand sanitizer, face masks, face shields, disinfecting wipes, disinfecting sprays, thermal checks, nitrile gloves and permanent protective barriers for bus operator cabins. The Authority is instituting extensive safety precautions to protect the health of employees and customers, including the daily cleaning and disinfecting of buses, vans and facilities, and placing protocols in place to limit infections and to promote social distancing (such as limiting capacity on buses to 16 passengers). In addition, the vast majority of the Authority's workforce is telecommuting and the vast majority of meetings are held virtually. Through September of 2020, the Authority has spent approximately \$483,000 on COVID-19 related expenditures for PPE and contract cleaning.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law. For transit, the CARES Act provided a \$93,287,276 apportionment to the San Antonio Urbanized Area. Of this amount, the Alamo Area Council of Governments was awarded \$960,000 by the Authority's Board of Trustees, and the remaining \$92,327,276 went to the Authority. Per the Federal Transit Administration Transit Infrastructure Grants section of the CARES Act, those CARES Act funds can be used for operating costs to maintain service due to the coronavirus public health emergency. Costs must have been incurred on or after January 20, 2020. As of September 30, 2020, the Authority has drawn \$90,072,027 of available funds. Although CARES Act funds are being drawn based on service costs, local funds had already been programmed to cover those costs. Therefore, the CARES Act funds are in essence being applied to cover incremental impacts associated with COVID-19.

Forecasted sales tax receipts for fiscal year 2021 (\$188.1 million) are down 3.2% from the unaudited fiscal year 2020 receipts (\$194.3 million). Unaudited fiscal year 2020 sales tax receipts are down 0.2% from actual sales tax receipts in fiscal year 2019. For fiscal years ending in 2022 through 2025, growth is projected at 4.3% per year. Despite these growth rates in fiscal years 2022 through 2025, the lower baseline adversely impacts projected sales tax receipts in those years.

Forecasted farebox revenues for the 2021 fiscal year are approximately \$10.9 million, as compared to \$13.0 million for the 2020 fiscal year (unaudited) and \$20.2 million of actual farebox revenues in the 2019 fiscal year. In the 2022 fiscal year, farebox revenues are projected to be approximately \$20.8 million, as ridership is projected to return to more normal levels and social distancing is forecasted to no longer be a factor.

The Authority and the District have been affected by changes in the economic activity and conditions of the Authority's service area, which includes a decrease in the receipt of farebox revenues, sales tax revenues, and other operating revenues. The full extent of the ongoing impact of COVID-19 on the Authority's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The Authority and the District are unable to predict the future impact COVID-19 may have on ridership or revenues, including the Pledged Revenues (defined herein). Furthermore, neither the Authority nor the District can predict whether or not federal legislation will be passed in the future to provide grants, stimulus or other supplemental financial assistance to the Authority or the District as the result of any potential adverse impacts caused by COVID-19 in the future. The Authority and the District continue to monitor the spread of COVID-19 and are working with local, state, and national agencies to address the potential impact of COVID-19.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval of travel, and the local, national and global economies, may increase at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Authority and/or District revenues. Future outbreaks, pandemics or events outside the Authority's or District's control may further reduce demand for travel, which in turn could cause a decrease in ridership in the Authority's and/or District's service area and declines in Authority and/or District revenues.

PLAN OF FINANCE

Purpose of the Bonds

The Bonds are being issued to provide funds to (1) refund the District's currently outstanding obligations identified in Schedule I attached hereto (the "Refunded Obligations"), and (2) pay the costs of issuance of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled redemption date, as identified in Schedule I attached hereto, from funds to be deposited with BOKF, NA, Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of November 17, 2020 (the “Escrow Agreement”), between the District and the Escrow Agent.

The Resolution provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District, if any, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled redemption date. Such funds will be held by the Escrow Agent in an escrow fund (the “Escrow Fund”) and may be used to purchase (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, and/or (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent (collectively, the “Defeasance Securities”). Under the Escrow Agreement, the Escrow Fund irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

AMTEC, Avon, Connecticut (the “Verification Agent”), will issue its report (the “Report”) verifying at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Defeasance Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Refunded Obligations. Such maturing principal and interest on the Defeasance Securities will not be available to pay debt service on the Bonds. See “OTHER INFORMATION – Verification of Mathematical Computations” herein.

Simultaneously with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the Defeasance Securities and cash, if any, described above with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Obligations, pursuant to the terms of the District resolution authorizing their issuance. It is the opinion of Bond Counsel, in reliance on the Report, that as a result of such defeasance the Refunded Obligations will no longer be payable from the pledge of Pledged Revenues (defined herein) securing their repayment, but will be payable solely from the Defeasance Securities and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent. As a result of the foregoing, the Refunded Obligations will be defeased and not included in or considered to be indebtedness of the District for the purpose of a limitation of indebtedness or for any other purpose. See “FORM OF OPINION OF BOND COUNSEL” attached hereto as Appendix C. The District will have no further responsibility with respect to the amount available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Defeasance Securities.

Payment Record

The District first issued evidences of indebtedness in 2012. To date, it has never defaulted on the payment of its bonded indebtedness.

Concurrent Issuances

Concurrently with the delivery of the Bonds, the Authority anticipates delivering its hereinafter defined and described 2020 VIA Farebox Refunding Bonds. See “CERTAIN FINANCIAL AND OPERATING INFORMATION CONCERNING THE AUTHORITY – Authority Debt Policy and Outstanding and Future Indebtedness of the Authority and the District” herein. This Official Statement describes only the Bonds. Investors interested in purchasing the 2020 VIA Farebox Refunding Bonds should review the offering document related thereto.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds

Principal Amount of Bonds	<u>\$23,790,000.00</u>
Total Sources of Funds	<u>\$23,790,000.00</u>

Uses of Funds

Deposit to Escrow Fund	\$23,450,415.37
Issuance Expenses (including Underwriters' Discount)	<u>339,584.63</u>
Total Uses of Funds	<u>\$23,790,000.00</u>

THE BONDS

General Description of the Bonds

The Bonds are dated December 1, 2020 (the "Dated Date") and are issued in principal denominations of \$5,000 or any integral multiple thereof. The Bonds bear interest from their date of initial delivery to the initial purchasers thereof (the "Underwriters") at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1, 2021 and each August 1 and February 1 thereafter, until the earlier of stated maturity or prior redemption.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Principal of the Bonds will be payable by the paying agent/registrar, initially BOKF, NA (the "Paying Agent/Registrar"), through its offices located in Dallas, Texas (the "Designated Trust Office"), to Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the Beneficial Owners (defined herein) of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) So long as the Bonds are in Book-Entry-Only form, and DTC is the securities depository therefor, Cede & Co., as nominee of DTC, will be the registered owner of the Bonds and references herein to the holders of Bonds or registered owners shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Interest on the Bonds will be payable by check, dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (defined herein) or by such other customary banking arrangements, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, a registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District Board on November 17, 2020. As permitted by Chapter 1207, the District Board, in the Bond Resolution, delegated to certain authorized officials of the District (each a "Designated Financial Officer") the authority to execute a pricing certificate establishing the pricing terms of the Bonds (the "Pricing Certificate" and together with the Bond Resolution, the "Resolution"). The Pricing Certificate was duly executed by a Designated Financial Officer on December 9, 2020.

Security and Source of Payment

The Bonds are special obligations of the District payable as to principal and interest from, and secured, together with the outstanding Previously Issued Bonds (defined herein) and any Additional Parity Bonds (defined herein) hereafter

issued by the District, solely by a lien on and pledge of the Pledged Revenues (all of such bonds, together, the “Parity Bonds”), which consists (primarily) of the ATD Share of the ATD Tax. (See “SECURITY FOR THE BONDS” herein.) The Bonds are not secured by a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or the Authority, including the Transit System, and the registered owner of a Bond shall never have the right to demand payment of the Bonds from any other sources or properties of the District, the Authority, the State, or any other political subdivision of the State. The Bonds are not payable from or secured by any revenue of the Authority (including revenues derived from its imposition and collection of the VIA Sales Tax), or any other entity. Neither the District nor the Authority are authorized to levy an ad valorem tax for any purpose.

Perfection of Security Interest for the Bonds

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Pledged Revenues as security therefor, and such pledge is, therefore, valid, effective and perfected. Should State law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District has agreed in the Resolution to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Redemption

Optional Redemption. The Bonds maturing on and after August 1, 2031 are subject to redemption, at the option of the District, at the price of par plus accrued interest to the date fixed for redemption, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on August 1, 2030, or on any date thereafter.

Mandatory Sinking Fund Redemption. The Bonds stated to mature on August 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 1 in each of the years as set forth below:

Term Bonds Stated to Mature <u>on August 1, 2038</u>	
	<u>Principal</u>
<u>Year</u>	<u>Amount (\$)</u>
2036	2,045,000
2037	2,100,000
2038	2,160,000*

* Payable at Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds for Redemption

The respective years of maturity of the Bonds called for redemption will be selected by the District. If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed will be selected by the Paying Agent/Registrar (or DTC while the Bonds are in book-entry-only form) at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, to each registered owner of any Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Trust Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Resolution, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be outstanding.

The Paying Agent/Registrar and the District, so long as the Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant (hereinafter defined), or of any DTC Participant or Indirect Participant (hereinafter defined) to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds held by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Defeasance

The Resolution provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of stated maturity, prior redemption, or otherwise) is provided by irrevocably depositing with a paying agent in trust (i) money in an amount sufficient to make such payment and/or (ii) Defeasance Securities (hereinafter defined) certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear interest at such rates as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), be sufficient to make such payment; provided however, that no certification by an independent accounting firm of the sufficiency of deposits shall be required in connection with a gross defeasance of the Bonds.

The Resolution provides that "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. The District may restrict such eligible securities and obligations as deemed appropriate in connection with the sale of the Bonds. There is no assurance that the ratings for

United States Treasury securities acquired to defease any Bonds, or those for any other Defeasance Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible Defeasance Securities (such list consisting of those securities identified in clauses (i) through (iii) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds (the “Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible Defeasance Securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other Defeasance Securities, notwithstanding the fact that such Defeasance Securities may not be of the same investment quality as those currently identified under State law as permissible Defeasance Securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be Outstanding or unpaid for purposes of applying any limitation on indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The District may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the rate of interest thereon, or the redemption price therefor, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Paying Agent/Registrar

The principal of the Bonds will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas, at its Designated Trust Office. Interest on the Bonds will be paid to registered owners shown on the Security Registrar on the Record Date (see “REGISTRATION, TRANSFER, AND EXCHANGE – Record Date for Interest Payment” herein), and such interest will be paid by check sent by mail to the address of such registered owner appearing on the Security Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Successor Paying Agent/Registrar

The District reserves the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a bank, a trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon a change in the Paying Agent/Registrar for the Bonds, the District shall promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Defaults and Remedies

If the District defaults in the payment of principal of, interest on, or redemption price of the Bonds when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of

mandamus to compel the District to carry out its legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus, controlled by equitable principles, rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interests of the registered owners of Bonds upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition, and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, registered owners of Bonds may not be able to bring such a suit against the District for breach of the Bonds or the Resolution. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the lien on the Pledged Revenues to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provision is subject to judicial discretion. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of Bonds of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

Ownership of the Bonds

The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Resolution will be valid and effective and will discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of sums paid.

Legality

The Bonds are offered when, as and if issued to the Underwriters, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the District. Certain legal matters will be addressed by Winstead PC and Kassahn & Ortiz, P.C., both of San Antonio, Texas, as the Underwriters' legal co-counsel. The legal opinion of Bond Counsel will be printed on or attached to the Bonds. (See "OTHER INFORMATION – Legal Matters" and APPENDIX C.

REGISTRATION, TRANSFER AND EXCHANGE

Future Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred, exchanged and assigned on the Security Register, only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange of the Bonds shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first-class postage prepaid, to the new registered owner or his assignee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the contracting party or assignee of the

owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one maturity or any integral multiple thereof and for a like aggregate principal amount of the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date (“Record Date”) for determining the party to whom interest on a Bond is payable on any interest payment date is the fifteenth day of the preceding month, as specified in the Resolution.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required (1) to make any transfer or exchange during a period beginning at the opening of business 30 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Authority, the Co-Financial Advisors, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (defined herein), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the “SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity of such issue, and will be deposited with DTC.

General

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a stated maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC’s records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered in accordance with the Resolution. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered in accordance with the Resolution.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from DTC, but the District, the Co-Financial Advisors, and the Underwriters take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Resolution will be given only to DTC.

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DEBT SERVICE SCHEDULE

Table 1 - Debt Service Requirements

Fiscal Year End 9/30	Existing Sales Tax Revenue Bonds Debt Service ⁽¹⁾	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2021	\$ 1,387,000	\$ 540,000	\$ 289,377	\$ 829,377	\$ 2,216,377
2022	1,387,000	340,000	489,510	829,510	2,216,510
2023	1,385,250	340,000	488,051	828,051	2,213,301
2024	1,386,000	340,000	485,974	825,974	2,211,974
2025	1,389,000	345,000	482,900	827,900	2,216,900
2026	1,389,000	350,000	479,609	829,609	2,218,609
2027	1,386,000	350,000	475,160	825,160	2,211,160
2028		1,740,000	470,362	2,210,362	2,210,362
2029		1,770,000	441,896	2,211,896	2,211,896
2030		1,805,000	411,168	2,216,168	2,216,168
2031		1,835,000	378,029	2,213,029	2,213,029
2032		1,870,000	341,585	2,211,585	2,211,585
2033		1,910,000	302,577	2,212,577	2,212,577
2034		1,955,000	260,825	2,215,825	2,215,825
2035		1,995,000	216,133	2,211,133	2,211,133
2036		2,045,000	168,533	2,213,533	2,213,533
2037		2,100,000	113,870	2,213,870	2,213,870
2038		2,160,000	57,737	2,217,737	2,217,737
	<u>\$ 9,709,250</u>	<u>\$23,790,000</u>	<u>\$ 6,353,296</u>	<u>\$ 30,143,296</u>	<u>\$ 39,852,546</u>

(1) Excludes the refunded bonds.

THE ATD AND THE ATD TAX

The District; Interlocal Agreement with the Authority

As hereinbefore stated, the District is a financing vehicle, designed and existing to support and enhance certain services and amenities provided by the Authority within the City. Pursuant to the authorization provided by the City electorate at the ATD Election, the District imposes and collects the ATD Tax within the City, the proceeds of which are used for Advanced Transportation and Mobility Enhancement purposes within the City. The District is governed by the District Board, an eleven-member board of trustees whose membership is the same as the VIA Board. (See “THE AUTHORITY, ITS TRANSIT SYSTEM, AND DISTRICT SUPPORT – Creation and Governance of the Authority; Sources of Funding” for a description of the composition of the VIA Board.)

Subchapter O of Chapter 451, Texas Transportation Code, as amended, (the “ATD Act”) provides that assets of the District are to be held in the name of the Authority, as the “authority” sponsoring the District’s creation under the ATD Act. As a result of the foregoing, the design, construction and acquisition of capital assets by the District are the responsibility of the Authority and, upon their completion or acquisition, are owned, operated, and maintained by the Authority. In addition, and because of these provisions of the ATD Act, funds and accounts relating to the Bonds established and maintained under the Resolution are to be held in the name of the Authority. To memorialize the terms of the foregoing (being the Authority’s ownership, operation, and control of the District’s assets in exchange for the District’s transfer to the Authority of the revenues generated by the portion of the ATD Tax to which the District is entitled (referred to herein as the ATD Share)), the District and the Authority have entered into an Interlocal Agreement pursuant to Chapter 791, Texas Government Code, as amended, which Interlocal Agreement has been made a part of the proceedings relating to the issuance of the Bonds.

Sales and Use Tax Authority; Recent Sales Tax Election and the ATD Share

Legal Authority, Control, and Permitted Uses. Pursuant to the ATD Act and the ATD Election, the District imposes and collects within its boundaries (which are coterminous with the City’s) a sales and use tax equal to $\frac{1}{4}$ of 1% (the “ATD Tax”). The District began collecting the ATD Tax on April 1, 2005 upon receipt of approval, by letter dated March 1, 2005, to impose and collect such tax from the Texas Comptroller of Public Accounts (the “Comptroller”). The proceeds from the ATD Tax are divided three ways: $\frac{1}{2}$ of the proceeds of the ATD Tax are retained by the District (heretofore defined and referred to as the “ATD Share”) and used for projects including advanced transit services, passenger amenities, equipment, and other Advanced Transportation purposes; $\frac{1}{4}$ of the proceeds of the ATD Tax are delivered to the City (the “City Share”) for its use to construct, improve, and maintain streets, sidewalks and related infrastructure designed to improve mobility, and other Advanced Transportation or Mobility Enhancement purposes within the District; and the remaining $\frac{1}{4}$ of the proceeds of the ATD Tax are for use as the local share (the “Local Share”), to be leveraged with State and federal grants, for improved highways, transportation infrastructure designed to improve mobility, and other Advanced Transportation or Mobility Enhancement purposes within the District.

As a result of this split of the ATD Tax, the ATD Share is the equivalent of a sales and use tax equal to $\frac{1}{8}$ of 1%. Only the ATD Share is available to the District for its use and, as a result, only the ATD Share is included in Pledged Revenues. The City has exclusive control over the use of the City Share. The District has entered into a contract with Bexar County, Texas (the “County”) transferring control over the use of the Local Share to the County.

The terms “Advanced Transportation” and “Mobility Enhancement” are defined by Texas law (which definitions are also incorporated by reference in the Resolution). These definitions are provided as follows:

Advanced Transportation is defined by the ATD Act to mean light rail, commuter rail, fixed guideways, traffic management systems, bus ways, bus lanes, technologically advanced bus transit vehicles and systems, bus rapid transit vehicles and systems, passenger amenities, transit centers, stations, electronic transit-related information, fare, and operating systems, high occupancy vehicle lanes, traffic signal prioritization and coordination systems, monitoring systems, and other advanced transportation facilities, equipment, operations, systems, and services, including planning, feasibility studies, operations, and professional and other services in connection with such facilities, equipment, operations, systems, and services.

Mobility Enhancement is defined by the ATD Act to mean, generally, the design, construction, reconstruction, alteration, financing, and maintenance of: (A) streets, roads, highways, high occupancy vehicle lanes, toll lanes, sidewalks, and infrastructure designed to improve mobility; (B) traffic signal prioritization and coordination systems; (C) monitoring systems; (D) other mobility enhancement facilities, equipment, systems, and services.

Recent Sales Tax Election. At an election held on November 3, 2020, the qualified voters of the City approved the reallocation of the sales tax currently collected within the City to increase funding for the District by 1/8 of 1% beginning January 1, 2026 (the “Reallocated Sales Tax”). **No part of the Reallocated Sales Tax will be included in Pledged Revenues.**

Transactions Subject to Sales and Use Taxation. Items subject to sales and use taxation include any tangible personal property and certain taxable services, unless exempted from the sales and use tax. “Taxable services” include certain amusement services; personal services; motor vehicle parking and storage services; the repair, maintenance and restoration of most tangible personal property; credit reporting services; debt collection services; insurance services; information services; real property services; data processing services; real property repair and remodeling services; security services; telephone answering services; internet access services; and certain transmission or delivery of taxable electricity usage.

Many items are exempted from the sales tax by State law, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lenses and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use, newspapers and magazines. Taxable items that are purchased from an out of State retailer and brought into the State for storage, use, or other consumption are subject to use tax. However, if such item is subject to sales tax, the use tax will not be applied. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums, although alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as the sales tax. Occasional sales of taxable items, or the occasional use, storage, or other consumption of taxable items are also exempt from the sales and use tax. An “occasional sale” means one or two sales of taxable items or services, other than amusement services, during a 12-month period by an individual who does not regularly engage in the business of selling taxable items and services at retail.

In addition, purchases made by various exempt organizations are not subject to the sales and use tax. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. In addition, sales of telecommunication services (including cable and satellite TV services) are exempt from the District’s sales and use tax unless the District Board determines to suspend the exemption and the suspension is approved at an election within the District. The District Board currently exempts taxation of telecommunication services.

In general, a sale or use of a taxable item is deemed to occur within the jurisdiction in which the sale or use is consummated. For purposes of the District’s tax, the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed in an area of the State where a mass transit sales tax is imposed. Thus, the use is considered to be consummated in the District if the item is shipped from outside the State or outside any other State mass transit agency with sales and use tax authority, for first use, storage or consumption within the District.

Sales and Use Tax Collection Procedures. With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by, generally speaking, the business that collects the tax resulting from a taxable transaction. The Comptroller collects sales taxes based upon the amount of taxes reported by the seller or purchaser. Taxpayers who collect \$500 or more in State sales tax in a month must remit the taxes on or before the 20th day of the month following the month in which the taxes were collected. Taxpayers who collect less than \$500 in State sales tax per month (or less than \$1,500 per calendar quarter) may file quarterly or annually depending on the amount collected. Under State law, a collecting taxpayer may deduct ½% of the amount of taxes due as reimbursement for the cost of collecting the taxes. In addition, taxpayers who file monthly or quarterly may prepay the taxes due and deduct 1¼% of the amount of the prepayment in addition to the ½% for the cost of collecting the sales and use tax.

The Comptroller is required by law to distribute funds to the District as often as feasible, but not less frequently than quarterly. Historically, and at the present time, the Comptroller distributes the funds monthly. Distributions to the District are made by electronic funds transfers.

Collection and Allocation of Delinquent Taxes. Although sales and use taxes are imposed on purchasers, retail sellers are responsible for collecting the taxes and are the only source from which the taxes can practically be collected. Accordingly, collections are dependent on the solvency and continued operation of retail sellers. The Comptroller is responsible for enforcing the collection of sales taxes in the State. Under State law, the Comptroller utilizes sales tax permits, payment bonds and audits to encourage timely payment of sales taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. As a general rule, every person

who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. A person who has filed security is entitled to have the Comptroller return the security if in the Comptroller's judgment the person has for two consecutive years continuously complied with the conditions of the security. The Comptroller's audit procedures include auditing the largest 2% of the sales taxpayers (who report about 65% of all sales tax in the State annually) every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office; (2) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it; (3) filing liens and requiring a new or increased payment bond; (4) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties; (5) removing a taxpayer's sales and use tax permit; and (6) certifying the account to the Office of the Texas Attorney General to file suit for collection. The District may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

Regional Sales Tax Rate. In addition to the ATD Tax, the State imposes a 6¼% sales tax for its own purposes, the Authority imposes a ½% sales and use tax, and the City imposes a 1¼% sales and use tax, in each case applied to essentially the same taxable transactions as those to which the ATD Tax is applied. This comprises the statutory maximum of 8¼% in sales and use tax rate within the City. If the Comptroller is unable to collect the full amount of sales and use tax liability, collections are applied to the State's share of the sales tax, first, and the City's share, second, before distributing any part of the collections to the District.

Seasonality. The District's sales and use tax receipts are seasonal, with the greatest monthly collections typically received in the months of February, May, and August, reflecting taxes on retail sales in the holiday and back-to-school seasons. In Fiscal Years ending 2017, 2018, and 2019, receipts in the lowest revenue months were 78.4%, 83.7% and 80.7%, respectively, of collections in the highest revenue months.

ATD Share Revenue History. During Fiscal Year 2019, sales and use tax receipts produced total ATD Share revenues of \$36,224,798, being over 5.5% higher than audited ATD Share revenues in Fiscal Year 2018 of \$34,311,703. For Fiscal Year 2020, unaudited sales and use tax revenues produced ATD Share revenues of \$35,356,773, representing a 2.4% decrease compared to Fiscal Year 2019.

Table 2 – ATD Share Historical Revenues⁽¹⁾

Fiscal Year (Ending 9/30)	ATD Share Revenues (\$)	Fiscal Year (Ending 9/30)	ATD Share Revenues (\$)
2005 ⁽²⁾	8,487,979	2013	27,138,822
2006	20,166,322	2014	29,541,044
2007	21,566,150	2015	30,637,238
2008	22,584,786	2016	31,427,566
2009	21,429,342	2017	32,413,170
2010	21,700,855	2018	34,311,703
2011	23,085,686	2019	36,224,798
2012	25,720,768	2020 ⁽³⁾	35,356,773

⁽¹⁾ Audited, except with respect to the 2020 Fiscal Year.

⁽²⁾ Represents partial year's revenues, beginning June 2005 (even though tax collections commenced April 1, 2005; reflective of lag between collections and delivery from Comptroller's office).

⁽³⁾ Unaudited.

SECURITY FOR THE BONDS

Pledged Revenues

The Bonds are special obligations of the District payable, as to principal and interest, from and secured solely by, together with the outstanding Previously Issued Bonds and any Additional Parity Bonds hereafter issued by the District, a lien on and pledge of the Pledged Revenues, which consists (primarily) of a first lien on and pledge of the

ATD Share of the ATD Tax. The inclusion of the ATD Share as a part of Pledged Revenues represents a first lien and call on the gross proceeds of the ATD Tax that comprise the ATD Share.

The Resolution defines “Pledged Revenues” to mean a first and prior lien on and pledge of the ATD Share.

The Resolution defines the “ATD Share” to mean one-half of the proceeds of the ATD Tax retained by the District and used for projects, including advanced transit services, passenger amenities, equipment, and other Advanced Transportation purposes as determined by the District Board, pursuant to and in accordance with applicable provisions of the ATD Act.

THE BONDS DO NOT CONSTITUTE OR CREATE A DEBT OR LIABILITY OF THE STATE OF TEXAS, AND NEITHER THE FULL FAITH AND CREDIT OF THE STATE OF TEXAS NOR THE TAXING POWER OF THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS IN ANY MANNER PLEDGED, GIVEN, OR LOANED TO THE PAYMENT OF THE BONDS; AND THE REGISTERED OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS OR SOURCES WHATSOEVER OTHER THAN THE PLEDGED REVENUES.

Summary of FY 2020 Revenue Estimates

COVID-19 impacted the Authority’s and the District’s financial results for the 2020 fiscal year. Sales tax and farebox revenue shortfalls totaled approximately \$16.4 million (unaudited) for that period, compared to the same period in the prior year. Of that approximate amount, \$9.4 million is attributable to a loss in sales tax revenue, and \$7 million is attributable to a loss in farebox revenues resultant from COVID-19 related impacts to ridership. For transit, the CARES Act provided a \$93,287,276 apportionment to the San Antonio Urbanized Area and of this amount \$92,327,276 went to the Authority. Per the Federal Transit Administration Transit Infrastructure Grants section of the CARES Act, those CARES Act funds can be used for operating costs to maintain service due to the coronavirus public health emergency. The Authority’s unrestricted cash position equaled \$178.4 million in fiscal 2020 (unaudited) including an infusion of CARES Act funds and is equivalent to 261 days' cash on hand. Furthermore, the Authority expects to apply CARES Act funds to offset lower sales tax revenues, farebox revenues, and incremental expenses in the near term. (See “INFECTIOUS DISEASE OUTBREAK - COVID-19 Impacts on the Authority and District” herein.)

Summary of 2021 Revenue Projection

For the 2021 fiscal year, the Authority adopted a budget of \$247.5 million, which is more than \$1.9 million less than the budget adopted for the 2020 fiscal year. The budget is a result of implementation of cost-saving measures, COVID-19 related decreases in ridership and a projected decrease in sales tax revenue. The new budget includes no fare increases and no active staff reductions. It also accounts for a reduced service schedule to match customer demand and social distancing protocols, and also accounts for the addition of new mobility-on-demand service to certain areas. Additionally, the Authority has eliminated 58 vacant positions and has been proactive by taking action to lower professional and technical service costs. Forecasted sales tax revenue for fiscal year 2021 (\$190.6 million) is down 0.3% from the fiscal year 2020 estimate (\$191.2 million). Forecasted farebox revenues for the 2021 fiscal year are approximately \$10.9 million, as compared to \$13.0 million estimated for the 2020 fiscal year. (See “INFECTIOUS DISEASE OUTBREAK - COVID-19 Impacts on the Authority and District” herein and “INVESTMENT CONSIDERATIONS – Forward-Looking Statements” herein.)

Table 3 – Historical ATD Share Sales Tax Revenue Collections and Pro Forma Debt Service Coverage (In Millions)

	FY 2016 (\$)	FY 2017 (\$)	FY 2018 (\$)	FY 2019 (\$)	FY 2020 (\$) ⁽¹⁾
ATD Sales Tax Revenue	31.43	32.41	34.31	36.22	35.36
Less District Debt Service	2.37	2.37	2.37	2.37	2.37
Net ATD Sales Tax Revenue	29.06	30.04	31.94	33.85	32.99
Debt Service Coverage Ratio	13.3x	13.7x	14.5x	15.3x	14.9x

⁽¹⁾ Unaudited

Previously Issued Bonds

The District has previously issued its Sales Tax Revenue Improvement and Refunding Bonds, Series 2014, dated July 1, 2014, in the original principal amount of \$32,925,000.00, and currently outstanding in the principal amount of \$27,755,000.00 (the “Previously Issued Bonds”). A portion of the Previously Issued Bonds are being refunded by the Bonds. (See SCHEDULE I – Schedule of Refunded Obligations). The Previously Issued Bonds are payable from, and equally and ratably secured by, a lien on and pledge of the Pledged Revenues.

Additional Parity Bonds

The District reserves the right to issue additional obligations that are payable from a lien on and pledge of the Pledged Revenues on parity with the lien thereon and pledge thereof securing the Bonds (such additional obligations, the “Additional Parity Bonds” and, together with the Bonds and the Previously Issued Bonds, the “Bonds Similarly Secured”) but only if the Pledged Revenues for the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period preceding the month in which the resolution authorizing such Additional Parity Bonds is adopted were at least 200% of the maximum annual debt service on all Bonds Similarly Secured, after giving effect to the issuance of the Additional Parity Bonds (provided, however, that no such certification shall be required for the issuance of Additional Parity Bonds for the purposes of refunding other Bonds Similarly Secured for debt service savings). Additional Parity Bonds, when issued, together with the Bonds and any other Bonds Similarly Secured from time to time outstanding, shall be payable from and secured by a lien on and pledge of the Pledged Revenues.

The District may also issue obligations payable from and secured by lien on and pledge of all or part of any portion of the revenues constituting Pledged Revenues that is inferior and subordinate to the lien thereon and pledge thereof supporting the Bonds and any Additional Parity Bonds (referred to in the Resolution as “Inferior Lien Obligations”).

Funds and Accounts

Revenue Fund. The District has covenanted and agreed in the Resolution that the Pledged Revenues of the District shall be deposited, as collected and received, into the “VIA Metropolitan Transit Advanced Transportation District Revenue Fund”, created, established, and maintained with the Depository (and referred to in the Resolution as the “Revenue Fund”), and that the Pledged Revenues shall be accounted for separately and apart (whether by ledger entry or otherwise) from all other funds of the District. All Pledged Revenues deposited into the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the following order of priority:

FIRST: To the payment of the amounts required to be deposited in the Bond Fund for the payment of the Debt Service Requirements on the Bonds Similarly Secured, as the same becomes due and payable;

SECOND: To the payment of the amounts, if any, required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of the Resolution, the Resolution authorizing the issuance of the Previously Issued Bonds, and any resolution of the District Board adopted in the future concerning the issuance of Additional Parity Bonds. The resolution authorizing the issuance of the outstanding Bonds Similarly Secured did not create a Reserve Fund;

THIRD: To the payment of amounts required to be deposited in any other fund or account required by the Resolution, the Resolution authorizing the issuance of the Previously Issued Bonds, or any resolution of the District Board adopted in the future concerning the issuance of Additional Parity Bonds; and

FOURTH: To any fund or account held at any place or places, or to any payee, required by any other resolution of the District Board which authorized the issuance of obligations or the creation of debt of the District having a lien on all or any portion of the revenues constituting Pledged Revenues, which lien is subordinate and inferior to the lien and pledge of Pledged Revenues created herein for benefit of the Bonds Similarly Secured.

Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by applicable law, including, but not limited to, the monthly transfer of any such funds to the Authority to pay the Maintenance and Operating Expenses associated with certain District projects.

Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds as the same become due and payable, the District shall maintain, at the Depository, a separate and special fund or account created and known as the "Bond Fund." The District has covenanted that there shall be deposited from the Revenue Fund into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds to be made in substantially equal monthly installments on or before the fifteenth day of each month, beginning on or before the fifteenth day of the month next following the delivery of the Bonds to the Underwriters. No such deposit shall be required, if, on the fifteenth day of each month, revenues sufficient to pay the maturing principal and interest payments are, and remain on deposit in the Bond Fund. If the Pledged Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove described until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

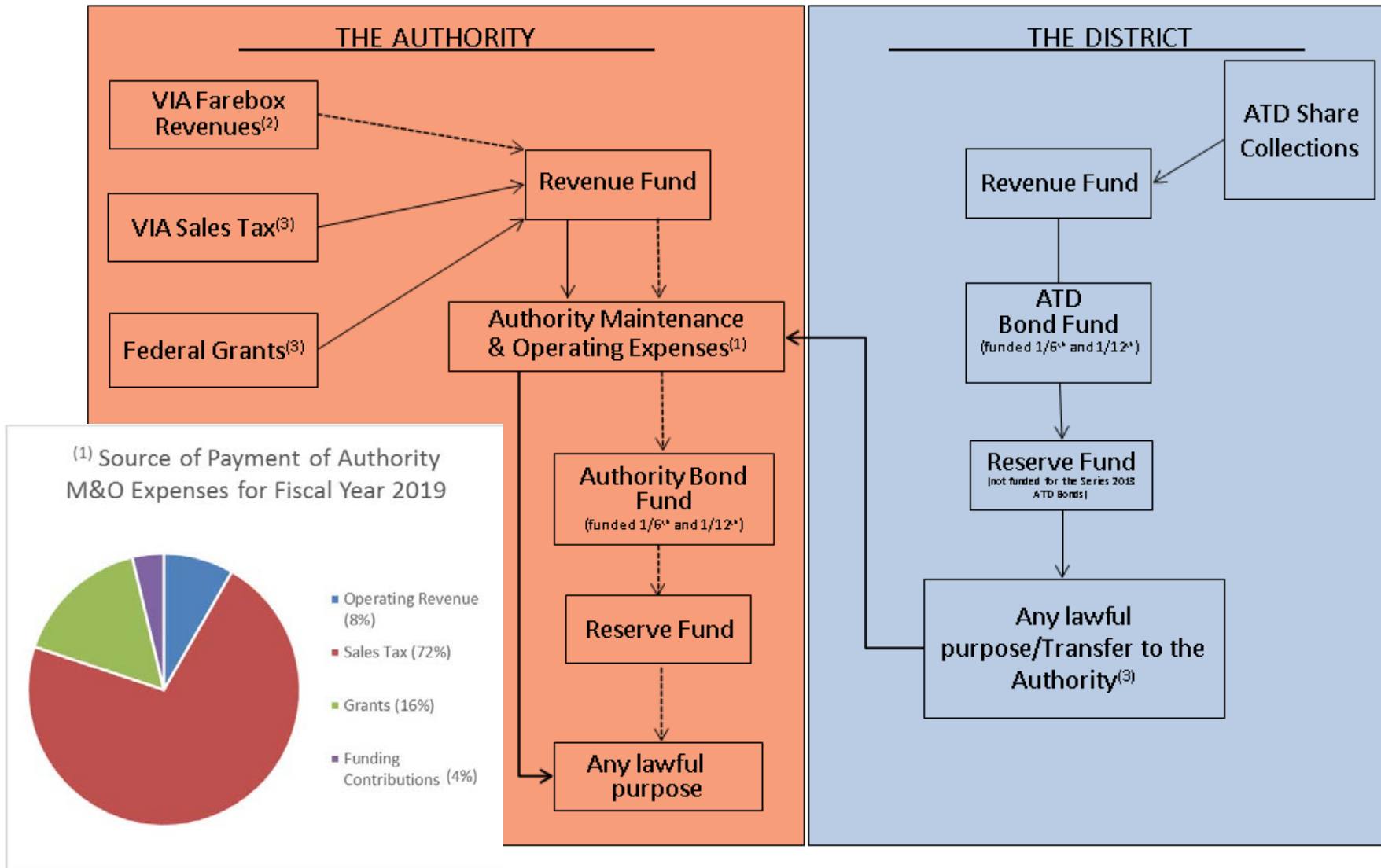
Accrued interest and premium, if any, received from the Underwriters and deposited into the Bond Fund as capitalized interest, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Pledged Revenues. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Pledged Revenues.

Reserve Fund. Although it has, in the Resolution, reserved the right to do so in the future, the District has not established, and the Bonds are not additionally secured by, a debt service reserve fund.

See "THE BONDS – Security and Source of Payment".

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Flow of Funds Diagram (Cash Basis)



(2) Dotted line represents VIA Farebox Revenues flowing through the waterfall included in the Resolution authorizing the 2020 VIA Farebox Refunding Bonds. Total VIA Farebox Revenues used for Maintenance and Operating Expenses is approximately \$2.25 million (or approximately 10% of total VIA Farebox Revenues).

(3) Not pledged as security for the Bonds or the Series 2020 VIA Farebox Refunding Bonds; amounts remaining after payment of debt service on any outstanding contractual obligations (see "Table 8 – Series 2012 VIA Contractual Obligations Debt Service Requirements" appearing under "CERTAIN FINANCIAL AND OPERATING INFORMATION CONCERNING THE AUTHORITY") are first utilized to pay Authority Maintenance and Operating Expenses prior to application of VIA Farebox Revenues for such purpose.

THE AUTHORITY, ITS TRANSIT SYSTEM, AND DISTRICT SUPPORT

Creation and Governance of the Authority; Sources of Funding

The Authority was created pursuant to Chapter 451 of the Texas Transportation Code (“Chapter 451”), and an election held on November 8, 1977 (the “VIA Election”), to provide public transportation in areas throughout the County, including (but not limited to) the City. The Authority is governed by an eleven-member Board of Trustees (heretofore defined as the “VIA Board”), each of whom serves a two-year term. Five directors are appointed by the City Council of the City, three directors are appointed by the County Commissioners Court, two directors are appointed by the Serviced Cities (defined herein), and the Chair of the VIA Board is elected by the VIA Board members and serves a two-year term. The VIA Board also serves as the governing body of the District.

Pursuant to Chapter 451, the Authority developed and now owns, operates and maintains various real and personal property for mass transit purposes (the “Transit System”). To support ownership, operation, and maintenance of the Transit System, the Authority, as authorized by Chapter 451 and as approved at the VIA Election, imposes and collects within its boundaries the VIA Sales Tax and, pursuant to Chapter 451, has developed a fare system to charge passengers utilizing the Transit System (the revenues from which are defined as the “VIA Farebox Revenues”). The Authority also receives multiple State and federal grants, some of which are formulaic and without limitation as to use, while others are project- or use-specific.

The respective Authority resolutions authorizing the issuance of outstanding Authority indebtedness provide that VIA Sales Tax revenues are first used to pay Authority indebtedness secured by and payable from a first lien on and pledge of such revenues, specifically being the VIA Contractual Obligations (defined herein) (applicable State law provides that no direct pledge of VIA Sales Tax revenues as security for Authority indebtedness (other than contractual obligations issued to acquire personal property) is permitted without first conducting an election). Remaining VIA Sales Tax revenues are used to offset Maintenance and Operating Expenses of the Authority. VIA grant proceeds are used either (i) for the specific purpose for which those grants were received, or (ii) to pay Authority Maintenance and Operating Expenses or “pay-as-you-go” capital expenses in support of the Transit System; a portion of the ATD Share (being that which is available after payment of the District’s outstanding debt service secured by the ATD Share) is transferred to the Authority to pay Authority Maintenance and Operating Expenses or “pay-as-you-go” capital expenses that are permitted uses of such funds under applicable law in support of the Transit System. The VIA Farebox Revenues are then used to pay any remaining Authority Maintenance and Operating Expenses, with all excess VIA Farebox Revenues available as a source of repayment of any indebtedness supported by the VIA Farebox Revenues. See “CERTAIN FINANCIAL AND OPERATING INFORMATION CONCERNING THE AUTHORITY – Authority Debt Policy and Outstanding and Future Indebtedness of the Authority and the District” for a description of currently outstanding Authority indebtedness and its future plans to incur additional indebtedness.

None of the VIA Sales Tax revenues, Authority grant proceeds, nor the VIA Farebox Revenues, constitute Pledged Revenues securing the Bonds.

Services

The Authority was organized to develop, operate, and maintain a mass transit system to serve the residents within and visitors to its area. The Authority provides transit service to a population of approximately 1.9 million within a 1,227 square-mile area of the County including the City and the cities of Alamo Heights, Balcones Heights, Castle Hills, China Grove, Converse, Elmendorf, Kirby, Leon Valley, Olmos Park, Saint Hedwig, Sandy Oaks, Shavano Park, and Terrell Hills (together, the “Serviced Cities”), and significant portions of unincorporated Bexar County. The Authority imposes and collects the VIA Sales Tax within the City and the Serviced Cities. The Authority also serves by contract, but does not collect the VIA Sales Tax in, other areas in and around the City.

Transit System

The Authority’s Transit System is transforming into a multi-modal system consisting of bus service (including Bus Rapid Transit); paratransit service; and commuter vanpool service. Existing services include:

Bus System. The Authority provides public bus service within its service area utilizing a fleet of approximately 519 vehicles (not including contingency vehicles), consisting of 415 CNG buses, 30 hybrid buses and 74 diesel buses, plus passenger facilities, including approximately 6,856 bus stops, 2,418 passenger shelters, 7 transit centers and 5 park and ride lots with more than 100 parking spaces. In Fiscal Year 2019, the Authority’s buses ran 23.8 million revenue miles over a route system serving 1,213 square-miles with approximately 34.9 million boardings (total line, special

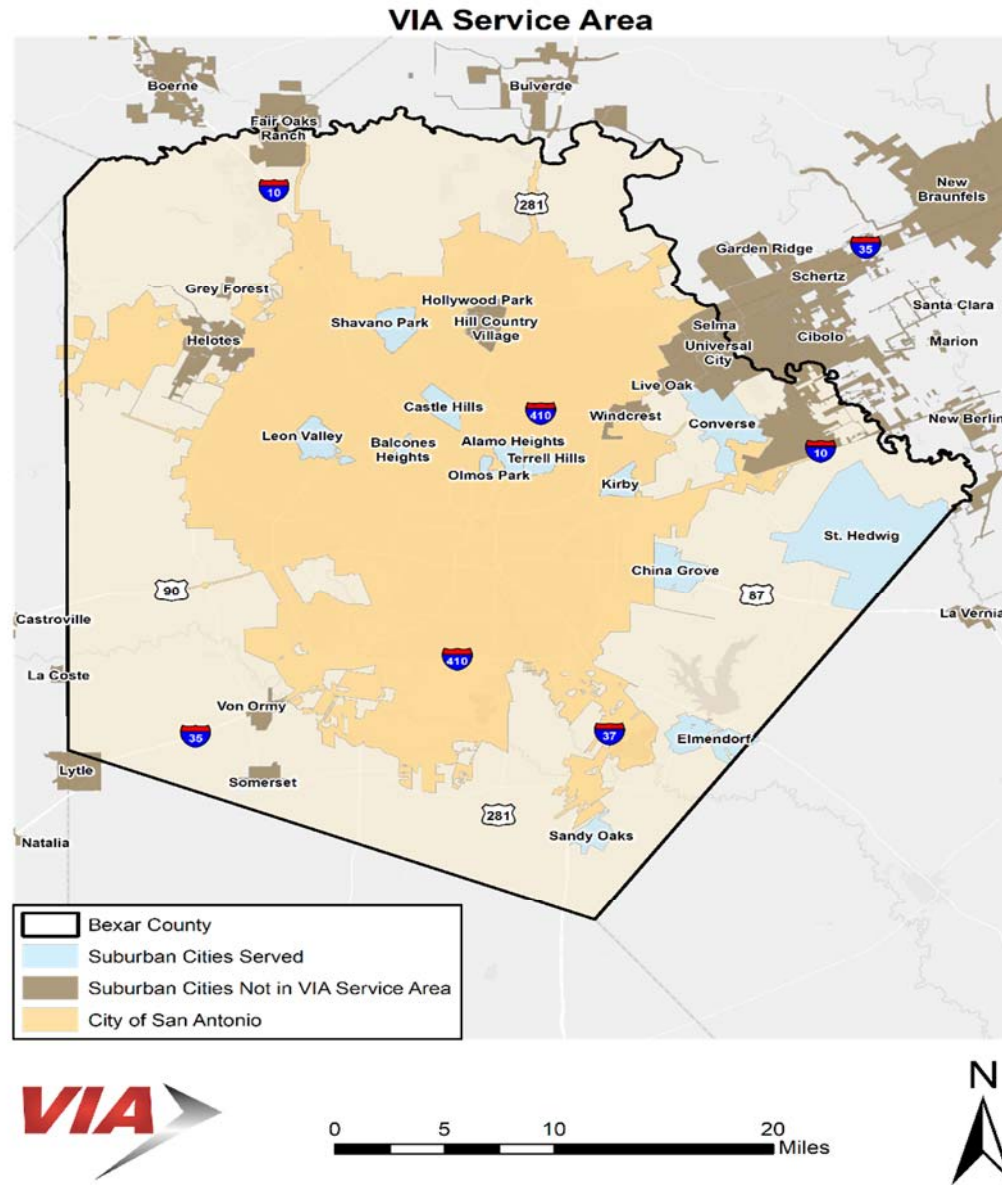
events, and charter bus services). The Authority opened Primo service – a frequent route with branded vehicles and stations – in December 2012, and added two other Primo routes in 2018. This service, which uses 60-foot articulated buses, includes traffic signal priority treatment and a reduced number of bus stops, resulting in faster and more reliable travel times.

Paratransit Service. The Authority’s VIAtrans paratransit service was established to provide more accessible transportation options to individuals with disabilities. Individuals must apply and meet certain eligibility requirements in order to utilize this paratransit service. This program provided service to 17,000 registrants with 130 directly operated paratransit vans and 144 purchased transportation paratransit vans in Fiscal Year 2019. The Authority also offers taxi services to augment its paratransit service for people with disabilities. Customers utilizing this service must call Yellow Cab to request a trip between 30 minutes and 24 hours in advance, and are required to provide their VIAtrans ID number. Each VIAtrans customer is limited to 20 taxi subsidy trips per month and the trips may not go outside the VIAtrans service area.

Commuter Vanpool Service. This service provides transportation to individuals interested in joining a shared ride van pool and provides transportation up to 100 miles per day one-way, to, from, or within the Authority’s bus service area. Enterprise provides the vehicles and participants pay for actual fuel used in addition to a monthly fee to cover capital costs. The Authority subsidizes the service in an amount of \$20 per rider per month and pays insurance in the amount of \$125 per van per month. The commuter vanpool service served 637 registrants with 122 vans in Fiscal Year 2019. This service is funded by the ATD Share.

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The following image shows the Authority's service area.



Rates and Charges. The Authority charges the following rates for its services.

Table 4 – Current Rates for Transit System

Bus Service⁽¹⁾

Service	Regular Fare (\$)	Half Fare (\$)
Regular Line Fare	1.30	0.65
Express Line Fare	2.60	1.30
Special Event Service	2.50	1.25
Day Pass	2.75	1.35
Weekly Pass	12.00	6.00
Monthly Big Pass	38.00	19.00
Semester Pass ⁽²⁾	38.00	N/A

⁽¹⁾ Senior citizens, disabled persons, students and eligible Medicare recipients with a valid VIA identification card are eligible for half fare rates on regular, express, and special event service. Children ages five through 11 ride for half fare rates and those under age five ride free of charge. Active duty military personnel in uniform or with a valid VIA military ID card can ride for half-fare. VIAtrans patrons can ride bus service for free.

⁽²⁾ Available only to students enrolled in K-12, or students attending any college, university or trade school in the service area.

Paratransit Service

Service	Rate (\$)
VIAtrans	2.00 ⁽¹⁾
Will-Call Taxi Service	2.00 ⁽²⁾
Taxi Subsidy Service	2.00 ⁽³⁾

⁽¹⁾ One child, ages five through 11 can ride for \$0.95 and one child under the age of five can ride free on the VIAtrans service during off-peak hours (9:00 a.m. through 3:00 p.m.) provided that space is available.

⁽²⁾ The Authority pays the remainder of the charge.

⁽³⁾ The Authority pays the remainder of the full meter charge up to \$9.00. Any amount over \$11.00 is the responsibility of the customer. Passengers are limited to 20 trips per month.

Commuter Vanpool Service

Service	Rate (\$)
Commuter Van Pool	80 – 160 per person per month

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Table 5 – Historical Ridership Information

Bus Line Service

Fiscal Year	Passengers	Hours	Miles	Passengers Per Hour
2016	38,334,650	1,718,037	24,097,912	22.31
2017	36,493,890	1,747,733	24,351,329	20.88
2018	34,984,740	1,804,870	25,153,738	19.38
2019	34,864,333	1,877,679	26,214,747	18.57
2020	27,070,133	1,727,776	24,603,469	15.64

Source: Authority Revenue Accounting Statistical Records and Miles and Hours Report.

VIATrans Paratransit Service

Fiscal Year	Total Passengers		Total Hours		Total Miles		Passengers per Hour	
	Directly Operated	Purchased	Directly Operated	Purchased	Directly Operated	Purchased	Directly Operated	Purchased
2016	505,815	668,289	281,861	376,680	5,018,275	7,405,518	1.79	1.77
2017	535,285	665,547	288,551	368,234	5,062,700	7,199,213	1.86	1.81
2018	520,167	634,589	280,663	368,708	4,900,387	6,983,577	1.85	1.72
2019	518,184	590,714	286,328	351,251	5,085,099	6,738,301	1.81	1.68
2020	292,783	493,439	189,732	320,878	3,573,238	5,904,591	1.54	1.54

Source: Authority Revenue Accounting Statistical Records, Miles and Hours Report and Procurement’s Contract Administrator for purchased service contracts.

District’s Historical Support of Transit System; Use of Bond Proceeds

Since its creation, the District has transferred to the Authority approximately \$422 million (unaudited, through November 2020 and in the aggregate since 2005) in ATD Share revenues, which proceeds have been used to provide express and limited stop bus service, bus rapid transit service, commuter vanpool service, and late night ‘Starlight’ taxi service (which was discontinued in 2009). The ATD Share has also been used to reimburse the Authority for a portion of depreciation expenses on the Authority’s assets and to finance the U.S. 281 Superstreet Project, a project completed on the City’s high density North side (which project has drastically reduced traffic congestion in that area and reduced local commuting time). In addition, the ATD Share is identified as a significant source of funding of the Authority’s Five-Year Capital Plan, described below. (See “THE AUTHORITY, ITS TRANSIT SYSTEM, AND DISTRICT SUPPORT – The Authority’s Capital Plan” below.)

The Authority’s Capital Plan

Capital Plan Summary; Bus Replacement Policy. The Authority has developed a capital plan that includes both long and short-term components. The Authority’s long-term capital plan, addressing the Authority’s capital needs from present through 2040, was developed as part of the Long-Range Transportation Plan formally known as the Vision 2040. The short-term plan, being a subset of Vision 2040, is known as the Five-Year Capital Plan and covers the period of time from 2021 through 2025. The Authority’s capital projects included in the Five-Year Capital Plan have been planned in collaboration with the City of San Antonio, the County of Bexar, the Texas Department of Transportation (“TxDOT”) and the Alamo Area Metropolitan Planning Organization (a federally created regional agency charged with conducting a cooperative, continuous and comprehensive transportation planning process; the “MPO”).

An additional component of the Authority’s capital plan is represented by its bus replacement policy. The Authority’s fleet bus replacement plan is designed to ensure service reliability. In accordance with Federal Transportation Authority (“FTA”) standards, the Authority assumes a life expectancy of 12 years for each bus (however, the Authority typically uses

buses for up to three additional years). The Authority may alter the rate of bus retirement to address service changes and service demands. The Authority’s fleet replacement plan is updated regularly and incorporated into the Authority’s capital and operating budgets.

Vision 2040 (Long-Range Transportation Plan). Vision 2040 represents a plan for the Authority to become a multimodal transportation agency benefitting the community. The Plan outlines a network of high capacity corridors and potential transportation alternatives, including Advanced Rapid Transit. Given its scope, the Plan is a living document and will be updated regularly to complement the MPO’s Metropolitan Transportation Plan updates. The Vision 2040 plan was a multi-year effort with a comprehensive outreach and community involvement plan that included workshops, public meetings, and surveys. It’s adoption by the VIA Board in 2016 represented the culmination of numerous coordination meetings and a significant amount of dedicated staff hours committed to its development.

Five-Year Capital Plan. The Authority’s development of the Five-Year Capital Plan is driven by Vision 2040 and addresses early-year priorities included therein. The priorities included in the current Five-Year Capital Plan and other capital spending needs were addressed through a process that began in March 2020 with a request for the Authority’s division vice-presidents to submit a list of their capital requirements. Projects were then reviewed by the Authority’s executive/senior management on the basis of merit, priority, and necessary ongoing and/or additional operating (inclusive of labor) costs to develop the final project list. The Authority’s fiscal management team then compiled this final capital projects list, reviewed projects to make sure that submitted projects met the Authority’s capitalization policy, and worked with the Authority’s Co-Financial Advisors and consultants to update the Authority’s financing plan. The updated Five-Year Capital Plan was presented to the VIA Board for review in August 2020 and was adopted in September 2020. Other than the 2020 Refunding Bonds, the only new bonds issuances in the FY20-25 timeframe are \$11,000,000 of MTA 2020 Contractual Obligations to help finance the purchase of 139 paratransit vans; these bonds were issued in May 2020.

The Five-Year Capital Plan adopted by VIA’s Board of Trustees on September 22, 2020, has \$173,725,342 of capital spending projected for FY21-25. Of the projects in VIA’s Five-Year Capital Plan, the categories accounting for the largest portion of spending are revenue vehicles (36.2%), operational facilities (21.1%), passenger facilities (19.5%) and computer hardware/software (10.5%). Revenue vehicles to be purchased through the end of FY25 include 117 buses and 139 vans. In the operational facilities category, a new paratransit facility accounts for 64% of total spending. Passenger facility projects include a variety of transit and transfer centers, park & rides, bus shelters and other passenger amenities. In the computer hardware/software category, the largest projects include spending for automated vehicle locator (AVL) hardware, security, and network upgrades. Other miscellaneous categories, such as revenue vehicle replacement components, maintenance tool & equipment, and service vehicles) make up the remaining 12.7% of VIA’s total spending.

The projects included in the Five-Year Capital Plan are included in and used as the Transportation Improvement Plan (the “TIP”), which is the MPO’s program of approved projects that is submitted to TxDOT for inclusion in the State Transportation Improvement Plan (the “STIP”). A project’s inclusion in the STIP is required for federal funding eligibility in the form of grant awards as evidence of the Authority’s coordination of capital plan development with other governmental entities and provision of opportunity for community review and input into the overall capital plan for the local area.

Impact of Capital Expenditures on Operating Budget. Capital projects can have an impact on the Authority’s operating costs as they are completed, and these incremental operating costs need to be identified and quantified so that they can be properly budgeted. For instance, the new paratransit facility will have ongoing operating and maintenance costs, and new transit facilities require staffing for ticket windows, maintenance, and security. The estimated incremental annual operating costs for the new paratransit facility are projected to be \$687,000, with \$396,000 being for incremental fleet and facility maintenance personnel and \$291,000 being for other expenses (mainly professional services, contract maintenance, materials & supplies, and utilities). Total incremental annual operating costs of \$150,000 have been included for the other new transit/transfer centers and park & rides.

CERTAIN FINANCIAL AND OPERATING INFORMATION CONCERNING THE AUTHORITY

General

As previously described, the District is a financing mechanism designed and existing to support and enhance the operations and services of the Authority. The District’s has no assets or employees. Its effectiveness is dependent upon the operations of the Authority. As a result, certain of the Authority’s financial and operating data is provided below.

The Authority’s Budget Process

State law requires that transit authorities, such as the Authority, adopt an annual operating budget before the start of each new Fiscal Year. The Authority’s Fiscal Year begins October 1, resulting in the subsequent year’s operating budget being approved typically by mid-September. The Authority’s budget process involves the VIA Board, the Authority’s senior staff, and the public, with the VIA Board establishing the goals for the Authority that drive the short-term and strategic

planning process and the five-year financial plan and the Authority's operations division being responsible for developing the detailed service plan. With these goals and estimated service levels in place, the proposed operating budget is then drafted and submitted to the VIA Board for review. A 14-day public review and comment period, that includes a public hearing, is held in conjunction with the VIA Board's review process.

The Authority's annual budget is formulated based on its total Operating Expenses for each Fiscal Year, which is the sum of all employee labor, the cost of supporting that labor (i.e. insurance and utilities), and the direct costs for operating and maintaining the Transit System (i.e. support vehicles, vanpool service, transit technology, and capital improvement labor expenses). The Authority segregates its budgeted total Operating Expenses into cost centers that reflect the type of service provided, along with transit technology, real estate development, and business development and planning activities.

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The following table summarizes the Authority's Fiscal Year 2020 actual and budgeted operating expenses by cost category and the Fiscal Year 2021 operating budget:

Table 6 – Operating Budget by Cost Category

<u>Expense Category</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Prelim. Actual</u>	<u>Variance⁽¹⁾</u>		<u>FY 2021 Budget</u>	<u>Change in Budget FY 2021 vs FY 2020⁽²⁾</u>	
			<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>
Labor	\$ 113,804,200	\$ 109,960,107	\$ (3,844,093)	-3.38%	\$ 108,659,712	\$ (5,144,488)	-4.73%
Fringe Benefits	66,044,988	69,290,180	3,245,192	4.91%	68,889,977	2,844,989	4.13%
Expense Transfers	(494,462)	(342,859)	151,603	-30.66%	(403,805)	90,657	-22.45%
Total Labor and Fringe Benefits	179,354,726	178,907,428	(447,298)	-0.25%	177,145,884	(2,208,842)	-1.25%
Services	22,457,803	15,559,017	(6,898,786)	-30.72%	23,189,240	731,437	3.15%
Materials and Supplies	17,917,753	14,657,800	(3,259,953)	-18.19%	19,160,126	1,242,373	6.48%
Utilities	4,044,243	3,360,692	(683,551)	-16.90%	3,720,763	(323,480)	-8.69%
Casualty and Liability	2,175,350	1,660,606	(514,744)	-23.66%	2,212,792	37,442	1.69%
Taxes	426,718	383,939	(42,779)	-10.03%	396,571	(30,147)	-7.60%
Purchased Transportation	17,545,883	15,308,304	(2,237,579)	-12.75%	17,151,540	(394,343)	-2.30%
Miscellaneous Expense	5,059,428	6,178,291	1,118,863	22.11%	4,038,403	(1,021,025)	-25.28%
Leases and Rentals	445,200	366,882	(78,318)	-17.59%	467,821	22,621	4.84%
Total Non-Labor	70,072,378	57,475,531	(12,596,847)	-17.98%	70,337,256	264,878	0.38%
Total Operating Budget	\$ 249,427,104	\$ 236,382,959	\$ (13,044,145)	-5.23%	\$ 247,483,140	\$(1,943,964)	-0.79%

⁽¹⁾ Fiscal Year 2020 Preliminary Actual (unaudited) compared to Fiscal Year 2020 Budget.

⁽²⁾ Fiscal Year 2021 Budget compared to Fiscal Year 2020 Budget.

Operating, Sales and Use Tax, and Grant Revenues

The Authority classifies operating revenues as all revenue earned from the operation of the various transportation services and those revenues generated by the capital assets owned by the Authority. Included in this category are fare revenue, revenue from the placement of advertisements on the bus and van fleet, operation of park and rides, and miscellaneous revenue earned by the operation of various capital assets. In addition, the Authority accounts for its receipt of revenues from its imposition and collection of the VIA Sales Tax and from State and federal grants.

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The following table represent the Authority's net operating results over the past five years, and includes amounts transferred from the District to the Authority.

Table 7 – The Authority's Statement of Revenues, Expenses, and Changes in Net Position

	Unaudited				
	2020	2019	2018	2017	2016
Operating revenues					
Line service	\$ 11,740,522	\$ 18,096,588	\$ 18,369,534	\$ 18,980,613	\$ 20,051,622
Robert Thompson Terminal	28,569	71,168	77,468	82,050	94,787
Other special events	15,897	106,386	178,001	140,491	144,402
VIAtrans	1,175,591	1,912,340	1,999,596	2,033,653	1,996,240
VIA Link	28,171	11,869	-	-	-
Charter	-	-	-	-	-
Contract	-	-	-	-	-
Real estate development	269,407	557,273	577,989	446,352	330,799
Ellis Alley Park and Ride	4,839	13,805	7,752	10,201	12,582
Bus Advertising	1,313,119	1,021,564	950,635	939,642	894,530
Miscellaneous	334,639	455,673	416,518	473,160	441,677
Total operating revenues	14,910,754	22,246,666	22,577,493	23,106,162	23,966,639
Operating expenses					
Line service	188,155,841	179,874,538	165,548,929	165,746,945	167,351,942
Bus disaster relief	13,677	-	-	163,268	-
Robert Thompson Terminal	305,505	710,668	499,524	465,271	630,944
Other special events	131,703	495,404	670,088	534,207	552,244
VIAtrans	39,922,770	45,611,738	42,097,730	40,055,752	40,922,470
VIA Link	995,067	375,020	-	-	-
Van disaster relief	-	-	-	2,685	-
Vanpool	641,848	604,486	597,442	611,149	608,055
Promotional service	(74,913)	70,002	65,106	89,541	99,753
Real estate development	892	1,051	801	539	1,678
Business development and planning	6,290,569	6,598,704	6,468,225	6,685,076	6,453,239
Transit technology	-	-	-	492,167	637,751
Total op exp before deprec and asset impairment	236,382,959	234,341,611	215,947,845	214,846,600	217,258,076
Depreciation on capital assets	39,884,887	36,702,975	34,362,524	24,012,602	22,200,678
Loss on asset impairment	-	-	-	-	8,579,632
Total op exp after deprec and asset impairment	276,267,846	271,044,586	250,310,369	238,859,202	248,038,386
Operating loss	(261,357,092)	(248,797,920)	(227,732,876)	(215,753,040)	(224,071,747)
Nonoperating revenues (expenses)					
Sales taxes	227,922,358	232,542,350	220,294,591	207,873,339	201,407,198
Grants revenue - VIA	116,723,252	39,285,411	30,500,898	29,032,637	28,773,370
Grants revenue - pass-through	1,282,599	2,071,336	815,948	1,553,833	1,463,234
Investment income	2,919,432	4,008,706	1,861,966	1,357,966	1,839,616
CoSA intergovernmental revenue	7,000,000	10,000,000	4,300,000	-	-
Bond interest and issuance costs	(5,429,956)	(5,539,802)	(5,774,084)	(5,619,099)	(3,237,107)
Gain/(loss) on sale of assets	4,412	(912,121)	218,743	2,633,990	(117,056)
Less pass-through funds to subrecipients	(1,282,599)	(2,071,336)	(897,060)	(1,452,788)	(1,400,626)
Local assistance program and RMA	(468,215)	-	-	(40,000)	(461,513)
Less amounts remitted to CoSA, TxDOT, and Bexar County	(35,356,774)	(36,224,798)	(34,311,703)	(32,413,170)	(31,427,566)
Total nonoperating revenues	313,314,509	243,159,746	217,009,299	202,926,708	196,839,550
Income (loss) before capital contributions	51,957,417	(5,638,174)	(10,723,577)	(12,826,332)	(27,232,197)
Capital contributions	11,160,337	(174,559)	24,967,580	25,819,959	23,876,005
Changes in net position	63,117,754	(5,812,733)	14,244,003	12,993,627	(3,356,192)
Net position at beginning of year, as restated	270,263,998	276,176,816	261,932,813	277,118,543	280,474,735
Net position at end of year	333,381,752	270,364,083	276,176,816	290,112,170	277,118,543

Note: FY18 net position at beginning of year was restated for GASB 75 (refer to Note 14 in FY18 Audit Report). Impact equals -\$28,179,357.

FY20 net position at beginning of year was restated for prior period adjustments relating to grants. Impact equals -\$100,085.

Authority Debt Policy and Outstanding and Future Indebtedness of the Authority and the District

Debt Policy. The VIA Board annually reviews the Authority’s policy concerning the Authority’s incurrence of indebtedness, and most recently reviewed and approved the policy in 2020. This debt policy establishes guidelines for the utilization of debt instruments which may include sales and use tax bonds, sales and use tax contractual obligations, District contract revenue bonds, bonds supported by farebox revenues, commercial paper, bank lines, standby purchase agreements or letters of credit, variable rate demand notes, variable rate auction rate notes, capital leases, and grant anticipation notes. This debt policy does not cover commodity (fuel) hedging and operating leases. Additionally the policy sets debt limits and the structure of those debt instruments and specifies financial policies such as the use of external economists for sales tax projections and a stabilization fund and working capital reserve amount each to be maintained at a level equal to 60 days of operating expenses, based on budgeted expenses for the upcoming budget year. Compliance with all continuing disclosure agreements is part of the debt policy. The issuance of the Bonds complies with the terms of the debt policy.

