NEW ISSUE—BOOK-ENTRY-ONLY

Ratings: Moody's: "Aa1"
S&P: "AAA"
See "RATINGS" herein.

In the opinion of Kutak Rock LLP, Bond Counsel to LACMTA, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that interest on the Series 2017 Bonds will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2017 Bonds is exempt from present State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.

$556,850,000
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Metro

Climate Bond Certified

$471,395,000
Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds)

$85,455,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B

Dated: Date of Delivery **Due: As shown on inside cover**

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) (the "Series 2017-A Bonds") and its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds"). The Series 2017-A Bonds and the Series 2017-B Bonds are collectively referred to herein as the "Series 2017 Bonds."

The Series 2017 Bonds are being issued pursuant to the Trust Agreement, dated as of July 1, 1986, as amended and supplemented (the "Trust Agreement"), by and between LACMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Thirty-Eighth Supplemental Trust Agreement, to be dated as of October 1, 2017 (the "Thirty-Eighth Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series 2017 Bonds are limited obligations of LACMTA payable from and secured by a first lien on and pledge of the Pledged Revenues (which includes the receipts from the imposition in the County of Los Angeles for public transit purposes of a one-half cent retail transactions and use tax, less 25% thereof paid to local jurisdictions and certain administrative fees) and by certain other amounts held under the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS" and "PROPOSITION A SALES TAX AND COLLECTIONS" herein. LACMTA will use the proceeds of the Series 2017 Bonds, along with certain other available moneys, to (a) finance or refinance (through the repayment of Proposition A Commercial Paper Notes) the development and construction of certain projects of the rail transit system, including projects that have been identified as environmentally beneficial, as further described herein, (b) refund, on an advance basis, and defease certain outstanding bonds, as further described herein, (c) make a deposit to the reserve fund, as further described herein, and (d) pay the costs of issuance of the Series 2017 Bonds.

The Series 2017 Bonds will be issued in denominations of $5,000 and integral multiples thereof. The Series 2017 Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 2017 Bonds. Individual purchases and sales of the Series 2017 Bonds may be made in book-entry form only. See "APPENDIX H—BOOK–ENTRY–ONLY SYSTEM." The Series 2017 Bonds will mature in the principal amounts and will bear interest at the rates set forth on the inside front cover page. LACMTA will pay interest on the Series 2017 Bonds on January 1 and July 1, commencing on July 1, 2018.

Certain of the Series 2017-A Bonds are subject to redemption prior to maturity as described in this Official Statement. The Series 2017-B Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2017 BONDS—Redemption of Series 2017-A Bonds."

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2017 Bonds. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017 Bonds. LACMTA has no power to levy property taxes to pay the principal of and interest on the Series 2017 Bonds.

Purchasers of the Series 2017 Bonds will be deemed to have consented to certain amendments to the Trust Agreement. See "INTRODUCTION—Proposed Amendments to Trust Agreement" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the terms of, or the security for, the Series 2017 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

Pursuant to competitive bidding held on October 12, 2017, the Series 2017-A Bonds were awarded at a true interest cost of 3.237992% (prior to adjustment), and the Series 2017-B Bonds were awarded at a true interest cost of 1.260938% (prior to adjustment). See "SALE OF SERIES 2017 BONDS" herein. LACMTA is offering the Series 2017 Bonds when, as and if it issues the Series 2017 Bonds. The issuance of the Series 2017 Bonds is subject to the approval as to their validity by Kutak Rock LLP, Bond Counsel to LACMTA. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as Disclosure Counsel, will pass on certain legal matters for LACMTA. LACMTA anticipates that the Series 2017 Bonds will be available for delivery through the facilities of DTC on or about October 31, 2017.

Date of Official Statement: October 12, 2017

MATURITY SCHEDULE

$471,395,000
Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
Series 2017-A (Green Bonds)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Nos.[†]
2022	$13,200,000	5.000%	1.210%	117.144	54466HFD3
2023	13,855,000	5.000	1.340	119.906	54466HFE1
2024	14,550,000	5.000	1.470	122.336	54466HFF8
2025	15,275,000	5.000	1.620	124.274	54466HFG6
2026	16,040,000	5.000	1.760	125.935	54466HFH4
2027	16,845,000	5.000	1.880	127.458	54466HFJ0
2028	17,685,000	5.000	1.990[C]	126.347[C]	54466HFK7
2029	18,570,000	5.000	2.090[C]	125.348[C]	54466HFL5
2030	19,500,000	5.000	2.160[C]	124.654[C]	54466HFM3
2031	20,475,000	5.000	2.230[C]	123.964[C]	54466HFN1
2032	21,495,000	5.000	2.300[C]	123.279[C]	54466HFP6
2033	22,570,000	5.000	2.360[C]	122.696[C]	54466HFQ4
2034	23,700,000	5.000	2.420[C]	122.115[C]	54466HFR2
2035	24,885,000	5.000	2.470[C]	121.634[C]	54466HFS0
2036	26,130,000	5.000	2.510[C]	121.251[C]	54466HFT8
2037	27,435,000	5.000	2.550[C]	120.869[C]	54466HFU5
2038	28,810,000	5.000	2.610[C]	120.299[C]	54466HFV3
2039	30,250,000	5.000	2.640[C]	120.015[C]	54466HFW1
2040	31,760,000	5.000	2.660[C]	119.826[C]	54466HFX9
2041	33,350,000	5.000	2.680[C]	119.638[C]	54466HFY7
2042	35,015,000	5.000	2.700[C]	119.450[C]	54466HFZ4

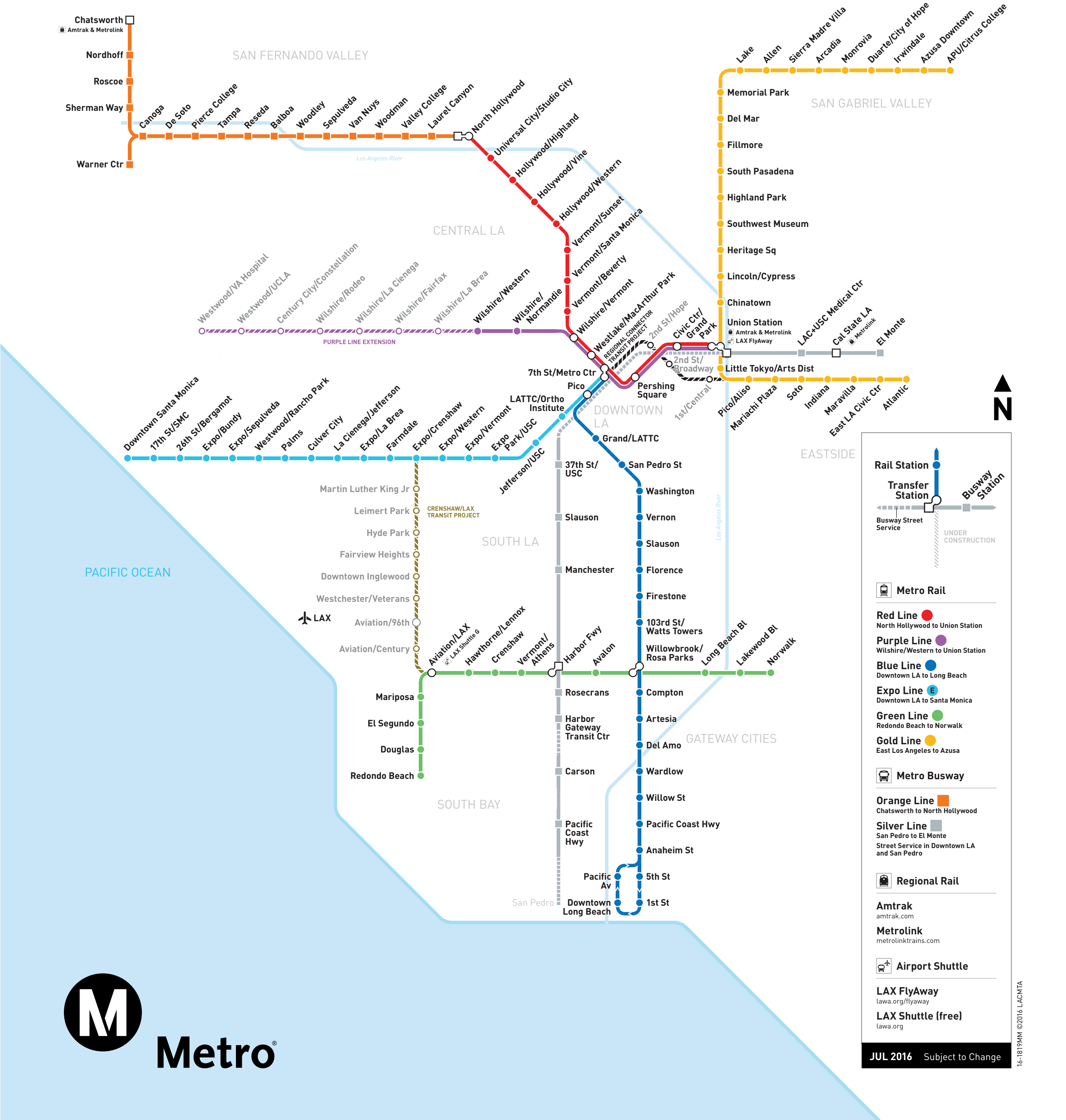
[C] Priced to par call on July 1, 2027.

$85,455,000
Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds
Series 2017-B

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Nos.†
2022	$41,685,000	5.000%	1.180%	117.293	54466HGA8
2023	43,770,000	5.000	1.310	120.087	54466HGB6

Metro Rail & Busway

metro.net



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

Eric Garcetti, Chair
Sheila Kuehl, First Vice-Chair
James T. Butts, Jr., Second Vice-Chair
Kathryn Barger
Mike Bonin
Jacquelyn Dupont-Walker
John Fasana
Robert Garcia
Janice Hahn
Paul Krekorian
Ara J. Najarian
Mark Ridley-Thomas
Hilda L. Solis
Carrie Bowen, Ex-Officio Member

LACMTA Officers

Phillip A. Washington, Chief Executive Officer
Nalini Ahuja, Chief Financial Officer
Donna R. Mills, Treasurer

LACMTA General Counsel

Office of the County Counsel
Los Angeles, California

MUNICIPAL ADVISOR

KNN Public Finance, LLC
Oakland, California

BOND COUNSEL

Kutak Rock LLP

DISCLOSURE COUNSEL

Nixon Peabody LLP

TRUSTEE AND ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.

VERIFIER WITH RESPECT TO CLIMATE BOND CERTIFICATION

First Environment, Inc.
Boonton, New Jersey

LACMTA has not authorized any dealer, broker, salesperson or other person to give any information or to make any representation in connection with the offer or sale of the Series 2017 Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 Bonds, by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not a contract with the purchasers or owners of the Series 2017 Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series 2017 Bonds and this Official Statement may not be reproduced or used, in whole or in part, for any other purpose.

In making an investment decision, investors must rely on their own examination of the terms of the offering and the security and sources of payment of the Series 2017 Bonds, including the merits and risks involved. The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2017 Bonds or the accuracy or completeness of this Official Statement. The Series 2017 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "forecast," "projection," "intend," "expect" and similar expressions identify forward looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward looking statements. Some assumptions used to develop forward looking statements inevitably will not be realized, and unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results; those differences could be material.

In connection with this offering, the Winning Bidders may overallot or effect transactions which stabilize or maintain the market price of the Series 2017 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing transactions, if commenced, may be discontinued at any time. The Winning Bidders may offer and sell the Series 2017 Bonds to certain dealers and others at yields higher or prices lower than the public offering yields and/or prices stated on the inside cover page of this Official Statement, and such public offering yields and/or prices may be changed from time to time by the Winning Bidders.

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OFFICIAL STATEMENT

$556,850,000
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

$471,395,000 **Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds)**	**$85,455,000** **Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority ("LACMTA") of $471,395,000 aggregate principal amount of its Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) (the "Series 2017-A Bonds") and $85,455,000 aggregate principal amount of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds"). The Series 2017-A Bonds and the Series 2017-B Bonds are collectively referred to herein as the "Series 2017 Bonds." This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in this entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors should review this entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 2017 Bonds. LACMTA is only offering the Series 2017 Bonds to potential investors by means of this entire Official Statement. Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX E—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS."

LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the "LACMTA Act"). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the "District") and the Los Angeles County Transportation Commission (the "Commission"). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission's responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the "County"), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 4, 1980, the voters of the County approved the "Proposition A Sales Tax." The Proposition A Sales Tax is a ½ of 1 percent sales tax and is not limited in duration. For more information regarding the Proposition A Sales Tax, see "PROPOSITION A SALES TAX AND COLLECTIONS—The Proposition A Sales Tax."