VIA Public Property Contractual Obligations. In February 2017, the Authority issued its \$81,995,000 “VIA Metropolitan Transit Authority Contractual Obligations, Series 2017 (Sales Tax Revenue Obligations)”, dated January 1, 2017, and in May 2020, the Authority issued its \$11,000,000 “VIA Metropolitan Transit Authority Contractual Obligations, Series 2020 (Sales Tax Revenue Obligations)”, dated March 15, 2020, each for the purpose of providing funds to purchase or acquire personal property properly characterized as capital expenditures, including appliances, equipment, facilities, and furnishings (or an interest therein), whether movable or fixed, considered by the Authority to be necessary, useful, or appropriate to one or more purposes of the Authority, including (specifically) the purchase of buses. As of the date of this document, these two series of contractual obligations are outstanding in the principal amount of \$77,410,000.

VIA Farebox Revenue Bonds. Concurrently with the issuance of the Bonds, the Authority will be issuing its “VIA Metropolitan Transit Authority Farebox Revenue Refunding Bonds, Taxable Series 2020” (the “2020 VIA Farebox Refunding Bonds”) in the amount of \$28,940,000, the proceeds from which are being used to refund a portion of the Authority’s “VIA Metropolitan Transit Authority Farebox Revenue Improvement and Refunding Bonds, Series 2013”, currently outstanding in the principal amount of \$32,835,000 (being its only other series of farebox revenue bonds currently outstanding). The 2020 VIA Farebox Refunding Bonds are secured by a first lien on and pledge of the net VIA Farebox Revenues. These are obligations of the Authority and not the District; accordingly, no portion of the ATD Share is pledged as security for or is available as a source of payment of the 2020 VIA Farebox Refunding Bonds.

ATD Sales Tax Bonds. In July of 2014, the District issued its \$32,925,000 “VIA Metropolitan Transit Advanced Transportation District Sales Tax Revenue Improvement and Refunding Bonds, Series 2014” (the “Series 2014 ATD Bonds”). Proceeds from the sale of the Bonds will be used towards refunding a portion of the outstanding Series 2014 ATD Bonds. (See “SCHEDULE I – Schedule of Refunded Obligations”). Although it reserves the right to do so in the future, the District does not anticipate issuing any bonds (other than the Bonds) supported by the ATD Share within the next five years.

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Future Authority Debt Issuances

The Authority plans to issue a series of contractual obligations (payable from and secured by a first lien on and pledge of the revenues collected from the VIA Sales Tax) to cover future replacements of revenue vehicles, which includes buses and vans. (See “THE AUTHORITY, ITS TRANSIT SYSTEM, AND DISTRICT SUPPORT- The Authority’s Capital Plan” for a description of the Authority’s financial policy regarding its fleet replacement plan.) Planned revenue vehicle purchases for the next ten years are provided below:

Fiscal Year	Item	Quantity	Anticipated Project Bond-Funded Amount (\$)	
2020/2021	Paratransit Vans	124	11,000,000	(*)
2021	CNG (28) and Electric (8) Buses	36	-	(**)
2022	Paratransit Vans	15	-	(*)
2022	CNG Buses	51	-	(**)
2026	CNG Buses	34	10,557,200	
2027	Paratransit Vans	124	18,520,000	
2028	BRT Buses	19	14,510,000	
2029	Paratransit Vans	15	2,330,000	
2031	CNG (135) and Electric (8) Buses	143	87,674,700	

Note: Costs were estimated using 2020 per unit figures and escalating those figures by 2%/year.

All figures shown above are preliminary and are subject to change.

(*) \$11,000,000 of bonds were issued in FY20 to help finance 139 vans, with 62 scheduled for delivery in FY20, 62 in FY21, and 15 in FY22. The bonds will be applied towards the FY21 deliveries (deliveries scheduled for FY20 deferred).

(**) No debt is being issued to purchase these vehicles.

Authority’s Employee Retirement Plans and Other Post-Employment Benefits of the Authority

Pension Plan. The Authority maintains a Retirement Plan (the “Plan”) that is a single employer, defined benefit retirement plan established in 1973 by the Authority’s predecessor agency, the San Antonio Transit System. The Plan is administered by and covers substantially all full-time employees of the Authority who became participants before July 1, 2013, as the Plan’s sponsor (the District does not have employees or direct retirement benefit liabilities, but a portion of such costs attributable to the District are allocated thereto as a part of the District expenses that are transferred from the District to the Authority). The Plan was closed to all employees who were not participants as of July 1, 2013. The Plan has an independent actuarial valuation performed annually in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25 and GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The most recent actuarial valuation was done as of October 1, 2019.

The Authority makes annual contributions based on actuarial valuations prepared annually by an independent actuary from data furnished by the Authority. Plan contributions are authorized by the VIA Board during the annual budgeting process. The actuarially determined contribution, or “ADC”, is an amount that, based on assumptions concerning the return on Plan assets, growth of retiree benefits, and employee life expectancies, among other matters, is estimated to equal pension benefits earned by employees in the current Fiscal Year plus an amount sufficient to eliminate any Unfunded Accrued Actuarial Liability (“UAAL”) for prior Fiscal Years over a period of not more than 30 years. The VIA Board can choose to fund exactly the ADC, more than the ADC, or less than the ADC.

As of the most recent actuarial valuation performed on October 1, 2019, the actuarial accrued liability for the Plan was \$455,365,861 and the actuarial value of assets was \$299,220,986. As a result, the UAAL was \$156,144,875, and the funded ratio was 65.7% (as reported in accordance with GASB Statement No. 68). The actuarial value of Plan assets is determined using a five-year smoothing method. If the market value of assets had been used, the UAAL would be \$152,352,905 and the funded ratio would have been 66.5% as of October 1, 2019.

In 2017, the Plan’s actuary conducted an experience study that resulted in several assumption changes, including a reduction in the Plan’s investment return assumption from 7.50% to 7.25%. To incorporate the increased Plan cost in the Authority’s budget, the Authority modified the funding strategy to attain a 100% funded status by October 1, 2042 (i.e. increased the funding period from 26 years to 30 years). The Authority has contributed the ADC for all Fiscal Years prior to Fiscal Year 2019 (with the exception of 2013-2015) and intends to contribute the full ADC in all future Fiscal Years.

In 2015, the VIA Board adopted Plan changes to offset the increase in the Plan’s funding cost and to reduce the Authority’s risk associated with providing retirement benefits. In particular, effective July 1, 2013, the Authority enacted a 1.00% increase in the contribution rate required by participating employees. Employees are now required to contribute 6.00% of earnings up to the “wage base” (1/3rd of the Old Age, Survivors, and Disability Insurance Taxable Wage Base) plus 9.00% of earnings in excess of the “wage base”. An increase in the employee contribution rate may reduce future contributions by the employer.

Additionally, the VIA Board approved an amendment that provides retirees a one-time supplement (non-compounding) once every two years beginning July 1, 2015. The one-time supplement is based on the following table by service at retirement:

Service at Retirement	Supplement (One-Time)
>10 Years	\$175.00
10-24 Years	\$350.00
25+ Years	\$700.00

As a result of these Plan changes and the current policy to fund the defined benefit plan, the long-term cost to the Authority of providing retirement benefits, which includes the cost of providing benefits under the Plan and the new defined contribution plan is projected to be approximately \$18.6 million for Fiscal Year 2021. This is approximately 14.8% of the Authority’s covered payroll. If the projected funding plan is followed, and all assumptions are met (including the 7.25% investment return assumption), the cost of all Authority retirement programs after Fiscal Year 2016 is projected to decrease over time, as a percent of covered payroll (assuming a 3.50% payroll growth rate) until the Plan becomes fully funded. The Plan is projected to attain an 80% funded ratio in Fiscal Year 2035 and a 100% funded ratio in Fiscal Year 2042. After the Plan attains a 100% funded ratio, the Authority’s cost of providing retirement benefits is projected to be 6% of covered payroll. The Authority’s cost volatility and financial risk will also decrease as more employees earn benefits in the defined contribution plan (and as the pool of participants receiving benefits under the Plan decrease).

Full-time employees who do not participate in the Plan earn retirement benefits in a 401(a) defined contribution plan where the Authority and employees are each required to contribute 6.00% of the employee’s earnings. The employees control and direct the investment of the money in their individual account.

Certain information about the VIA’s pension plans, including the actuarial assumptions used in the valuation and funded status for the Plan, are summarized in Note 9 of VIA’s financial statements for the Fiscal Year ended September 30, 2019 (the “Financial Statements”), attached hereto as APPENDIX B.

Pension Accounting Standards. The Authority adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, for the Fiscal Year ending September 30, 2015. The Pension Plan itself adopted GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, one year earlier, for the Fiscal Year ending September 30, 2014.

Other Post-Employment Benefits. VIA has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“OPEB”). GASB 75 set forth standards for measurement, recognition and display of post-employment benefits, other than pensions.

In addition to providing pension benefits, VIA provides certain healthcare and life insurance benefits to retired employees. For healthcare, the Authority indirectly subsidizes the medical insurance premiums paid by retirees, since premiums are calculated with active workers and retirees pooled together. The Authority also provides, at no cost, base coverage for life insurance for retirees at a premium rate paid to a life insurance company. Any additional premium to provide coverage in excess of the base amount is shared by the Authority and retirees. Other postemployment benefits funding is handled through a Section 115 trust.

More detail regarding OPEB can be found in Note 10 of the Financial Statements attached hereto as APPENDIX B.

INVESTMENT POLICY

District funds are managed by the Authority. Available Authority and District funds are invested as authorized by State law and in accordance with an investment policy (the "Investment Policy") approved by the VIA Board. Both State law and the Investment Policy are subject to change.

Legal Investments

Under Texas law, the Authority is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the Authority selects from a list the governing body or designated investment committee of the Authority adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the Authority selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the Authority's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing Authority appoints as the Authority's custodian of the banking deposits issued for the Authority's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for Authority deposits or; (ii) where the funds are invested by the Authority through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Authority as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Authority; (iii) the broker or the depository institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the Authority appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13), and require the securities being purchased by the Authority or cash held by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority, held in the Authority's name and deposited at the time the investment is made with the Authority or a third party designated by the Authority; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State

of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the Authority with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The Authority may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The Authority is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

State law requires that the Authority is required to invest its funds in accordance with written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Authority funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pool fund groups. As part of its formally adopted Investment Policy, all Authority funds must be invested consistent with written investment strategies describing, with respect to each fund or group of funds under the Authority's control, investment objectives for the particular fund using the following priorities (in order of importance): (1) understanding the suitability of the investment to the financial requirements of the entity, (2) preservation and safety of principal, (3) liquidity, (4) marketability of the investment if the need arises to liquidate the investment before maturity, (5) diversification of the portfolio, and (6) yield.

Under State law, Authority investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the Authority must submit to the VIA Board an investment report detailing (1) the investment position of the Authority, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law. No person may invest Authority funds without express written authority from the VIA Board.

Additional Provisions

Under Texas law, the Authority is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and to record any changes made to either its investment policy or investment strategy in said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Authority to disclose the relationship and file a statement with the Texas Ethics Commission and the VIA Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the Authority to: (a) receive and review the Authority's investment policy; (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Authority and the business organization that are

not authorized by the Investment Policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the Authority’s entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the Authority that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority); and (c) deliver a written statement in a form acceptable to the Authority and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Investment Policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves or funds held for debt service in such mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority.

Authority policies require investments in accordance with applicable State law. All investments which are authorized by State statute, with the exception of bankers’ acceptances, commercial paper, collateralized mortgage obligations, reverse repurchase agreements, no-load money market mutual funds, no-load mutual funds, and bonds issued, assumed or guaranteed by the State of Israel, are acceptable for investment purposes under the Investment Policy. The Authority generally invests in obligations of the United States or its agencies and instrumentalities.

Under State law, the Authority may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Authority retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Authority must do so by order, ordinance or resolution. The Authority has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

Current Investments

The Authority invests surplus revenue in accordance with the Investment Policy. The allocation of cash and investments in the Authority’s operating fund as of September 30, 2019 and September 30, 2020* is as follows:

	Balances as of 9/30/2019 (\$)	Balances as of 9/30/2020* (\$)
Cash Deposits	\$19,970,600	\$38,382,065
Investments	<u>139,629,407</u>	<u>203,782,156</u>
Total	<u>\$159,600,007</u>	<u>\$242,164,221</u>

* Unaudited.

TAX MATTERS

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities

and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or any original issue discount accruing on the Bonds will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

RATING

S&P Global Ratings ("S&P"), has assigned a rating of "AA+" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of such organization and the District makes no representation as to the appropriateness of any rating. There is no assurance that the rating of the District will continue for any given period of time or that it will not be revised downward or withdrawn entirely if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating, may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

The District has, in the Resolution, made the following agreements for the benefit of the holders and registered owners of the Bonds, which obligations the Authority has agreed to comply with on behalf of the District in an Interlocal Agreement between the Authority and the District (authorized by resolution of each such party's governing body). The Authority is required to observe the agreements for so long as the District remains obligated to advance funds to pay the Bonds, which obligations the Authority has agreed to comply. Under this agreement, the Authority will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB through its EMMA system, where it will be available free of charge to the general public at www.emma.msrb.org.

Annual Reports

The Authority will file certain updated financial information and operating data with EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in Tables 1 through 7 of this Official Statement, and the annual audit of the Authority prepared for each of its Fiscal Years ending in and after 2020. The Authority will update and provide this information within six months after the end of each Fiscal Year ending in or after 2020. The Authority will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report or reports become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B, the Resolution, or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation.

The Authority's current Fiscal Year end is September 30. Accordingly, the Authority must provide updated information by March 31 of the following year, unless the Authority changes its Fiscal Year. If the Authority changes its Fiscal Year, such entity will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The Authority will file with the MSRB notice of any of the following events with respect to the Bonds not more than 10 business days after occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for credit enhancement or liquidity enhancement. In addition, the Authority will provide timely notice of any failure thereby to provide information, data, or financial statements in accordance with the agreement described above under "Annual Reports". The Authority will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) an event described in clause (12) of the immediately preceding paragraph is considered to have occurred upon the happening of any of the following: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority, and (b) the events numbered 15 and 16 above and the definition of financial obligation in this Section the Authority intends the words used to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the Authority and the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. The information provided to the MSRB will be available to the public free of charge via EMMA through an internet website accessible at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of certain events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of their respective financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or registered owners of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreements.

The Authority may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering

described herein in compliance with Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or registered owners of the Bonds. If the Authority amends its agreement, it has agreed that it must include with the next financial information and operating data provided in accordance with the applicable agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Authority may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

Except as set forth below, the Authority has, during the past five years, complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

In March of 2018, the Authority filed continuing disclosure documents for the VIA Farebox Revenue Improvement and Refunding Bonds, Series 2013, for the fiscal year ending September 30, 2017. In making such filing, the Authority inadvertently omitted Table 9, Series 2014 ATD Bonds Debt Service Requirements. On April 20, 2020, a corrective filing was made to provide such table.

LITIGATION; REGULATORY COMPLIANCE; AND FEDERAL GRANTS

Litigation

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds, or in any other manner questioning the issuance, sale, or delivery of said Bonds.

Environmental Regulations

The Authority is subject to the environmental regulations of the State and the United States in the operation of their Transit System. These regulations are subject to change and the Authority may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Federal Grant Proceeds

A significant source of Authority funding, for both operations and capital expenses, is derived from federal grants. In Fiscal Year 2019, the Authority received a total of \$64.3 million and spent \$38.9 million in federal grant funding (the \$25.4 million difference reflects a decrease in the federal grants receivable). The following describes aspects of the federal grant process.

The federal grant funds that the Authority uses for capital projects are typically Federal Transit Administration (“FTA”) Section 5307 “Formula Funds” and various competitively awarded discretionary funds. For these grants, the FTA generally pays 80% of the total project cost and the Authority matches the grant funds by paying 20% of the total project cost. The federal grant funds received, along with the Authority’s match using funds lawfully available for such purpose, are included in the Authority’s budget. As soon as grants are awarded, the Authority’s match is moved into a restricted reserve account, where they remain until spent.

The Fixing America’s Surface Transportation Act, or “FAST Act”, was signed into law by President Obama on December 4, 2015, providing long-term funding for surface transportation such as highway systems and transit lines. Overall, the FAST Act largely maintains current program structures and funding shares between highways and transit.

Urbanized area formula grants remain the largest source of federal transit funding under the FAST Act. The Authority receives funds under two of these programs: Section 5307, Urbanized Area (“Section 5307”); and Section 5340, Growing States and High-Density States (“Section 5340”). Under the FAST Act, the basic structure of the urbanized area formula is maintained, with funding based on bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, fixed guideway directional route miles, population, and population density.

INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Infectious Disease Outbreak

An international, national or localized outbreak (an “*Outbreak*”) of a highly contagious or epidemic disease, such as COVID-19, a respiratory disease caused by a particular strain of coronavirus, the Zika virus, Ebola virus, or other highly contagious or epidemic disease, may have a material impact on an investment in the Bonds. The Authority’s financial and operating condition may be materially adversely impacted by an Outbreak, particularly if such Outbreak occurred in or around the Authority’s service area. The District’s receipt of Pledged Revenues may be materially adversely affected by changes in the economic activity and conditions of a municipality or geographic area caused by an Outbreak. Additionally, an Outbreak may cause a material disruption in the Authority’s capital projects due to the effects such event would cause on the labor market, related supply chains, and projected ridership associated with such capital projects. Financial markets in the United States and globally may experience significant volatility or declines in connection with an Outbreak, which may have a material impact on the market price of the Bonds. The Authority and the District cannot predict the impact an Outbreak may have on their financial and operating condition or an investment in the Bonds. Furthermore, neither the Authority nor the District can predict whether or not federal legislation will be passed in the future to provide grants, stimulus or other supplemental financial assistance to the Authority or the District as the result of any potential adverse impacts caused by an Outbreak in the future. See “INFECTIOUS DISEASE OUTBREAK – COVID-19” INFECTIOUS DISEASE OUTBREAK – COVID-19 Impacts on the Authority and District” herein.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District’s actual results could differ materially from those in such forward- looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

The Collection of the Sales Tax is Beyond the District’s and Authority’s Control

Generally, the seller of taxable items and services collects the sales tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. Neither the District nor the Authority control the Comptroller’s collection efforts, and the Comptroller’s collection efforts against a private seller of goods and services are subject to applicable State law and to federal Bankruptcy Code provisions with respect to the protection of debtors.

Possible Variations in Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of sales tax receipts, (2) changes in the tax

base against which the sales tax is assessed, (3) further migration of commerce to Internet sales that are not taxed or taxes from which cannot be effectively collected, and (4) changes in the economic activity and conditions of a municipality or geographic area. See “INVESTMENT CONSIDERATIONS – Infection Disease Outbreak (COVID-19).”

The increasing use of the Internet to conduct electronic commerce may affect the collection of the sales and use tax. To the extent that transactions subject to the sales tax imposed by the District avoid normal collection and remittance procedures because they occur over the Internet, the District’s receipt of sales tax may be adversely affected. At this time, the District is unable to predict how Internet sales may affect the amount of sales tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the District’s ATD Tax revenue decreases or increases more slowly than operating expenses and debt service requirements, the District’s ability to pay the Bonds and the Authority’s ability to maintain operations could be adversely affected to an extent that cannot be predicted.

Funding of Capital Improvement Program and Operations

The Authority’s funding of its capital improvement plan, which is supported by the District, is subject to available funding sources and access to the financial markets. The amount of debt service the Authority pays on its debt obligations, and the amount of debt service the District pays from the ATD Share, will directly affect the amount of revenues available to the Authority to support its operations, maintenance and capital reinvestment needs. Neither the District nor the Authority intends to issue any debt which could be expected to adversely affect the sufficiency of revenues to pay costs of operation and maintenance of the Authority’s transportation services. Consequently, the Authority intends to adjust its capital plans as necessary to finance its capital improvement plan consistently with available resources and operating needs.

Risks Associated with Federal Funding

The receipt of capital and operating grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation, and Office of Management and Budget as well as appropriation by the U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation (“USDOT”) and the FTA, and to compliance by the Authority with conditions to the grants. By August 15 of each year, the Congressional Budget Office (the “CBO”) issues a report that provides estimates of the caps on discretionary budget authority in effect for each Fiscal Year through 2021. The CBO has assessed that discretionary appropriations for Fiscal Year 2020 do not exceed the caps and therefore a sequestration (or cancellation of budgetary resources) will not be required as a result of appropriation actions in Fiscal Year 2020. There can be no assurance that federal funding for future projects will be committed or funded in the amounts requested or at all.

To the extent the receipt of grants is delayed, not approved, cancelled or otherwise not forthcoming, the Authority may find it necessary to issue additional debt, or cause the District to issue more debt, in order to complete various projects under Vision 2040, its long range capital improvement plan, that may be eligible for federal funding, and if unable to do so, the Authority may be prevented from completing work on such projects. Any such increase in the issuance of debt by the District would, in turn, decrease the currently estimated debt service coverage for all outstanding Bonds Similarly Secured and payable from the ATD Share.

Limited Availability to Increase or Maintain Revenue

The Authority and the District have imposed the maximum sales tax authorized by law, and the Authority has no authority to impose property taxes in proportion to value or to impose other taxes without an election (the District has no such authority at all). Unless additional taxes are authorized at an election, the Authority’s and the District’s sales and use tax revenue will be limited by changes in the value of taxable transactions within their respective boundaries, which are beyond their control. Variations in the amount of receipts can be affected adversely by a number of variables, including possible (1) changes in State law and administrative practices governing the remittance and allocation of sales and use tax receipts, (2) changes in the transactions against which the sales and use tax may be imposed, (3) further migration of commerce to Internet sales that are not taxed or taxes from which cannot be effectively collected, and (4) changes in economic activity within the Authority’s and the District’s taxing jurisdictions.

The increasing use of the Internet to conduct electronic commerce may affect the collection of the sales and use tax. To the extent that transactions subject to the sales and use tax imposed by the Authority and the District avoid normal collection and remittance procedures because they occur over the Internet, the Authority’s and the District’s receipt of sales and use tax may be adversely affected. At this time, neither the Authority nor the District are able to predict how Internet sales may affect the amount of sales and use tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the Authority’s and the District’s sales and use tax revenue decreases or increases more slowly than

operating expenses and debt service requirements, the District's ability to pay the Bonds and the Authority's ability to pay its indebtedness and maintain operations could be adversely affected to an extent that cannot be predicted.

The federal Internet Tax Freedom Act, as amended, imposes a moratorium on taxes on online commerce. The Internet Tax Freedom Act was first approved in 1998 and was made permanent on February 24, 2016.

For additional investment considerations regarding the Authority's sales and use tax, including seasonality, collection and delinquency issues, see the section captioned "SECURITY FOR THE BONDS – Table 2 – ATD Share Historical Revenues".

Operating and Maintenance Costs; Operating Revenues; No Property Taxes

Successful operation of the Transit System will require timely and adequate maintenance and replacement of components. No assurance can be given that sufficient funds will be available to operate and maintain the Transit System adequately over the long term. Any significant deterioration in the Transit System may result in increased operating costs, reduced usage, and accordingly, reduced VIA Farebox Revenues. Increased maintenance and operating costs may adversely affect the Authority's financial condition.

The Authority derives operating revenue from transportation fares, which include bus, rail and other operational receipts. Although the Bonds are payable from a portion of the ATD Tax, under the ATD Act, the expenses of operating and maintaining the Transit System are a first lien on and charge against any revenue from operation or ownership of the Transit System. The Authority's ability to raise rates sufficient to meet all obligations required to be paid from operational revenues may be limited.

The Bonds are not payable from funds raised or to be raised by ad valorem property taxes. Neither the District nor the Authority are authorized to levy an ad valorem property tax.

The State Comptroller May Offset Current Distributions for Overpayments or Remit Sales and Use Tax Revenue Less Frequently

The Comptroller periodically identifies underpayments and overpayments of sales and use tax revenues and responds to claims by taxpayers. In the event that the Comptroller determines that the Authority (on its behalf and on behalf of the District) received an overpayment, the sales and use tax revenues for future periods are subject to reduction or the Authority may be required to make a repayment in order to reimburse the overpayment. Under State law, the Authority has no legal standing or ability to intervene or appeal the Comptroller's determination. State law requires the Comptroller to remit sales and use tax revenue to the Authority (on its behalf and on behalf of the District) as often as feasible and at least quarterly. The Comptroller remits sales and use tax revenues to the Authority (on its behalf and on behalf of the District) and other taxing entities on a monthly basis. While the Authority has no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit sales and use tax revenues to the Authority (on its behalf and on behalf of the District) on a monthly basis. Thus, temporary cash flow irregularities could occur.

Adverse Legislation Could be Enacted

The Texas Legislature and the U.S. Congress may enact legislation that could materially affect the operations, financial condition and financial prospects of the Authority and/or the District. In odd-numbered years, the Texas Legislature meets in a regular session lasting 140 days. The most recent regular session of the Texas Legislature ended on May 27, 2019. The next regular session of the Texas Legislature is scheduled to begin January 2021. When the Texas Legislature is not in regular session, the Governor of Texas may call one or more special sessions, at his discretion, each lasting no longer than 30 days. There can be no assurance that the Texas Legislature or the U.S. Congress will not enact tax moratoriums or exemptions or other legislation that may adversely affect the operations of the Authority or its ability to pay the Bonds.

Technological and Societal Changes

The District cannot predict the technological and societal changes that may affect the use of the Transit System during the term of the Bonds. Societal changes may include, for example, the increased use of telecommuting, which could have an adverse impact on usage of the Transit System. Other technologies or societal changes could have a similar detrimental effect on the Transit System.

Rights of Owners Are Limited

The Resolution does not establish specific events of default with respect to the Bonds. The Resolution provides no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. In addition, under State law, the District is immune from a suit for damages from any default by the District on the Bonds or under the Resolution. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property, which under State law is exempt from forced sale. An owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel District officers to observe or perform any of their undisputed obligations under the Resolution. The enforcement of any such remedy may be difficult and time consuming, and an owner of the Bonds could be required to enforce such remedy on a periodic basis. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "THE BONDS – Defaults and Remedies" herein.

OTHER INFORMATION

Legal Matters

The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the District. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. of San Antonio, Texas, has reviewed the information under the captions "THE BONDS" (except under the subheading "Perfection of Security Interest for the Bonds" and "Defaults and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER, AND EXCHANGE," "SECURITY FOR THE BONDS," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "OTHER INFORMATION – Legal Investments in Texas" and "OTHER INFORMATION – Registration and Qualification of the Bonds for Sale", "OTHER INFORMATION – Legal Matters" (except for the last sentence of the first paragraph of such subsection, as to which no opinion is expressed), "APPENDIX A – Excerpts from the Resolution", and "APPENDIX C – Form of Opinion of Bond Counsel" in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Though it represents the Co-Financial Advisors and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District and the Authority in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the obligations deposited with DTC or will be printed on the definitive obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their legal co-counsel, Winstead PC and Kassahn & Ortiz, P.C., both of San Antonio, Texas, whose fee is contingent on the delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opened upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Investments in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard,

the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the District of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of the Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities laws of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Co-Financial Advisors

Estrada Hinojosa & Company, Inc. and Hilltop Securities Inc. (together, the “Co-Financial Advisors”) are employed by the District, in connection with the issuance of the Bonds and in such capacity, have assisted the District in compiling documents related thereto. Although the Co-Financial Advisors assisted in drafting this Official Statement, the Co-Financial Advisors have not independently verified all of the data contained in it or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. No person should presume that the limited participation of the Co-Financial Advisors means that the Co-Financial Advisors assume any responsibility for the accuracy or completeness of any of the information contained in this Official Statement. The fees of the Co-Financial Advisors for services rendered are contingent upon the issuance and sale of the Bonds.

The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with their responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

Verification of Mathematical Computations

The Verification Agent will deliver to the District, on or before the settlement date of the Bonds, its Report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities to pay, when due, the maturing principal of, and interest and related call premium requirements, if any, of the Refunded Obligations.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, the Verification Agent has relied on any information provided to it by the District’s retained advisors, consultants, or legal counsel.

Underwriting

Stephens Inc., as the authorized representative of a group of underwriters (the “Underwriters”) has agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on the inside cover page hereof, less an underwriting discount of \$133,819.15, and no accrued interest.

The Underwriters’ obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering price, and such public prices may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Authenticity of Financial Data and Other Information

The financial data and other information presented in this Official Statement has been provided by the District, from its records, audited financial statements, and other sources which are believed to be reliable. There is no guaranty that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

With respect to audited information presented within this Official Statement, Baker, Tilly, Virchow, Krause, LLP, auditor for the Authority (the "Auditor) and the District, has not been engaged to perform, and has not performed, since the date of its report and/or audited data included herein, any procedures on the financial statements addressed in that report and/or audited data. Further, the Auditor also has not performed any procedures relating to this Official Statement.

External References

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Authorization of the Official Statement

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the District Board, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the District.

The Resolution will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the District, and authorize its further use in the reoffering of the Bonds by the Underwriters.

* * *

This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12.

By: /s/ Hope Andrade
Chairperson, Board of Trustees

ATTEST:

 /s/ Akeem Brown
Secretary, Board of Trustees

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Series	Maturity	Interest Rate (%)	Amount (\$)	Redemption Date
VIA Metropolitan	08/01/2028	5.000	1,385,000	08/01/2024
Transit Advanced	08/01/2029	5.000	1,455,000	08/01/2024
Transportation District	08/01/2030	5.000	1,530,000	08/01/2024
Sales Tax Rev	08/01/2031	5.000	1,605,000	08/01/2024
Improvement and	08/01/2032	5.000	1,685,000	08/01/2024
Refunding Bonds,	08/01/2033	5.000	1,770,000	08/01/2024
Series 2014	08/01/2034	5.000	1,860,000	08/01/2024
	08/01/2038 ⁽¹⁾	5.000	8,410,000	08/01/2024

⁽¹⁾Represents stated maturity of a Term Bond subject to mandatory sinking fund redemption on August 1 in each of the years 2035 through 2038, inclusive.

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APPENDIX A

EXCERPTS FROM THE RESOLUTION

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EXCERPTS FROM THE RESOLUTION

ARTICLE I DEFINITIONS

SECTION 1.1. *Definitions.*

For all purposes of this Resolution, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Section have the meanings assigned to them in this Section, certain terms defined in other sections of and the preamble to this Resolution have the meanings assigned to them in such sections and preamble, and all such terms include the plural as well as the singular; (b) all references in this Resolution to designated Sections, Schedules, Exhibits, and other subdivisions are to the designated Sections, Schedules, Exhibits, and other subdivisions of this Resolution as originally adopted; and (c) the words herein, hereof, and hereunder and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision,

Additional Parity Bonds means (1) any bonds, notes, warrants, certificates of obligation, or other Debt hereafter issued by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues and (2) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such a lien on and pledge of the Pledged Revenues as determined by the Board in accordance with applicable law.

Advanced Transportation means “advanced transportation” under Section 451.701, as amended, Texas Transportation Code, as such definition may be amended from time to time pursuant to applicable law.

Advanced Transportation District or *ATD* or *Issuer* means the VIA Metropolitan Transit Advanced Transportation District or any legal successor in interest thereto.

Approval Certificate means the approval certificate, the form of which is attached hereto as Schedule II, approving the final terms of the refunding bonds issued hereunder, which is to be executed by a Designated Financial Officer upon obtaining the recommendation from the ATD’s Co-Financial Advisor Advisors.

ATD Act means Subchapter O of Chapter 451.

ATD Share means the one half of the proceeds of the ATD Tax retained by the ATD and used for projects, including advanced transit services, passenger amenities, equipment, and other Advanced Transportation purposes as determined by the Board, pursuant to and in accordance with Section 451.702(f), as amended, Texas transportation Code.

ATD Tax means the sales and use tax equal to $\frac{1}{4}$ of 1% that is imposed and collected by the ATD within its boundaries pursuant to the ATD Act and the ATD Election.

Average Annual Debt Service Requirements means that average amount which, at the time of computation, will be required to pay the Debt Service Requirement on all outstanding

Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on the Bonds Similarly Secured shall be excluded in making the aforementioned computation.

Board means the ATD's Board of Trustees, being its governing body, or any body succeeding in legal interest thereto.