For further discussion of LACMTA, its other sources of revenues, the services it provides and the projects it is undertaking, see "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY." The information provided in Appendix A is intended as general information only. The Series 2017-A Bonds are limited obligations of the LACMTA payable from Pledged Revenues, which consist primarily of proceeds of the Proposition A Sales Tax. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS.

For certain economic and demographic data about the County, see "APPENDIX D—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION."

Purpose of the Series 2017 Bonds

LACMTA will use the proceeds of the Series 2017 Bonds, together with other available funds, to (a) finance or refinance (through the repayment of Proposition A Commercial Paper Notes) the development and construction of certain projects of the rail transit system, including projects that have been identified as environmentally beneficial, as further described herein, (b) refund, on an advance basis, and defease the Refunded Bonds (as defined herein), (c) make a deposit to the Reserve Fund, as further described herein, and (d) pay the costs of issuance of the Series 2017 Bonds. For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series 2017 Bonds, see "PLAN OF FINANCE AND APPLICATION OF BOND PROCEEDS."

Description of the Series 2017 Bonds

The Series 2017 Bonds are limited obligations of LACMTA to be issued pursuant to, and payable from and secured under, the Trust Agreement, dated as of July 1, 1986, as amended and supplemented (the "Trust Agreement"), by and between LACMTA (as successor to the Commission) and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A., as successor to BNY Western Trust Company, as successor in interest to Wells Fargo Bank, N.A., as successor by merger to First Interstate Bank of California), as trustee (the "Trustee"), and to be further supplemented by the Thirty-Eighth Supplemental Trust Agreement, to be dated as of October 1, 2017 (the "Thirty-Eighth Supplemental Agreement"), by and between LACMTA and the Trustee. The Trust Agreement and the Thirty-Eighth Supplemental Agreement are collectively referenced herein as the "Agreement."

The Series 2017 Bonds will be issued in registered form, in denominations of $5,000 or any integral multiple thereof. The Series 2017 Bonds will be dated their initial date of delivery and will mature and will bear interest at the rates per annum as shown on the inside cover page hereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2017 Bonds will be delivered in book-entry-only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2017 Bonds. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series 2017 Bonds

The Series 2017 Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of "Pledged Revenues," which include moneys collected as a result of the imposition of the Proposition A Sales Tax (the imposition of which is not limited in duration), less 25% thereof which is allocated to local jurisdictions for local transit purposes (the "Local Allocation") and less an administrative fee paid to the California Department of Tax and Fee Administration (formerly the California State Board of Equalization) (the "Department of Tax and Fee Administration"), in connection with the collection and disbursement of the Proposition A Sales Tax, plus interest, profits and other income received from investment of such amounts held by the Trustee, and all other amounts held by the Trustee under the Agreement except for amounts held in any rebate fund and any escrow fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS" and "PROPOSITION A SALES TAX AND COLLECTIONS—The Proposition A Sales Tax."

Proposition A Sales Tax Obligations

LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a parity with the Series 2017 Bonds, and LACMTA is permitted to issue additional parity obligations in the future upon satisfaction of certain additional bonds tests contained in the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Additional First Tier Senior Lien Bonds." The Series 2017 Bonds, the existing obligations on a parity with the Series 2017 Bonds and all future obligations issued on a parity with the Series 2017 Bonds are collectively referred to herein as the "First Tier Senior Lien Bonds." As of October 1, 2017, $820,130,000 aggregate principal amount of First Tier Senior Lien Bonds (including the Refunded Bonds) were outstanding. See "PLAN OF FINANCE AND APPLICATION OF BOND PROCEEDS" and "PROPOSITION A SALES TAX OBLIGATIONS."

In addition, LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a basis subordinate to the First Tier Senior Lien Bonds (including the Bonds), and it may issue additional subordinate obligations in the future. See "PROPOSITION A SALES TAX OBLIGATIONS."

The Series 2017 Bonds Are Limited Obligations of LACMTA Only

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2017 Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2017 Bonds.

The Series 2017 Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a first lien on and pledge of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017 Bonds.

Reserve Fund

Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and is available to make payments of principal of and interest on all First Tier Senior Lien Revenue Bonds, including the Series 2017 Bonds, issued by LACMTA under the Agreement to the extent the amounts in the Bond Interest Account or the Bond Principal Account are not sufficient to pay in full the principal of and interest on the First Tier Senior Lien Bonds when due. The Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement. At the time of issuance of the Series 2017 Bonds, the Reserve Fund will be funded in an amount equal to the Reserve Fund Requirement (which is expected to be approximately $160 million at the time of issuance of the Series 2017 Bonds). At the time of issuance of the Series 2017 Bonds, the Reserve Fund Requirement will be satisfied by an existing municipal bond debt service reserve insurance policy (the "AGM Reserve Policy") provided by Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) ("AGM") with a policy limit of $85.5 million, and cash and investments in the amount of approximately $74.5 million. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund—AGM Reserve Policy." The Reserve Fund also contains a municipal bond debt service reserve fund policy (the "FGIC Reserve Policy") provided by Financial Guaranty Insurance Company (National Public Finance Guarantee Corporation by novation). The Reserve Fund Requirement is satisfied without taking into account the

FGIC Reserve Policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund—FGIC Reserve Policy."

Following the Amendment Effective Date (as defined under "—Proposed Amendments to Trust Agreement" below), LACMTA expects to elect that the Series 2017 Bonds will no longer be secured by the Reserve Fund or any other debt service reserve fund. See "—Proposed Amendments to Trust Agreement" below and "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

Proposed Amendments to Trust Agreement

The Thirty-Seventh Supplemental Trust Agreement, dated as of March 1, 2016, between LACMTA and the Trustee, included certain amendments to the Trust Agreement (the "Proposed Amendments"), which are described in Appendix I hereto. The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding have consented to such Proposed Amendments, and all other required consents and the opinion of bond counsel have been obtained (the "Amendment Effective Date"). ***By the purchase and acceptance of the Series 2017 Bonds, the Bondholders and Beneficial Owners of the Series 2017 Bonds will be deemed to have consented to the Proposed Amendments.*** Any Bondholders and Beneficial Owners of First Tier Senior Lien Bonds issued on and after March 10, 2016 (including the Series 2017 Bonds) will be deemed to have consented to and will be subject to the Proposed Amendments, but only after the Bondholders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding have consented to the Proposed Amendments. As of October 1, 2017, the Bondholders of 19.9% of the then-Outstanding First Tier Senior Lien Bonds have consented to the Proposed Amendments and none of the other required consents have been obtained. On the date of issuance of the Series 2017 Bonds, approximately 56.0% of the Bondholders of the Outstanding First Tier Senior Lien Bonds (including the Bondholders of the Series 2017 Bonds) will have consented to the Proposed Amendments. Only the Bondholders of the Series 2017 Bonds and the Bondholders of LACTMA's Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2016-A (the "Series 2016 Bonds") have consented to the Proposed Amendments. None of the Bondholders of the other currently Outstanding First Tier Senior Lien Bonds have consented to the Proposed Amendments, and, LACMTA has no plans to solicit the consent of the Bondholders of the other currently Outstanding First Tier Senior Lien Bonds to the Proposed Amendments. Based on the amortization schedules for the Outstanding First Tier Senior Lien Bonds (including the Series 2017 Bonds), assuming that all First Tier Senior Lien Bonds are paid as scheduled, no additional First Tier Senior Lien Bonds are issued and no First Tier Senior Lien Bonds are refunded after the issuance of the Series 2017 Bonds, the LACMTA expects that it would obtain the consent of the Bondholders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then-Outstanding not later than July 2019. However, the timing of obtaining the required Bondholder consents could change. There can be no assurance as to when (or whether) the Proposed Amendments will become effective.

The Proposed Amendments include, among other amendments, changes to the requirement under the Trust Agreement that the Series 2017 Bonds, the Series 2016 Bonds and any other Additional First Tier Senior Lien Bonds issued after March 10, 2016 participate in and be secured by the Reserve Fund. The Proposed Amendments will allow the Series 2017 Bonds, the Series 2016 Bonds and any Additional First Tier Senior Lien Bonds issued after March 10, 2016 to (i) participate in and be secured by the Reserve Fund, or (ii) participate in and be secured by a separate debt service reserve fund, or (iii) not participate in or be secured by the Reserve Fund or any other debt service reserve fund. See "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT." LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2017 Bonds and the Series 2016 Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2017 Bonds and the Series 2016 Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released, at which time such moneys may be applied by LACMTA for any lawful purpose. See "RISK FACTORS—After Amendment Effective Date Series 2017 Bonds Are Not Expected to be Secured by Reserve Fund."

Continuing Disclosure

In connection with the issuance of the Series 2017 Bonds, for purposes of assisting the Winning Bidders (as defined herein) in complying with Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended, LACMTA will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), certain annual financial information and operating data relating to LACMTA and notice of certain enumerated events. See "CONTINUING DISCLOSURE" and "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Additional Information

Brief descriptions of the Series 2017 Bonds, the Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of LACMTA since the date hereof. This Official Statement is not to be construed as a contract or agreement between LACMTA or the purchasers or Bondholders of any of the Series 2017 Bonds. LACMTA maintains a website and social media accounts, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2017 Bonds.

Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 21st Floor, Treasury Department, Los Angeles, California 90012, or by emailing TreasuryDept@metro.net, or by calling (213) 922-2554.

PLAN OF FINANCE AND APPLICATION OF BOND PROCEEDS

Use of Proceeds; Plan of Finance

Series 2017-A Bonds. LACMTA will use the proceeds of the Series 2017-A Bonds to (a) finance or refinance (through the repayment of $123,693,000 aggregate principal amount of Proposition A Commercial Paper Notes) the development and construction of certain projects of the rail transit system, including projects that have been identified as environmentally beneficial as further described herein, (b) make a deposit to the Reserve Fund as further described herein, and (c) pay the costs of issuance of the Series 2017-A Bonds.

The projects expected to be financed or refinanced with the proceeds of the Series 2017-A Bonds consist of improvements to the rail transit system, including (a) construction of the new Southwestern Yard maintenance facility to store, maintain, repair and clean light rail vehicles required for the Crenshaw/LAX project and existing Metro Green Line as well as future lines in the area, (b) construction of the Universal City Station pedestrian bridge, (c) procurement of new light rail vehicles for the Gold Line Foothill Extension, Exposition Line and Crenshaw LAX projects, (d) procurement of heavy rail vehicles for Purple Line Extension, Segment 1, and to replace vehicles that have met their intended service, and (e) other rail vehicle maintenance and rail facilities improvements. LACMTA may ultimately use the Series 2017-A Bond proceeds for different or additional eligible projects. See "CLIMATE BOND CERTIFICATION OF THE SERIES 2017-A BONDS."

Series 2017-B Bonds. LACMTA will use the proceeds of the Series 2017-B Bonds to (a) refund, on an advance basis, and defease the Refunded Bonds, as described below under "—Refunding Plan," and (b) pay the costs of issuance of the Series 2017-B Bonds.

Refunding Plan

LACMTA will use the proceeds of the Series 2017-B Bonds, together with certain other available moneys, to refund, on an advance basis, and defease all or a portion of its outstanding Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2011-B (the portion so refunded, the "Refunded Bonds") as set forth in more detail in the following table. The specific maturities, if any, to be refunded will depend on market conditions.

Refunded Bonds

Maturity Date (July 1)	Principal Amount	Redemption Date	Redemption Price
2022	$ 175,000	July 1, 2021	100%
2022	610,000	July 1, 2021	100
2022	43,665,000	July 1, 2021	100
2023	1,250,000	July 1, 2021	100
2023	500,000	July 1, 2021	100
2023	44,910,000	July 1, 2021	100
	$91,110,000		

A portion of the proceeds of the Series 2017-B Bonds, together with certain other available moneys, will be deposited with The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent, and will be held in an escrow fund (the "Escrow Fund) for the Refunded Bonds to be created under the terms of an escrow agreement to be entered into between LACMTA and The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent. Amounts deposited into the Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury and/or held uninvested in cash. Amounts on deposit in the Escrow Fund will be used to pay: (i) interest on the Refunded Bonds, when due; and (ii) the redemption price of the Refunded Bonds on July 1, 2021.

Causey Demgen & Moore P.C., certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the moneys to be deposited to the Escrow Fund to pay: (i) interest on the Refunded Bonds, when due; and (ii) the redemption price of the Refunded Bonds on July 1, 2021. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

Estimated Sources and Uses of Funds

The following table presents the estimated sources and uses of funds in connection with the issuance of the Series 2017 Bonds.