Bonds means any of the VIA Metropolitan Transit Advanced Transportation District Sales Tax Revenue Refunding Bonds, Taxable Series 2020 authorized to be issued pursuant to, and from time to time Outstanding, under this Resolution.

Bonds Similarly Secured means the Previously Issued Bonds, the Bonds and any Additional Parity Bonds hereafter issued by the Issuer or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues.

Business Day means for the Bonds or portions thereof means any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in the Place of Payment or in the city in which is located the corporate trust office of the Paying Agent/Registrar, or (3) a day on which the New York Stock Exchange is closed.

Closing Date means the date of physical delivery of the Initial Bond against payment in full therefor made by the Purchasers.

Credit Agreement means a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Issuer as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond or the acquisition of a Credit Facility.

Credit Facility means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, or (ii) a letter or line of credit issued by any financial institution.

Credit Provider means any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or Credit Facility.

Debt means all indebtedness of the Issuer payable from any revenues pledged hereunder incurred or assumed by the Issuer for borrowed money (including indebtedness payable from such revenues arising under Credit Agreements) and all other financing obligations of the Issuer payable from such revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet. For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Stated Maturity thereof, there shall have been deposited with the proper Depository (a) in trust the necessary funds (or investments that will

provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. This specifically includes any Bonds defeased pursuant to *Section 4.02* hereof. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Issuer in prior Fiscal Years.

Debt Service Requirements means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Issuer as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like Stated Maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c) as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Issuer under such hedge agreement from the amounts payable by the Issuer under such hedge agreement and such obligations.

Depository means one or more official depository banks of the Issuer.

Designated Financial Officer means any of the Chair or Vice Chair of the Board, President and Chief Executive Officer of VIA, the Deputy Chief Executive Officer of VIA, or the Chief Financial Officer of VIA.

DTC Participant means those broker-dealers, banks, and other financial institutions reflected on the books of the Securities Depository.

Fiscal Year means the twelve-month accounting period used by the Issuer in connection with the operation of the Issuer, currently ending on September 30 of each year, which may be any 12 consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

Government Obligations shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the

date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

Holder of any Bond means the Person in whose name such Bond is registered in the Securities Register.

Interest Payment Date for any Bond or portion thereof means the date specified in such Bond as a fixed date on which interest on such Bond or portion is due and payable, being February 1 and August 1 of each year, commencing February 1, 2021, while the Bonds are Outstanding.

Legal Holiday means a day on which a Paying Agent/Registrar for the Bonds is authorized by law or executive order to close.

Local Share means the one-fourth of the proceeds of the ATD Tax that is to be used as the local share, to be leveraged with state and federal grants, for improved highways, transportation infrastructure designed to improve mobility, and other Advanced Transportation or Mobility Enhancement purposes within the ATD.

Maintenance and Operating Expenses means the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Transit Authority System, including the payment of necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the Transit Authority System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the Transit Authority System (which costs and expenses, however, specifically exclude any allowance for depreciation, property, retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest (accrued or capitalized) on Bonds or other Bonds Similarly Secured now or hereafter Outstanding).

Mobility Enhancement means “mobility enhancement” under Section 451.701, as amended, Texas Transportation Code, as such definition may be amended from time to time pursuant to applicable law.

Outstanding means, when used in this Resolution with respect to Bonds, as of the date of determination, all Bonds issued and delivered under this Resolution, *except*:

(a) **Cancelled Bonds:** those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(b) **Defeased Bonds:** those Bonds for which payment has been duly provided by the Issuer in accordance with the provisions of *Section 4.02* by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to Stated Maturity; *provided* that, if such Bonds are to be redeemed, notice of redemption thereof shall have

been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(c) **Replaced Bonds:** those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in *Section 2.10*.

Participating Unit means “participating unit” under Section 451.701, as amended, Texas Transportation Code, being the City.

Participating Unit Share means the one-fourth of the proceeds of the ATD Tax delivered to the City, as the only Participating Unit (defined herein) within the ATD, and used thereby to construct, improve, and maintain streets, sidewalks and related infrastructure designed to improve mobility, and other Advanced Transportation or Mobility Enhancement purposes within the ATD.

Paying Agent/Registrar means the financial institution specified in *Section 2.03* hereof or its herein permitted successors and assigns.

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Place of Payment for Bonds means the city in which is located the office designated by the Paying Agent/Registrar at which principal of the Bonds shall be paid at Stated Maturity, initially being Dallas, Texas.

Pledged Revenues means a first and prior lien on and pledge of the ATD Share.

Previously Issued Bonds means the District’s Sales Tax Revenue Improvement and Refunding Bonds, Series 2014, dated July 1, 2014, issued in the original principal amount of \$32,925,000.00.

Purchasers shall mean the initial purchasers of the Bonds named in *Section 2.11* of this Resolution.

Resolution means this resolution adopted by the Board.

Securities Depository means The Depository Trust Company or any successor Person appointed by order of the Court to act as Holder of the Bonds, directly or through a nominee, to maintain a system for recording and transferring beneficial interests in such Bonds and distributing payments thereon and notices in respect thereof.

State means the State of Texas.

Stated Maturity means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by call for redemption or otherwise.

Transit Authority System means any and all VIA real and personal property that is owned, rented, leased, controlled, operated, or held for mass transit purposes pursuant to Chapter 451.

VIA Farebox Revenues means the revenues derived from the fare system developed, pursuant to Chapter 451, to charge passengers utilizing the Transit Authority System.

VIA Sales Tax Revenues means the revenues derived from the sales and use tax equal to 1/2 of 1% that VIA imposes and collects within its boundaries, as authorized by Chapter 451 and as approved at the VIA Election, to support the ownership, operation, and maintenance of the Transit Authority System.

ARTICLE IV SECURITY

SECTION 4.01 *Pledge of Revenues.*

A. *Pledge.* The ATD hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged and a first and prior lien thereon is hereby granted to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues that is valid and binding without any physical delivery thereof or further act by the ATD, and the lien created hereby on the Pledged Revenues for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability, or obligation of the ATD.

B. *Perfection.* Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of and lien on Pledged Revenues granted by the Issuer under *Subsection A* of this Section, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while any Bonds are outstanding and unpaid such that the applicable revenue pledge granted by the Issuer as security therefor is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of such Bonds the perfection of the security interest in the Pledged Revenues, the Issuer agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in the Pledged Revenues to occur.

C. *Limited Obligations.* The Bonds are special, limited obligations of the Issuer payable solely from the Pledged Revenues pledged to the payment thereof (as described in *Subsection A* of this Section). The Holders of Bonds shall never have the right to demand payment out of funds raised from any other source.

SECTION 4.02 *Satisfaction of Obligation of Issuer.*

When no Bonds remain Outstanding, then the lien on and pledge of Pledged Revenues made under this Resolution as security for the Bonds and all covenants, agreements, and other obligations of the Issuer to the Holders of such series of Bonds shall thereupon cease, terminate, and be discharged and satisfied.

To provide for the payment of the principal of, premium, if any, and interest on any Bond, the Issuer may irrevocably deposit in trust with the Paying Agent/Registrar, or an authorized escrow agent, (a) money sufficient to pay in full such principal, premium, if any, and interest at Stated Maturity or to the redemption date therefor and/or (b) Government Securities certified, in

the case of a net defeasance, by an independent accounting firm, or such other persons as permitted by the laws of the State, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of, premium, if any, and interest on such Bond on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date therefor. In the event of a gross defeasance of the Bonds, the Issuer shall deliver a certificate from one of its Co-Financial Advisors, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. If interest to become due on such Bond on any such date shall accrue at a rate not determined at the time of such deposit, the Issuer shall provide for such interest as if accrued at the maximum possible rate. The Issuer covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Issuer or deposited as directed by the Issuer. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of, premium, if any, or interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the Issuer be remitted to the Issuer against a written receipt therefor, subject to the unclaimed property laws of the State.

Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in *Clause (a)* or *(b)* in the first paragraph of this Section above shall be revocable, *provided* that the Issuer (1) in the proceedings providing for such defeasance, expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of *Clause (a)* or *(b)* above with respect to such defeased Bonds as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

**ARTICLE V
FUNDS AND ACCOUNTS**

SECTION 5.01 *Revenue Fund.*

The Issuer hereby confirms and ratifies its prior establishment and affirms its covenant to maintain, a fund or account at a Depository for the deposit of the Pledged Revenues as received by the Issuer, which fund or account shall be known on the books and records of the Issuer as the “VIA Metropolitan Transit Advanced Transportation District Sales Tax Revenue Fund” (the *Revenue Fund*). All Pledged Revenues deposited to the credit of the Revenue Fund shall be accounted for (including by ledger entry) separate and apart from all other revenues, receipts and income of the Issuer. All Pledged Revenues deposited to the credit of the Revenue Fund shall be appropriated and expended to the extent required by this Resolution and any resolution of the Board adopted in the future concerning the issuance of Additional Parity Bonds or inferior lien obligations for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund (defined herein) in accordance with *Section 5.02* hereof, for the payment of the Debt Service Requirements on the Bonds Similarly Secured, as the same becomes due and payable;

Second: To the payment of the amounts, if any, required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Resolution, the resolution authorizing the issuance of any Previously Issued Bonds, and any resolution of the Board adopted in the future concerning the issuance of Additional Parity Bonds;

Third: To the payment of amounts required to be deposited in any other fund or account required by this Resolution, the resolution authorizing the issuance of any Previously Issued Bonds, or any resolution of the Board adopted in the future concerning the issuance of Additional Parity Bonds; and

Fourth: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Issuer having a lien on all or any portion of the revenues constituting Pledged Revenues, which lien is subordinate and inferior to the lien and pledge of Pledged Revenues created herein for benefit of the Bonds Similarly Secured.

Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by applicable law, including, but not limited to, the monthly transfer of any such funds to VIA to pay the Maintenance and Operating Expenses associated with authorized improvements whose costs were financed with proceeds of the Refunded Bonds and other projects qualifying as Advanced Transportation and/or Mobility Enhancement.

SECTION 5.02 *Bond Fund; Surplus Bond Proceeds.*

For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable, the Issuer agrees to maintain, at the Depository, a separate and special Fund or account hereby created and known as the “VIA Metropolitan Transit Advanced Transportation District Sales Tax Revenue Refunding Bonds, Taxable Series 2020

Interest and Sinking Fund” (the *Bond Fund*) and all money deposited to the credit of the Bond Fund shall be held in a special banking fund or account maintained at a Depository of the Issuer. Each Designated Financial Official covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues (being, primarily, the ATD Share) transferred from the Revenue Fund at the level of priority indicated and in an amount equal to one hundred percent (100%) of the amount required to fully pay the Debt Service Requirements of the Bonds Similarly Secured then stated to mature and payable, such deposits to pay maturing Debt Service Requirements on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the fifteenth day of each month, beginning on or before the fifteenth day of the month next following the delivery of the Bonds to the Purchasers. If the Pledged Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of Debt Service Requirements on the Bonds Similarly Secured shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds Similarly Secured are no longer Outstanding.

Accrued and capitalized interest, if any, received from the Purchasers shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Pledged Revenues.

SECTION 5.03 *Reserve Fund.*

Although it reserves the right to do so in the future in connection with the issuance of any Additional Parity Bonds, the Issuer has not established, and the Bonds are not additionally secured by, a debt service reserve fund.

SECTION 5.04 *Reserved.*

SECTION 5.05 *Escrow Fund.*

For the purposes of depositing on the Closing Date a portion of the proceeds of the Bonds, in the amount specified in Section 5.06 hereof to accomplish the defeasance of the Refunded Bonds to their date of prior redemption, the Issuer hereby authorizes the establishment and creation of the “VIA Metropolitan Transit Advanced Transportation District Sales Tax Revenue Refunding Bonds, Taxable Series 2020 Escrow Fund” (the *Escrow Fund*), and to be held by the Escrow Agent under and pursuant to the terms of the Escrow Agreement. Any Designated Financial Officer or any one or more of said officials, and Bond Counsel, in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the deposit of cash, and/or the purchase and deposit of any Escrowed Securities (including the execution of the subscription forms for the purchase and issuance of the “United States Treasury Securities State and Local Government Series”), referenced in the Escrow Agreement, all as contemplated and provided by the provisions of the Act, this Resolution, and the Escrow Agreement.

SECTION 5.06 *Disposition of Proceeds on the Closing Date.*

A. On the Closing Date, proceeds from the sale of the Bonds shall be applied as follows:

- (1) \$23,450,415.37 shall be deposited to the Escrow Fund; and
- (2) \$339,584.63 shall be disbursed, in accordance with the Closing Memorandum of the Issuer's Co-Financial Advisors to pay Purchasers' discount (\$133,819.15) and other costs of issuance relating to the Bonds (as further described in Subsection B below).

B. Any remaining balance of Bond sale proceeds received by the Issuer on the Closing Date from the Purchasers shall be deposited into a temporary closing account within the Escrow Fund hereby authorized to be created and used for the purpose of paying for the Issuer's additional costs of issuance of the Bonds. After the payment of the costs of issuance of the Bonds, any balance, at the option of the Issuer (or as otherwise required by applicable State or federal law), shall be deposited to the Bond Fund.

SECTION 5.07 *Deficiencies.*

If on any occasion there shall not be sufficient Pledged Revenues pledged hereunder (after making all payments required by *Section 5.01* hereof to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into the Bond Fund during such month or months.

SECTION 5.08 *Payment of Bonds.*

Any Designated Financial Officer or other authorized Issuer official shall cause to be transferred from funds on deposit in the Bond Fund (1) while any of the Bonds are Outstanding, to the Paying Agent/Registrar, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as such installment accrues or matures, such transfer to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date a debt service payment is due on the Bonds, and (2) to the Persons entitled to receive such payments, all amounts due and owing from the Issuer under the Paying Agent/Registrar Agreement and any Credit Agreement.

SECTION 5.09 *Investments.*

Funds held in any Fund or account created, established, or maintained pursuant to this Resolution may, at the option of the Issuer, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general

obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in any debt service account or debt service reserve account immediately shall be credited to, and any losses therefrom debited to, the applicable debt service fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

ARTICLE VI COVENANTS

SECTION 6.01 *Issuance of Additional Obligations.*

A. Additional Parity Bonds. In addition to the right to issue obligations of inferior lien as authorized by the laws of this State (and as hereafter provided), the Issuer reserves the right hereafter to issue Additional Parity Bonds. The Additional Parity Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Pledged Revenues in the same manner and to the same extent as are the Bonds and the Additional Parity Bonds shall in all respects be of equal dignity. The Additional Parity Bonds may be issued in one or more installments provided, however, that no Additional Parity Bonds, shall be issued unless and until the following conditions have been met:

- (1) Except to cure a default, a Designated Financial Officer has certified that the Issuer is not then in default as to any covenant, condition or obligation prescribed this Resolution or in a resolution of the Board authorizing the issuance of the Additional Parity Bonds.
- (2) A Designated Financial Officer has certified that all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Pledged Revenues have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein.
- (3) A Designated Financial Officer confirms that, according to the books and records of the Issuer, the Pledged Revenues for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the resolution authorizing the Additional Parity Bonds is adopted, are at least equal to two (2.00) times the maximum annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the Additional Parity Bonds then proposed.
- (4) The applicable provisions of Section 5.03 relating to the issuance of Additional Parity Bonds have been satisfied.
- (5) The Additional Parity Bonds are made to mature on or August 1 in each of the years in which they are scheduled to mature.

- (6) The resolution authorizing the issuance of the Additional Parity Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Parity Bonds as the same become due.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Issuer and its inhabitants, and, if the refunding of any then-Outstanding Bonds Similarly Secured (in whole or in part) produces an aggregate net present value debt service savings, then the Designated Financial Officer's certificate identified in subpart (3) above shall not be required as a condition to the issuance of such refunding obligations (notwithstanding the fact that, upon issuance, such refunding obligations shall be Bonds Similarly Secured for all purposes). All calculations of principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Parity Bonds then proposed to be issued.

B. *Inferior Lien Obligations.* Obligations payable from and secured by an inferior and subordinate lien on and pledge of all or part of any portion of the revenues constituting Pledged Revenues may be issued, at the Issuer's option, for any lawful purpose. Such inferior obligations shall have the characteristics and be subject to the terms and conditions as determined by the Issuer.

SECTION 6.02 *Records and Accounts; Annual Audit.*

The Issuer hereby agrees, covenants, and reaffirms that so long as any Bonds, or any interest thereon, remain Outstanding and unpaid, a proper and complete set of records and accounts pertaining to the Pledged Revenues shall be kept and maintained separate and apart from all other records and accounts of the Issuer, and that the holder or holders of any of the Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto and to inspect such records and accounts. The Issuer shall, so far as practicable and to the extent consistent with the provisions of this Resolution, keep its books and records in the manner prescribed by State law. It is further agreed that as soon after the close of each Fiscal Year as may reasonably be done, the Issuer will cause an annual audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountants, shall reflect the revenues and expenses of the Issuer for said Fiscal Year, and the assets, liabilities, and financial condition of the Issuer (in reasonable detail) at the close of such Fiscal Year.

SECTION 6.03 *Special Covenants and Representations.*

The Issuer hereby further warrants and covenants that:

A. *Lawful Pledge.* It has the lawful power to pledge the Pledged Revenues supporting the Bonds in the manner herein provided and has lawfully exercised said power under the laws of the State, including said power existing under the Act, and any Additional Parity Bonds, when issued, shall be equally and ratably secured under said pledge of Pledged Revenues in such manner that one bond shall have no preference over any other bond of said issues. The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Issuer in accordance with their terms and the terms of this Resolution, subject only to principles

of sovereign immunity and any applicable bankruptcy or insolvency laws or to any laws affecting creditors' rights generally.

B. *No Inconsistent Liens.* Other than for the payment of the Bonds or any Additional Parity Bonds or other obligations issued pursuant to the terms of the Resolution, the Pledged Revenues pledged herein will not, as of the Closing Date, in any manner be pledged to the payment of any Debt or obligation of the Issuer, except to the extent that certain reimbursement agreements, indemnity agreements, credit facility agreements, and other financial or contractual arrangements which have been or may be entered into by the Issuer grant a subordinate and inferior lien on and pledge of such revenues to secure the payment obligations of the Issuer under these agreements, which liens are subordinate and inferior to the lien thereon and pledge thereof securing the payment of, the debt service requirements on the Bonds and any other provision of this Resolution.

C. *The ATD Tax.* (1) As the source of the ATD Share, the Board hereby represents that it has duly complied with the provisions of the ATD Act for the imposition and collection of the ATD Tax at the rate approved at the ATD Election, and such ATD Tax is being imposed within the boundaries of the Issuer and the receipts of such ATD Tax are being remitted to the ATD by the Comptroller of Public Accounts of the State on a monthly basis. The Issuer agrees to take and pursue all action legally permissible to cause the ATD Tax to be collected and remitted and disbursed as required by the ATD Act and the ATD Election at the earliest and most frequent times permitted by applicable law.

(2) As required by the ATD Act, the ATD Election, and (as applicable) the agreement, as amended from time to time, between the County and the Issuer pursuant to which the Issuer transfers the Local Share to the County, the Issuer upon its receipt of the ATD Tax is (1) retaining the ATD Share and using the same for authorized purposes, (2) transferring to the City the Participating Unit Share, and (3) transferring to the County the Local Share.

(3) While any Bonds are Outstanding, the Issuer covenants, agrees and warrants to take and pursue all action permissible to cause the ATD Tax to be imposed and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the ATD Tax or rate of tax below the rate stated provided at the ATD Election to be ordered or permitted while any Bonds shall remain Outstanding.

(4) If hereafter authorized by law to apply, impose and levy the ATD Tax on any taxable items or transactions that are not subject to the ATD Tax on the date of the adoption hereof, to the extent it legally may do so, the Issuer agrees to take such action as may be required to subject such taxable items or transactions to the ATD Tax.

D. *Defense of Lien.* The Issuer shall at all times, to the extent permitted by applicable law, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever.

E. *Benefit of Lien.* The provisions, covenants, pledge and lien on and against the Pledged Revenues, as herein set forth, are established and shall be for the equal benefit, protection

and security of the owners and holders of Bonds Similarly Secured without distinction as to priority and rights under this Resolution.

F. *Special Obligations.* The Bonds Similarly Secured shall constitute limited and special obligations of the issuer, payable solely from, and equally and ratably secured by a parity pledge of and lien on, the Pledged Revenues, and not from any other revenues, properties or income of the Issuer (including, but not limited to, any portion of the Local Share) or any funds of the County.

SECTION 6.04 *Security of Funds.*

All money on deposit in the funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 6.05 *Remedies in Event of Default.*

The Issuer will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution; it will promptly pay or cause to be paid the principal amount of and interest on all Bonds Similarly Secured, on the dates and in the places and manner prescribed in this Resolution; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the funds and accounts as provided in accordance with this Resolution.

In addition to all the rights and remedies provided by the laws of the State, the Issuer covenants and agrees particularly that in the event the Issuer (1) defaults in the payments to be made to the debt service accounts or (2) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition, or obligation prescribed in this Resolution. The Bonds, or the indebtedness evidenced thereby, is not subject to acceleration in the event of default by the Issuer.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 6.06 *Federal Income Tax Matters.*

The Issuer does not intend to issue the Bonds in a manner such that the Bonds would constitute obligations described in section 103(a) of the Internal Revenue Code of 1986 (the *Code*) and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

APPENDIX B

The information contained in this appendix consists of certain audited
FINANCIAL STATEMENTS OF VIA METROPOLITAN TRANSIT AUTHORITY

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019.

With respect to audited information presented within this Official Statement, Baker, Tilly, Virchow, Krause, LLP, auditor for the Authority and the District, has not been engaged to perform, and has not performed, since the date of its report and/or audited data included herein, any procedures on the financial statements addressed in that report and/or audited data. Further, Baker, Tilly, Virchow, Krause, LLP also has not performed any procedures relating to this Official Statement.

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VIA Metropolitan Transit

San Antonio, Texas

**Financial Statements and
Independent Auditors' Report**

September 30, 2019 and 2018

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VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
VIA Metropolitan Transit
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of VIA Metropolitan Transit, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise VIA Metropolitan Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VIA Metropolitan Transit as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis, as required by the Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State of Texas *Uniform Grant Management Standards* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 5, 2020, on our consideration of VIA Metropolitan Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VIA Metropolitan Transit's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Austin, Texas
March 5, 2020

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - *unaudited*

**Required Supplementary Information -
Unaudited**

Management's Discussion and Analysis

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - *unaudited*

Management's Discussion and Analysis

The following Management's Discussion and Analysis of VIA Metropolitan Transit's ("VIA") activities and financial performance are provided as an introduction to the financial statements for the fiscal year ("FY") ending September 30, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with information contained in the financial statements that follow this section.

Financial Highlights

- As of September 30, 2019 and 2018, VIA's total assets and deferred outflows of resources of VIA exceeded total liabilities and deferred inflows of resources by \$270.4M and \$276.2M respectively. VIA's net investment in capital assets is the largest component of these net position balances, accounting for \$252.7M of the current year balance and \$245.9M of the prior year balance.

The net position of VIA decreased by \$5.8M in FY19 and decreased by \$13.9M in FY18. The decrease in FY19 is due to expenses exceeding revenue and capital contributions. The \$13.9M decrease in FY18 is comprised of a \$28.2M decrease from implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and an \$14.3M increase from all other items. The \$28.2M decrease is reflected as a FY18 beginning balance adjustment to unrestricted net position. Excluding the impact of the beginning net position adjustment from implementing the GASB Statement No. 75, the net position increase is attributable to revenue and capital contributions exceeding expenses.

- Operating revenues are \$22.2M in FY19, down \$0.4M from the prior year, and in the prior year, operating revenues decreased by \$0.5M. In both years, the decrease is attributable to lower bus line fare revenues resulting from lower ridership, consistent with a national trend.
- Net nonoperating revenues/(expenses) are \$243.2M in FY19, up \$26.2M from the prior year, with the prior year up \$14.0M. In FY19, the increase was driven by higher sales taxes, up \$10.3M due to a growing economy (net after adjusting for amounts paid to the City of San Antonio and Bexar County), and higher grant reimbursements, up \$8.8M. In the prior year, the change was driven by higher sales taxes, up a net of \$10.5M due to economic growth.
- VIA's net sales tax revenue, which is the largest component of nonoperating revenue, is \$196.3M in FY19 and \$186.0M in FY18. In the current year, total sales taxes were \$232.5M, of which \$36.2M was for ATD entities other than VIA, and in the prior year, total sales taxes were \$220.3M, of which \$34.3M was for ATD entities other than VIA. ATD sales taxes returned to the community through the City of San Antonio (CoSA), the Texas Department of Transportation (TxDOT), and Bexar County are used for street improvements and to complete highway projects in the local area more quickly. Bexar County and TxDOT have used ATD funds to accelerate highway projects such as on Loop 1604 and U.S. 281.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - *unaudited*

- Operating expenses including depreciation are \$271.0M in FY19, an increase of \$20.7M (8.3%) in the current year, compared to an increase of \$11.4M (4.8%) in the prior year. In the current year, the increase is primarily attributable to the following: wages/FICA, up \$7.8M due to added bus service and a 3% wage increase; depreciation expense, up \$2.3M due to the purchase of new CNG buses, and purchased transportation, up \$2.0M due to higher costs under a new contract along with new VIA Link mobility-on-demand service. Together, these items account for \$12.1M (58%) of the variance. Other items contributing to the variance are discussed below under “Expenses”.
- Total capital/cash reserves and working capital (which equals cash, cash equivalents, and investments) increased by \$4.5M in the current year and decreased by \$73.7M in the prior year. As of September 30, 2019 and 2018, the balances were \$159.6M and \$155.1M, respectively. The current year increase was driven by a \$25.4M decrease in VIA’s federal grants receivable account, as VIA successfully worked to draw down balances on open grants. This impact was partially offset by other items, with the largest being a \$17.3M decrease in TxDOT grant funds, as those funds were spent on projects against which the funds were programmed. The prior year decrease was driven mainly by the a \$41.8M decrease in the bond construction fund (used for purchase of new CNG buses), and \$13.3M decrease in TxDOT grant funds (for spending on eligible projects).
- As of September 30, 2019, VIA’s stabilization fund and working capital reserve are each at Board policy level, which is to have a balance adequate to cover 60 days of operating expenses. The year-end balance in each reserve is \$39.3M. At the end of the prior year, the stabilization fund was fully funded and had a balance of \$39.3M, while the working capital reserve balance was \$24.1M (37 days) due mainly to cash flow timing (higher federal receivable balance than usual).
- VIA spent \$34.7M on capital projects in FY19 and \$77.2M in FY18. In FY19, Brooks Transit Center, SW High-Capacity Transit (Primo), and new CNG buses accounted for most of the spending. In the prior year, new buses accounted for most of the spending.

Overview of the Financial Statements

The financial statements consist of two parts: Management’s Discussion and Analysis prepared by VIA, and the Financial Statements, notes and required supplementary information audited and other supplementary information by the external audit firm. VIA uses accounting methods similar to those used by private sector companies. Note 1 in the Financial Statements gives details concerning the use of proprietary fund accounting for governmental entities.

Required Financial Statements

VIA adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* – effective October 1, 2017. Therefore, the beginning net position balance for FY18 is \$28.2M lower than the ending net position balance for FY17. VIA has elected to use a measurement date for the OPEB liability that is based on the end of the previous year.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - *unaudited*

The Statement of Net Position includes all of the assets and liabilities of VIA, and the deferred inflows and outflows of resources. The Statement of Net Position provides information about the nature of the resources (assets), obligations to creditors (liabilities), and deferred outflows and inflows. The assets and liabilities are presented in a format that distinguishes between current and long-term categories. Over time, changes in net position may be a useful indicator of whether the financial position of VIA is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position analyze VIA's operations over the past year and provides comparative information for the previous fiscal year. The statements illustrate VIA's ability to cover operating expenses with revenues received during the same year.

The Statements of Cash Flows are the final required financial statements. These statements provide information on the cash receipts, cash payments, and net changes in cash resulting from operations and investment activities.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found in the section following the Statements of Cash Flows.

Financial Analysis

The Basic Financial Statements discussed above report information about VIA's financial activities in a way that helps the reader determine if VIA is better off or worse off as a result of the fiscal year's activities. The statements show the difference between assets and deferred outflows and liabilities and deferred inflows over time and are one way to measure the financial health of the system. Other nonfinancial factors such as changes in economic conditions, population growth, regulations and new or revised government legislation must also be taken into consideration when attempting to assess the financial condition of VIA.

A condensed Statement of Net Position is found on the following page. To see more detail, refer to the basic financial statements which follow this section.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - *unaudited*

Condensed Statement of Net Position Information

(in Millions of Dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 156.1	\$ 157.6	\$ 187.4
Capital assets	401.7	404.7	362.0
Other noncurrent assets	53.9	71.2	106.6
Total assets	<u>\$ 611.7</u>	<u>\$ 633.5</u>	<u>\$ 656.0</u>
Deferred outflows of resources	42.7	23.0	24.6
Total assets and deferred outflows of resources	<u>\$ 654.4</u>	<u>\$ 656.5</u>	<u>\$ 680.6</u>
Current liabilities	\$ 45.6	\$ 53.2	\$ 75.2
Long-term liabilities	322.6	315.6	308.2
Total liabilities	<u>\$ 368.2</u>	<u>\$ 368.8</u>	<u>\$ 383.4</u>
Deferred inflows of resources	15.8	11.5	7.2
Total liabilities and deferred inflows of resources	<u>\$ 384.0</u>	<u>\$ 380.3</u>	<u>\$ 390.6</u>
Net position			
Net investment in capital assets	\$ 252.7	\$ 245.9	\$ 211.5
Restricted	55.2	78.6	91.9
Unrestricted	(37.5)	(48.3)	(13.3)
Total net position	<u>\$ 270.4</u>	<u>\$ 276.2</u>	<u>\$ 290.1</u>

Total net position may serve, over time, as a useful indicator of an entity's financial position. At the end of FY19, VIA's net position was \$270.4M. A significant portion of VIA's net assets in all years reported is represented by capital assets (revenue vehicles, passenger stations and shelters, service vehicles, land and equipment). These capital assets are used by VIA to provide public transportation services.

Net position decreased by \$5.8M in FY19, going from \$276.2M to \$270.4M. Net investment in capital assets is up \$6.8M, restricted net position is down \$23.4M, and unrestricted net position is up \$10.8M. The increased net investment in capital assets is driven by VIA's capital spending on projects including the SW High-Capacity Transit project (Primo), new CNG buses, and Brooks Transit Center. Restricted net position is down mainly due to spending of TxDOT grant funds. Unrestricted net position is up due to the net impact of other activity.

In FY18, net position decreased by \$13.9M, going from \$290.1M to \$276.2M. Net investment in capital assets was up \$34.4M, restricted net position was down \$13.3M, and unrestricted net position was down \$35.0M. The increased investment in capital assets and the decrease in restricted funds were driven by the purchase of new CNG buses. Unrestricted net position was down mainly due to a \$33.2M OPEB liability that VIA booked to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

VIA Metropolitan Transit

San Antonio, Texas

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Net capital assets decreased by \$3.0M in FY19, going from \$404.7M to \$401.7M. This resulted from asset acquisitions of \$34.7M, net deletions of \$0.9M, depreciation of \$36.8M (excluding accumulated depreciation impact included in net deletions). The \$34.7M increase in asset acquisitions is comprised of: buildings and shelters, \$21.0M; revenue and service vehicles, \$9.9M; and equipment, \$3.8M.

In FY18, net capital assets increased by \$42.7M, going from \$362.0M to \$404.7M. This resulted from asset acquisitions of \$77.2M (including work-in-progress), net deletions of \$0.1M, and depreciation of \$34.4M (excluding accumulated depreciation impact included in net deletions). The \$77.2M increase in asset acquisitions is comprised of: revenue and service vehicles, \$44.6M; buildings and shelters, \$28.9M; and equipment \$3.7M.