	2017-A Bonds	2017-B Bonds	Total
Sources			
Principal Amount	$471,395,000.00	$85,455,000.00	$556,850,000.00
Original Issue Premium	103,433,337.55	16,000,666.95	119,434,004.50
Release of Funds from Reserve Fund		1,186,156.25	1,186,156.25
Release of Funds from Refunded Bonds Interest Subaccount	–	1,471,900.00	1,471,900.00
Total Sources	$574,828,337.55	$104,113,723.20	$678,942,060.75
Uses			
Deposit to Construction Fund	$424,711,643.06	$ –	$424,711,643.06
Deposit to Commercial Paper Notes Retirement Fund	123,693,000.00	–	123,693,000.00
Deposit to Escrow Fund	–	102,822,328.89	102,822,328.89
Deposit to Reserve Fund	24,921,956.94	1,186,156.25	26,108,113.19
Costs of Issuance[1]	1,501,737.55	105,238.06	1,606,975.61
Total Uses	$574,828,337.55	$104,113,723.20	$678,942,060.75

[1] Includes underwriter's discount, legal fees, rating agency fees, municipal advisor fees, verification agent fees, financial printer costs and other costs of issuance.

CLIMATE BOND CERTIFICATION OF THE SERIES 2017-A BONDS

The information set forth under this caption "Climate Bond Certification of the Series 2017-A Bonds" concerning (1) the Climate Bonds Initiative (the "Climate Bonds Initiative") and the process for obtaining Climate Bond Certification (the "Climate Bond Certification"), and (2) First Environment, Inc. ("First Environment") in its role as a verifier with respect to the Climate Bond Certification, all as more fully described below, has been extracted from materials provided by the Climate Bonds Initiative and First Environment, respectively, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by LACMTA or the Winning Bidders. Additional information relating to the Climate Bonds Initiative, the Climate Bonds Standard, the Certification Process (defined herein) and the process for obtaining Climate Bond Certification can be found at www.climatebonds.net. This website is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

The terms "Climate Bond Certified" and "green bonds" are neither defined in, nor related to the Agreement, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the Series 2017-A Bonds is entitled to any additional security other than as provided in the Agreement. LACMTA has no continuing legal obligation to maintain the Climate Bond Certification of the Series 2017-A Bonds.

LACMTA has requested and the Climate Bonds Standard Board has approved the labeling of the Series 2017-A Bonds as "Climate Bond Certified." The certification of the Series 2017-A Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Series 2017-A Bonds or any projects financed with the proceeds of the Series 2017-A Bonds (referred to in this section as the "Nominated Projects"), including but not limited to this Official Statement, the transaction documents, LACMTA or the management of LACMTA.

The certification of the Series 2017-A Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the LACMTA and is not a recommendation to any person to purchase, hold or sell the Series 2017-A Bonds and such certification does not address the market price or suitability of the Series 2017-A Bonds for a particular investor. The certification also does not address the merits of the decision by LACMTA or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to LACMTA or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or LACMTA. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the Series 2017-A Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Series 2017-A Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

Introduction. LACMTA has long been committed to a variety of environmental goals, including reducing greenhouse gas emissions in its facilities, operations and construction activities within its service area, as well as the impacts of any ancillary activities on human health and the environment. Rail transit systems already form a sustainable air quality strategy by reducing vehicle miles travelled and congestion and promoting land use co-benefits as a result of transit investments which leads to a reduction in criteria air pollutants and greenhouse gas emissions. These in turn create environmental, social, and economic benefits throughout the region LACMTA serves.

LACMTA has adopted several plans and policies to formalize its environmental sustainability goals and guide implementation of its programs. For example, it first adopted a Sustainability Implementation Plan addressing Sustainability through Climate Change Management, Energy Management, and other Sustainability Development Efforts in 2008. This Plan has been expanded through a number of implementation and policy documents related to climate change, energy, water and resource management, and similar disciplines. Beginning in 2009, LACMTA has produced an annual sustainability report to summarize the agency's continual efforts in achieving higher sustainability performance through the implementation of planning, construction, operations, and maintenance activities. This report addresses environmental performance in five key areas: ridership, energy, emissions, water, and waste management. This report and related materials can be found on the LACMTA's website at https://www.metro.net/projects/ecsd/, which is not incorporated by reference.

LACMTA'S Framework for Green Bonds dated September 21, 2017 contains the environmental objectives of the Authority and outlines the process of selection and evaluation of projects nominated to be funded by green bonds as well as the application and management of proceeds. The projects expected to be financed or refinanced with proceeds of the Series 2017-A Bonds described under "PLAN OF FINANCE AND APPLICATION OF BOND PROCEEDS—Use of Proceeds; Plan of Finance" herein were evaluated by LACMTA's Treasury Department, with assistance from the Environmental Compliance & Sustainability Department, and determined to support LACMTA's sustainability goal and met the eligibility requirements of the Climate Bond Standard.

The Climate Bonds Initiative and Climate Bond Certification. LACMTA has requested and the Climate Bonds Standard Board has approved the labeling of the Series 2017-A Bonds as "Climate Bond Certified" based on the Climate Bonds Standard Verification Report and Statement provided by First Environment. First Environment, which has been engaged to provide such verification services, provided the Climate Standard Board factual findings that assessed that the proceeds of the 2017-A Bonds were expected to be used on eligible projects pursuant the Low-Carbon Transport Eligibility Criteria Version 1 as well as the requirements of the Climate Bonds Standard Version 2.1.

The Climate Bonds Initiative certification process includes pre-issuance and post issuance requirements. Prior to their submittal of their verification report to the Climate Bonds Standard Board, First Environment reviewed the expenditure plan for the Series 2017-A bond proceeds, as well as the internal processes and controls that LACMTA uses in connection with the expenditure of bond proceeds. As required by the certification process, LACMTA will also engage First Environment to provide a post-issuance assurance of compliance. LACMTA will provide to the Climate Bonds Initiative an annual statement with respect to the Series 2017-A Bonds attesting, to the best of its knowledge, its conformance with the certification requirements of the Climate Bonds Standard. LACMTA will also provide an annual report to bondholders of the Series 2017-A Bonds regarding the projects financed by proceeds of the Series 2017-A Bonds as requested, and expects to voluntarily file such report on EMMA.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2017 Bonds. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect LACMTA, the Proposition A Sales Tax revenues, or the Series 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Economic Factors May Cause Declines in Proposition A Sales Tax Revenues

The Series 2017 Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of Pledged Revenues, consisting primarily of certain revenues of the Proposition A Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition A Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. In Fiscal Years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County and correspondingly Proposition A Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in Fiscal Years 2011 through 2017. It is possible that Proposition A Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series 2017 Bonds.

To project future Proposition A Sales Tax revenues for budgetary purposes, LACMTA incorporates actual long-term experience combined with forecasts from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the Department of Tax and Fee Administration does not provide LACMTA with any forecasts of Proposition A Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition A Sales Tax revenues. In addition, the County is located in a seismically active region. A major earthquake or other natural disaster could adversely affect the economy of the County and the amount of Proposition A Sales Tax revenues. Future significant declines in the amount of Proposition A Sales Tax revenues could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 2017 Bonds. See "PROPOSITION A SALES TAX AND COLLECTIONS—Historical Proposition A Sales Tax Collections." Also see "APPENDIX D—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION."

California State Legislature or Electorate or Federal Law May Change Items Subject to Proposition A Sales Tax

With limited exceptions, the Proposition A Sales Tax is imposed on the same transactions and items subject to the general sales tax levied throughout the State of California. In the past, the California State Legislature and the California State electorate have made changes to the transactions and items subject to the State of California's general sales tax and, therefore, the Proposition A Sales Tax. In 1991, the California State Legislature enacted legislation which expanded the transactions and items subject to the general statewide sales tax to include fuel for aviation and shipping, bottled water, rental equipment and newspapers and magazines. In 1992, the California State electorate approved an initiative which eliminated candy, gum, bottled water and confectionery items as items subject to the California State's general sales tax. In each case, the same changes were made to transactions or items subject to the Proposition A Sales Tax. In the future, the California State Legislature or the California State electorate could further change the transactions and items upon which the statewide general sales tax and the Proposition A Sales Tax are imposed. Such a change could either increase or decrease Proposition A Sales Tax revenues depending on the nature of the change. See "PROPOSITION A SALES TAX AND COLLECTIONS."

Federal law may also cause transactions and items to be excluded from the State of California's general sales tax, and, therefore, the Proposition A Sales Tax. For example, under federal law, local taxes on aviation fuel (except taxes in effect on December 30, 1987) must be used for airport-related purposes, as a condition for receiving federal funding for airports. On November 7, 2014, the Federal Aviation Administration (the "FAA") adopted an amendment to its "Policy and Procedures Concerning the Use of Airport Revenue" (the "FAA Policy"), which clarifies that local sales taxes derived from aviation fuel are subject to the airport use restriction, the FAA definition of local sales tax includes the Proposition C Sales Tax, Measure R Sales Tax and Measure M Sales Tax (see "PROPOSITION A SALES TAX AND COLLECTIONS—The Proposition A Sale Tax" for descriptions of these sales taxes). Although the FAA Policy does not affect the Proposition A Sales Tax, which was approved in November 1980, the FAA Policy is illustrative of federal laws that may affect which transactions and items are subject to the State of California's general sales tax.

Increases in Sales Tax Rate May Cause Declines in Proposition A Sales Tax Revenues

Increases in sales tax rates, whether by the electorate of a municipality within the County, the County or the State or by the State Legislature, may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition A Sales Tax revenues. Several increases in sales tax rates have occurred in recent years. In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund LACMTA transportation projects and operations. Collection of the additional sales tax rate (known as the Measure R Sales Tax) commenced July 1, 2009. In June 2012, the Board of Directors of LACMTA approved a proposal to extend the Measure R Sales Tax for 30 years beyond its current expiration date (June 30, 2039), but the proposed extension failed to receive the required voter approval. In November 2012, the voters of the State approved an additional ¼ of 1% State general sales tax, which became effective on January 1, 2013 and expired on December 31, 2016.

At the election held on November 8, 2016, more than two-thirds of the electors of the County voting on the issue approved an additional transportation and use tax (known as the Measure M Sales Tax). The Measure M Sales Tax is a new one-half cent sales tax, which began collection on July 1, 2017, that increases to one cent in 2039 when the Measure R Sales Tax expires. The Measure M Sales Tax does not have a scheduled expiration date. Additional increases in sales tax rates that will impact the County, while not currently pending, can be expected to be proposed and imposed, from time to time. Proposition C Sales Tax revenues, Measure R Sales Tax revenues and Measure M Sales Tax revenues are separate from Proposition A Sales Tax revenues and do not secure the First Tier Senior Lien Bonds, including the Series 2017 Bonds.

Increased Internet Use May Reduce Proposition A Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Proposition A Sales Tax revenues. Internet sales of physical products by businesses located in the State of California, and Internet sales of physical products delivered to the State of California by businesses located outside of the State of California are generally subject to the retail transactions and use tax imposed by Proposition A. Legislation passed as part of the California Budget Act of 2011 imposes a use tax collection responsibility for certain out-of-state, and particularly Internet, retailers that meet certain criteria. The new responsibility took effect in September 2012. However, LACMTA believes that some Internet transactions still may avoid taxation either through error or deliberate non-reporting, and this potentially reduces the amount of Proposition A Sales Tax revenues.

Additional First Tier Senior Bonds

The LACMTA expects to issue additional debt secured by Proposition A Sales Tax revenues, including additional First Tier Senior Lien Bonds. The LACMTA's March 2016 Financial Forecast assumes the issuance of approximately $755.6 million of First Tier Senior Lien Bonds (including the Series 2017-A Bonds) between Fiscal Years 2018 and 2022. The LACMTA has several major transit projects under construction and has future plans for additional major capital projects. The LACMTA may ultimately issue more First Tier Senior Lien Bonds to finance these projects than its current plans presently anticipate, particularly if costs of completing projects are higher than expected or other funding sources are not available as planned. In addition, the LACMTA is likely to undertake additional capital projects in the future, and additional First Tier Senior Lien Bonds may be issued to finance these projects. The LACMTA may issue additional First Tier Senior Lien Bonds only if the additional bonds tests described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Additional First Tier Senior Lien Bonds" are satisfied.

After Amendment Effective Date Series 2017 Bonds Are Not Expected to be Secured by Reserve Fund

At the time of issuance of the Series 2017 Bonds, the Series 2017 Bonds will be secured by the Reserve Fund. However, LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2017 Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See "INTRODUCTION—Proposed Amendments to Trust Agreement," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund" and "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be authorized to file a petition for relief under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. Should LACMTA file for bankruptcy relief, there could be adverse effects on the holders of the Series 2017 Bonds.

If the Proposition A Sales Tax revenues constitutes "special revenues" under the Bankruptcy Code, then Proposition A Sales Tax revenues collected before and after the date of the bankruptcy filing should be subject to the lien of the Agreement. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, and also to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor, but the Bankruptcy Code excludes receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity.

The results of Chapter 9 bankruptcy proceedings are difficult to predict. If a court determined that the Proposition A Sales Tax was levied to finance the general purposes of LACMTA rather than specific projects, then the Proposition A Sales Tax revenues would not be special revenues. No assurance can be given that a court would hold that the Proposition A Sales Tax revenues constitutes special revenues or that the Series 2017 Bonds are of a type protected by the "special revenues" provisions of the Bankruptcy Code. If a bankruptcy court were to determine that the Proposition A Sales Tax revenues were not "special revenues," then Proposition A Sales Tax revenues collected after the commencement of the bankruptcy case would likely not be subject to the lien of the Agreement. If a bankruptcy court were to so hold, the owners of the First Tier Senior Lien Bonds (including the Series 2017 Bonds) would no longer be entitled to any special priority to the Proposition A Sales Tax revenues and could be treated as general unsecured creditors of LACMTA without a lien as to the Proposition A Sales Tax revenues.

If the revenues pledged under the Agreement are determined to be special revenues, the Bankruptcy Code provides (in order to maintain the revenue-generating capacity of the municipal entity) that a special revenues lien is subject to the necessary operating expenses of the project or system from which the special revenues are derived, which expenses are to be paid before other obligations (including to bondholders). This rule applies regardless of the provisions of the transaction documents. The law is not clear, however, (i) as to whether, or to what extent, the Proposition A Sales Tax revenues would be considered to be "derived" from a project or system, or (ii) precisely which expenses would constitute necessary operating expenses. To the extent that the Proposition A Sales Tax revenues is determined to be derived from a project or system, LACMTA may be able to use Proposition A Sales Tax revenues to pay necessary operating expenses, before the remaining Proposition A Sales Tax revenues is turned over to the Trustee to pay amounts owed to the holders of the Series 2017 Bonds.

If LACMTA files for relief under Chapter 9, the parties (including the Trustee and the holders of the Series 2017 Bonds) may be prohibited from taking any action to collect any amount from LACMTA or to enforce any obligation of LACMTA, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2017 Bonds from funds in the Trustee's possession. In addition, the procedure pursuant to which the Proposition A Sales Tax revenues is paid directly to the Trustee by the Department of Tax and Fee Administration may no longer be enforceable, and LACMTA may be able to require that the Proposition A Sales Tax revenues be paid directly to it by the Department of Tax and Fee Administration.

If LACMTA has possession of Proposition A Sales Tax revenues (whether collected before or after commencement of the bankruptcy case) and if LACMTA does not voluntarily pay such moneys to the Trustee, it is not entirely clear what procedures the Trustee or the holders of the Series 2017 Bonds would have to follow to attempt to obtain possession of such Proposition A Sales Tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2017 Bonds, are limited obligations and are payable solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Accordingly, if LACMTA filed for relief under Chapter 9, the owners of the Series 2017 Bonds may not have any recourse to any assets or revenues of LACMTA other than the Pledged Revenues and other amounts.

In the event of an LACMTA bankruptcy filing, LACMTA may be able to borrow additional money that is secured by a lien on any of its property (including the Pledged Revenues), which lien could have priority over the lien of the Agreement, as long as the bankruptcy court determines that the rights of the owners of the Series 2017 Bonds will be adequately protected. LACMTA may also be able to cause some of the Pledged Revenues to be released to it, free and clear of lien of the Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Series 2017 Bonds will be adequately protected.

Through a Chapter 9 proceeding LACMTA may also be able, without the consent and over the objection of the Trustee and the owners of the Series 2017 Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Agreement and the Series 2017 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted in its financial statements (see “Note III—DETAILED NOTES ON ALL FUNDS—I. Employees’ Retirement Plans” in the Notes to the Financial Statements and the related Required Supplementary Schedules in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016”), LACMTA has been informed that it has unfunded pension plan actuarial accrued liabilities. In a bankruptcy of LACMTA, the amounts of current and, if any, accrued (unpaid) contributions owed to the California Public Employees’ Retirement System (“CalPERS”), the LACMTA-administered plans, or to any other pension system (collectively the “Pension Systems”), as well as future material increases in required contributions, could create additional uncertainty as to LACMTA’s ability to pay debt service on the Series 2017 Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or municipal law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State and have the right to enforce payment by injunction or other proceedings outside of an LACMTA bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of LACMTA would rule on these matters. In addition, this area of law is presently very unsettled. This is because, though the issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino, the relevant disputes have not been litigated to decision in the Federal circuit appellate courts, and thus there are no rulings from which definitive guidance can be taken on pension matters in Chapter 9.

There may be delays in payments on the Series 2017 Bonds while the court considers any of these issues, and any of these issues could result in delays or reductions in payments on the Series 2017 Bonds. There may be other possible effects of a bankruptcy of LACMTA that could result in delays or reductions in payments on the Series 2017 Bonds, or result in losses to the holders of the Series 2017 Bonds. Regardless of any specific adverse determinations in an LACMTA bankruptcy proceeding, the fact of an LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2017 Bonds.

Voter Initiatives and California State Legislative Action May Impair Proposition A Sales Tax

Voters have the right to place measures before the electorate in the County or the State of California and the California State Legislature may take actions to limit the collection and use of the Proposition A Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 2017 Bonds. See "PROPOSITION A SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition A Sales Tax."

DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 2017 Bonds, LACMTA will enter into the Thirty-Eighth Supplemental Agreement to provide for the issuance of the Series 2017 Bonds and related matters.

The Series 2017 Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this Official Statement. LACMTA will pay interest on each January 1 and July 1, beginning July 1, 2018. Interest on the Series 2017 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2017 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. Upon initial issuance, the Series 2017 Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2017 Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2017 Bonds will be evidenced by book-entry as described in "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM." Purchasers will not receive certificated Series 2017 Bonds. So long as Cede & Co. is the registered owner of the Series 2017 Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2017 Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, principal and redemption price of and interest on the Series 2017 Bonds are payable by wire transfer of funds by the Trustee to Cede & Co., as nominee of DTC. DTC is obligated, in turn, to remit such amounts to its participants as described herein for subsequent disbursement to the Beneficial Owners. If the Series 2017 Bonds cease to be held by DTC or by a successor securities depository, the principal and redemption price of the Series 2017 Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2017 Bonds at the principal office or agency of the Trustee, and interest on the Series 2017 Bonds will be payable by check mailed by first class mail on each Interest Payment Date to the Owners of the Series 2017 Bonds as of the Regular Record Date; provided, that Owners of $1,000,000 or more in aggregate principal amount of Series 2017 Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least 15 days prior to an Interest Payment Date.

Redemption of Series 2017-A Bonds

Optional Redemption. The Series 2017-A Bonds maturing on or before July 1, 2027 are not subject to optional redemption. The Series 2017-A Bonds maturing on or after July 1, 2028 are subject to redemption at the option of LACMTA, in whole or in part, in Authorized Denominations, on any date on or after July 1, 2027 from any moneys that may be provided for such purpose and at a redemption price of 100% of the principal amount of such Series 2017-A Bonds to be redeemed, together with accrued interest, if any, to the date fixed for redemption, without premium.

Selection of Series 2017-A Bonds to be Redeemed. The Series 2017-A Bonds are subject to redemption in such order of maturity as LACMTA may direct and by lot within such maturity selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2017-A Bonds) deems appropriate.

Notice of Redemption. The Trustee is required to give notice of redemption to the registered owners affected by such redemption at least 20 days but not more than 60 days before each redemption date, and to send such notice of redemption by first class mail (or, with respect to Series 2017-A Bonds held by DTC, either via electronic means or by an express delivery service for delivery on the next following Business Day). Each notice of redemption will specify the Series 2017-A Bonds to be redeemed, the redemption date, the redemption price, the place or places where amounts due upon such redemption will be payable, the date of issue, the maturity date and the interest rate applicable to the Series 2017-A Bonds to be redeemed, if less than all Series 2017-A Bonds of a maturity are called for redemption the numbers of the Series 2017-A Bonds and the CUSIP number assigned to the Series 2017-A Bonds to be redeemed, the principal amount to be redeemed, the Trustee's name, that payment will be made upon presentation and surrender of the Series 2017-A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

If at the time of mailing of notice of an optional redemption moneys sufficient to redeem all the Series 2017-A Bonds called for redemption have not been deposited with the Trustee, at the election of LACMTA such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the holders of such Series 2017-A Bonds to be redeemed in the same manner as the notice of redemption.

Failure to give any required notice of redemption or any defect therein will not affect the validity of the call for redemption of any Series 2017-A Bonds in respect of which no failure or defect occurs. Any notice sent as provided above will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Redemption. If notice is given as described above under "Notice of Redemption" and the moneys for payment of the redemption price are on deposit with the Trustee, the Series 2017-A Bonds called for redemption will be due and payable on the redemption date, interest on such Series 2017-A Bonds will cease to accrue after such date, such Series 2017-A Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series 2017-A Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series 2017-A Bonds.

No Redemption of Series 2017-B Bonds

The Series 2017-B Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS

Security for the Series 2017 Bonds

The Series 2017 Bonds are limited obligations of LACMTA payable from and secured by a first lien on and a pledge of the Pledged Revenues, which are moneys collected as a result of the imposition of the Proposition A Sales Tax, less 25% thereof which constitutes the Local Allocation and less an administrative fee paid to the Department of Tax and Fee Administration in connection with the collection and disbursement of the Proposition A Sales Tax. In addition, the Series 2017 Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in any rebate fund and any escrow fund. Additionally, the Agreement provides that Pledged Revenues also include any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series 2017 Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 2017 Bonds under a subsequent supplemental trust agreement. As of the date of this Official Statement, no local jurisdiction has pledged any of its Local Allocation to secure any bonds issued under the Agreement, including the Series 2017 Bonds. Pledged Revenues do not include any Proposition A Sales Tax revenues that are released by the Trustee to (a) the payment of the Second Tier Obligations (as defined herein) (there are no Second Tier Obligations outstanding, nor are additional Second Tier Obligations currently expected to be issued), (b) the payment of the Proposition A Commercial Paper Notes, or (c) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein) and certain other amounts described herein and any other lawful purposes of LACMTA.

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2017 Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2017 Bonds.

The Series 2017 Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a first lien on and pledge of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017 Bonds.

Proposition A Sales Tax Obligations

LACMTA has outstanding a variety of obligations that are payable from the Proposition A Sales Tax, including sales tax revenue bonds, commercial paper notes and certain amounts owed under letter of credit reimbursement agreements, pledge agreements and covenant agreements. At this time, LACMTA has three priority levels of obligations secured by the Proposition A Sales Tax: its First Tier Senior Obligations (which include all First Tier Senior Lien Bonds (including the Series 2017 Bonds)), its Second Tier Obligations (there are no Second Tier Obligations outstanding, nor are additional Second Tier Obligations currently expected to be issued) and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes and related obligations). Additionally, LACMTA has incurred other obligations which are secured by certain "remaining" Proposition A Sales Tax cash receipts.

LACMTA has the ability to issue additional obligations that are payable from the Proposition A Sales Tax if it satisfies certain tests. See "PROPOSITION A SALES TAX OBLIGATIONS."