Revenues, Expenses and Changes in Net Position Information

Condensed information on revenues, expenses, and changes in net position information provide additional information on the changes in VIA's financial position and is presented below:

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Revenues, Expenses and Changes in Net Position

(in Millions of Dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Passenger revenues	\$ 20.2	\$ 20.6	\$ 21.2
Bus advertising and other	2.0	2.0	1.9
Total operating revenues	<u>22.2</u>	<u>22.6</u>	<u>23.1</u>
Operating expenses:			
Line service	179.9	165.5	165.7
Line disaster relief	0.0	0.0	0.2
Robert Thompson Terminal	0.7	0.5	0.5
Other special events	0.5	0.7	0.5
VIATrans	45.6	42.1	40.1
VIA Link	0.4	0.0	0.0
Vanpool	0.6	0.6	0.6
Promotional service	0.1	0.1	0.1
Business development and planning	6.5	6.4	6.7
Real estate development	0.0	0.0	0.0
Transit technology	0.0	0.0	0.5
Depreciation	36.7	34.4	24.0
Total operating expenses	<u>271.0</u>	<u>250.3</u>	<u>238.9</u>
Operating loss	(248.8)	(227.7)	(215.8)
Nonoperating revenues (expenses):			
Sales taxes	232.5	220.3	207.9
Grants reimbursement - VIA	39.3	30.5	29.0
Grants reimbursement - pass-through	2.1	0.8	1.6
Investment income/(loss)	4.0	1.9	1.4
CoSA intergovernmental revenue	10.0	4.3	0.0
Bond interest and issuance costs	(5.5)	(5.8)	(5.6)
Gain/(loss) on sale of assets	(0.9)	0.2	2.6
Less amounts remitted to CoSA and Bexar County	(36.2)	(34.3)	(32.4)
Less pass-through funds remitted to subrecipients	(2.1)	(0.9)	(1.5)
Total nonoperating revenues/(expenses)	<u>243.2</u>	<u>217.0</u>	<u>203.0</u>
Loss before capital contributions	(5.6)	(10.7)	(12.8)
Capital contributions	(0.2)	25.0	25.8
Change in net position	(5.8)	14.3	13.0
Net position at beginning of year, as restated (*)	<u>276.2</u>	<u>261.9</u>	<u>277.1</u>
Net position at end of year	<u>\$ 270.4</u>	<u>\$ 276.2</u>	<u>\$ 290.1</u>

(*) Due to VIA's adoption of GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) in 2018, the beginning net position balance for FY18 is \$28.2M lower than the ending net position balance in FY17.

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As shown on the statement of Revenues, Expenses, and Changes in net position, VIA's net position decreased by \$5.8M in Fiscal Year 19. Capital contributions were -\$0.2M, which is the net of \$1.3M received from the Federal Transit Administration for capital projects less \$1.5M of funds received from TxDOT in FY16 that were returned to TxDOT (in FY16, TxDOT contributed \$9M to VIA to be used for various capital projects). The \$1.5M contributed to TxDOT is to help fund construction of a park and pool facility along the NE IH 35 corridor between FM 1103 and Schwab Road.

In FY18, VIA's net position decreased by \$13.9M. Capital contributions were \$25.0M. In FY18, all of the capital contributions are grant funds received from the Federal Transit Administration that VIA used for capital projects.

Operating Revenues

In FY19, operating revenues are \$22.2M, down \$0.4M (1.8%) from the prior year. This result is due to lower line revenue, down slightly due to lower ridership. Lower bus ridership has been a national trend in recent years.

In FY18, operating revenues were \$22.6M, down \$0.5M (2.2%) from the prior year. This result is due to lower line revenue, reflecting lower ridership.

Net Nonoperating Revenues/(Expenses)

In FY19, VIA's net nonoperating revenues/(expenses) increased by \$26.2M (12.1%). Sales taxes are up \$10.3M (5.6%), as the San Antonio economy improved, with the growth rate higher than in the previous year (this \$10.3M variance is based on total sales taxes, net of amounts distributed to ATD entities other than VIA). VIA's grant revenue is up just slightly from the prior year.

In FY18, VIA's net nonoperating revenues/(expenses) increased by \$14.0M (6.9%). Sales taxes were up \$10.5M (6.0%), as the San Antonio economy improved, with the growth rate higher than in the previous year (this \$10.5M variance is based on total sales taxes, net of amounts distributed to ATD entities other than VIA). VIA's grant revenue is up just slightly from the prior year.

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VIA's total revenues were \$271.9M in FY19 (and \$245.1M in FY18), as detailed in the chart below:

2019 Total Revenues by Major Category

	<u>MTA</u>	<u>ATD</u>	<u>Total</u>
Operating revenues:			
Line service	\$ 15,414,524	\$ 2,682,064	\$ 18,096,588
Robert Thompson Terminal	71,168	-	71,168
Other special events	106,386	-	106,386
VIAtrans	1,912,340	-	1,912,340
VIA Link	11,869	-	11,869
Real estate development	557,273	-	557,273
Ellis Alley Park and Ride	13,805	-	13,805
Bus advertising	1,021,564	-	1,021,564
Miscellaneous	455,673	-	455,673
Total operating revenues	<u>19,564,602</u>	<u>2,682,064</u>	<u>22,246,666</u>
Nonoperating revenues:			
Sales taxes	160,092,754	72,449,596	232,542,350
Grants reimbursement - VIA	39,285,411	-	39,285,411
Grants reimbursement - pass-through	2,071,336	-	2,071,336
Investment income (loss)	3,582,452	426,254	4,008,706
Less amounts remitted to CoSA and Bexar County	-	(36,224,798)	(36,224,798)
Less pass-through funds remitted to subrecipients	(2,071,336)	-	(2,071,336)
CoSA intergovernmental revenue	10,000,000	-	10,000,000
Total nonoperating revenues	<u>212,960,617</u>	<u>36,651,052</u>	<u>249,611,669</u>
Total revenues	<u>\$ 232,525,219</u>	<u>\$ 39,333,116</u>	<u>\$ 271,858,335</u>

Expenses

In FY19, operating expenses are \$271.0M, an increase of \$20.7M (8.3%). The increase is primarily attributable to the following: wages/FICA, +\$7.8M; depreciation expense, +\$2.3M; purchased transportation, +\$2.0M; advertising, +\$1.7M; pension plans, +\$1.7M; VIAcare, +\$1.6M; and materials & supplies, +\$1.6M. Wages are up due to added bus service and a 3% wage increase. Depreciation expense is up due to new environmentally-friendly compressed natural gas (CNG) buses that VIA recently purchased. Purchased transportation costs increased due to higher costs under a new contract as well as new VIA Link mobility-on-demand service. Advertising was up due to efforts to promote VIA. Pension expense was up due mainly to the impact of assumption changes (mainly a lower assumed rate of return). VIAcare, which is VIA's healthcare program, was up due to higher claims, and materials & supplies were up due to added service.

In FY18, operating expenses are \$250.3M, an increase of \$11.4M (4.8%). The increase is mainly attributable to depreciation expense, up \$10.4M, due to VIA's purchase of new CNG buses. The remaining \$1.0M increase is mainly attributable to higher wages and OPEB expense, partially offset by lower fuel & lubricants and pension expense, as discussed under Financial Highlights.

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Long-Term Debt

In FY19 and FY18, VIA did not issue any debt. At the end of FY19 VIA has three bond issues outstanding, and at the end of FY18, VIA had four bond issues outstanding. In FY19, VIA made the last debt service payment on \$3.2M of contractual obligations issued in FY12. Additional information on VIA's debt can be found in Note 12 of VIA's financial statements.

Capital Assets

At the end of FY19, VIA has \$401.7M in net capital assets, a decrease of \$3.0M from the prior fiscal year-end balance of \$404.7M. The \$3.0M net change resulted from the following: fixed assets before depreciation and construction in progress ("CIP") increased by \$7.2M (to a balance of \$680.0M); accumulated depreciation increased by \$21.3M (to a balance of \$342.4M); construction in progress increased by \$11.1M (to a balance of \$64.1M). VIA's investment in capital assets includes land, buildings, revenue vehicles, service vehicles, communications technology, information technology, maintenance equipment and other miscellaneous equipment. The assets have been purchased with federal and local funds.

The \$7.2M increase in fixed assets value before depreciation, construction in progress, and the allowance reflects the net of \$9.8M in asset additions, \$16.4M in asset disposals, and \$13.8M in transfers from CIP. The asset category accounting for the largest balance change is revenue vehicles, up \$9.8M, due to the purchase of new CNG Primo buses (other categories each round to zero).

CIP increased by \$11.1M, with \$24.9M in CIP additions and \$13.8M in transfers out (to fixed assets). Buildings and shelters are up \$13.8M, revenue and service vehicles are down \$1.8M, and equipment is down \$0.9M, as CIP was transferred to fixed assets.

At the end of FY18, VIA had \$404.7M in net capital assets, an increase of \$42.7M over the prior fiscal year-end balance of \$362.0M. The \$42.7M net change resulted from the following: fixed assets before depreciation and construction in progress ("CIP") increased by \$54.2M (to a balance of \$672.8M); accumulated depreciation decreased by \$27.9M (to a balance of \$321.1M); and construction in progress decreased by \$39.4M (to a balance of \$53.0M).

Readers of this document that desire a more detailed overview of capital asset activity should refer to the notes to the financial statements section of this report. Note 1.G defines the accounting policies related to capital assets and note 6 gives details of the components of capital asset categories.

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Capital Assets (in Millions of Dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 33.3	\$ 33.3	\$ 33.1
Buildings and shelters	280.4	274.9	229.0
Revenue vehicles	299.9	292.6	294.7
Service vehicles	6.0	5.9	4.8
Equipment	<u>60.4</u>	<u>66.1</u>	<u>57.0</u>
Subtotal	680.0	672.8	618.6
Less accumulated depreciation	<u>342.4</u>	<u>321.1</u>	<u>349.0</u>
Net capital assets before construction in progress	<u>337.6</u>	<u>351.7</u>	<u>269.6</u>
Construction in progress:			
Buildings and improvements	55.4	41.6	63.4
Revenue and service vehicles	0.2	2.0	16.5
Equipment	<u>8.5</u>	<u>9.4</u>	<u>12.5</u>
Total construction in progress	<u>64.1</u>	<u>53.0</u>	<u>92.4</u>
Net capital assets	<u>\$ 401.7</u>	<u>\$ 404.7</u>	<u>\$ 362.0</u>

Economic Factors and Outlook for Fiscal Year 2020

Economic factors and the outlook for FY20 are favorable. Sales tax receipts are expected to be solid, and VIA expects to make significant progress on enhancing the customer experience and planning for the future.

Economic Factors

VIA's financial results are significantly impacted by sales taxes, since these account for approximately 75% of VIA's revenues. VIA's budgeted FY20 sales tax revenue reflects a 3.5% increase over the forecasted FY19 total, and a 2.7% increase over actual FY19 sales taxes. Actual results for 2019 came in slightly higher than forecast. Actual sales tax receipts for 2019 were up 5.7% from 2018, reflecting a strong economy.

The San Antonio-New Braunfels metro area will grow at about the national rate over the coming year, led by construction, according to Moody's Analytics. Longer term, the metro area's above-average population gains, low costs of doing business, and relatively high housing affordability should contribute to above-average overall performance.

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FY20 Initiatives

VIA's budget focuses on the strategic outcomes of increasing ridership and delivering "VIA Reimagined." The VIA Reimagined Plan includes delivering a better bus system with smart transit solutions while designing an Advanced Rapid Transit Network. Four areas will be targeted:

- Providing valuable service
- Enhancing the customer experience
- Fostering meaningful engagement
- Planning for the future

VIA's approved \$249.4M operating budget supports a robust program of strategic investments to improve the customer experience while maintaining fares at current levels, adding nearly 3% more line service, a second pilot of VIA Link on-demand service, and introducing new goCard fare technology.

VIA's FY20 capital budget includes funds for new 38 buses and 62 new paratransit vans. The buses VIA will be purchasing in FY20 include 30 new CNG buses and 8 electric buses. The electric buses should provide very useful information about electric vehicles under revenue service conditions, as VIA continues to examine zero emissions technology. VIA's capital budget also includes funds to replace 62 paratransit vehicles in FY20, although VIA is now planning to accelerate by one year the purchase of an additional 62 vans programmed in FY21. Bonds will be used to help fund the purchase.

VIA will continue to build/rehabilitate facilities, design facilities, develop/continue partnership projects, and conduct studies/assessments. VIA will continue bus stop improvements and shelter installation beyond the 1,000 new shelters milestone recently reached. Solar-powered lighting will be installed at 250 new shelters over the next five years. Investments will be made in new facilities including design of a Paratransit Operations & Maintenance Facility, Randolph Park & Ride, and Naco Pass Mobility Hub. Partnership projects that will be pursued include the Robert Thompson Transit Center and Scobey Complex. Studies/assessments slated for FY20 include Advanced Rapid transit network planning (project development/environmental analysis), and planning for a new Bus Operations and Maintenance Facility.

VIA continually works to help ensure that it utilizes new and modern technologies, and in FY20 will be introducing smart cards. Smart cards will allow customers to tap their cards to pay fares when boarding buses, enabling quicker and more convenient boarding. VIA will continue to promote use of goMobile, a mobile phone app implemented in FY17 that customers can use to purchase fare products. Sales from the new app have been solid.

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Through the VIA Vision 2040 Long-Range Plan, VIA identified corridors for further study to implement rapid transit services. In 2018, VIA identified 6 alignments to be phased in over the next 25 years, and will advance project development of the first phase, which is planned for a 2028 opening. These 6 alignments come together to form the Advanced Rapid Transit (ART) Network with the first phase including 2 corridors – North Central and South Central. The development of the ART Network supports the land use vision established by the City of San Antonio in its 2016 Comprehensive Plan, SA Tomorrow. SA Tomorrow acknowledges that by 2040, Bexar County is projected to add over 1.1 million people and 500,000 jobs.

FY20 will be a year of significant progress for VIA, as the vision of a multimodal transit system for the San Antonio region continues to develop, and investments are made in transit system assets and improvements throughout the region. VIA is in sound financial position as of the end of FY19, with the Stabilization Fund (“Rainy Day” Fund) and working capital both at the Board policy level of 60 days. Projections over the five-year planning horizon show that VIA will continue to be in sound financial position and will be able to deliver significant transportation system improvements to San Antonio.

Requests for Information

This financial report is designed to provide our patrons and other interested parties with a general overview of the financial condition of VIA. If you have questions about this report or need additional financial information, please contact VIA’s Public Affairs Division at (210) 362-2370.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Basic Financial Statements

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Statements of Net Position

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,412,154	\$ 44,139,488
Investments	37,782,319	31,081,470
Accounts receivable:		
Federal government	3,478,033	28,851,377
State of Texas - sales taxes	38,855,865	31,168,857
Interest	38,531	55,601
Other, net	3,154,280	3,521,866
Inventory	4,816,864	4,205,220
Prepaid expenses and other current assets	70,833	43,182
Restricted assets:		
Restricted cash - bond fund	2,503,201	3,011,256
Restricted investments - sales tax payable	-	5,735,040
State of Texas Receivable - sales taxes	-	5,738,415
Total current assets	<u>156,112,080</u>	<u>157,551,772</u>
Noncurrent assets:		
Prepaid expenses	-	28,720
Restricted cash - TxDOT grant	30,715,256	19,308,423
Restricted cash - bond reserve fund	2,927,724	2,896,843
Restricted investments - TxDOT grant	20,259,354	48,955,248
Capital assets:		
Land	33,334,256	33,334,256
Buildings and shelters	280,433,405	274,929,969
Revenue vehicles	299,903,960	292,554,191
Service vehicles	5,966,597	5,922,368
Equipment	60,373,297	66,041,310
Total capital assets	<u>680,011,515</u>	<u>672,782,094</u>
Less accumulated depreciation	342,425,987	321,091,169
Construction in progress	64,118,426	53,036,535
Net capital assets	<u>401,703,954</u>	<u>404,727,460</u>
Total noncurrent assets	<u>455,606,288</u>	<u>475,916,694</u>
Total assets	<u>611,718,368</u>	<u>633,468,466</u>
Deferred outflows of resources		
Pension	33,777,400	14,632,916
Postemployment benefits other than pension	8,931,903	8,407,325
Total deferred outflows of resources	<u>42,709,303</u>	<u>23,040,241</u>
Total assets and deferred outflows of resources	<u>\$ 654,427,671</u>	<u>\$ 656,508,707</u>

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2018 and 2017

	2019	2018
Liabilities		
Current liabilities:		
Accounts payable	\$ 12,946,461	\$ 17,123,089
Payable to CoSA and Bexar County	6,054,909	-
Retainage payable	1,765,141	2,925,232
Accrued liabilities	7,110,082	7,379,929
Unearned revenue	2,353,759	2,056,684
Claims payable	7,736,637	8,042,214
Current liabilities payable from unrestricted assets	37,966,989	37,527,148
Current liabilities payable from restricted assets:		
Payable to CoSA and Bexar County	-	5,735,040
Interest payable	1,256,845	1,324,644
Bonds payable	6,390,000	8,565,000
Total current liabilities	45,613,834	53,151,832
Noncurrent liabilities:		
Net pension liability	142,423,315	129,447,516
Net other postemployment benefits (OPEB) liability	35,052,366	33,240,334
Long-term liabilities	145,163,966	152,952,221
Total noncurrent liabilities	322,639,647	315,640,071
Total liabilities	368,253,481	368,791,903
Deferred inflows of resources		
Pension	15,739,012	11,438,868
Postemployment benefits other than pension	71,095	101,120
Total deferred inflows of resources	15,810,107	11,539,988
Total liabilities and deferred inflows of resources	384,063,588	380,331,891
Net position		
Net investment in capital assets	252,726,157	245,849,541
Restricted sales tax	-	5,738,415
Restricted debt service	1,246,356	1,686,611
Restricted TXDOT grant	50,974,610	68,263,671
Restricted bond reserve fund	2,927,724	2,896,843
Unrestricted	(37,510,764)	(48,258,266)
Total net position	270,364,083	276,176,816
Total liabilities, deferred inflows and net position	\$ 654,427,671	\$ 656,508,707

The accompanying notes are an integral part of these statements.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Statements of Revenues, Expenses, and Changes in Net Position

	For Fiscal Year Ended	
	2019	2018
Operating revenues:		
Line service	\$ 18,096,588	\$ 18,369,534
Robert Thompson Terminal	71,168	77,468
Other special events	106,386	178,001
VIAtrans	1,912,340	1,999,596
VIA Link	11,869	-
Real estate development	557,273	577,989
Ellis Alley Park and Ride	13,805	7,752
Bus advertising	1,021,564	950,635
Miscellaneous	455,673	416,518
Total operating revenues	<u>22,246,666</u>	<u>22,577,493</u>
Operating expenses:		
Line service	179,874,538	165,548,929
Robert Thompson Terminal	710,668	499,524
Other special events	495,404	670,088
VIAtrans	45,611,738	42,097,730
VIA Link	375,020	-
Vanpool	604,486	597,442
Promotional service	70,002	65,106
Real estate development	1,051	801
Business development and planning	6,598,704	6,468,225
Total operating expenses before depreciation	<u>234,341,611</u>	<u>215,947,845</u>
Depreciation on capital assets:		
Acquired with VIA equity	18,701,422	18,166,762
Acquired with grants	18,001,553	16,195,762
Total operating expenses after depreciation	<u>271,044,586</u>	<u>250,310,369</u>
Operating loss	<u>(248,797,920)</u>	<u>(227,732,876)</u>
Nonoperating revenues (expenses):		
Sales taxes	232,542,350	220,294,591
City of San Antonio intergovernmental agreement	10,000,000	4,300,000
Grants revenue - VIA	39,285,411	30,500,898
Grants revenue - pass-through	2,071,336	815,948
Investment income	4,008,706	1,861,966
Bond interest and issuance costs	(5,539,802)	(5,774,084)
Gain (loss) on sale of assets	(912,121)	218,743
Less pass-through funds remitted to subrecipients	(2,071,336)	(897,060)
Less amounts remitted to CoSA and Bexar County	(36,224,798)	(34,311,703)
Total nonoperating revenues (expenses) - net	<u>243,159,746</u>	<u>217,009,299</u>
Loss before capital contributions	<u>(5,638,174)</u>	<u>(10,723,577)</u>
Contributed capital	1,982,641	25,026,811
Contributed capital return	(2,157,200)	(59,231)
Change in net position	<u>(5,812,733)</u>	<u>14,244,003</u>
Net position at beginning of year	<u>276,176,816</u>	<u>261,932,813</u>
Net position at end of year	<u>\$ 270,364,083</u>	<u>\$ 276,176,816</u>

The accompanying notes are an integral part of these statements.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Statements of Cash Flows

	For Fiscal Year Ended	
	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 22,338,868	\$ 23,143,989
Cash payments to vendors for goods and services	(67,933,436)	(58,085,238)
Cash payments for employee services, including salaried fringe benefits	(169,592,898)	(165,756,523)
Net cash provided by (used in) operating activities	<u>(215,187,466)</u>	<u>(200,697,772)</u>
Cash flows from noncapital financing activities		
Sales taxes	230,591,864	218,957,197
Grants revenue received	43,338,067	30,087,557
Payments to TxDOT, CoSA and Bexar County	(35,900,021)	(34,126,771)
CoSA interlocal agreement	10,000,000	4,300,000
Net cash provided by (used in) noncapital financing activities	<u>248,029,910</u>	<u>219,217,983</u>
Cash flows from capital and related financing activities		
Proceeds from capital grants	21,001,882	13,464,219
Principal payments on bonds	(8,565,000)	(7,525,000)
Premium, interest and financing fees	(6,999,906)	(7,249,162)
Proceeds from sale of assets	-	218,743
Purchase of capital assets	(37,832,956)	(101,001,702)
Net cash provided by (used in) capital and related financing activities	<u>(32,395,980)</u>	<u>(102,092,902)</u>
Cash flows from investing activities		
Sale of investment securities	123,852,158	164,867,071
Purchase of investment securities	(95,255,444)	(141,239,387)
Interest earnings	3,159,147	2,842,043
Net cash provided by (used in) investing activities	<u>31,755,861</u>	<u>26,469,727</u>
Net increase (decrease) in cash and cash equivalents	<u>32,202,325</u>	<u>(57,102,964)</u>
Cash and cash equivalents at beginning of year	69,356,010	126,458,974
Cash and cash equivalents at end of year	<u>\$ 101,558,335</u>	<u>\$ 69,356,010</u>
Reconciliation of operating loss to net cash provided (used in) operating activities		
Operating loss	\$ (248,797,920)	\$ (227,732,875)
Adjustments to reconcile operating loss to net cash provided (used in) operating activities:		
Depreciation on capital assets:		
Acquired with VIA equity	18,701,422	18,166,762
Acquired with grants	18,001,553	16,195,762
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	211,932	415,360
Decrease (increase) in inventory	(611,536)	155,913
Decrease (increase) in prepaid expenses and other current assets	156,614	(210,110)
Decrease (increase) in prepaid pension	(16,289,851)	4,321,199
Decrease (increase) in prepaid other postemployment benefits	(529,324)	(6,267,529)
(Decrease) increase in accounts payable	(2,282,615)	(567,549)
(Decrease) increase in accrued liabilities	16,252,259	(5,174,705)
Net cash provided by (used in) operating activities	<u>\$ (215,187,466)</u>	<u>\$ (200,697,772)</u>
Reconciliation of cash and cash equivalents per statements of cash flows to the statements of net position		
Cash and cash equivalents at end of year:		
Unrestricted	\$ 65,412,154	\$ 44,139,488
Restricted - mandated purpose	36,146,181	25,216,522
Total cash and cash equivalents	<u>\$ 101,558,335</u>	<u>\$ 69,356,010</u>
Noncash investing and financing activities		
Change in fair value of investments reported as cash equivalents	\$ (1,155,920)	\$ (712,430)

The accompanying notes are an integral part of these statements.

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Notes to the Financial Statements

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Note 1 – Summary of Significant Accounting Policies

The financial statements of VIA Metropolitan Transit (VIA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of VIA's accounting policies are described below.

A. Reporting Entity

VIA Metropolitan Transit Authority (MTA)

VIA Metropolitan Transit Authority (MTA) was established on March 1, 1978, under the provisions prescribed in Article 1118x, Revised Civil Statutes of Texas (now codified as Chapter 451, Texas Transportation Code). As a public transit authority, VIA is to develop, maintain, and operate a public mass transportation system for the San Antonio Metropolitan Area, principally within Bexar County, Texas.

VIA is governed by an 11-member Board of Trustees (the "Board"), which has governance responsibilities over all activities related to VIA. Representatives of the Board are appointed by the City of San Antonio (CoSA), Bexar County Commissioners Court, and Suburban Council of Mayors. However, since members of the Board have the authority to make decisions, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters, VIA is not included in any other governmental "reporting entity", as defined by GASB codification in section 2100, *Defining the Financial Reporting Entity*.

Advanced Transportation District (ATD) Operations

ATD was approved by voters in November 2004 and began collecting sales taxes in April 2005. ATD's enabling legislation is Texas Transportation Code, Section 451, Subchapter O. CoSA voters also authorized ATD's imposition and collection of a sales and use tax in the amount of $\frac{1}{4}$ of 1% within CoSA (the "ATD Tax"), to be used for "Advanced Transportation" and "Mobility Enhancement" (as defined in Subchapter O) within its boundaries. One-half of the proceeds (1/8 of 1%) go to VIA (The "ATD Share"), one-fourth of the proceeds (1/16 of 1%) go to CoSA, and one-fourth of the proceeds (1/16 of 1%) go to "the Texas Department of Transportation (TxDOT), a county or municipality in which ATD is located, or a local government corporation created under Chapter 431 as the local share of a state or federal grant;" this third share has gone to TxDOT and Bexar County.

In accordance with Subchapter O, the ATD share must be for "Advanced Transportation", defined as follows:

"Advanced transportation" means light rail, commuter rail, fixed guideways, traffic management systems, bus ways, bus lanes, technologically advanced bus transit vehicles and systems, bus rapid transit vehicles and systems, passenger amenities, transit centers, stations, electronic transit-related information, fare and operating systems, high occupancy vehicle lanes, traffic signal prioritization and coordination systems, monitoring systems, and other advanced transportation facilities, equipment, operations, systems, and services, including planning, feasibility studies, operations, and professional and other services in connection with such facilities, equipment, operation, systems, and services.

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ATD is a financing vehicle, designed and existing to support and enhance the operations of and services provided by VIA. In accordance with Subchapter O, ATD does not have any employees, nor does it own or operate any property or assets. Section 451.707 states “The business of the district is conducted through its governing body and by the employees of the authority acting under the control and direction of the general manager of the authority.” Section 451.708 states that “an asset of the district shall be held in the name of the authority.”

ATD makes payments for VIA employee services rendered but has no employees. ATD bus routes are designated as those which are either limited stop or express routes. Bus operator time for limited stop and express bus routes is charged to ATD cost centers (ATD Line service or Bus Rapid Transit service). Additionally, related bus service costs such as fuel, bus parts, and materials and supplies are charged to ATD using bus service miles, along with various indirect costs allocated based on labor and fringes. ATD then reimburses MTA each month for these ATD expenses. Other ATD cost centers include Vanpool, ATD Business Planning & Development, and Transit Technology.

ATD has debt, but no assets. When MTA acquires assets funded with ATD debt, the asset is recorded on MTA’s books, but the cash payment comes from ATD; the offset for each entity is an equity transfer account.

The operations of ATD are not proprietary functions for any purpose, including the application of Chapter 101 of the Civil Practice and Remedies Code. In accordance with the governance of ATD, the Board of VIA shall act as the governing body of ATD and is responsible for the management, operations, and control of ATD. The business of ATD is conducted through its governing body and by the employees of MTA acting under the control and direction of the President/Chief Executive officer of MTA. Accordingly, the ATD is reported as a blended component unit of MTA.

ATD may enter into contracts with MTA, or other private or public entities, to conduct the business of ATD. ATD is presented as a blended component unit in accordance with GASB Codification Section 2100. The accompanying financial statements include the accounts and operations of ATD. All significant intercompany balances have been eliminated.

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The following are condensed financial statements for ATD:

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>
Current assets	\$ 33,138,026	\$ 28,814,775
Total assets	<u>33,138,026</u>	<u>28,814,775</u>
Liabilities		
Payable to MTA	2,575,553	2,881,010
Other current liabilities	7,246,534	6,892,765
Total current liabilities	9,822,087	9,773,775
Total long-term liabilities	31,629,903	32,790,643
Total liabilities	<u>41,451,990</u>	<u>42,564,418</u>
Net position:		
Net deficit investment in capital assets	(32,584,903)	(33,705,643)
Restricted	159,515	5,891,214
Unrestricted	24,111,424	14,064,786
Total net position	<u>\$ (8,313,964)</u>	<u>\$ (13,749,643)</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>
Operating revenues - line service	\$ 2,682,064	\$ 3,387,902
Operating expenses before depreciation	32,652,927	35,216,001
Operating loss	<u>(29,970,863)</u>	<u>(31,828,099)</u>
Nonoperating revenues (expenses):		
Sales taxes	72,449,596	68,623,406
Less amounts remitted to CoSA and Bexar County	(36,224,798)	(34,311,703)
Other nonoperating revenues (expenses)	(761,075)	(917,700)
Total nonoperating revenues (expenses) - net	<u>35,463,723</u>	<u>33,394,003</u>
Transfer out	(57,181)	(91,704)
Change in net position	5,435,679	1,474,200
Net position at beginning of year	(13,749,643)	(15,223,843)
Net position at end of year	<u>\$ (8,313,964)</u>	<u>\$ (13,749,643)</u>

Condensed Statements of Cash Flows

	<u>2019</u>	<u>2018</u>
Net cash provided by (used in) operating activities	\$ (30,279,335)	\$ (31,130,636)
Net cash provided by (used in) financing activities	35,900,013	34,126,770
Net cash provided by (used in) capital and related financing activities	(2,371,350)	(2,370,050)
Net cash provided by (used in) investing activities	5,632,704	(1,941,554)
Net increase (decrease) in cash and cash equivalents	8,882,032	(1,315,470)
Cash and cash equivalents at beginning of year	3,577,373	4,892,843
Cash and cash equivalents at end of year	<u>\$ 12,459,405</u>	<u>\$ 3,577,373</u>

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B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The statements of net position and the statements of revenues, expenses, and changes in net position report information on all non-fiduciary activities of the primary government and its component units. Business-type activities are supported to a significant extent on fees charged for support.

The basic financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the period in which the underlying sales transaction that generated the sales tax occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred. Capital grant funds used to acquire, or construct capital assets are recognized as a receivable and a capital contribution (revenues) in the period when all applicability requirements have been met.

Future GASB Statements

GASB Statement No. 84, *Fiduciary Activities*, issued in January of 2017, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities, and by clarifying whether and how business-type activities should report their fiduciary activities. The new standard is effective for periods beginning after December 15, 2018 and for VIA's fiscal year ending September 30, 2020.

In June 2017, the GASB issued Statement No. 87 on *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement will be effective for VIA's fiscal year ending September 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This GASB Statement establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. Under current governmental accounting standards, universities, colleges, hospitals, and governments with a business-type activity or enterprise fund are required to capitalize interest costs incurred before the end of a construction period as part of the cost of the related asset. With the application of GASB Statement No. 89, organizations and funds will now expense this type of interest cost as incurred. This Statement will be effective for VIA's fiscal year ending September 30, 2021.

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In May 2019, the GASB issued Statement No. 91 on *Conduit Debt Obligations*. This statement provides a single method for reporting to eliminate diversity with commitments extended by issues, arrangements associated with conduit debt obligations and related note disclosures. This statement will be effective for VIA's fiscal year ending September 30, 2022.

In January 2020, the GASB issued Statement No. 92 on *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics and includes specific provisions about GASB statements No. 73, No. 74, No. 84, and No. 87. This statement in accordance with all of the requirements in GASB Statement No. 92 will be effective for VIA's fiscal year ending September 30, 2021.

C. Use of Estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and deferred outflows, liabilities and deferred inflows, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

D. Accounts Receivable

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the inability to collect a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance recorded as of September 30, 2019 is \$17,818 compared with the allowance at September 30, 2018 of \$21,620.

E. Sales Tax

VIA recognizes sales tax revenue based on a methodology that equates to accruing approximately two months of sales tax receipts from the state of Texas. Generally, the sales taxes on sales made in any given month are reported and paid to the State Comptroller's Office the following month. VIA receives the sales taxes from the Comptroller based on a two-month lag. Sales tax revenues and the related receivable are recognized when the underlying sales transaction that generated the sales tax occurs.

F. Inventory

Inventory, comprised primarily of fuel and repair parts, is carried at cost. Inventory is carried at cost using the average-cost method.

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G. Capital Assets

Capital assets are recorded on the basis of cost. VIA’s policy is to capitalize purchases of assets if the asset has a useful life of more than one year and an individual value of \$5,000 or greater. Donated capital assets are valued at their estimated acquisition value at date of donation. VIA provides for depreciation on assets using the straight-line method to amortize costs of assets over their estimated useful lives. The following estimated useful lives are used in providing for depreciation:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and shelters	10-20 years
Revenue vehicles	2-12 years
Service vehicles	4 years
Equipment	2-10 years

VIA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment losses on capital assets that will continue to be used by the organization are measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage are generally measured using a restoration cost approach. In fiscal year 2019, an impairment loss of \$186,375 was recognized. In fiscal year 2018, there were no impairment losses for long lived assets.

H. Compensated Absences

VIA accrues employee vacation leave as earned. Sick leave is not accrued since terminated employees are not paid for accumulated sick leave. The amounts expected to be utilized in the next 12 months are carried as a current liability and the remainder, up to the capped number of hours, is reported as a long-term liability. The amounts are shown in note 11.

I. Estimated Liabilities

Estimated liabilities include amounts provided for:

- Claims payable includes claims made against VIA involving public injuries and damages related to transit operations. Refer to note 11.
- Claims payable includes claims made against VIA involving employee injuries that are work related. Refer to note 11.
- Claims incurred but unpaid, and claims incurred but not reported, as of year-end against VIA’s self-insured employees’ health program where measurement is based on key actuarial assumptions. Refer to note 11.
- Pension and OPEB, where measurement is based on key actuarial assumptions. Refer to note 8 related to the defined benefit retirement plan and note 10 for other postemployment benefits.

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J. Unearned Revenues

VIA sells fare through various channels, including VIA operated transit centers, through outside retail operations, a mobile ticket application, as well as on the bus. Fare is defined as a ticket or pass, at a stated value, valid for the period of the ticket or pass. Tickets are valid for one trip. Passes are valid for their stated period: one day, seven days, or 31 days. That period begins with the first use. Fare purchased in advance of the provided service by VIA is considered deferred revenue. Revenue is taken as fare is presented for use and the transportation service is provided. Revenue is taken for multi-period passes, defined as semester and annual passes, ratably over the life of the pass.

VIA is working with the City of San Antonio under an interlocal agreement to increase services along select corridors within the City of San Antonio. The City of San Antonio is funding this through advance payments. VIA takes revenue as those services occurred. In fiscal year 2019, the agreed upon services were provided by the end of the fiscal year, such that no unearned revenue existed under this agreement at year end.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that point.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Operating and Nonoperating Revenues and Expenses

VIA classifies operating revenues as all revenue earned from the operation of the various transportation services offered and those revenues generated by the capital assets owned by VIA. Included in this category are fare revenue, revenue from placement of advertisements on the bus and van system, operation of park and rides, and miscellaneous revenue earned by the operation of various capital assets. Non-operating revenues include sales tax receipts collected from the community to support transit, grant revenue from all sources, investment income, and other revenues not meeting the definition of operating revenues. All expenses related to operating the bus and van system are reported as operating expenses and all other expenses are reported as non-operating.

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M. Operating Revenues

VIA's operating revenues are classified into the following categories.

- Line Service includes revenues related to all regularly scheduled bus routes available to the general public for a fare.
- Robert Thompson Terminal includes revenues related to the operation and maintenance of the Robert Thompson Terminal, which provides services for various Alamodome events.
- Other Special Events include revenues from services provided to various community events throughout the year.
- VIAtrans includes revenues from transportation services provided to the mobility-impaired who are unable to ride the regular line buses.
- VIA Link is a shared on-demand transit service that offers riders the option to be picked up and dropped off at specific zones within a defined zone rather than riding fixed bus routes.
- Charter includes revenues from transportation services provided to private operators.
- Real Estate Development includes revenues from the rental of the Sunset Depot Complex, the Amtrak facility, and office space.
- Ellis Alley Park and Ride includes revenues related to the collection of parking fees at the Ellis Alley Park and Ride facility.
- Bus Advertising includes revenues related to the placement of advertisements on the bus and van system.
- Miscellaneous includes a variety of disparate revenues such as Alamodome facility, station concessions, and sale of scrap material.

N. Operating Expenses

VIA's operating expenses, excluding depreciation, are classified in the following cost centers.

- Line Service includes expenses related to all regularly scheduled bus routes available to the general public for a fare.
- Robert Thompson Terminal includes expenses related to the operation and maintenance of the Robert Thompson Terminal, which provides services for various Alamodome events.
- Other Special Events include expenses related to services provided for various community events throughout the year.
- VIAtrans includes expenses related to transportation services provided to the mobility-impaired who are unable to ride the regular line buses.
- VIA Link is a shared ride on-demand transit service that offers riders the option to be picked up and dropped off at specific locations within a defined zone instead of riding fixed bus routes.

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- Vanpool includes expenses related to the provision of shared-ride service used generally for work commute trips.
- Promotional Service includes expenses related to community related charters, including school education programs.
- Real Estate Development includes expenses related to the operations and maintenance of the Sunset Depot Complex, the Amtrak facility, and office space.
- Business Development and Planning includes expenses related to planning, designing, constructing, opening, and implementing new capital projects related to new modes of service or new operating facilities.

O. Statements of Cash Flows

For purposes of the statements of cash flows, and in accordance with VIA's policy, VIA considers all highly liquid investments, including restricted assets with an initial maturity of 90 days or less, to be cash equivalents.

P. Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

Q. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the VIA Metropolitan Transit Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, OPEB expenses, information about the fiduciary net position of the VIA Metropolitan OPEB Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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Note 2 – Budget

VIA is required by state law to adopt an annual operating budget prior to the commencement of a fiscal year. Before the budget is adopted, VIA's Board is required to conduct a public hearing, and the proposed budget must be made available to the public at least 14 days prior to the hearing.

VIA may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. VIA's operating budget is prepared on a GAAP budgetary basis. Appropriations lapse at year-end.

Note 3 – Cash and Investments

State law and VIA's investment policy permit VIA to invest in fully secured certificates of deposit (CDs) of state and national banks or savings and loan associations located within the state of Texas, or to invest in direct obligations of the United States of America and its agencies, obligations of the state of Texas and its municipalities, school districts, or other political subdivisions, and obligations guaranteed as to both principal and interest by the United States of America, and Texas Local Government Investment Pools TexPool and TexSTAR.

A. Deposits

As of September 30, 2019, the carrying amount of VIA's cash and cash equivalents on the statement of net position was \$101,558,334 (\$69,356,010 in 2018). All deposits are insured by federal depository insurance and/or collateralized with securities held by VIA's agent in VIA's name. VIA's deposits are held at Frost Bank, which qualifies as a public depository under Texas law, and are deemed to be insured and not subject to classification by credit risk. VIA's cash and cash equivalents also include funds with TexPool and TexSTAR.

B. Investments

VIA invests in United States Treasury and agency securities.

VIA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs.
- Level 3 inputs are significant observable inputs.

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United States Treasury and agency securities in the amount of \$58,041,672 (\$85,771,758 in 2018) are held in safekeeping by VIA's custodial bank, Wells Fargo Bank N.A., and are registered as accounts of VIA. Securities in the amount of \$39,787,892 (\$68,673,897 in 2018) with an original maturity of less than one year are carried at amortized cost. Securities in the amount of \$18,253,780 (\$17,097,860 in 2018) with an original maturity of greater than one year are carried at fair value and are considered level 2.

TexPool investments consist exclusively of United States government securities, repurchase agreements collateralized by United States government securities, and AAA-rated no-load money market mutual funds. The Comptroller of the Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company") which is authorized to operate TexPool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. VIA believes that TexPool operates as required under GASB Statement 79, *Certain External Investment Pools and Pool Participants*, to be valued at amortized cost. VIA's investment in TexPool is reported under the "cash and cash equivalents" on the statements of net position.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. The portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily United States Treasury securities, United States agency securities, and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the United States or its agencies or its instrumentalities. The fair values of the investments in this type have been determined using the net asset value per share of the investments. VIA's investment in TexSTAR is reported under "cash and cash equivalents" on the statements of net position.

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The following tables show VIA's investments and their days to maturity as of September 30:

2019 Investment Maturities						
Investments	Less Than	From	From	From	Equal to or	Carrying
	90 Days	91 Days to 180 Days	181 Days to 364 Days	365 Days to 5 Years	Greater Than 5 Years and Less Than 10 Years	
United States Treasury notes	\$ -	\$ -	\$ -	\$ 7,022,120	\$ 11,231,660	\$ 18,253,780
Federal Home Loan Bank agency securities	5,039,080	5,205,258	-	-	-	10,244,338
Freddie Mac	4,979,525	-	-	-	-	4,979,525
Fannie Mae	24,564,030	-	-	-	-	24,564,030
Total United States Treasury and agency securities	34,582,635	5,205,258	-	7,022,120	11,231,660	58,041,673
TexSTAR	81,587,734	-	-	-	-	81,587,734
Total Investments	\$ 116,170,369	\$ 5,205,258	\$ -	\$ 7,022,120	\$ 11,231,660	\$ 139,629,407

2018 Investment Maturities						
Investments	Less Than	From	From	From	Equal to or	Carrying
	90 Days	91 Days to 180 Days	181 Days to 364 Days	365 Days to 5 Years	Greater Than 5 Years and Less Than 10 Years	
United States Treasury notes	\$ -	\$ -	\$ -	\$ 6,738,060	\$ 10,359,800	\$ 17,097,860
Federal Home Loan Bank agency securities	25,202,361	5,959,670	23,752,888	-	-	54,914,919
Freddie Mac	2,351,023	7,400,991	4,006,964	-	-	13,758,978
Total United States Treasury and agency securities	27,553,384	13,360,661	27,759,852	6,738,060	10,359,800	85,771,757
TexSTAR	50,286,542	-	-	-	-	50,286,542
TexPool	1,077,301	-	-	-	-	1,077,301
Total Investments	\$ 78,917,227	\$ 13,360,661	\$ 27,759,852	\$ 6,738,060	\$ 10,359,800	\$ 137,135,600

At September 30, 2019 and 2018, VIA had the following deposits and investments:

	Carrying Amount 2019	Carrying Amount 2018
Deposits:		
Cash on hand	\$ 1,071,449	\$ 1,007,424
Cash in bank	<u>18,899,151</u>	<u>16,984,743</u>
Total deposits	19,970,600	17,992,167
Invesments:		
TexPool	81,587,734	50,286,542
Tex STAR	-	1,077,301
United States agency securities	<u>58,041,673</u>	<u>85,771,758</u>
Total cash, cash equivalents and investments	\$ 159,600,007	\$ 155,127,768

Custodial Credit Risk on Deposits – Custodial credit risk is the risk that, in the event of failure of a depository financial institution, VIA would not be able to recover deposits in possession of an outside party. Deposits, including all accrued interest thereon, that exceed the federal depository insurance coverage (FDIC) level are collateralized by securities with a market value equal to 105% of all deposits not covered by federal deposit insurance.

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Custodial Credit Risk on Investments – Collateralization of investment balances is not required by VIA’s investment policy. Investments are held by VIA’s name and not that of the designated custodian. Maturing investment proceeds are deposited to a money market account, carrying custodial credit risk, until reinvestment or transfer out per VIA’s investment policy.

Interest Rate Risk – Interest rate risk, the risk that changes with market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value changes to the market interest rates. As a means of limiting its exposure to fair value losses due to rising interest rates, VIA’s investment policy limits its investment maturities to no more than ten years. Currently, 87% of VIA’s investment portfolio limits is invested in maturities less than one year (88% in 2018). Investment maturities are as follows:

Maturity	Percentage of Portfolio	
	September 30,	
	2019	2018
Less than 90 days	83%	58%
From 91 days to 180 days	4%	10%
From 181 days to 364 days	0%	20%
From 365 days to 5 years	5%	5%
Equal to or greater than 5 years and less than 10 years	8%	7%

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investment issued or explicitly guaranteed by the United States government are excluded from this requirement.

Presented below is the minimum rating required (where applicable) by VIA’s investment policy and the Public Funds Investment Act and the actual rating for each investment as of September 30:

Investments	Credit Risk Ratings as of September 30, 2019		
	Minimum Legal Rating	Investment Rating	Rating Organization
United States Treasury Notes	N/A	N/A	N/A
Federal Home Loan Bank agency securities	A-1	Aaa	Moody's
Freddie Mac agency securities	A-1	Aaa	Moody's
Fannie Mae agency securities	A-1	Aaa	Moody's
TexPOOL	AAA	AAAm	Standard & Poor's
TexSTAR	AAA	AAAm	Standard & Poor's

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Credit Risk Ratings as of September 30, 2018

<u>Investments</u>	<u>Minimum Legal Rating</u>	<u>Investment Rating</u>	<u>Rating Organization</u>
United States Treasury Notes	N/A	N/A	N/A
Federal Home Loan Bank agency securities	A-1	Aaa	Moody's
Freddie Mac agency securities	A-1	Aaa	Moody's
TexPOOL	AAA	AAAm	Standard & Poor's
TexSTAR	AAA	AAAm	Standard & Poor's

Concentration of Credit Risk – As a means of limiting its exposure to concentration of credit risk, VIA’s investment policy limits the maximum percentage allowed in each type of investment. Direct obligations such as United States Treasury Notes are limited to 95% of VIA’s investment portfolio. Indirect obligations, such as Federal Home Loan Mortgage Bank Agency Securities, Freddie Mac Agency Securities, and Fannie Mae Agency Securities, are limited to 85% of VIA’s investment portfolio. As of September 30, 2019, VIA’s investment portfolio consists of 13% (12% in 2018) in direct obligations and 29% (50% in 2018) in indirect obligations.

The following table reflects the percentage amount invested in each issuer subject to concentration of credit risk as a percentage of the portfolio.

<u>Investments</u>	<u>Percentage of Portfolio</u>	
	<u>September 30, 2019</u>	<u>2018</u>
United States Treasury Notes	13%	12%
Federal Home Loan Bank agency securities	7%	40%
Freddie Mac agency securities	4%	10%
Fannie Mae agency securities	18%	0%

Note 4 – Restricted and Unrestricted Cash and Investments

VIA’s cash, cash equivalents, and investments are restricted and unrestricted for the following purposes:

Restricted

- **Bond Fund** – Debt service or principal and interest due on bonds is used for setting aside funds for upcoming principal and interest payments on outstanding bonds.
- **Bond Reserve Fund** – Reserve funds specifically required at bond issuance and documented in the bond agreement. This item is cleared when bonds have been paid off.
- **TxDOT Grant** – represents assets to provide for the enhancement of visual, operational, and structural vehicle right-of-way improvements.
- **ATD Sales Tax Payable** – represents assets to provide for the payment of the monthly sales taxes collected by VIA and remitted to the City of San Antonio and Bexar County.

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Unrestricted

- **Property Insurance Deductibles** – represent assets to provide for the insurance policy deductible on VIA’s vehicles, buildings, and contents.
- **Uninsured Property** – represents assets to provide for replacement of property with a value below the deductible per occurrence amount of the property insurance policy.
- **Stabilization Fund** – represents assets to provide a level of financial resources to protect against revenue shortfalls or unpredicted one-time expenditures.
- **VIA Capital Fund** – represents assets to provide for capital asset acquisitions.
- **Working Capital** – represents assets designated to provide VIA with sufficient operating funds to pay its day-to-day operational obligations.
- **Retainage** – represents assets equal to the liability payable to contractors for retainage withheld from periodic payments, plus interest earnings.
- **Capital Grant Local Share** – represents assets to provide for VIA’s matching share of Federal Transit Administration (FTA) grants.

Components of restricted and unrestricted cash and investments are summarized as follows:

	Cash & Cash		2019 Total	2018 Total
	<u>Equivalents</u>	<u>Investments</u>		
Restricted deposits and investments				
Bond fund -- principal and interest due	\$ 2,503,201	\$ -	\$ 2,503,201	\$ 3,011,256
Bond reserve fund	2,927,724	-	2,927,724	2,896,843
TxDOT grant	30,715,256	20,259,354	50,974,610	68,263,672
Sales tax payable	-	-	-	5,735,040
Total restricted deposits and investments	36,146,181	20,259,354	56,405,535	79,906,811
Unrestricted deposits and investments				
Board approved purposes:				
Property insurance deductibles	-	-	-	500,000
Uninsured property	-	-	-	815,381
Stabilization fund	25,724,404	13,555,596	39,280,000	39,280,000
VIA capital fund	1,163,265	11,347,456	12,510,721	-
Working capital:				
MTA	31,691,192	2,138,808	33,830,000	18,342,492
ATD	5,450,000	-	5,450,000	5,755,789
Retainage	1,383,293	-	1,383,292	2,340,742
Capital grants local share	-	10,740,459	10,740,459	8,186,553
Total unrestricted deposits and investments	65,412,154	37,782,319	103,194,472	75,220,957
Total deposits and investment balances	\$ 101,558,335	\$ 58,041,673	\$ 159,600,007	\$ 155,127,768

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Note 5 – Capital Contributions

Capital contributions consist of funds received through various grants to assist in the acquisition of capital assets. A major portion of these contributions is through the annual and discretionary capital grants provided by FTA, as well as past grant contributions received from the state of Texas. Generally, an FTA grant will provide 80% of the total project cost, and VIA will match the grant funds by paying the remaining 20%. The capital contribution accounts record the funds received through these various grants.

Note 6 – Capital Assets

Components of capital assets are summarized as follows for September 2018 to September 2019 and September 2017 to September 2018:

	Balance at September 30, 2018	Additions	Deletions	Transfers	Balance at September 30, 2019
Land*	\$ 33,334,256	\$ -	\$ -	\$ -	\$ 33,334,256
Buildings and shelters	274,929,969	-	(1,291,350)	6,794,786	280,433,405
Revenue & service vehicles	298,476,559	9,777,464	(4,541,235)	2,157,768	305,870,556
Equipment	66,041,310	23,541	(10,569,476)	4,877,922	60,373,297
	<u>672,782,094</u>	<u>9,801,005</u>	<u>(16,402,061)</u>	<u>13,830,476</u>	<u>680,011,514</u>
Accumulated depreciation:					
Buildings and shelters	159,559,203	10,147,191	(996,747)	-	168,709,647
Revenue & service vehicles	111,224,345	21,221,610	(3,969,142)	-	128,476,813
Equipment	50,307,621	5,334,174	(10,402,268)	-	45,239,527
	<u>321,091,169</u>	<u>36,702,975</u>	<u>(15,368,157)</u>	<u>-</u>	<u>342,425,987</u>
Net capital assets before construction in progress	<u>351,690,925</u>	<u>(26,901,970)</u>	<u>(1,033,904)</u>	<u>13,830,476</u>	<u>337,585,527</u>
Buildings and shelters	41,618,794	21,001,705	-	(7,241,513)	55,378,986
Revenue and service vehicles	1,967,562	163,211	-	(1,951,716)	179,057
Equipment	9,450,179	3,747,451	-	(4,637,247)	8,560,383
Construction in progress	53,036,535	24,912,367	-	(13,830,476)	64,118,426
Net capital assets	<u>\$ 404,727,460</u>	<u>\$ (1,989,603)</u>	<u>\$ (1,033,904)</u>	<u>\$ -</u>	<u>\$ 401,703,953</u>

* Capital assets not being depreciated.

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	Balance at September 30,				Balance at September 30,
	2017	Additions	Deletions	Transfers**	2018
Land*	\$ 33,094,493	\$ -	\$ -	\$ 239,763	\$ 33,334,256
Buildings and shelters	228,981,007	-	(1,557,892)	47,506,854	274,929,969
Revenue & service vehicles	299,499,605	40,691,908	(60,190,125)	18,475,171	298,476,559
Equipment	57,000,347	11,452	(491,310)	9,520,821	66,041,310
	<u>618,575,452</u>	<u>40,703,360</u>	<u>(62,239,327)</u>	<u>75,742,609</u>	<u>672,782,094</u>
Accumulated depreciation:					
Buildings and shelters	157,125,176	9,376,157	(1,557,892)	(5,384,238)	159,559,203
Revenue & service vehicles	150,579,604	20,834,866	(60,190,125)	-	111,224,345
Equipment	41,254,101	4,160,592	(491,310)	5,384,238	50,307,621
	<u>348,958,881</u>	<u>34,371,615</u>	<u>(62,239,327)</u>	<u>-</u>	<u>321,091,169</u>
Net capital assets before construction in progress	<u>269,616,571</u>	<u>6,331,745</u>	<u>-</u>	<u>75,742,609</u>	<u>351,690,925</u>
Buildings and shelters	63,447,823	28,952,003	(142,824)	(50,638,208)	41,618,794
Revenue and service vehicles	16,479,450	3,873,791	-	(18,385,679)	1,967,562
Equipment	12,499,859	3,669,042	-	(6,718,722)	9,450,179
Construction in progress	<u>92,427,132</u>	<u>36,494,836</u>	<u>(142,824)</u>	<u>(75,742,609)</u>	<u>53,036,535</u>
Net capital assets	<u>\$ 362,043,703</u>	<u>\$ 42,826,581</u>	<u>\$ (142,824)</u>	<u>\$ -</u>	<u>\$ 404,727,460</u>

* Capital assets not being depreciated.

** \$5,384,238 of accumulated depreciation on equipment was reclassified (from buildings and shelters to equipment category).

The following is a summary of depreciation expense:

Description	Years Ended	
	September 30,	
	2019	2018
Capital assets acquired with VIA equity	\$ 18,701,422	\$ 18,166,762
Capital assets acquired with grants	18,001,553	16,195,763
	<u>\$ 36,702,975</u>	<u>\$ 34,362,525</u>

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Note 7 – Sales Taxes

Sales taxes are a significant revenue source for VIA, accounting for 72.2% of VIA's revenue in FY19 (75.9% in FY18). These revenues are reported as non-operating revenues in the statements of revenues, expenses, and changes in net position. Included below is a summary of sales tax revenues:

Sales Tax Revenues

Description	Years Ended	
	September 30,	
	2019	2018
MTA	\$ 160,092,754	\$ 151,671,185
ATD	72,449,596	68,623,405
Less ATD Amounts Remitted to CoSA and Bexar County	<u>(36,224,798)</u>	<u>(34,311,703)</u>
Net VIA Sales Taxes	<u>\$ 196,317,552</u>	<u>\$ 185,982,887</u>

VIA's sales taxes increased by \$10,334,665 in FY19 and by \$10,522,718 in 2018. In FY19, MTA sales taxes increased by \$8,421,569 and VIA's 50% share of ATD sales taxes increased by \$1,913,096. In FY18, MTA sales taxes increased by \$8,624,187 and VIA's 50% share of ATD sales taxes increased by \$1,898,531. ATD sales taxes are allocated 50% to VIA and 25% each to the City of San Antonio (CoSA) and Bexar County.

Sales Tax Receivable from State of Texas

Description	Years Ended	
	September 30,	
	2019	2018
MTA	\$ 26,736,280	\$ 25,435,357
ATD-VIA	6,059,792	5,733,500
ATD-Other (CoSA and Bexar County)	<u>6,059,792</u>	<u>5,738,415</u>
	<u>\$ 38,855,864</u>	<u>\$ 36,907,272</u>

VIA recognizes sales tax revenue based on a methodology that equates to accruing approximately two months of sales tax receipts from the state of Texas. Generally, the sales taxes on sales made in any given month are reported and paid to the State Comptroller's Office the following month. VIA receives the sales taxes from the Comptroller the next month. Sales tax revenues and the related receivables are recognized when the underlying sales transaction that generated the sales tax occurs.

Note 8 – Defined Benefit Retirement Plan

A. Plan Description

VIA's defined benefit pension plan, VIA Metropolitan Transit Retirement Plan (the "Plan") provides pensions for all full time VIA employees who were hired prior to January 1, 2012 and completed 1 year of continuous service prior to July 1, 2013. The Plan is a single-employer defined benefit retirement plan administered by VIA. Amendments to the Plan may be made by VIA at any time. There is a separate plan audit. An audit report is issued that includes financial statements and required supplementary information of the Plan. That report may be obtained by writing to VIA Metropolitan Transit, P.O. Box 12489, San Antonio, Texas 78212-0489, or by calling (210) 362-2000.

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B. Benefits Provided

Benefit provisions are established by VIA and can be amended at any time; however, no amendment shall authorize any part of the net position to be used for purposes other than benefit payments or administrative expenses. Employees retiring at age 65 or at age 55 with 25 years or more of credited service shall, upon application to the Plan administrator, receive a monthly retirement pension based on the higher of the following two methods:

- Career Average Method - For each year or fraction of year of credited service between April 1, 1965 and February 1, 1973, 1.5% of the monthly base salary as of February 1, 1973, plus 2.0% of the excess, if any, of such salary over \$300; plus for each year or fraction of year of credited service between February 1, 1973 and September 30, 1989, 1.5% of the monthly base salary at the beginning of each plan year, plus 2.0% of the excess, if any, of such salary over \$300; plus for each year beginning October 1, 1989 and after, 1/12th of 2.0% of the compensation earned during each plan year. Compensation is defined as base salary or base wage plus overtime, bonuses, and employee deferrals under Internal Revenue Service Code, Sections 125 or 457, but excluding "sold" vacation pay and sick pay, and certain other amounts.
- Final Average Method - With 25 years or more of credited service, 2.00%, or with less than 25 years of credited service, 1.75% of the final average monthly compensation for each year or fraction of year of credited service. Final average monthly compensation is defined as the average monthly base salary or base wage during 36 consecutive months of highest compensation prior to termination or retirement.

C. Disability Benefits

If service is terminated because of total and permanent disability, the participant may retire and receive an immediate monthly income equal to the accrued benefit at the date of disability. If the participant recovers, the above benefit may be reduced by 2/12% for each of the first 36 months; 3/12% for each of the next 24 months; 4/12% for each of the next 24 months; and actuarially for each additional month from date of recovery until age 62.

D. Pre-Retirement Death Benefits

If service is terminated because of death prior to attaining age 65, the spouse will receive the actuarial value of the participant's accrued benefit paid over a 120-month period. If the beneficiary is a non-spouse, the beneficiary will receive the actuarial value of the spouse's benefit, as previously described, and the amount will be paid over a 60-month period.

E. Early Retirement Benefits

If service is terminated at an early retirement date, the participant will receive a monthly income equal to the accrued benefit at the date of early retirement, reduced by 2/12% for each of the first 36 months; 3/12% for each of the next 24 months; and 4/12% for any additional months by which the participant's early retirement date precedes the first of the month coinciding with or next following the participant's attainment of age 62.

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F. Pension Supplement

Effective July 1, 2015, the pension plan provides the retirees (and beneficiaries) a one-time supplement (non-cumulative or compounding benefit) once every two years based on the following table by service at retirement.

<u>Service at Retirement</u>	<u>Supplement (One-Time)</u>
<10 Years	\$ 175.00
10-24 Years	350.00
25+ Years	700.00

G. Retiree Health Benefits

For members with retirement dates prior to March 31, 2007: \$8 times credited service (whole years only) paid monthly to retired and disabled participants for life.

For members with retirement dates after March 31, 2007: a monthly supplement based on the following table (by service at retirement and current age):

<u>Service at Retirement</u>	<u>Benefit Payable Before Age 65</u>	<u>Benefit Payable After Age 65</u>
<10 Years	\$ -	\$ -
10-14 Years	100.00	75.00
15-19 Years	150.00	112.50
20-24 Years	200.00	150.00
25+ Years	250.00	187.50

Effective July 1, 2013, the Plan was closed for participation to new employees. All new employees are eligible for a defined contribution plan described in Note 9.

H. Employees Covered by Benefit Terms

The following table summarizes the number of participants with a benefit in the Plan as of the valuation dates of October 1, 2017 and 2016, the dates used to develop the pension accounting information that is reported for the fiscal years ending September 30, 2019 and 2018, respectively.

	<u>FY2019</u>	<u>FY2018</u>
Inactive Plan members or beneficiaries currently receiving benefits	1,004	946
Inactive Plan members entitled to, but not yet receiving, benefits	124	126
Active Plan members	1,115	1,197
Total Plan members	<u>2,243</u>	<u>2,269</u>

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I. Contributions

VIA follows the policy of funding the Plan through employer and employee contributions. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year. As of January 1, 2017, participants contribute 6% of their wage base (1/3 of the taxable wage base under the old age, survivors, and disability insurance program) plus 9% of the amount of their monthly compensation in excess of the wage base. Prior to January 1, 2017 – effective July 1, 2015 – participants contributed 5% of their wage base (1/3 of the taxable wage base under the old age, survivors, and disability insurance program) plus 8% of the amount of their monthly compensation in excess of the wage base.

J. Net Pension Liability

VIA’s net pension liability reported for September 30, 2019 was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 and rolled forward to the September 30, 2018 measurement date. VIA’s net pension liability reported for September 30, 2018 was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016 and rolled forward to the September 30, 2017 measurement date.

K. Actuarial Assumptions

The total pension liability reported for September 30, 2019 was determined by an actuarial valuation as of October 1, 2017 and rolled forward to September 30, 2018, using the following actuarial assumptions:

Inflation	2.75%
Salary Increases	3.75%-5.75%, including inflation
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation
Cost of Living	None
Mortality Rates	Gender-distinct RP-2000 Combined Health Mortality Table with Blue Collar Adjustment, projected on a fully generational basis by scale BB, multiplied by 109% for male table and 103% for female table

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The total pension liability reported for September 30, 2018 was determined by an actuarial valuation as of October 1, 2016 and rolled forward to a measurement date of September 30, 2017 using the following assumptions:

Inflation	3.00%
Salary Increases	4.25%-6.75%, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Cost of Living	None
Mortality Rates	RP-2000 combined healthy mortality table projected to 2010 with scale AA

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study completed in 2017 covering the six-year period ending September 30, 2016. The October 1, 2016 valuation was based on the results of an actuarial experience study completed in 2011 covering period from October 1, 2005 through September 30, 2010.

L. Long-Term Expected Rate of Return

The long-term expected rate of return on retirement plan investments was determined using a building block method in which best-estimate expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2019 and 2018 are summarized in the tables below:

Fiscal Year ended September 30, 2019

Asset Class	Long-Term Expected Arithmetic Real Rate of Return	Target Asset Allocation	Development of Long-Term Arithmetic Return for Investment Portfolio
Domestic Equity - Large Cap	5.71%	22%	1.26%
International Equity - Small Cap	6.99%	13%	0.91%
Global Equity	4.55%	25%	1.14%
Fixed Income	2.88%	30%	0.86%
Real Estate	6.81%	10%	0.68%
	Total Expected Arithmetic Real Return:		4.85%
	Inflation Assumption:		2.20%
	Total Expected Arithmetic Nominal Return:		7.05%

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Fiscal Year ended September 30, 2018

Asset Class	Long-Term Expected Arithmetic Real Rate of Return	Target Asset Allocation	Development of Long-Term Arithmetic Return for Investment Portfolio
Domestic Equity - Large Cap	6.07%	22%	1.34%
International Equity - Small Cap	7.59%	13%	0.99%
Global Equity	13.63%	20%	2.73%
Long/Short Equity	1.72%	5%	0.09%
Fixed Income	1.55%	30%	0.47%
Real Estate	8.16%	10%	0.82%
Total Expected Arithmetic Real Return:			6.44%
Inflation Assumption:			3.00%
Total Expected Arithmetic Nominal Return:			9.44%

M. Discount Rate

The discount rate used to measure the total pension liability as of the measurement dates of September 30, 2018 and September 30, 2017 was 7.25% and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that VIA contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of VIA, calculated using the discount rate of 7.25% for 2019 and 7.50% for 2018, as well as what VIA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for 2019 and 6.50% for 2018) or 1 percentage point higher (8.25% for 2019 and 8.5% for 2018) than the current rate:

Discount Rate Sensitivity - September 30, 2019

Current Single Discount Rate Assumption		
1.0% Decrease 6.25%	7.25%	1.0% Increase 8.25%
\$ 191,267,481	\$ 142,423,315	\$ 100,786,077

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Discount Rate Sensitivity - September 30, 2018

	1.0% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1.0% Increase 8.5%
\$	172,271,339	\$ 129,447,516	\$ 92,737,442

Changes in Net Pension Liability

	2019	2018
Total Pension Liability		
Service Cost	\$ 7,308,154	\$ 7,611,616
Interest	29,771,656	28,782,751
Difference between expected and actual experience	638,833	(687,692)
Assumption changes	21,277,913	-
Benefit payments	(22,706,442)	(21,397,791)
Refunds	(255,118)	(379,738)
Net change in total pension liability	\$ 36,034,996	\$ 13,929,146
Total pension liability - beginning	404,782,117	390,852,971
Total pension liability - ending	<u>\$ 440,817,113</u>	<u>\$ 404,782,117</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 12,480,240	\$ 13,308,001
Contributions - employee	4,420,649	4,486,984
Pension plan net investment income	29,240,374	33,570,332
Benefit payments	(22,706,442)	(21,397,791)
Refunds	(255,118)	(379,738)
Pension plan administrative expense	(120,506)	(255,612)
Net change in Plan Fiduciary net position	23,059,197	29,332,176
Plan fiduciary net position - beginning	275,334,601	246,002,425
Plan fiduciary net position - ending	<u>\$ 298,393,798</u>	<u>\$ 275,334,601</u>
VIA's net pension liability	<u>\$ 142,423,315</u>	<u>\$ 129,447,516</u>

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended September 30, 2019, VIA recognized pension expense of \$12,860,742. For the year ended September 30, 2018, VIA recognized pension expense of \$11,753,237.