Flow of Funds

Pursuant to an agreement between LACMTA and the Department of Tax and Fee Administration, the Department of Tax and Fee Administration is required to remit monthly directly to the Trustee the Proposition A Sales Tax revenues after deducting the Department of Tax and Fee Administration's costs of administering the Proposition A Sales Tax and after paying directly to LACMTA the Local Allocation (25% of net Proposition A Sales Tax cash receipts) (which for purposes of administrative ease is actually transferred first to the Trustee who then disburses the Local Allocation to LACMTA). Under the Agreement, the Trustee is required to deposit and apply the moneys received from the Department of Tax and Fee Administration, as needed (75% of net Proposition A Sales Tax cash receipts), taking into consideration any other funds previously deposited or applied in such month for such purposes, as follows:

> FIRST, to the credit of the Bond Interest Account for the First Tier Senior Lien Bonds, an amount equal to the Aggregate Accrued Interest for the current calendar month less any Excess Deposit made with respect to the last preceding calendar month plus any Deficiency existing on the first day of the calendar month plus any amount of interest which has become due and has not been paid and for which there are insufficient funds in the Bond Interest Account or another special account to be used to make such payment;
>
> SECOND, to the credit of the Bond Principal Account for the First Tier Senior Lien Bonds, the Aggregate Accrued Principal for the current calendar month plus any Accrued Premium and any Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Bond Principal Account or another special account to be used to make such payment;
>
> THIRD, to the credit of the Reserve Fund, such portion of the balance, if any, remaining after making the deposits to the Bond Interest Account and the Bond Principal Account described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement, or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund; provided, however, that so long as any Reserve Fund Insurance Policy is in effect and the Reserve Insurer is not in default of its obligations thereunder, the Trustee will pay the Reserve Insurer the greater of (i) the minimum amount required to be paid in accordance with the provisions of such Reserve Fund Insurance Policy and any related agreements between LACMTA and the Reserve Insurer, or (ii) the amount necessary to reinstate the amount available to be drawn under such Reserve Fund Insurance Policy in order to meet the Reserve Fund Requirement (see "—Reserve Fund" below);
>
> FOURTH, to make deposits for the payment of any Second Tier Obligations (there are no Second Tier Obligations outstanding, nor are additional Second Tier Obligations currently expected to be issued); and
>
> FIFTH, to pay any remaining amount to the trustee under a subordinate trust agreement in such amounts and at such times as will be needed to provide for payment of such obligations in accordance with a Supplemental Trust Agreement or Supplemental Trust Agreements relating to such subordinate debt, including but not limited to the obligation of LACMTA with respect to the Proposition A Commercial Paper Notes described herein (including the reimbursement

obligations of LACMTA related to letters of credit for such Proposition A Commercial Paper Notes).

Any remaining funds will then be transferred to LACMTA and will be available to be used for any lawful purpose. Any Pledged Revenues after making deposits First through Fourth above will no longer be available to pay debt service on the First Tier Senior Lien Bonds. As of the date of this Official Statement, LACMTA has granted pledges on the remaining Proposition A Sales Tax revenues to the payment of and reserve requirements for the General Revenue Bonds. See "PROPOSITION A SALES TAX OBLIGATIONS—Other Obligations" for definitions of the capitalized terms used in the preceding sentence. After the payment of the General Revenue Bonds, LACMTA may use any remaining Proposition A Sales Tax revenues in accordance with the provisions of Ordinance No. 16 (as defined herein).

Table 1 on the following page provides a graphic presentation of the flow of funds for Proposition A Sales Tax cash receipts as of the date of issuance of the Series 2017 Bonds.

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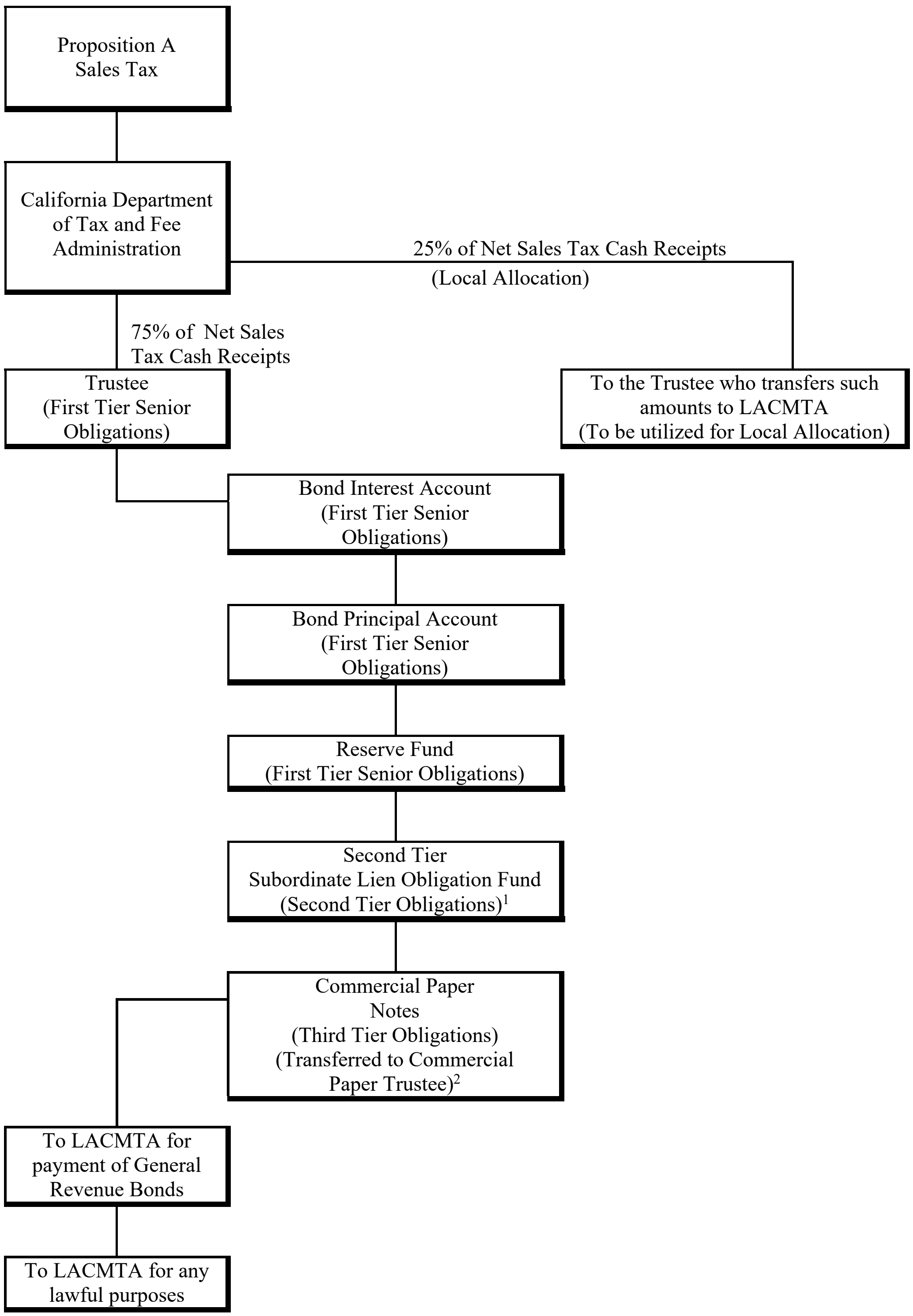
TABLE 1
Proposition A Sales Tax
Flow of Funds



[1] There are no Second Tier Obligations outstanding, nor are any additional Second Tier Obligations currently expected to be issued.
[2] Also includes reimbursement obligations of LACMTA related to letters of credit for such Commercial Paper Notes.

Reserve Fund

General. The Agreement currently requires the Trustee to establish and hold the Reserve Fund to secure the payment of the principal of and interest on all of the First Tier Senior Lien Revenue Bonds, including the Series 2017 Bonds. Amounts on deposit in the Reserve Fund will be used to make payments of principal of and interest on all First Tier Senior Lien Revenue Bonds, including the Series 2017 Bonds, to the extent amounts in the Bond Interest Account or the Bond Principal Account are not sufficient to pay in full the principal of or interest on the First Tier Senior Lien Bonds when due. The Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is generally Maximum Annual Debt Service on outstanding First Tier Senior Lien Bonds. See "APPENDIX E—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS—Reserve Fund Requirement" for the complete definition of Reserve Fund Requirement.

Under the terms of the Agreement, LACMTA may substitute an insurance policy provided by a bond insurer or a letter of credit in lieu of or in partial substitution for cash or securities deposited in the Reserve Fund in order to meet the Reserve Fund Requirement. The entity providing a Reserve Fund Insurance Policy must be rated, at the time such policy is issued, in one of the two highest classifications by Moody's Investors Service Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). The Agreement provides that any Reserve Fund Insurance Policy is to be valued at its face value less any unreimbursed drawings (of which there currently are none). See "APPENDIX E—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS—Reserve Fund Insurance Policy."

On the date of delivery of the Series 2017 Bonds, the Reserve Fund Requirement is expected to equal approximately $160 million, which will be satisfied in part by the AGM Reserve Policy with a policy limit of $85.5 million, with the balance satisfied by cash and investments held in the Reserve Fund totaling approximately $74.5 million. The Reserve Fund Requirement is satisfied without taking into account the FGIC Reserve Policy described below.

See "INTRODUCTION—Proposed Amendments to Trust Agreement" and "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT" with respect to certain amendments that have been made to the Trust Agreement that will allow the Series 2016 Bonds, the Series 2017 Bonds and all other First Tier Senior Lien Bonds issued after March 10, 2016, to not be secured by the Reserve Fund or any other debt service reserve fund. LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2017 Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2017 Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released, at which time such moneys may be applied by LACMTA for any lawful purpose.

AGM Reserve Policy. Generally, the AGM Reserve Policy unconditionally and irrevocably guarantees the payment of that portion of the principal of and interest on the First Tier Senior Lien Bonds that becomes due for payment but is unpaid by reason of "nonpayment" by LACMTA. "Nonpayment" means, in respect of a First Tier Senior Lien Bond, the failure of LACMTA to have provided sufficient funds for the payment in full of all principal and interest that is due for payment on such First Tier Senior Lien Bond. Nonpayment also includes any payment of principal or interest that is due for payment made to an Owner by or on behalf of LACMTA that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. The AGM Reserve Policy does not cover payments due as a result of optional redemption or acceleration of a First Tier Senior Lien Bond or payments of purchase price on tendered First Tier Senior Lien Bonds.

The AGM Reserve Policy will terminate on July 1, 2021. The AGM Reserve Policy is noncancellable and the premium therefor has been paid in full. The cash and investments that are expected to be in the Reserve Fund as of the date of delivery of the Series 2017 Bonds are in an amount at least sufficient to satisfy the Reserve Fund Requirement until July 1, 2021 with respect to the First Tier Senior Lien Bonds that will be outstanding as of the date of delivery of the Series 2017 Bonds (excluding any future issuances of First Tier Senior Lien Bonds and assuming debt service is paid on the outstanding First Tier Senior Lien Bonds as scheduled). If the Proposed Amendments are not effective prior to July 1, 2021 (see "INTRODUCTION—Proposed Amendments to Trust Agreement" and "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT"), an additional deposit to the Reserve Fund is expected to be required to be made on (or before) such date. A deposit may also be required in the event that LACMTA issues additional First Tier Senior Lien Bonds in the future or does not pay debt service on First Tier Senior Lien Bonds as scheduled.

The AGM Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law or by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

If LACMTA fails to reimburse AGM for draws on the AGM Reserve Policy or to pay expenses and accrued interest thereon, AGM is entitled to exercise any remedies available to it, including those provided under the Agreement, other than (i) acceleration of the First Tier Senior Lien Bonds, or (ii) remedies which would adversely affect holders of the First Tier Senior Lien Bonds.

In addition, LACMTA and the Trustee have agreed with AGM that all cash and investments on deposit in the Reserve Fund will be used to pay debt service on the First Tier Senior Lien Bonds prior to any drawing on the AGM Reserve Policy or any other Reserve Policy and that draws on Reserve Policies will be made on a pro rata basis. Further, draws on the AGM Reserve Policy and any other Reserve Policy are required to be reimbursed on a pro rata basis prior to the replenishment of any cash withdrawn from the Reserve Fund.

***Assured Guaranty Municipal Corp*.**

The following information has been furnished by AGM for use in this Official Statement. LACMTA makes no representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information. Additionally, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of any material contained on the SEC's website or AGL's (as defined herein) website as described in this section including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM

At June 30, 2017, the policyholders' surplus of AGM was approximately $2,222 million. The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,289 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve. The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiary Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2016);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2017 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series 2017 Bonds or the advisability of investing in the Series 2017 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund—Assured Guaranty Municipal Corp."

FGIC Reserve Policy. Concurrently with the issuance of the Proposition A Sales Tax Revenue Refunding Bonds, Series 1991B on December 4, 1991, Financial Guaranty Insurance Company ("Financial Guaranty"), issued the FGIC Reserve Policy in an amount not to exceed the lesser of $111,463,547.50 or the Reserve Fund Requirement. The FGIC Reserve Policy terminates on July 1, 2021. The amount of cash and other investments in the Reserve Fund together with the AGM Reserve

Policy satisfy the Reserve Fund Requirement without taking into account the FGIC Reserve Policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Reserve Fund—Assured Guaranty Municipal Corp."

FGIC is a New York stock insurance corporation and a wholly owned subsidiary of FGIC Corporation. FGIC emerged from rehabilitation on August 19, 2013, and is responsible for administering its outstanding insurance policies in accordance with the terms of the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013. As part of the Rehabilitation Plan, FGIC entered into a Novation Agreement dated as of September 14, 2012 (the "Novation Agreement") with National Public Finance Guarantee Corporation ("National Public"), pursuant to which the parties agreed to novate from FGIC to National Public certain FGIC policies covering U.S. public finance credits with total net par in force of approximately $92.6 billion as of the effective date of the Novation Agreement (the "Novation Effective Date"), including the FGIC Reserve Policy, which previously had been reinsured by National Public (collectively, the "National Public Reinsured Policies"). The novation of the National Public Reinsured Policies and the other transactions contemplated by the Novation Agreement became effective on the Novation Effective Date, whereupon (i) National Public rather than FGIC became the issuer of the National Public Reinsured Policies and became directly responsible for all obligations under the National Public Reinsured Policies and (ii) FGIC was released from all obligations under the National Public Reinsured Policies.

No review of the business or affairs of Financial Guaranty or National Public has been conducted in connection with the issuance of the Series 2017 Bonds. This Official Statement does not contain any financial information about Financial Guaranty, National Public or the FGIC Reserve Policy and does not refer to any such information that may be available elsewhere, and neither Financial Guaranty nor National Public has reviewed or approved this Official Statement.

Both before and after the occurrence of a payment or other default by LACMTA in respect of the Series 2017 Bonds, National Public may be entitled to exercise certain rights and remedies pursuant to the Agreement and a debt service reserve policy agreement with LACMTA; such remedies will not include acceleration or remedies which would adversely affect the holders of First Tier Senior Lien Bonds. While the FGIC Reserve Policy remains in effect, and so long as National Public is not in default with respect to its obligations thereunder, National Public will be entitled to consent to certain changes in documents, and if past due amounts are owing to National Public under the FGIC Reserve Policy, National Public will have the right to consent to the issuance of additional First Tier Senior Lien Bonds. The interests of National Public and the interests of the Bondholders may not be aligned with respect to these matters.

Additional First Tier Senior Lien Bonds

Upon compliance with the terms of the Agreement, LACMTA is permitted to issue Additional First Tier Senior Lien Bonds under the Agreement secured by Pledged Revenues on a parity basis with the Outstanding First Tier Senior Lien Bonds. First Tier Senior Lien Bonds may be issued for any purpose for which LACMTA at the time of issuance may incur debt, including, if LACMTA may then otherwise do so, for the purpose of loaning the proceeds to other entities.

Pursuant to the Agreement, prior to issuance of any First Tier Senior Lien Bonds, including the issuance of the Series 2017 Bonds, there will be delivered to the Trustee, in addition to other items, a certificate prepared by a Consultant showing that 35% (or such greater percentage permitted by the immediately following paragraph) of the Proposition A Sales Tax collected for any 12 consecutive months out of the 15 consecutive months immediately preceding the issuance of the proposed First Tier Senior Lien Bonds was at least equal to 115% of Maximum Annual Debt Service for all First Tier Senior

Lien Bonds which will be outstanding immediately after the issuance of the proposed First Tier Senior Lien Bonds.

This covenant, combined with the fact that 75% of the Proposition A Sales Tax collected is available to LACMTA and pledged to debt service, creates an additional bonds test effectively requiring that Pledged Revenues be at least 246% Maximum Annual Debt Service.

If any city entitled to receive a Local Allocation has authorized the pledging of all or a portion of its share of the Local Allocation to secure the First Tier Senior Lien Bonds, the duration of such pledge is not less than the term of any First Tier Senior Lien Bonds then issued and Outstanding or currently proposed to be issued, and a certified copy of the city's ordinance, resolution or other official action authorizing the pledge and setting forth the terms of such pledge and a written opinion of bond counsel that the pledge of such portion of the Local Allocation is a valid pledge of LACMTA have been filed with the Trustee, then the reference to 35% in the immediately preceding paragraph will be replaced with the percentage which is equal to 35% plus the percentage determined by dividing the amount of the Local Allocation then included in Pledged Tax by the total Proposition A Sales Tax.

For purposes of the comparisons set forth in the Consultant's certificate, the actual historical Proposition A Sales Tax revenues may be adjusted by the Consultant if there has been or upon the issuance of the proposed First Tier Senior Lien Bonds there will be a change in the base upon which the Proposition A Sales Tax is imposed, the Proposition A Sales Tax revenues for the 12 months used in the comparisons will be adjusted to reflect the amount of Proposition A Sales Tax revenues which would have resulted had the change in the base occurred on the first day of such 12 month period.

Under the Agreement, "Maximum Annual Debt Service" generally means the greatest amount of principal and interest becoming due and payable on all First Tier Senior Lien Bonds in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year. However, if LACMTA issues variable rate bonds and enters into an interest rate swap agreement related to any First Tier Senior Lien Bonds, the Agreement permits LACMTA to use the fixed rate it pays under the interest rate swap agreement for purposes of determining the maximum amount of interest becoming due and payable on such First Tier Senior Lien Bonds. For the definition of Maximum Annual Debt Service, see "APPENDIX E—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS."

The certificate described above will not be required, however, if the Additional First Tier Senior Lien Bonds to be issued are being issued for the purpose of refunding then Outstanding First Tier Senior Lien Bonds and there is delivered to the Trustee, instead, a certificate of the Authorized Authority Representative showing that Maximum Annual Debt Service on all First Tier Senior Lien Bonds Outstanding after the issuance of the refunding First Tier Senior Lien Bonds will not exceed Maximum Annual Debt Service on all First Tier Senior Lien Bonds Outstanding prior to the issuance of such First Tier Senior Lien Bonds.

PROPOSITION A SALES TAX AND COLLECTIONS

The Proposition A Sales Tax

Under the California Public Utilities Code, LACMTA is authorized to adopt retail transactions and use tax ordinances applicable in the incorporated and unincorporated territory of the County in accordance with California's Transaction and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.), upon authorization by a specified percentage of the electors voting on the issue. In accordance with the County Transportation Commissions Act (Section 130000 et seq. of the California Public Utilities Code (the "Transportation Commissions Act")), the Commission (as predecessor to

LACMTA), on August 20, 1980, adopted Ordinance No. 16 ("Ordinance No. 16") which imposed a retail transactions and use tax. Ordinance No. 16 was submitted to the electors of the County in the form of "Proposition A" and approved at an election held on November 4, 1980. Ordinance No. 16 imposes a tax of ½ of 1% of the gross receipts of retailers from the sale of tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County, subject to certain limited exceptions. The retail transactions and use tax imposed by Ordinance No. 16 and approved by the voters with the passage of Proposition A is referred to in this Official Statement as the "Proposition A Sales Tax." As approved by the voters, the Proposition A Sales Tax is not limited in duration. The validity of the Proposition A Sales Tax was upheld in 1982 by the California Supreme Court in *Los Angeles County Transportation Commission v. Richmond*. See "LITIGATION."

Collection of the Proposition A Sales Tax is administered by the Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the Department of Tax and Fee Administration in connection with the administration of the collection of the Proposition A Sales Tax. In accordance with Ordinance No. 16, LACMTA is required to allocate the proceeds of the Proposition A Sales Tax as follows:

TABLE 2
Proposition A Sales Tax Apportionment

Use	Percentage
Local Allocation	25%
Rail Development Program[1]	35
Discretionary	40
TOTAL	100%[2]

[1] Pursuant to the Act of 1998 (as defined herein) LACMTA is prohibited from spending Proposition A Sales Tax revenues on the costs of planning, design, construction or operation of any New Subway (as defined herein), including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. See "—Initiatives and Changes to Proposition A Sales Tax—The Act of 1998" below.

[2] Up to 5% of the Proposition A Sales Tax revenues received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition A Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Flow of Funds" above.

Source: LACMTA

As described below, the Department of Tax and Fee Administration has agreed to remit directly on a monthly basis the remaining Proposition A Sales Tax revenues to the Trustee after deducting the costs of administering the Proposition A Sales Tax and disbursing the Local Allocation to LACMTA (which for purposes of administrative ease, is first transferred to the Trustee who then disburses the Local Allocation to LACMTA). After application of Proposition A Sales Tax revenues to the funds and accounts related to the First Tier Senior Lien Bonds in accordance with the Agreement, the Trustee is required to transfer the remaining unapplied Proposition A Sales Tax revenues for deposit to the funds and accounts established and maintained for the Second Tier Obligations and the Proposition A Commercial Paper Notes and related obligations. Any Proposition A Sales Tax revenues remaining after the deposits described above are required to be released to LACMTA to be used by LACMTA first, if necessary, to pay debt service on the General Revenue Bonds, and second, for any lawful purposes of LACMTA. The First Tier Senior Lien Bonds do not have a lien on and are not secured by any Proposition A Sales Tax revenues that are released by the Trustee and deposited to the funds and accounts established and maintained for the Second Tier Obligations or the Proposition A Commercial Paper Notes or that are transferred to LACMTA to be used to pay debt service on the General Revenue Bonds or for any lawful purposes of LACMTA.

The amount retained by the Department of Tax and Fee Administration from collections of Proposition A Sales Tax is based on the total local entity cost reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the Department of Tax and Fee Administration. The amount retained by the Department of Tax and Fee Administration is adjusted to account for the difference between the Department of Tax and Fee Administration's recovered costs and its actual costs during the prior two Fiscal Years. For Fiscal Years 2013 through 2017, the Department of Tax and Fee Administration's fee for administering the Proposition A Sales Tax was as follows:

TABLE 3
Fee For Administering the Proposition A Sales Tax

Fiscal Year Ended (June 30)	Fee ($'s in millions)	Percentage of Proposition A Sales Tax Revenues
2013	$6.4	0.9%
2014	8.3	1.2
2015	8.6	1.2
2016	9.2	1.2
2017	9.2	1.2

LACMTA assumes that such Department of Tax and Fee Administration fee may increase incrementally each year. The Department of Tax and Fee Administration can change the fee at its discretion in the future.

Under the Agreement, LACMTA has covenanted that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the holders of the First Tier Senior Lien Bonds, including the Series 2017 Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the First Tier Senior Lien Bonds, including the Series 2017 Bonds, are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of the date of the Agreement), to pay from the Pledged Revenues the principal of and interest on the First Tier Senior Lien Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

Under the LACMTA Act, the State of California pledges to, and agrees with, the holders of any bonds issued under the LACMTA Act and with those parties who may enter into contracts with LACMTA pursuant to the LACMTA Act that the State of California will not limit or alter the rights vested by the LACMTA Act in LACMTA until such bonds, together with the interest thereon, are fully met and discharged and the contracts are fully performed on the part of LACMTA. However, such pledge and agreement does not preclude the State of California from changing the transactions and items subject to the statewide general sales tax and thereby altering the amount of Proposition A Sales Tax collected. See "RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Proposition A Sales Tax."

The ½ of 1% Proposition A Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State of California (currently 7.25%), the ½ of 1% sales tax imposed by LACMTA pursuant to Ordinance No. 49 of the Commission known as "Proposition C" (such sales tax is referred to herein as the "Proposition C Sales Tax"), the 30-year ½ of 1% sales tax approved by County voters in November 2008 to fund LACMTA transportation projects and operations known as the "Measure R Sales Tax," the ½ of 1% sales tax approved by County voters in November 2016 to fund LACMTA transportation projects and operations known as the "Measure M Sales Tax" and the taxes that apply only within certain cities in the County. The cities of Avalon, Commerce, Culver City, Downey, El Monte, Inglewood, San Fernando, and South El Monte in the County have each enacted a sales tax of ½ of 1% applicable to transactions within their respective city limits, and the cities of Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate in the County have each enacted a sales tax of 1% applicable to transactions within their respective city limits. The combined various sales taxes described above results in (a) transactions within the County, and outside the cities of Avalon, Commerce, Compton, Culver City, Downey, El Monte, Inglewood, La Mirada, Long Beach, Lynwood, Pico Rivera, San Fernando, Santa Monica, South El Monte, and South Gate, currently being taxed at an effective rate of 9.25%, (b) transactions within the cities of Avalon, Commerce, Culver City, Downey, El Monte, Inglewood, San Fernando, and South El Monte currently being taxed at an effective rate of 9.75%, and (c) transactions within the cities of Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate currently being taxed at an effective rate of 10.25%. These tax rates and the items subject to the Proposition A Sales Tax are subject to change. See "RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Proposition A Sales Tax" and "—Increases in Sales Tax Rate May Cause Declines in Proposition A Sales Tax Revenues." See also "APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT."