Schedule of Pension Expense

	2019	2018
Total service cost	\$ 7,308,154	\$ 7,611,616
Interest on the total pension liability	29,771,656	28,782,751
Employee contribution (reduction of expense)	(4,420,649)	(4,486,984)
Projected earnings on plan investments (reduction of expense)	(20,418,301)	(18,291,251)
Administrative expense	120,506	255,612
Recognition of outflow (inflow) of resources due to liabilities	4,888,235	505,937
Recognition of outflow (inflow) of resources due to assets	(4,388,859)	(2,624,444)
Total pension Expense	<u>\$ 12,860,742</u>	<u>\$ 11,753,237</u>

At September 30, 2019 and 2018, VIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Fiscal Year Ended September 30, 2019		
1. Differences between expected and actual experience	\$ 2,024,765	\$ 421,552
2. Net differences between projected and actual earnings on Plan investments	-	15,317,460
3. Assumption changes	17,023,351	-
4. Contributions paid subsequent to the measurement date	14,729,284	-
	<u>\$ 33,777,400</u>	<u>\$ 15,739,012</u>

	Outflows of Resources	Inflows of Resources
Fiscal Year Ended September 30, 2018		
1. Differences between expected and actual experience	\$ 2,152,676	\$ 554,622
2. Net differences between projected and actual earnings on Plan investments	-	10,884,246
3. Assumption changes	-	-
4. Contributions paid subsequent to the measurement date	12,480,240	-
	<u>\$ 14,632,916</u>	<u>\$ 11,438,868</u>

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Contributions subsequent to the measurement date are recognized in the following period. September 30, 2019 amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Net Deferred Outflows/ Inflows of Resources</u>
2020	\$ 1,949,144
2021	(905,489)
2022	(335,350)
2023	2,595,543
2024	5,256
Thereafter	-
Total	<u>\$ 3,309,104</u>

Note 9 – Defined Contribution Retirement Plan

A. Plan Description

VIA Metropolitan Transit Defined Contribution Retirement Plan is a “money purchase” pension plan and trust. This is an account-type plan, in which all benefits received come directly from participant accounts in the plan. VIA Metropolitan Transit Defined Contribution Retirement Plan is a “public retirement system” under the laws of Texas and a “government plan” under the Internal Revenue Code. As a result, it is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

B. Eligibility and Benefits

All full-time VIA employees hired after January 1, 2012 are eligible to participate after the first of the month following 30 days of service. Employees who retire on or after their 65th birthday and who have completed 5 years of service are entitled to 100% of their employer contribution account balance, as well as 100% of the mandatory employee contribution amount. The plan may also provide benefits in the event of death, disability, or other termination of employment.

C. Funding Policy

VIA follows the policy of funding the plan through mandatory employee contributions at the rate of 6% of compensation. VIA’s contributions to the Employer Contribution Account will be made at 6% of compensation. Together, mandatory employee contributions and VIA employer contributions will equal 12% of compensation. VIA’s contribution for the fiscal year ended September 30, 2019 totaled \$3,061,000 (\$2,425,000 in 2018).

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Note 10 – Postemployment Benefits Other Than Pensions

Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the VIA OPEB Plan and additions to/deductions from VIA’s OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by VIA. For this purpose, VIA’s OPEB Plan recognizes benefits payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In Fiscal Year 2018, VIA implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Beginning net position was restated but prior years were not restated, as permitted by GASB 75.

General Information about the OPEB Plan

A. Plan Description and Benefits Provided

In addition to providing pension benefits, VIA provides certain healthcare and life insurance benefits to retired employees. For healthcare, VIA indirectly subsidizes the medical insurance premiums paid by retirees, since premiums are calculated with active workers and retirees pooled together. As of October 1, 2018, the most recent valuation date, there are 322 retirees and dependents receiving VIA healthcare benefits and 792 participating in the VIA life insurance program. As of October 1, 2017, the next most recent valuation date, there were 311 retirees and dependents receiving VIA healthcare benefits and 746 participating in the VIA life insurance program. VIA provides, at no cost, base coverage for life insurance of \$10,000 or \$20,000, based on age, for retirees at a premium rate paid to a life insurance company. Any additional premium to provide coverage in excess of the base amount is shared by VIA and the retirees.

Employees covered by benefit terms. The following table provides a summary of the number of participants in the plan as of September 30, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	820
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>2,134</u>
Total Plan Members	2,954

The following table provides a summary of the number of participants in the plan as of September 30, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	777
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>1,957</u>
Total Plan Members	2,734

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B. Funding Policy

VIA’s funding policy is to fund 100% of the actuarially determined contribution by the end of each fiscal year. OPEB funding is handled through a Section 115 trust. The actuarially determined contribution is based on a closed amortization period. As a result, the OPEB Plan’s fiduciary net position is expected to be available to make all future projected benefit payments of current plan members.

Net OPEB Liability

VIA’s net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on actuarial assumptions in an actuarial valuation report as of October 1, 2017.

Actuarial assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point.

For the fiscal year ended September 30, 2019 and 2018 (the measurement dates of September 30, 2018 and 2017, respectively), the actuarial valuation date was October 1, 2017. The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	7.25%
Inflation	2.75%
Salary Increases	3.75% to 5.75%, including inflation, plus an overtime adjustment varying from 1.25% of pay for office workers to 17.50% for operators.
Demographic Assumptions	Based on VIA's experience study for the Retirement Plan for the six-year period ending on September 30, 2016.
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by a scale to BB to account for future mortality improvements.
Participation Rates	Rates of 40% for pre-65 retirees and 20% for post-65 retirees, with half assumed to discontinue at age 65.
Healthcare Cost Trend Rates	Initial rates of 7.50% for pre-65 retirees and 6.40% for post-65 retirees, declining to ultimate rates of 4.25% for both pre-65 and post-65 retirees after 14 years.

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Projected benefit payments are required to be discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB Plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The long-term rate expected rate of return by asset class as of September 30, 2019 is shown below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>	<u>Long-Term Mean Nominal Return</u>	<u>Long-Term Mean Real Rate of Return</u>
Domestic equity	50%	S&P 1500	7.8%	5.7%
International equity	15%	MSCI ACWI Ex-US	6.3%	4.1%
Fixed income	35%	Aggregate Index	5.1%	2.9%
Total	100%			

Note: For illustrative purposes, historical long-term average returns have been used as a reasonable expectation of nominal returns and reduced by 2.2% to adjust to real terms. The expected rate of inflation is 2.2%.

The long-term expected rate of return being used for OPEB plan investments is 7.25%. When this actuarial assumption was last updated in 2018, the municipal bond rate was 3.83% (based on the daily rate closest to but not later than the measurement date of Fidelity “20-Year Municipal GO Index”), and the resulting Single Discount Rate was 7.25%. The discount rate was also 7.25% as of the beginning of the measurement period.

The long-term expected rate of return by asset class as of September 30, 2018 is shown below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>	<u>Long-Term Mean Nominal Return</u>	<u>Long-Term Mean Real Rate of Return</u>
Domestic equity	50%	S&P 1500	9.0%	6.0%
International equity	15%	MSCI ACWI Ex-US	8.0%	5.0%
Fixed income	35%	Aggregate Index	4.5%	1.5%
Total	100%			

Note: For illustrative purposes, historical long-term average returns have been used as a reasonable expectation of nominal returns and reduced by 3% to adjust to real terms. The expected rate of inflation is 3%.

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Changes in the Net OPEB Liability

Changes in the net OPEB liability for fiscal year 2019 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 9/30/18 (*)	\$ 41,426,434	\$ 8,186,100	\$ 33,240,334
Service cost	1,099,372	-	1,099,372
Interest on the total OPEB liability	2,952,287	-	2,952,287
Difference between expected and actual experience	630,393	-	630,393
Employer contributions	-	2,302,233	(2,302,233)
Net investment income	-	579,606	(579,606)
Benefit payments	(2,509,834)	(2,509,834)	-
Administrative expense	-	(13,195)	13,195
Other	-	1,376	(1,376)
Net changes	2,172,218	360,186	1,812,032
Balances at 9/30/19 (*)	\$ 43,598,652	\$ 8,546,286	\$ 35,052,366

(*) Balances for dates shown are as of the measurement date one year prior.

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Changes in the net OPEB liability for fiscal year 2018 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 9/30/17 (*)	\$ 32,735,778	\$ 7,341,827	\$ 25,393,951
Service cost	832,570	-	832,570
Interest on the total OPEB liability	2,412,291	-	2,412,291
Difference between expected and actual experience	5,788,320	-	5,788,320
Changes of assumptions	1,633,830	-	1,633,830
Employer contributions	-	2,139,796	(2,139,796)
Net investment income	-	683,082	(683,082)
Benefit payments	(1,976,355)	(1,976,355)	-
Administrative expense	-	(3,210)	3,210
Other	-	960	(960)
Net changes	8,690,656	844,273	7,846,383
Balances at 9/30/18 (*)	\$ 41,426,434	\$ 8,186,100	\$ 33,240,334

(*) Balances for dates shown are as of the measurement date one year prior.

The liability resulting from “Changes of assumptions” is a result of new demographic and OPEB-specific assumptions that were adopted as a result of the experience study for the Retirement Plan for the six-year period ended September 30, 2016. Included in the changes was a reduction to the discount rate from 7.50% to 7.25%.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of VIA reported as of September 30, 2019 calculated with a Single Discount Rate of 7.25%, as well as what VIA’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease 6.25%	Current Single Discount Rate Assumption	1% Increase 8.25%
Net OPEB liability (asset)	\$ 40,584,843	\$ 35,052,366	\$ 30,474,041

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The following presents the net OPEB liability of VIA reported as of September 30, 2018 calculated with a Single Discount Rate of 7.25%, as well as what VIA's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease	Current Single Discount	1% Increase
	<u>6.25%</u>	<u>Rate Assumption</u>	<u>8.25%</u>
Net OPEB liability (asset)	\$ 38,553,783	\$ 33,240,334	\$ 28,837,283

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of VIA reported as of September 30, 2019 calculated using the assumed trend rates, as well as what VIA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost	1% Increase
	<u>1% Decrease</u>	<u>Trend Rate Assumption</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 32,084,943	\$ 35,052,366	\$ 38,659,276

The current healthcare cost trend rates assumption is initial rates of 7.25% for pre-65 and 6.30% for post-65 retirees, declining to ultimate rates of 4.25% for both pre-65 and post-65, after 14 years.

The following presents the net OPEB liability of VIA reported as of September 30, 2018 calculated using the assumed trend rates, as well as what VIA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost	1% Increase
	<u>1% Decrease</u>	<u>Trend Rate Assumption</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 30,576,634	\$ 33,240,334	\$ 36,459,041

The healthcare cost trend rates assumption is initial rates of 7.50% for pre-65 and 6.40% for post-65 retirees, declining to ultimate rates of 4.25% for both pre-65 and post-65, after 14 years.

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued VIA Metropolitan Transit Other Postemployment Benefits Trust Financial Statements and Independent Auditor's Report.

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended year ended September 30, 2019, VIA recognized OPEB expense of \$4,421,525. At September 30, 2019, VIA reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Net Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
Difference between expected and actual experience, liability	\$ 4,951,786	\$ -	\$ 4,951,786
Change in assumptions	1,241,154	-	1,241,154
Net differences between projected and actual earnings	-	71,094	(71,094)
Contributions subsequent to the measurement date	2,738,963	-	2,738,963
Total	<u>\$ 8,931,903</u>	<u>\$ 71,094</u>	<u>\$ 8,860,809</u>

For the year ended year ended September 30, 2018, VIA recognized OPEB expense of \$3,557,073. At September 30, 2018, VIA reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Net Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
Difference between expected and actual experience, liability	\$ 5,092,734	\$ -	\$ 5,092,734
Change in assumptions	1,437,492	-	1,437,492
Net differences between projected and actual earnings	-	101,120	(101,120)
Contributions subsequent to the measurement date	1,877,099	-	1,877,099
Total	<u>\$ 8,407,325</u>	<u>\$ 101,120</u>	<u>\$ 8,306,205</u>

Contributions subsequent to the measurement date are recognized in the following period.

Amounts reported as of September 30, 2019 as deferred outflows of resources and deferred inflows or resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Net Deferred Outflows</u> <u>(Inflows)</u>
2020	\$ 943,585
2021	943,585
2022	943,585
2023	968,867
2024	967,679
Thereafter	1,354,545
Total	<u>\$ 6,121,846</u>

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As of September 30, 2019 and September 30, 2018, VIA had a payable of zero for the outstanding amount of contributions to the OPEB Plan required for the years ended September 30, 2019 and September 30, 2018, respectively. VIA made the required contribution prior to year-end in each of those years.

Note 11 – Risk Management

VIA is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, patrons, and the general public; and natural disasters. During the fiscal year, VIA was self-funded for workers' compensation, unemployment compensation, employee health coverage, and public liability coverage.

There were no significant reductions in insurance coverage from the prior year by major category of risk. In addition, there were no insurance settlements exceeding insurance coverage in any of the past three years.

Competitive bids are solicited through VIA's Procurement Department to obtain the required insurance coverages at the lowest possible cost. The requirements specify only insurance carriers with a current Best's rating of A- or better will be considered for award. Sealed bids are accepted by the due date and time specified and presented to the Board for approval.

Detailed information on the major categories of risk is as follows.

A. Property and Casualty Coverage

VIA purchases fire and extended coverage on buildings and building contents. Fire, lightning, and windstorm insurance coverage is purchased for its revenue vehicles. VIA self-insures for the deductible amount of \$500,000.

B. Public Liability Coverage

VIA is self-insured for public liability claims and maintains a reserve for estimated liabilities to fund such claims. VIA estimates the liabilities on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates it is probable a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Reserves are adjusted monthly based on the latest information available for each case. VIA's limits under the Texas Tort Claim Act are \$100,000 per person and \$300,000 per occurrence. A reconciliation of changes in aggregate liabilities for public liability claims for the current year is presented in section D of this note.

C. Workers' Compensation

VIA is self-insured for all workers' compensation coverage and maintains a reserve for estimated liabilities to fund such claims. VIA estimates the liabilities on a cumulative basis using a formula based on historical claims experience. Reserves are adjusted monthly based on the latest information. A reconciliation of changes in the aggregate liabilities for workers' compensation claims for the current year is presented in section D of this note.

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D. Employee Health Coverage

VIA offers health insurance coverage through its self-insured program VIAcare. As of January 1, 2016, Aetna is the third-party administrator for this program; prior to that, VIA self-administered the program. On an annual basis, an actuarial valuation is performed to establish the level of reserves, determine appropriate funding levels for the medical benefits for the calendar year, and establish the monthly premiums for VIAcare. Claims adjudication is administered in accordance with the benefit provisions, exclusions, and limitations, as stipulated in the VIAcare plan document. A reconciliation of changes in the aggregate liabilities for medical claims for the current year follows.

At September 30, 2019, VIA recorded claims payable of \$7,736,637 for its self-insured programs based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (\$8,042,214 in 2018). The statement requires a liability for claims to be reported if it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims payable amounts for the most recent period are presented below.

	Property and Casualty and Public Liability	Workers' Compensation	Employee Health Coverage	Total
Claims payable at September 30, 2017	\$ 3,700,125	\$ 2,533,202	\$ 1,738,427	\$ 7,971,754
Current period claims and charges in estimates	1,968,799	1,973,062	17,842,297	21,784,158
Claim payments	(1,228,824)	(2,453,583)	(18,031,292)	(21,713,699)
Claims payable at September 30, 2018	\$ 4,440,100	\$ 2,052,681	\$ 1,549,432	\$ 8,042,213
Current period claims and charges in estimates	1,979,422	867,935	20,875,607	23,722,964
Claim payments	(1,203,072)	(1,742,138)	(21,083,330)	(24,028,540)
Claims payable at September 30, 2019	\$ 5,216,450	\$ 1,178,478	\$ 1,341,709	\$ 7,736,637

Note 12 – Long-Term Debt

A. MTA Contractual Obligations

On August 29, 2012, MTA issued a par amount of \$3,200,000 of Series 2012-2 MTA Contractual Obligations. VIA has used proceeds to finance acquisition of personal property in support of the Transit Authority System and to pay costs of issuance. The interest rate is 1.97%, and the stated final maturity is July 15, 2019. Interest on the bonds is payable on January 15 and July 15 of each year, commencing January 15, 2013. Principal payments are due and payable on July 15 of each year from 2013 through 2019. The bonds were completely paid off as of August 2019.

The primary source of security for the obligations is provided for by a first and prior lien on and pledge of VIA “sales tax revenues.” VIA “sales tax revenues” mean the revenues derived by VIA from its imposition and collection within its boundaries of a sales and use tax equal to ½ of 1%, the purpose of which is to support VIA’s ownership, operation, and maintenance of the Transit Authority System, as provided and in accordance with Chapter 451, as

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amended, Texas Transportation Code. "Transit Authority System" means any and all VIA real and personal property that is owned, rented, leased, controlled, operated, or held for mass transit purposes.

B. MTA Farebox Revenue and Refunding Bonds

On November 13, 2013, MTA issued a par amount of \$39,965,000 of Series 2013 MTA Farebox Revenue and Refunding Bonds. Proceeds have been used to: pay a portion of the costs of capital projects, primarily projects defined as VIA's SmartMove program, as well as new bus purchases, and property for a new paratransit facility; refund VIA's Series 2012-1 MTA Farebox Revenue Bonds; fund the Reserve Fund for the bonds; and pay the costs of issuance of the bonds. VIA's SmartMove program includes high capacity transit projects and various passenger facilities projects. The bonds are dated October 1, 2013 and have an interest rate varying between 1.00% and 5.25%. Interest on the bonds is payable on February 1 and August 1 of each year, commencing February 15, 2014. Principal payments are due and payable on August 1 of each year from 2014 through 2038.

The primary source of security for the bonds is provided by a first and prior lien on and pledge of VIA "net revenues." VIA "net revenues" mean, generally, all revenues (including income, receipts, and increment) received by VIA, from time to time, as a result of its ownership and operation of the Transit Authority System, that remain after the payment of expenses necessary for the operation and maintenance of the Transit Authority System. "Transit Authority System" means any and all VIA real and personal property that is owned, rented, leased, controlled, operated, or held for mass transit purposes.

C. ATD Sales Tax Revenue and Refunding Bonds

On July 30, 2014, ATD issued a par amount of \$32,925,000 of Series 2014 ATD Sales Tax Revenue and Refunding Bonds. VIA has used proceeds to: pay a portion of the costs of capital projects, primarily projects defined as VIA's SmartMove program, as well as new bus purchases and VIA's new automated fare collection system; refund VIA's Series 2012-3 ATD Sales Tax Revenue Bonds; and pay the costs of issuance of the bonds. VIA's SmartMove program includes high capacity transit projects and various passenger facilities projects. The bonds are dated July 1, 2014 and have an interest rate varying between 2% and 5%. Interest on the bonds is payable on February 1 and August 1 of each year, commencing August 1, 2015. Principal payments are due and payable on August 1 of each year from 2015 through 2038.

VIA ATD imposes and collects within its boundaries a sales and use tax equal to $\frac{1}{4}$ of 1% (the ATD Tax), the proceeds from which are divided three ways: one-half of the proceeds of the ATD Tax are retained by ATD (the "ATD Share") and used for projects including advanced transit services, passenger amenities, equipment, and other Advanced Transportation (as defined by statute) purposes; one-fourth of the proceeds of the ATD Tax are delivered to CoSA, as the only "participating unit" (defined by statute) within the ATD, and used thereby to construct, improve, and maintain streets, sidewalks, and related infrastructure designed to improve mobility and other Advanced Transportation or Mobility Enhancement (as defined by statute) within ATD; and the remaining $\frac{1}{4}$ of the proceeds of the ATD Tax are for use as the local share for state and federal grants for improved highways, transportation infrastructure designed to improve mobility, and other Advanced Transportation or Mobility Enhancement purposes within ATD.

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The primary source of security for the bonds is provided by a first and prior lien on and pledge of the revenues derived by VIA ATD from the ATD Share.

D. MTA Contractual Obligation Bonds

On February 15, 2017, MTA issued a par amount of \$81,995,000 of Series 2017 MTA Contractual Obligation Bonds. VIA will use proceeds to pay a portion of the costs of capital projects, including (specifically) the purchase rolling stock, and to pay the costs of issuance of the bonds. The bonds are dated January 1, 2017 and have an interest rate varying between 3% and 5%. Interest on the bonds is payable on January 15 and July 15 of each year, commencing July 15, 2017. Principal payments are due and payable on July 15 of each year from 2018 through 2029.

The primary source of security for the obligations is provided for by a first and prior lien on the pledge of VIA "sales tax revenues". VIA "sales tax revenues" means the revenues derived by VIA from its imposition and collection within its boundaries of a sales and use tax equal to ½ of 1%, the purpose of which is to support VIA's ownership, operation, and maintenance of the Transit Authority System, as provided and in accordance with Chapter 451, as amended, Texas Transportation Code. "Transit Authority System" means any and all VIA real and personal property that is owned, rented, leased, controlled, operated, or held for mass transit purposes pursuant to Chapter 451, together with all future extensions, improvements, replacements and additions thereto.

Changes in long-term obligations for the year ended September 30, 2019 are as follows:

	Interest Rate Payable	Original Issue	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due within One Year
Series 2012-2 MTA Contractual Obligations	1.97%	\$ 3,200,000	\$ 485,000	\$ -	\$ (485,000)	\$ -	\$ -
Series 2013 MTA Farebox Revenue and Refunding Bonds	1.00%- 5.25%	39,965,000	35,010,000	-	(1,060,000)	33,950,000	1,115,000
Series 2014 ATD Sales Tax Revenue and Refunding Bonds	2.00%- 5.00%	32,925,000	29,625,000	-	(915,000)	28,710,000	955,000
Series 2017 MTA Sales Tax Revenue and Refunding Bonds	3.00%- 5.00%	81,995,000	76,835,000	-	(6,105,000)	70,730,000	4,320,000
Total bonds		158,085,000	141,955,000	-	(8,565,000)	133,390,000	6,390,000
Bond premium		N/A	16,922,920	-	(1,335,124)	15,587,796	-
Compensated absences		N/A	6,525,207	2,762,364	(3,000,207)	6,287,364	3,715,974
Other		N/A	26,405	-	(21,625)	4,780	-
Total long-term liabilities		\$ 158,085,000	\$ 165,429,532	\$ 2,762,364	\$ (12,921,956)	\$ 155,269,940	\$ 10,105,974

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Changes in long-term obligations for the year ended September 30, 2018 are as follows:

	Interest Rate Payable	Original Issue	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due within One Year
Series 2012-2 MTA Contractual Obligations	1.97%	\$ 3,200,000	\$ 960,000	\$ -	\$ (475,000)	\$ 485,000	\$ 485,000
Series 2013 MTA Farebox Revenue and Refunding Bonds	1.00%-5.25%	39,965,000	36,030,000	-	(1,020,000)	35,010,000	1,060,000
Series 2014 ATD Sales Tax Revenue and Refunding Bonds	2.00%-5.00%	32,925,000	30,495,000	-	(870,000)	29,625,000	915,000
Series 2017 MTA Sales Tax Revenue and Refunding Bonds	3.00%-5.00%	81,995,000	81,995,000	-	(5,160,000)	76,835,000	6,105,000
Total bonds		158,085,000	149,480,000	-	(7,525,000)	141,955,000	8,565,000
Bond premium		N/A	18,258,044	-	(1,335,124)	16,922,920	-
Compensated absences		N/A	6,938,527	2,525,489	(2,938,809)	6,525,207	3,912,311
Other		N/A	25,495	910	-	26,405	-
Total long-term liabilities		\$ 158,085,000	\$ 174,702,066	\$ 2,526,399	\$ (11,798,933)	\$ 165,429,532	\$ 12,477,311

The schedule of the required payments for these bonds is as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2020	\$ 6,390,000	\$ 6,656,950	\$ 13,046,950
2021	9,210,000	6,337,450	15,547,450
2022	6,185,000	5,876,950	12,061,950
2023	7,165,000	5,583,450	12,748,450
2024	8,135,000	5,225,200	13,360,200
2025-2029	59,475,000	18,474,013	77,949,013
2030-2034	18,440,000	7,490,775	25,930,775
2035-2038	18,390,000	2,355,000	20,745,000
	\$ 133,390,000	\$ 57,999,788	\$ 191,389,788

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Note 13 – Commitments and Contingencies

A. Grants

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although VIA's management expects such amounts, if any, to be immaterial.

B. Public-Injury Lawsuits

VIA is a defendant in various public-injury lawsuits. The probability of adverse decisions was evaluated by management, and a provision for potential losses is included in estimated liabilities.

C. Pending Claims and Litigation

There are several other pending claims and litigation against VIA. While the result of any pending claims and litigation contains an element of uncertainty, VIA's management believes the amount of any liability and costs which might result would not have a material adverse effect on the financial statements.

D. Construction Commitments

VIA discloses significant outstanding construction commitments greater than \$5,000,000 separately. All other construction commitments are grouped together. There are no individually significant outstanding construction commitments as of September 30, 2019. The total of the remaining outstanding commitments at September 30, 2019 is \$4,284,923.

E. Lease Commitments

During the course of operations, VIA enters into various lease arrangements as both a lessor and a lessee. Amounts involved are immaterial.

**Required Supplementary Information -
Unaudited**

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

Schedule of Changes in Net Pension Liability

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 7,308,154	\$ 7,611,616	\$ 7,905,267	\$ 7,885,706	\$ 8,053,350
Interest on the total pension liability	29,771,656	28,782,751	27,529,518	26,126,424	25,024,697
Changes in benefit terms	-	-	-	2,722,757	-
Differences between expected and actual experience	638,833	(687,692)	2,205,382	1,469,523	-
Changes of assumptions	21,277,913	-	-	-	-
Benefit payments - including refunds of employee contributions	(22,706,442)	(21,397,791)	(19,789,607)	(19,222,937)	(17,386,120)
Refunds	(255,118)	(379,738)	-	-	-
Net change in total pension liability	36,034,996	13,929,146	17,850,560	18,981,473	15,691,927
Total pension liability - beginning	404,782,117	390,852,971	373,002,411	354,020,938	338,329,011
Total pension liability - ending (a)	\$ 440,817,113	\$ 404,782,117	\$ 390,852,971	\$ 373,002,411	\$ 354,020,938
Plan Fiduciary Net Position					
Contributions - employer	\$ 12,480,240	\$ 13,308,001	\$ 12,907,774	\$ 12,143,694	\$ 9,798,508
Contributions - employee	4,420,649	4,486,984	4,121,628	4,236,620	4,227,570
Net investment income	29,240,374	33,570,332	21,792,138	2,675,221	22,741,162
Benefit payments - including refunds of employee contributions	(22,706,442)	(21,397,791)	(19,789,607)	(19,222,937)	(17,168,273)
Refunds	(255,118)	(379,738)	-	-	-
Administrative expense	(120,506)	(255,612)	(143,808)	(236,158)	(215,172)
Other	-	-	-	-	(217,847)
Net change in plan fiduciary net position	23,059,197	29,332,176	18,888,125	(403,560)	19,165,948
Plan fiduciary net position - beginning	275,334,601	246,002,425	227,114,300	227,517,860	208,351,912
Plan fiduciary net position - ending (b)	\$ 298,393,798	\$ 275,334,601	\$ 246,002,425	\$ 227,114,300	\$ 227,517,860
Net pension liability (a)-(b)	\$ 142,423,315	\$ 129,447,516	\$ 144,850,546	\$ 145,888,111	\$ 126,503,078
Plan fiduciary net position as a percentage of total pension liability	67.7%	68.0%	62.9%	60.9%	64.3%
Covered payroll	65,166,072	67,512,908	69,482,896	70,477,214	71,690,366
Net pension liability as a percentage of covered payroll	218.6%	191.7%	208.5%	207.0%	176.5%

GASB Statement No. 68 requires this schedule to be presented for a ten-year period. VIA adopted GASB Statement No. 68 during 2015, therefore, only four years are presented. The full trend information will be accumulated over the next six years.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

Schedule of VIA's Pension Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 2,467,782	\$ 2,467,782	\$ -	\$ 58,423,556	4.22%
2007	3,055,878	3,055,878	-	56,822,389	5.38%
2008	4,917,777	4,917,777	-	58,765,875	8.37%
2009	5,039,382	5,039,382	-	63,566,356	7.93%
2010	6,252,395	6,252,395	-	66,748,265	9.37%
2011	7,320,891	7,320,891	-	69,772,318	10.49%
2012	8,185,552	8,258,760	(73,208)	69,947,664	11.81%
2013	11,498,776	10,639,132	859,644	74,276,531	14.32%
2014	13,555,866	9,798,508	3,757,358	71,690,366	13.67%
2015	11,901,186	12,143,694	(242,508)	70,477,214	17.23%
2016	12,907,775	12,907,774	1	69,482,896	18.58%
2017	13,307,801	13,308,001	(200)	67,512,908	19.71%
2018	12,480,239	12,480,240	(1)	65,166,072	19.15%
2019	14,729,284	14,729,284	-	63,152,166	23.32%

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

Schedule of Changes in Net OPEB Liability and Related Ratios Fiscal Year Ended September 30, 2018

(Multi-year schedules may be built prospectively)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 1,099,372	\$ 832,570
Interest on the total OPEB liability	2,952,287	2,412,291
Difference between expected and actual experience	630,393	5,788,320
Changes of assumptions	-	1,633,830
Benefit payments	(2,509,834)	(1,976,355)
Net change in total OPEB liability	<u>2,172,218</u>	<u>8,690,656</u>
Total OPEB liability - beginning	41,426,434	32,735,778
Total OPEB liability - ending (a)	<u>\$ 43,598,652</u>	<u>\$ 41,426,434</u>
Plan fiduciary net position		
Employer contributions	\$ 2,302,233	\$ 2,139,796
OPEB plan net investment income	579,606	683,082
Benefit payments	(2,509,834)	(1,976,355)
OPEB plan administrative expense	(13,195)	(3,210)
Other	1,376	960
Net change in plan fiduciary net position	<u>360,186</u>	<u>844,273</u>
Plan fiduciary net position - beginning	8,186,100	7,341,827
Plan fiduciary net position - ending (b)	<u>\$ 8,546,286</u>	<u>\$ 8,186,100</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 35,052,366</u>	<u>\$ 33,240,334</u>
Plan fiduciary net position as a percentage of total OPEB liability	19.60%	19.76%
Covered-employee payroll	\$ 112,718,602	\$ 104,967,899
Net OPEB liability as a percentage of covered-employee payroll	31.10%	31.67%

Notes to Schedule:

New demographic and OPEB-specific assumptions were adopted as a result of the recent experience study. Included in the changes was a reduction to the discount rate from 7.50% to 7.25%.

GASB Statement No. 75 requires this schedule to be presented for a ten-year period. VIA adopted GASB Statement No. 75 in Fiscal Year 2018, therefore, only one year is presented. The full trend information will be accumulated over the next nine years.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

**Schedule of OPEB Contributions
Last 10 Fiscal Years**

(Multi-year schedules may be built prospectively)

FY Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 2,302,233	\$ 2,302,233	-	\$ 112,718,602	2.0%
2019	2,738,963	2,738,963	-	119,344,686	2.3%

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

Notes to the Required Supplementary Information

The actuarial methods and assumptions used for VIA’s defined benefit retirement plan and postemployment benefits other than pensions are as follows.

Note 1 – Schedule of VIA’s Pension Contributions

A. Valuation Date

Actuarially determined contributions are calculated as of October 1 and become effective for the following fiscal year (i.e., a 12-month delay in the effective date of the contribution requirement).

B. Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years remaining as of September 30, 2018
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	3.75% to 5.75, service-related assumption, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study through 2016.
Mortality	Gender distinct RP-2000 Combined Health Mortality Table with blue collar adjustment, projected on a fully generational basis by scale BB, multiplied by 109% for male table and 103% for female table.