Initiatives and Changes to Proposition A Sales Tax

Proposition 218. In 1996, the voters of the State of California approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California State Constitution. Among other things, Article XIIIC removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though LACMTA's enabling legislation did not limit the initiative power of the electorate prior to Proposition 218, Proposition 218 has affirmed the right of the voters to propose initiatives that could impact the Proposition A Sales Tax.

The Act of 1998. One such initiative was approved by the voters of the County in 1998 in the form of the "Metropolitan Transportation Authority Reform and Accountability Act of 1998" (the "Act of 1998"). The Act of 1998 prohibits the use of Proposition A Sales Tax and Proposition C Sales Tax (but not the use of Measure R Sales Tax or Measure M Sales Tax) to pay any costs of planning, design, construction or operation of any "New Subway," including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. "New Subway" is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth's surface (including any extension or operating segment thereof), except for Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition A Sales Tax or Proposition C Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition A Sales Tax or the Proposition C Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition A Sales Tax and/or the Proposition C Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA's ability to continue to use the Proposition A Sales Tax or the Proposition C Sales Tax to secure payment of its outstanding obligations secured by the**

Proposition A Sales Tax or the Proposition C Sales Tax. Additionally, LACMTA will covenant not to use the proceeds of the Series 2017 Bonds in a manner inconsistent with the provisions of the Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series 2017 Bonds with a pledge of the Proposition A Sales Tax.

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax between the effective dates of Proposition A and Proposition C and June 30, 1998. The independent auditor completed the audit in November 1999. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent Fiscal Year to determine LACMTA's compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For Fiscal Years 1999 through 2016, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective Fiscal Year (the "Annual Act of 1998 Audit").

In connection with each Annual Act of 1998 Audit, the independent auditor annually audits how LACMTA spends Proposition A Sales Tax revenues during the related Fiscal Year to ensure that it spends those revenues for the categories of use set forth in Proposition A. See "—The Proposition A Sales Tax" above. Each Fiscal Year, a substantial portion of the Proposition A Sales Tax revenues are spent on the payment of principal of and interest on the First Tier Senior Lien Bonds. See "COMBINED DEBT SERVICE SCHEDULE." For purposes of determining LACMTA's compliance with the categories of use set forth in Proposition A, LACMTA allocates the annual payments of principal and interest with respect to each series of First Tier Senior Lien Bonds to the categories of use for which such series of First Tier Senior Lien Bonds financed or refinanced.

The Act of 1998 also established the "Independent Citizens' Advisory and Oversight Committee" (the "Committee") whose responsibilities include reviewing LACMTA's annual audit of its receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax, the holding of public hearings regarding the annual audit and issuing reports based upon those audits and public hearings. The Committee is made up of five members, of which one member is appointed by the chair of the Los Angeles County Board of Supervisors, one member is appointed by the chair of the Board, one member is appointed by the Mayor of the City of Los Angeles, one member is appointed by the Mayor of the City of Long Beach, and one member is appointed by the Mayor of the City of Pasadena.

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Historical Proposition A Sales Tax Collections

The following table presents, among other things, collections of net Proposition A Sales Tax revenues and corresponding Pledged Revenues for the Fiscal Years ended June 30, 2007 through June 30, 2016.

TABLE 4
Historical Net Proposition A Sales Tax Revenues, Local Allocations and Pledged Revenues
(dollars in millions[1])

Fiscal Year	Net Proposition A Sales Tax Revenue[2]	Annual Percentage Change	Allocations to Local Governments	Pledged Revenues[3]
2007	$686.2	2.57%	$171.5	$514.6
2008	683.3	(0.42)	170.8	512.5
2009	620.8	(9.15)	155.2	465.6
2010	565.7	(8.88)	141.4	424.3
2011	601.9	6.40	150.5	451.4
2012	648.7	7.78	162.2	486.5
2013	687.2	5.93	171.8	515.4
2014[4]	717.1	4.35	179.3	537.8
2015	745.7	3.99	186.4	559.2
2016	763.6	2.40	190.9	572.7

1 Rounded to closest $100,000.
2 Reflects Proposition A Sales Tax revenues, reported according to accrual basis accounting, presented in LACMTA's audited financial statements, less administrative fees paid to the Department of Tax and Fee Administration.
3 Net Proposition A Sales Tax revenues less Allocations to Local Governments.
4 Net Proposition A Sales Tax Revenues and Pledged Revenues are reported excluding the $61.4 million accounting accrual adjustment.
Source: LACMTA

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The following table sets forth the amount of Proposition A Sales Tax revenues for the most recent nine quarters and the changes in such amounts from the corresponding period in the prior year.

TABLE 5
Selected Actual Proposition A Sales Tax Revenue Information
(values are cash basis)[1]

Quarter Ended	Quarterly Receipts ($ millions)	Change from Same Period of Prior Year	Rolling 12 Months Receipts ($ millions)	Change from Same Period of Prior Year
September 30, 2017	$203.35	5.95%	$790.30	3.49%
June 30, 2017	188.75	1.56	778.84	2.04
March 31, 2017	201.89	4.86	775.94	2.59
December 31, 2016	196.28	1.53	766.58	1.89
September 30, 2016	191.93	0.17	763.63	2.01
June 30, 2016	185.84	3.87	763.30	2.93
March 31, 2016	192.53	2.11	756.37	2.73
December 31, 2015	193.33	1.99	752.39	3.00
September 30, 2015	191.60	3.80	748.61	4.38

[1] Reported according to cash basis accounting.
Source: LACMTA

The Proposition A Sales Tax revenues on a cash basis for a quarterly period are determined by sales tax revenues generated by sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter. For example, for the fiscal quarter ended September 30, 2017, reported according to cash basis accounting, Proposition A Sales Tax revenues were approximately $203.3 million, which receipts generally represented sales activity occurring in May, June and July, 2017.

Total Proposition A Sales Tax revenues on a cash basis for Fiscal Year 2017 were approximately $778.8 million compared to $763.3 million for Fiscal Year 2016. LACMTA's Fiscal Year 2018 budget assumes total Proposition A Sales Tax revenues of $802.0 million, and Proposition A Sales Tax revenues net of Local Allocation of $611.5 million.

Proposition A Sales Tax revenues fluctuate based on general economic conditions within the County. To project future Proposition A Sales Tax revenues for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the Department of Tax and Fee Administration does not provide LACMTA with any forecasts of Proposition A Sales Tax revenues for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Proposition A Sales Tax revenues. See "RISK FACTORS—Economic Factors May Cause Declines in Proposition A Sales Tax Revenues" above.

PROPOSITION A SALES TAX OBLIGATIONS

General

As of the date of this Official Statement, LACMTA has three priority levels of obligations for Proposition A Sales Tax revenues: its First Tier Senior Lien Bonds (which includes the Series 2017 Bonds), its Second Tier Obligations and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes and related obligations). LACMTA may issue additional subordinate obligations, including additional Second Tier Obligations (there are no Second Tier Obligations outstanding, nor are any additional Second Tier Obligations currently expected to be issued) and Third Tier Obligations in the future. LACMTA has incurred other obligations which are secured by certain "remaining" Proposition A Sales Tax cash receipts. See "—Other Obligations."

LACMTA had outstanding the following Proposition A Sales Tax obligations as of October 1, 2017, First Tier Senior Lien Bonds in the aggregate principal amount of $820,130,000 (including the Refunded Bonds) and Proposition A Commercial Paper Notes in the aggregate principal amount of $232,026,000. See "—Outstanding Proposition A Sales Tax Obligations." A portion of the proceeds of the Series 2017-A Bonds will be used to repay $123,693,000 aggregate principal amount of outstanding Proposition A Commercial Paper Notes. LACMTA is currently authorized to issue up to $350,000,000 aggregate principal amount of Proposition A Commercial Paper Notes. See "—Outstanding Proposition A Sales Tax Obligations—Third Tier Obligations."

LACMTA may issue additional First Tier Senior Lien Bonds upon the satisfaction of certain conditions contained in the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Additional First Tier Senior Lien Bonds."

Debt Service Coverage

The following table presents historical Pledged Revenues and First Tier Senior Lien Bond debt service coverage ratios for the Fiscal Years ended June 30, 2007 through June 30, 2016.

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TABLE 6
Proposition A Pledged Revenues and Debt Service Coverage
(dollars in millions)[1]

Fiscal Year	Pledged Revenues[2]	First Tier Senior Lien Bonds Total Debt Service[3]	First Tier Senior Lien Bonds Debt Service Coverage Ratio	Proposition A Sales Tax Revenues Remaining After Payment of First Tier Senior Lien Bonds
2007	$514.6	$147.9	3.48x	$366.7
2008	512.5	148.1	3.46	364.4
2009	465.6	148.7	3.13	316.9
2010	424.3	156.5	2.71	267.8
2011	451.4	150.7	3.00	300.7
2012	486.5	144.6	3.36	341.9
2013	515.4	152.0	3.39	363.4
2014[4]	537.8	145.1	3.71	392.7
2015	559.2	144.5	3.87	414.7
2016	572.7	142.9	4.01	429.8

1 Rounded to the closest $100,000.
2 75% of Net Proposition A Sales Tax revenue (less administrative fee, special adjustments and Local Allocations). See Table 3 above.
3 Calculated on a bond year ending July 1 as opposed to a Fiscal Year ending June 30.
4 Excludes $61.4 million of additional Proposition A Sales Tax revenue due to a one-time accounting accrual adjustment. Pledged Revenues and debt service coverage are reported and calculated excluding the $61.4 million accounting accrual adjustment.
Source: LACMTA

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Outstanding Proposition A Sales Tax Obligations

Outstanding obligations of LACMTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds, commercial paper notes, and certain amounts owed under letter of credit reimbursement agreements.

First Tier Senior Lien Bonds. LACMTA had the following First Tier Senior Lien Bonds outstanding as of October 1, 2017.

TABLE 7
Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of October 1, 2017)

Proposition A First Tier Senior Sales Tax Revenue Bonds[1]	Outstanding Principal Amount
Senior Sales Tax Revenue Refunding Bonds, Series 2016-A	$163,350,000
Senior Sales Tax Revenue Refunding Bonds, Series 2015-A	24,310,000
Senior Sales Tax Revenue Refunding Bonds, Series 2014-A	124,120,000
Senior Sales Tax Revenue Refunding Bonds, Series 2013-A	219,355,000
Senior Sales Tax Revenue Refunding Bonds, Series 2012-A	46,810,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	5,010,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-B[2]	91,110,000
Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	127,355,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	18,710,000
Total	$820,130,000

1 The First Tier Senior Lien Bonds are payable from and constitute prior first liens on Proposition A Sales Tax revenue.
2 Upon the issuance of the Series 2017-B Bonds, the Series 2011-B Bonds will be refunded and defeased. See "PLAN OF FINANCE AND APPLICATION OF BOND PROCEEDS."
Source: LACMTA

Second Tier Obligations. Prior to December 2016, the LACMTA had obligations to make payments on certain bonds issued by the Community Redevelopment Agency of the City of Los Angeles (collectively, the "CRA Bonds") from a portion of the Proposition A Sales Tax Revenues on a basis subordinate to the Proposition A First Tier Senior Lien Bonds. The CRA Bonds constituted "Proposition A Second Tier Obligations." In December 2016, all of the approximately $16.9 million CRA Bonds then outstanding were defeased with cash. There are no Proposition A Second Tier Obligations outstanding, nor are any additional Second Tier Obligations currently expected to be issued.

Third Tier Obligations. Pursuant to the Subordinate Trust Agreement, dated as of January 1, 1991, as amended and supplemented, by and between LACMTA (as successor to the Commission) and U.S. Bank National Association, the successor to the BankAmerica Trust Company, as the successor to Security Pacific National Trust Company (New York), as trustee, LACMTA is authorized to issue up to $350,000,000 aggregate principal amount of its Proposition A commercial paper notes (the "Proposition A Commercial Paper Notes"). The Proposition A Commercial Paper Notes can only be issued and outstanding if they are supported by a letter of credit. The Proposition A Commercial Paper Notes are payable from Proposition A Sales Tax revenues on a subordinate basis to the First Tier Senior Lien Bonds (including the Series 2017 Bonds) and the Second Tier Obligations.

Proposition A Commercial Paper Notes totaling $321,463,001 in aggregate principal amount are supported by three letters of credit (the "Proposition A CP Letters of Credit") issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, MUFG Union Bank, N.A., and Citibank, N.A. LACMTA's reimbursement obligations with respect to the Proposition A CP Letters of Credit are payable from Proposition A Sales Tax revenues on parity with the Proposition A Commercial Paper Notes and on a subordinate basis to the First Tier Senior Lien Bonds (including the Series 2017 Bonds) and any Second Tier Obligations. The following table sets forth certain terms of the Proposition A CP Letters of Credit.