C. Other information

VIA’s funding policy is to contribute the Plan’s normal cost and an amortization payment to fund the unfunded actuarially accrued liability. The amortization payment is determined as a level percentage of payroll (assuming a 3.25% payroll growth), which includes the payroll of employees who earn benefits in the defined contribution plan.

VIA initiated the current funding policy for determining the actuarially determined contributions and VIA’s actual contributions beginning with the 2011 actuarial valuation, which identified the contribution requirement for fiscal year 2013, and included a phase-in strategy to increase into these contribution requirements. Based on this phase-in strategy, VIA was to contribute less than the actuarially determined contribution for fiscal year 2015 and 2016. For fiscal year 2017 and each year thereafter, VIA will contribute the actuarially determined contribution amount.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018 - Unaudited

Note 2 – Postemployment Benefits Other than Pensions

A. Valuation Date

The Actuarially determined contribution for VIA's fiscal year ending September 30, 2019 was developed in the October 1, 2018 valuation and contributed during the plan's fiscal year ending September 30, 2019.

B. Methods and assumptions used to determine contribution rates

Actuarial cost method	Individual Entry Age Normal
Discount Rate	7.25%
Inflation	2.75%
Salary Increases	3.75 to 5.75%, including inflation, plus an overtime adjustment varying from 1.25% of pay for office workers to 17.50% for operators.
Demographic Assumptions	Based on VIA's experience study for the six-year period ending September 30, 2016.
Mortality	For healthy retirees, the gender distinct RP2000 combined health mortality tables with blue collar adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Participation Rates	Initial rates of 45% pre-65 retirees and 25% post-65 retirees, with 44% assumed to discontinue at age 65.
Healthcare cost trend rates	Initial rates of 7.25% for pre-65 retirees and 6.30% for post-65 retirees, declining to ultimate rates of 4.25% for both pre-65 and post-65 retirees after 13 years.

C. Other information

VIA began complying with Governmental Accounting Standards Board Statement No. 75 (GASB No. 75) with the fiscal year ending September 30, 2018.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Other Supplementary Information

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Combining Statements of Net Position – Fiscal Year 2019

	MTA	ATD	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 53,348,889	\$ 12,063,265	\$ -	\$ 65,412,154
Investments	29,223,282	8,559,037	-	37,782,319
Accounts receivable:				
Federal government	3,478,033	-	-	3,478,033
State of Texas - sales taxes	26,736,281	6,059,792	-	32,796,073
Sales tax receivable - CoSA & Bexar County	-	6,059,792	-	6,059,792
Interest	38,531	-	-	38,531
Receivable from ATD	2,575,553	-	(2,575,553)	-
Other	3,154,280	-	-	3,154,280
Inventory	4,816,864	-	-	4,816,864
Prepaid expenses and other current assets	70,833	-	-	70,833
Restricted assets:				
Restricted cash - bond fund	2,107,061	396,140	-	2,503,201
Total current assets	125,549,607	33,138,026	(2,575,553)	156,112,080
Noncurrent assets:				
Restricted cash - TxDOT grant	30,715,256	-	-	30,715,256
Restricted cash - bond reserve fund	2,927,724	-	-	2,927,724
Restricted investments - TxDot grant	20,259,354	-	-	20,259,354
Capital assets:				
Land	33,334,256	-	-	33,334,256
Buildings and shelters	280,433,405	-	-	280,433,405
Revenue vehicles	299,903,960	-	-	299,903,960
Service vehicles	5,966,597	-	-	5,966,597
Equipment	60,373,297	-	-	60,373,297
Total capital assets	680,011,515	-	-	680,011,515
Less accumulated depreciation	342,425,987	-	-	342,425,987
Construction in progress	64,118,426	-	-	64,118,426
Net capital assets	401,703,954	-	-	401,703,954
Total noncurrent assets	455,606,288	-	-	455,606,288
Total assets	581,155,895	33,138,026	(2,575,553)	611,718,368
Deferred outflows of resources				
Pension	33,777,400	-	-	33,777,400
Other Pension Benefits	8,931,903	-	-	8,931,903
Total deferred outflows of resources	42,709,303	-	-	42,709,303
Total assets and deferred outflows of resources	\$ 623,865,198	\$ 33,138,026	\$ (2,575,553)	\$ 654,427,671

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

	MTA	ATD	Eliminations	Total
Liabilities				
Current liabilities:				
Accounts payable	\$ 12,946,461	\$ -	\$ -	\$ 12,946,461
Payable to MTA	-	2,575,553	(2,575,553)	-
Payable to CoSA & Bexar County	-	6,054,909	-	6,054,909
Retainage payable	1,765,141	-	-	1,765,141
Accrued liabilities	7,110,082	-	-	7,110,082
Unearned revenue	2,353,759	-	-	2,353,759
Claims payable	7,736,637	-	-	7,736,637
Current liabilities payable from unrestricted assets	31,912,080	8,630,462	(2,575,553)	37,966,989
Current liabilities payable from restricted assets:				
Interest payable	1,020,220	236,625	-	1,256,845
Bonds payable	5,435,000	955,000	-	6,390,000
Total current liabilities	38,367,300	9,822,087	(2,575,553)	45,613,834
Noncurrent liabilities:				
Net pension liability	142,423,315	-	-	142,423,315
Net other pension benefits liability	35,052,366	-	-	35,052,366
Long-term liabilities	113,534,063	31,629,903	-	145,163,966
Total noncurrent liabilities	291,009,744	31,629,903	-	322,639,647
Total liabilities	329,377,044	41,451,990	(2,575,553)	368,253,481
Deferred inflows of resources				
Pension	15,739,012	-	-	15,739,012
Other pension benefits	71,095	-	-	71,095
Total deferred outflows of resources	15,810,107	-	-	15,810,107
Total liabilities and deferred inflows of resources	345,187,151	41,451,990	(2,575,553)	384,063,588
Net Position				
Net investment in capital assets	285,311,060	(32,584,903)	-	252,726,157
Restricted debt service	1,086,841	159,515	-	1,246,356
Restricted TxDOT grant	50,974,610	-	-	50,974,610
Restricted bond reserve fund	2,927,724	-	-	2,927,724
Unrestricted	(61,622,188)	24,111,424	-	(37,510,764)
Total Net Position	278,678,047	(8,313,964)	-	270,364,083
Total liabilities, deferred inflows and net position	\$ 623,865,198	\$ 33,138,026	\$ (2,575,553)	\$ 654,427,671

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Combining Schedule of Revenues, Expenses and Changes in Net Position Fiscal Year 2019

	MTA	ATD	Total
Operating revenues:			
Line service	\$ 15,414,524	\$ 2,682,064	\$ 18,096,588
Robert Thompson Terminal	71,168	-	71,168
Other special events	106,386	-	106,386
VIAtrans	1,912,340	-	1,912,340
VIA Link	11,869	-	11,869
Real estate development	557,273	-	557,273
Ellis Alley Park and Ride	13,805	-	13,805
Bus advertising	1,021,564	-	1,021,564
Miscellaneous	455,673	-	455,673
Total operating revenues	<u>19,564,602</u>	<u>2,682,064</u>	<u>22,246,666</u>
Operating expenses:			
Line service	147,826,097	32,048,441	179,874,538
Robert Thompson Terminal	710,668	-	710,668
Other special events	495,404	-	495,404
VIAtrans	45,611,738	-	45,611,738
VIA Link	375,020	-	375,020
Vanpool	-	604,486	604,486
Promotional service	70,002	-	70,002
Real estate development	1,051	-	1,051
Business development and planning	6,598,704	-	6,598,704
Total operating expenses before depreciation	<u>201,688,684</u>	<u>32,652,927</u>	<u>234,341,611</u>
Depreciation on capital assets:			
Acquired with VIA equity	18,701,422	-	18,701,422
Acquired with grants	18,001,553	-	18,001,553
Total operating expenses after depreciation	<u>238,391,659</u>	<u>32,652,927</u>	<u>271,044,586</u>
Operating loss	<u>(218,827,057)</u>	<u>(29,970,863)</u>	<u>(248,797,920)</u>
Nonoperating revenues (expenses):			
Sales taxes	160,092,754	72,449,596	232,542,350
City of San Antonio interlocal agreement	10,000,000	-	10,000,000
Grants revenue - VIA	39,285,411	-	39,285,411
Grants revenue - pass-through	2,071,336	-	2,071,336
Investment income	3,582,452	426,254	4,008,706
Bond interest and issuance costs	(4,352,473)	(1,187,329)	(5,539,802)
Gain (loss) on sale of assets	(912,121)	-	(912,121)
Less pass-through funds remitted to subrecipients	(2,071,336)	-	(2,071,336)
Less amounts remitted to CoSA and Bexar County	-	(36,224,798)	(36,224,798)
Total nonoperating revenues (expenses) - net	<u>207,696,023</u>	<u>35,463,723</u>	<u>243,159,746</u>
Loss before capital contributions	<u>(11,131,034)</u>	<u>5,492,860</u>	<u>(5,638,174)</u>
Capital contributions	(174,559)	-	(174,559)
Transfer in (out)	57,181	(57,181)	-
Change in net position	<u>(11,248,412)</u>	<u>5,435,679</u>	<u>(5,812,733)</u>
Net position at beginning of year	289,926,459	(13,749,643)	276,176,816
Net position at end of year	<u>\$ 278,678,047</u>	<u>\$ (8,313,964)</u>	<u>\$ 270,364,083</u>

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Combining Schedule of Cash Flows – Fiscal Year 2019

	MTA	ATD	Total
Cash flows from operating activities			
Cash received from customers	\$ 19,631,927	\$ 2,706,941	\$ 22,338,868
Cash payments to vendors for goods and services	(55,882,874)	(12,050,562)	(67,933,436)
Cash payments for employee services, including salaried fringe benefits	(148,657,184)	-	(148,657,184)
Cash payments for MTA employee services	-	(20,935,714)	(20,935,714)
Net cash provided by (used in) operating activities	<u>(184,908,131)</u>	<u>(30,279,335)</u>	<u>(215,187,466)</u>
Cash flows from noncapital financing activities			
Sales taxes	158,791,830	71,800,034	230,591,864
Grants revenue received	43,338,067	-	43,338,067
Payments to TxDOT, CoSA and Bexar County	-	(35,900,021)	(35,900,021)
CoSA interlocal agreement	10,000,000	-	10,000,000
Net cash provided by (used in) noncapital financing activities	<u>212,129,897</u>	<u>35,900,013</u>	<u>248,029,910</u>
Cash flows from capital and related financing activities			
Proceeds from capital grants	21,001,882	-	21,001,882
Principal payments on bonds	(7,650,000)	(915,000)	(8,565,000)
Premium, interest and financing fees	(5,543,556)	(1,456,350)	(6,999,906)
Purchase of capital assets	(37,832,956)	-	(37,832,956)
Net cash provided by (used in) capital and related financing activities	<u>(30,024,630)</u>	<u>(2,371,350)</u>	<u>(32,395,980)</u>
Cash flows from investing activities			
Sale of investment securities	94,618,773	29,233,385	123,852,158
Purchase of investment securities	(71,234,694)	(24,020,750)	(95,255,444)
Interest earnings	2,739,078	420,069	3,159,147
Net cash provided by (used in) investing activities	<u>26,123,157</u>	<u>5,632,704</u>	<u>31,755,861</u>
Net increase (decrease) in cash and cash equivalents	<u>23,320,293</u>	<u>8,882,032</u>	<u>32,202,325</u>
Cash and cash equivalents at beginning of year	<u>65,778,637</u>	<u>3,577,373</u>	<u>69,356,010</u>
Cash and cash equivalents at end of year	<u>\$ 89,098,930</u>	<u>\$ 12,459,405</u>	<u>\$ 101,558,335</u>
Reconciliation of operating loss to net cash provided (used in) operating activities			
Operating loss	\$ (218,827,057)	\$ (29,970,863)	\$ (248,797,920)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation on capital assets:			
Acquired with VIA equity	18,701,422	-	18,701,422
Acquired with grants	18,001,553	-	18,001,553
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	211,932	-	211,932
Decrease (increase) in inventory	(611,536)	-	(611,536)
(Decrease) increase in prepaid expenses and other current assets	156,614	-	156,614
Decrease (increase) in prepaid pension	(16,289,851)	-	(16,289,851)
Decrease (increase) in prepaid other postemployment benefits	(529,324)	-	(529,324)
(Decrease) increase in inter-fund receivable	305,457	(308,472)	(3,015)
(Decrease) increase in accounts payable	(2,282,615)	-	(2,282,615)
(Decrease) increase in accrued liabilities	16,255,274	-	16,255,274
Net cash provided by (used in) operating activities	<u>\$ (184,908,131)</u>	<u>\$ (30,279,335)</u>	<u>\$ (215,187,466)</u>
Reconciliation of cash and cash equivalents to the statements of net position			
Cash and cash equivalents at end of year:			
Unrestricted	\$ 53,348,889	\$ 12,063,265	\$ 65,412,154
Restricted - mandated purpose	35,750,041	396,140	36,146,181
Total cash and cash equivalents	<u>\$ 89,098,930</u>	<u>\$ 12,459,405</u>	<u>\$ 101,558,335</u>
Noncash Investing and Financing Activities			
Change in fair value of investments reported as cash equivalents	\$ (1,155,920)	\$ -	\$ (1,155,920)

VIA Metropolitan Transit

San Antonio, Texas

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Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual (GAAP Basis) – MTA 2019

	MTA		
	Budget	Actual	Variance
Operating revenues:			
Line service	\$ 16,520,683	\$ 15,414,524	\$ (1,106,159)
Robert Thompson Terminal	69,987	71,168	1,181
Other special events	106,176	106,386	210
VIAtrans	2,083,219	1,912,340	(170,879)
VIA Link	-	11,869	11,869
Real estate development	950,000	1,021,564	71,564
Ellis Alley Park and Ride	9,600	13,805	4,205
Bus advertising	315,476	557,273	241,797
Miscellaneous	437,040	455,673	18,633
Total operating revenues	<u>20,492,181</u>	<u>19,564,602</u>	<u>(927,579)</u>
Operating expenses (excluding depreciation):			
Line service	149,127,312	147,826,097	(1,301,215)
Robert Thompson Terminal	410,456	710,668	300,212
Other special events	608,115	495,404	(112,711)
VIAtrans	45,989,199	45,611,738	(377,461)
VIA Link	1,050,000	375,020	(674,980)
Promotional service	76,544	70,002	(6,542)
Real estate development	3,386	1,051	(2,335)
Business development and planning	8,503,207	6,598,704	(1,904,503)
Total operating expenses before depreciation	<u>205,768,219</u>	<u>201,688,684</u>	<u>(4,079,535)</u>
Operating loss excluding depreciation	<u>(185,276,038)</u>	<u>(182,124,082)</u>	<u>3,151,956</u>
Non-operating revenues (expenses):			
Sales taxes	156,627,521	160,092,754	3,465,233
City of San Antonio interlocal agreement	10,000,000	10,000,000	-
Grants revenue - VIA	32,791,100	39,285,411	6,494,311
Grants revenue - pass-through	1,488,405	2,071,336	582,931
Investment income	1,493,186	3,582,452	2,089,266
Bond interest and issuance costs	(4,342,300)	(4,352,473)	(10,173)
Gain (loss) on sale of assets	-	(912,121)	(912,121)
Local assistant programs	(800,000)	-	800,000
Less pass-through funds remitted to subrecipients	(1,488,405)	(2,071,336)	(582,931)
Total non-operating revenues (expenses) - net	<u>195,769,507</u>	<u>207,696,023</u>	<u>11,926,516</u>
Income before depreciation	<u>10,493,469</u>	<u>25,571,941</u>	<u>15,078,472</u>
Less depreciation	<u>36,702,975</u>	<u>36,702,975</u>	<u>-</u>
Income (loss) after depreciation	<u>\$ (26,209,506)</u>	<u>\$ (11,131,034)</u>	<u>\$ 15,078,472</u>

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019 and 2018

Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual (GAAP Basis) – ATD 2019

	ATD		
	Budget	Actual	Variance
Operating revenues:			
Line service	\$ 2,790,765	\$ 2,682,064	\$ (108,701)
Total operating revenues	2,790,765	2,682,064	(108,701)
Operating expenses (excluding depreciation):			
Line service	32,477,448	32,048,441	(429,007)
Vanpool	651,601	604,486	(47,115)
Total operating expenses before depreciation	33,129,049	32,652,927	(476,122)
Operating loss excluding depreciation	(30,338,284)	(29,970,863)	367,421
Non-operating revenues (expenses):			
Sales taxes	71,108,640	72,449,596	1,340,956
Investment income	54,656	426,254	371,598
Bond interest and issuance costs	(1,244,504)	(1,187,329)	57,175
Less amounts remitted to CoSA and Bexar County	(35,554,320)	(36,224,798)	(670,478)
Total non-operating revenues (expenses) - net	34,364,472	35,463,723	1,099,251
Income before depreciation	4,026,188	5,492,860	1,466,672
Less depreciation	-	-	-
Income (loss) after depreciation	\$ 4,026,188	\$ 5,492,860	\$ 1,466,672

VIA Metropolitan Transit

San Antonio, Texas

Schedule of Operating Expenses by Expense Category and Cost Center

Year Ended September 30, 2019

	Metropolitan Transit Authority				
	Line Service	Robert Thompson Terminal	Other Special Event	VIA Link	VIAtrans
Labor	\$ 62,531,961	\$ 286,436	\$ 214,260	\$ -	\$ 10,449,636
Fringe Benefits	-	-	-	-	-
Services	3,125,389	51,948	39,948	-	308,127
Materials & Supplies	13,264,403	49,903	28,349	-	2,270,693
Utilities	1,436,652	19,562	2,158	-	282,538
Casualty & Liability	1,314,715	3,536	2,612	-	337,402
Taxes	231,705	633	33	-	54,354
Purchased Transportation	-	-	-	375,020	-
Miscellaneous Expenses	165,138	97	145	-	18,079
Leases & Rentals	137,302	259	5,699	-	-
Fringe Dist. Other	35,667,147	161,578	106,961	-	6,128,376
Expense Transfers	29,951,685	136,715	95,240	-	5,031,315
Sub-Total	<u>147,826,097</u>	<u>710,668</u>	<u>495,404</u>	<u>375,020</u>	<u>24,880,519</u>
Depreciation on capital assets:					
Direct Depreciation	29,662,261	58,653	47,426	-	984,886
Indirect Depreciation	2,824,729	5,585	4,516	-	93,790
Fringe Depreciation	14,513	29	23	-	482
Sub-Total Depreciation	<u>32,501,503</u>	<u>64,267</u>	<u>51,965</u>	<u>-</u>	<u>1,079,158</u>
Total Operating Expenses	<u>\$ 180,327,600</u>	<u>\$ 774,936</u>	<u>\$ 547,370</u>	<u>\$ 375,020</u>	<u>\$ 25,959,678</u>

VIA Metropolitan Transit

San Antonio, Texas

Schedule of Operating Expenses by Expense Category and Cost Center

Year Ended September 30, 2019

	Metropolitan Transit Authority			
	<u>Purchased Transportation</u>	<u>Promotional Service</u>	<u>Real Estate Development</u>	<u>Business Development and Planning</u>
Labor	\$ 1,243,832	\$ 31,748	\$ -	\$ 1,685,155
Fringe Benefits	-	-	-	-
Services	257,547	142	475	2,691,922
Materials & Supplies	772,830	2,702	213	48,686
Utilities	113,127	188	-	-
Casualty & Liability	604	284	363	-
Taxes	83,138	59	-	-
Purchased Transportation	17,040,267	-	-	-
Miscellaneous Expenses	4,018	10	-	446,175
Leases & Rentals	-	25	-	-
Fringe Dist. Other	639,515	19,420	-	928,443
Expense Transfers	576,341	15,425	-	798,323
Sub-Total	<u>20,731,219</u>	<u>70,002</u>	<u>1,051</u>	<u>6,598,704</u>
Depreciation on capital assets:				
Direct Depreciation	47,589	5,337	11,195	64,517
Indirect Depreciation	4,532	508	1,066	6,144
Fringe Depreciation	23	3	5	32
Sub-Total Depreciation	<u>52,144</u>	<u>5,848</u>	<u>12,266</u>	<u>70,693</u>
Total Operating Expenses	<u>\$ 20,783,364</u>	<u>\$ 75,850</u>	<u>\$ 13,318</u>	<u>\$ 6,669,397</u>

VIA Metropolitan Transit

San Antonio, Texas

Schedule of Operating Expenses by Expense Category and Cost Ce

Year Ended September 30, 2019

	Advanced Transportation District		
	Bus Rapid Transit (BRT)	Line Service	Vanpool
Labor	\$ 3,850,657	\$ 9,096,985	\$ 55,963
Fringe Benefits	-	-	-
Services	190,174	491,818	25,200
Materials & Supplies	746,861	2,934,324	-
Utilities	71,488	229,529	-
Casualty & Liability	72,800	306,909	245,650
Taxes	14,021	52,894	-
Purchased Transportation	-	-	216,570
Miscellaneous Expenses	55,725	20,095	120
Leases & Rentals	57,885	27,841	-
Fringe Dist. Other	2,227,654	5,146,342	32,732
Expense Transfers	1,934,685	4,519,755	28,250
Sub-Total	<u>9,221,949</u>	<u>22,826,492</u>	<u>604,486</u>
Depreciation on capital assets:			
Direct Depreciation	1,288,462	4,530,499	2,147
Indirect Depreciation	122,700	431,438	204
Fringe Depreciation	631	2,217	1
Sub-Total Depreciation	<u>1,411,793</u>	<u>4,964,154</u>	<u>2,353</u>
Total Operating Expenses	<u>\$ 10,633,742</u>	<u>\$ 27,790,647</u>	<u>\$ 606,838</u>

VIA Metropolitan Transit

San Antonio, Texas

Schedule of Operating Expenses by Expense Category and Cost Center

Year Ended September 30, 2019

	Combined				
	Sub-Total	MTA Indirect	ATD Indirect	Combined MTA & ATD Fringe	Total
Labor	\$ 89,446,633	\$ 18,249,006	\$ 108,731	\$ 470,342	\$ 108,274,713
Fringe Benefits	-	-	-	60,002,531	60,002,531
Services	7,182,689	9,693,961	82,540	1,190,975	18,150,164
Materials & Supplies	20,118,963	729,382	-	2,377	20,850,722
Utilities	2,155,241	1,445,845	-	-	3,601,086
Casualty & Liability	2,284,875	92,644	-	-	2,377,519
Taxes	436,838	-	-	-	436,838
Purchased Transportation	17,631,858	-	-	-	17,631,858
Miscellaneous Expenses	709,601	2,297,099	4,546	14,391	3,025,637
Leases & Rentals	229,012	123,343	94	-	352,449
Fringe Dist. Other	51,058,167	10,418,269	63,823	(61,798,065)	(257,806)
Expense Transfers	43,087,734	(43,049,549)	(259,733)	117,449	(104,099)
Sub-Total	<u>234,341,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,341,611</u>
Depreciation on capital assets:					
Direct Depreciation	36,702,972	1	-	2	36,702,975
Indirect Depreciation	3,495,214	(3,495,215)	-	-	-
Fringe Depreciation	17,958	-	-	(17,958)	-
Sub-Total Depreciation	<u>40,216,144</u>	<u>(3,495,213)</u>	<u>-</u>	<u>(17,956)</u>	<u>36,702,975</u>
Total Operating Expenses	<u>\$ 274,557,755</u>	<u>\$ (3,495,213)</u>	<u>\$ -</u>	<u>\$ (17,956)</u>	<u>\$ 271,044,586</u>

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2018

Single Audit Section



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
VIA Metropolitan Transit
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of VIA Metropolitan Transit (the "VIA"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VIA's internal control. Accordingly, we do not express an opinion on the effectiveness of VIA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VIA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Austin, Texas
March 5, 2020



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
VIA Metropolitan Transit
San Antonio, Texas

Report on Compliance for Each Major Federal and Major State Program

We have audited VIA Metropolitan Transit's (the "VIA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on VIA's major federal and major state programs for the year ended September 30, 2019. VIA's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for VIA's major federal programs and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the UGMS. Those standards, the Uniform Guidance and the UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about VIA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal and major state programs. However, our audit does not provide a legal determination of VIA's compliance.

Opinion on the Major Federal and Major State Programs

In our opinion, VIA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal and major state programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of VIA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VIA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal or state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and major state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and the UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VIA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the UGMS. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Austin, Texas
March 5, 2020

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019

Schedule of Findings and Questioned Costs for the Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **unmodified**

Internal control over financial reporting:

- > Material weakness (es) identified? yes x no
- > Significant deficiency (ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- | | <u> Federal Program </u> | | | <u> State Program </u> | | |
|--|--|-----------------------|------|--|-----------------------|------|
| > Material weakness(es) identified? | <u> </u> yes | <u> x </u> no | | <u> </u> yes | <u> x </u> no | |
| > Significant deficiencies identified? | <u> </u> yes | <u> x </u> reported | none | <u> </u> yes | <u> x </u> reported | none |

Type of auditor’s report issued on compliance for major programs:

 unmodified unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

 yes x no yes x no

Auditee qualified as low-risk auditee?

 x yes no x yes no

Dollar threshold used to distinguish between type A and type B programs:

 \$1,259,516 \$750,000

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

Identification of major federal program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507, 20.526	Federal Transit Cluster
20.513 and 20.521	Transit Services Programs Cluster

Identification of major state program:

<u>State Number</u>	<u>Name of State Program</u>
0915-12-561 and 0915-12-528	Texas Mobility Funds

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

No matters were reported

SECTION III – FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV – OTHER ISSUES

No matters reported

VIA Metropolitan Transit

San Antonio, Texas
September 30, 2019

Schedule of Expenditures of Federal and State Awards

As of September 30, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Program or Federal Grant Award Amount	Subrecipient Expenditures thru Sep 2019	Total Federal Expenditures thru Sep 2019
Federal Transit Administration					
Direct Programs:					
Federal Transit — Capital Investment Grant	20.500	TX-04-0066	\$ 475,000	\$ -	\$ -
Federal Transit — Capital Investment Grant	20.500	TX-04-0071	1,550,000	-	-
Federal Transit — Capital Investment Grant	20.500	TX-04-0086	3,117,087	-	62,522
Federal Transit — Capital Investment Grant	20.500	TX-04-0092	148,000	-	23,454
Federal Transit — Capital Investment Grant	20.500	TX-04-0095	3,000,000	-	26,409
Federal Transit — Capital Investment Grant	20.500	TX-04-0097	3,000,000	-	-
Federal Transit — Capital Investment Grant	20.500	TX-04-0108	3,936,000	-	584,448
Federal Transit — Capital Investment Grant	20.500	TX-2019-091	825,000	-	-
Sub-Total CFDA	20.500		16,051,087	-	696,833
Federal Transit— Formula Grant	20.507	TX-2018-031	8,000,000	-	-
Federal Transit— Formula Grant (TAP Flex Funds)	20.507	TX-2019-059	20,520,000	-	75,433
Federal Transit— Formula Grant	20.507	TX-2019-076	759,839	-	490,639
Federal Transit— Formula Grant	20.507	TX-2016-079	12,000,000	-	-
Federal Transit— Formula Grant	20.507	TX-2017-060	28,506,801	-	1,409,698
Federal Transit— Formula Grant	20.507	TX-2018-073	31,060,423	626,756	856,570
Federal Transit— Formula Grant	20.507	TX-90-X977	25,236,398	-	135,421
Federal Transit— Formula Grant	20.507	TX-90-Y009	28,267,591	-	75,923
Federal Transit— Formula Grant	20.507	TX-2018-020	4,139,849	-	3,836,612
Federal Transit— Formula Grant	20.507	TX-2019-061	4,846,149	-	1,401,221
Federal Transit— Formula Grant	20.507	TX-95-X029	22,400,517	-	394
Federal Transit— Formula Grant	20.507	TX-95-X093	1,600,000	-	183,195
Federal Transit— Formula Grant	20.507	TX-2019-062	31,851,007	-	30,688,210
Sub-Total CFDA	20.507		219,188,574	626,756	39,153,316
Federal Transit— Bus and Bus Facilities Formula Grant	20.526	TX-2016-074	6,571,042	-	46,010
Federal Transit— Bus and Bus Facilities Formula Grant	20.526	TX-2017-078	6,028,241	-	-
Federal Transit— Bus and Bus Facilities Formula Grant	20.526	TX-34-0001	3,181,130	-	82,753
Federal Transit— Bus and Bus Facilities Formula Grant	20.526	TX-2019-044	3,750,000	-	-
Sub-Total CFDA	20.526		19,530,413	-	128,763
Total Federal Transit Cluster			254,770,074	626,756	39,978,912
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	TX-16-X012	1,326,203	75,728	75,728
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	TX-2016-081	4,314,208	885,767	986,559
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	TX-2018-087	1,497,663	483,085	483,085
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	TX-2019-070	1,553,854	-	459,370
Sub-Total CFDA	20.513		8,691,928	1,444,580	2,004,742
New Freedom Program	20.521	TX-57-X016	271,680	-	213
New Freedom Program	20.521	TX-57-X032	1,683,082	-	-
Sub-Total CFDA	20.521		1,954,762	-	213
Total Transit Services Programs Cluster			10,646,690	1,444,580	2,004,955
Total United States Department of Transportation			265,416,764	2,071,336	41,983,867
United States Environmental Protection Agency					
National Clean Diesel Funding Assistance Program	66.039	01F40301	1,077,300	-	-
Total United States Environmental Protection Agency			1,077,300	-	-
TOTAL FEDERAL ASSISTANCE			\$ 266,494,064	\$ 2,071,336	\$ 41,983,867
State Funding:					
Texas Department of Transportation					
Texas Mobility Funds - Advanced Funding Agreement	N/A	CSJ#: 0915-12-561	\$ 7,500,000	\$ -	\$ 59,424
Texas Mobility Funds - Advanced Funding Agreement	N/A	CSJ#: 0915-12-528	92,000,000	-	18,552,839
Total TxDOT			99,500,000	-	18,612,263
Texas Commission on Environmental Quality (TCEQ)					
Texas Clean Fleet Program	N/A	582-17-71613-2586	5,000,000	-	-
Volkswagen Settlement Funds	N/A	582-19-97212-VV	5,035,120	-	-
Total TCEQ			10,035,120	-	-
TOTAL STATE ASSISTANCE			\$ 109,535,120	\$ -	\$ 18,612,263

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2019

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (the “Schedule”) includes the federal award activity of VIA under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). The Schedule also includes the state grant activity of VIA under programs of the state government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Texas Single Audit Circular (Uniform Grant Management Standards).

Because the Schedule presents only a selected portion of the operations of VIA, it is not intended to and does not present the financial position, changes in net position, or cash flows of VIA.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Title 2 U.S. Code of Federal Regulations, Part 225, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

VIA has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Contingencies

VIA participates in numerous federal grant programs governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent VIA has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2019 may be impaired. In the opinion of VIA there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingency.

VIA Metropolitan Transit

San Antonio, Texas

September 30, 2018

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2018

No findings reported in the prior year.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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December __, 2020

**VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT
SALES TAX REVENUE REFUNDING BONDS, TAXABLE SERIES 2020
DATED AS OF DECEMBER 1, 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$23,790,000**

AS BOND COUNSEL FOR THE VIA METROPOLITAN TRANSIT ADVANCED TRANSPORTATION DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the *Resolution*), (ii) the Escrow Agreement, dated as of November 17, 2020, between the District and BOKF, NA, Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the verification report of AMTEC, Avon, Connecticut, with respect to the adequacy of certain escrowed funds and securities to accomplish the refunding purposes of the Bonds (the *Report*), and (iv) the executed Initial Bond (as defined in the Resolution).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid, legally binding, and enforceable special obligations of the District, payable solely from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues (being, primarily, the revenues derived by the District from the ATD Share of the ATD Tax), in the manner and as provided in the Resolution, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by ad valorem taxation. In the Resolution, the District retains the right to issue Additional Parity Bonds or inferior lien obligations payable from and secured by a lien on and pledge of all or any part of the Pledged Revenues on parity with or subordinate to, respectively, the lien thereon and pledge thereof securing the Bonds, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance

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Two Allen Center
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with its terms and that the “Refunded Bonds” (as defined in the Resolution) being refunded by the Bonds are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the verifications contained in the Report as to the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Bonds.

IT IS FURTHER OUR OPINION that the Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and the defeasance of the Refunded Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and the Pledged Revenues of the District. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

*Via Metropolitan Transit Advanced Transportation District
Sales Tax Revenue Refunding Bonds, Taxable Series 2020
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