TABLE 8
Proposition A CP Letters of Credit

Letter of Credit Provider	Amount of Letter of Credit	Issuance Date	Expiration Date
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	$124,999,176[1]	March 8, 2016	March 7, 2019
MUFG Union Bank, N.A.	$74,999,724[2]	March 8, 2016	March 7, 2019
Citibank, N.A.	$149,999,448[3]	August 17, 2017	August 14, 2020

[1] Supports $114,808,000 of principal and $10,191,176 of interest.
[2] Supports $68,885,000 of principal and $6,114,724 of interest.
[3] Supports $137,770,001 of principal and $12,229,447 of interest.
Source: LACMTA

The Proposition A Commercial Paper Notes and LACMTA's reimbursement obligations under the reimbursement agreement entered into with respect to the Proposition A CP Letters of Credit constitute "Third Tier Obligations." As of October 1, 2017, $232,026,000 aggregate principal amount of Proposition A Commercial Paper Notes were outstanding. A portion of the proceeds of the Series 2017-A Bonds will be used to repay approximately $123,693,000 aggregate principal amount of outstanding Proposition A Commercial Paper Notes.

Other Obligations

General Revenue Bonds. As of October 1, 2017, there was $64,770,000 aggregate principal amount of LACMTA's General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015 (the "Series 2015 General Revenue Bonds") outstanding, and $30,290,000 aggregate principal amount of LACMTA's General Revenue Refunding Bonds (Union Station Gateway Project), Series 2010-A (the "Series 2010-A General Revenue Bonds," and together with the Series 2015 General Revenue Bonds, the "General Revenue Bonds") outstanding. The General Revenue Bonds are secured by a pledge of farebox revenues, fee and advertising revenues (collectively, "General Revenues") and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on the First Tier Senior Lien Bonds (including the Series 2017 Bonds), Second Tier Obligations and Third Tier Obligations, in the case of the Proposition A Sales Tax, and certain Proposition C Sales Tax secured obligations, in the case of the Proposition C Sales Tax (the "Proposition A Remaining Sales Tax" and the "Proposition C Remaining Sales Tax," respectively). LACMTA's obligation to pay principal of and interest on the General Revenue Bonds is secured by a lien on Proposition A Sales Tax that is junior and subordinate to the First Tier Senior Lien Bonds (including the Series 2017 Bonds), the Second Tier Obligations and the Third Tier Obligations as to the lien on and source and security for payment from Pledged Revenues.

COMBINED DEBT SERVICE SCHEDULE

The following table shows the combined parity debt service requirements on LACMTA's First Tier Senior Lien Bonds after giving effect to the issuance of the Series 2017 Bonds and the refunding and defeasance of the Refunded Bonds.

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TABLE 9
Los Angeles County Metropolitan Transportation Authority
Combined Debt Service Schedule
First Tier Senior Lien Bonds[1]

Bond Years Ending July 1	Other Outstanding First Tier Senior Lien Bonds Debt Service[2]	Series 2017-A Bonds Debt Service			Series 2017-B Bonds Debt Service			Combined Total Debt Service First Tier Senior Lien Bonds
		Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	
2018	$129,745,819	—	$15,778,638	$ 15,778,638	—	$2,860,369	$2,860,369	$148,384,826
2019	132,911,069	—	23,569,750	23,569,750	—	4,272,750	4,272,750	160,753,569
2020	133,243,619	—	23,569,750	23,569,750	—	4,272,750	4,272,750	161,086,119
2021	130,748,069	—	23,569,750	23,569,750	—	4,272,750	4,272,750	158,590,569
2022	47,673,369	$13,200,000	23,569,750	36,769,750	$41,685,000	4,272,750	45,957,750	130,400,869
2023	48,079,944	13,855,000	22,909,750	36,764,750	43,770,000	2,188,500	45,958,500	130,803,194
2024	48,498,194	14,550,000	22,217,000	36,767,000	—	—	—	85,265,194
2025	48,931,831	15,275,000	21,489,500	36,764,500	—	—	—	85,696,331
2026	49,310,881	16,040,000	20,725,750	36,765,750	—	—	—	86,076,631
2027	35,560,631	16,845,000	19,923,750	36,768,750	—	—	—	72,329,381
2028	22,882,656	17,685,000	19,081,500	36,766,500	—	—	—	59,649,156
2029	13,770,931	18,570,000	18,197,250	36,767,250	—	—	—	50,538,181
2030	13,826,831	19,500,000	17,268,750	36,768,750	—	—	—	50,595,581
2031	13,847,531	20,475,000	16,293,750	36,768,750	—	—	—	50,616,281
2032	11,303,881	21,495,000	15,270,000	36,765,000	—	—	—	48,068,881
2033	11,301,031	22,570,000	14,195,250	36,765,250	—	—	—	48,066,281
2034	11,306,806	23,700,000	13,066,750	36,766,750	—	—	—	48,073,556
2035	11,302,263	24,885,000	11,881,750	36,766,750	—	—	—	48,069,013
2036	—	26,130,000	10,637,500	36,767,500	—	—	—	36,767,500
2037	—	27,435,000	9,331,000	36,766,000	—	—	—	36,766,000
2038	—	28,810,000	7,959,250	36,769,250	—	—	—	36,769,250
2039	—	30,250,000	6,518,750	36,768,750	—	—	—	36,768,750
2040	—	31,760,000	5,006,250	36,766,250	—	—	—	36,766,250
2041	—	33,350,000	3,418,250	36,768,250	—	—	—	36,768,250
2042	—	35,015,000	1,750,750	36,765,750	—	—	—	36,765,750
Total	$ 914,245,356	$ 471,395,000	$ 387,200,138	$ 858,595,138	$ 85,455,000	$ 22,139,869	$ 107,594,869	$ 1,880,435,363

[1] Numbers may not total due to rounding to nearest dollar.
[2] Excludes debt service on the Refunded Bonds, which will be defeased on the date of issuance of the Series 2017-B Bonds.
Source: LACMTA and KNN Public Finance, LLC

LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, in any way questioning or affecting the validity of the Series 2017 Bonds, the imposition and collection of the Proposition A Sales Tax or the pledge of the Pledged Revenues. On April 30, 1982, the California Supreme Court, in *Los Angeles County Transportation Commission v. Richmond*, upheld the validity of the Proposition A Sales Tax. Various claims of other types have been asserted against LACMTA. See "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS."

LEGAL MATTERS

The validity of the Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to LACMTA. The proposed form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix F. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for LACMTA by the Los Angeles County Counsel, General Counsel to LACMTA. Certain legal matters will be passed upon for LACMTA by Nixon Peabody LLP, as Disclosure Counsel.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to LACMTA, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by LACMTA with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Series 2017 Bonds. Failure to comply with such requirements could cause interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds. LACMTA will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2017 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Series 2017 Bonds is exempt from present State personal income taxes.

Special Considerations With Respect to the Series 2017 Bonds

The accrual or receipt of interest on the Series 2017 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2017 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2017

Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2017 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2017 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2017 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 2017 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2017 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2017 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2017 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Series 2017Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2017 Bond over its stated redemption price at maturity constitutes premium on such Series 2017 Bond. An initial purchaser of a Series 2017 Bond must amortize any premium over such Series 2017 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2017 Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2017 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2017 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2017 Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2017 Bond.

MUNICIPAL ADVISOR

LACMTA has retained KNN Public Finance, LLC as Municipal Advisor (the "Municipal Advisor") for the sale of the Series 2017 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The financial statements of LACMTA for the Fiscal Year ended June 30, 2016 and the Management's Discussion and Analysis and certain supplementary information, and the Independent Auditors' Report of Crowe Horwath LLP, independent accountants, dated December 16, 2016 (collectively, the "2016 Financial Statements") are included as "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016." LACMTA's financial statements as of June 30, 2016 and for the year then ended, included in this Official Statement, have been audited by Crowe Horwath LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has Crowe Horwath LLP given, Crowe Horwath LLP's consent to the inclusion in Appendix B of its Report on such financial statements. In addition, Crowe Horwath LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

An unaudited Balance Sheet and Statement of Revenues, Expenditures and Fund Balances for the Proposition A Special Revenue Fund for the Fiscal Year ended June 30, 2017 are included in APPENDIX C. These amounts are preliminary and are subject to change. Audited amounts may be different.

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

Certain economic and demographic information about the County is included in "APPENDIX D—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION." The economic and demographic information provided has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of the County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., certified public accountants, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Fund will be sufficient to pay: (i) interest on the Refunded Bonds, when due; and (ii) the redemption price of the Refunded Bonds on July 1, 2021. Causey Demgen & Moore P.C. will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series 2017 Bonds.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2017 Bonds, LACMTA will execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), which will provide for disclosure obligations on the part of LACMTA. Under the Continuing Disclosure Certificate, LACMTA will covenant for the benefit of Bondholders and Beneficial Owners of the Series 2017 Bonds to provide certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior Fiscal Year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. See "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE." LACMTA has become aware that some information that was made available in a timely manner on the EMMA System pursuant to LACMTA's continuing disclosure obligations was not linked to the CUSIP numbers for all affected series of bonds. LACMTA has corrected this issue. In addition, LACMTA has become aware that in a few instances, notices of changes in ratings on some of LACMTA's bonds were not filed in a timely manner. LACMTA has made corrective filings regarding these ratings changes.

SALE OF SERIES 2017 BONDS

The Series 2017-A Bonds were sold at competitive sale on October 12, 2017 and awarded to Wells Fargo Bank, National Association (the "Series 2017-A Winning Bidder") at a purchase price of $573,734,701.15 (consisting of the par amount of the Series 2017-A Bonds, plus an original issue premium of $ 103,433,337.55, and less an amount retained by the Series 2017-A Winning Bidder as compensation (i.e., underwriter's discount) of $1,093,636.40). The Series 2017-A Winning Bidder will purchase all of the Series 2017-A Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated October 3, 2017 (the "Notice Inviting Bids"), the approval of certain legal matters by counsel, and certain other conditions.

The Series 2017-B Bonds were sold at competitive sale on October 12, 2017 and awarded to Goldman Sachs & Co. LLC (the "Series 2017-B Winning Bidder" and together with the Series 2017-A Winning Bidder, the "Winning Bidders") at a purchase price of $101,425,757.70 (consisting of the par amount of the Series 2017-B Bonds, plus an original issue premium $16,000,666.95, and less an amount retained by the Series 2017-B Winning Bidder as compensation (i.e., underwriter's discount) of $29,909.25). The Series 2017-B Winning Bidder will purchase all of the Series 2017-B Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, the approval of certain legal matters by counsel, and certain other conditions.

RATINGS

Moody's and S&P have assigned the Series 2017 Bonds ratings of "Aa1" (stable outlook) and "AAA" (stable outlook), respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. LACMTA undertakes no responsibility to bring to the attention of the Owners of the Series 2017 Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2017 Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2017 Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Email: TreasuryDept@metro.net, Telephone: (213) 922-2554, or from LACMTA's Municipal Advisor, KNN Public Finance, LLC Telephone: 510-208-8205. LACMTA maintains a website at http://www.metro.net. Information on such website is not part of this Official Statement and such information has not been incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 2017 Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By /s/ Donna R. Mills
Treasurer

APPENDIX A
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

Prospective purchasers of the Series 2017 Bonds should be aware that the following discussion of the Los Angeles County Metropolitan Transportation Authority (the "LACMTA") is intended as general information only. The Series 2017-A Bonds are limited obligations of the LACMTA payable from Pledged Revenues, which consist primarily of proceeds of the Proposition A Sales Tax.

Establishment; Jurisdiction

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is the largest public transit operator west of Chicago. As the principal transit provider in the southern California region, LACMTA serves about 75% of all transit trips within its 1,433 square mile service area, carrying an estimated 1.0 million passengers per day on buses and nearly 345,000 passengers on rail. LACMTA operates four light rail lines, serving 80 stations along 80 miles of track and two heavy rail lines that serve 16 stations along 17.4 miles of track. In addition to the transit services provided by LACMTA, it also provides funding to 40 other municipal operators that offer fixed route service and more than 100 other local return and non-profit agencies that provide community-based transportation. LACMTA also provides highway construction funding and traffic flow management.

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the "LACMTA Act"). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the "District") and the Los Angeles County Transportation Commission (the "Commission"). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission's responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the "County"), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 4, 1980, the voters of the County approved the Proposition A Sales Tax pursuant to Ordinance No. 16. The Proposition A Sales Tax is in addition to a ½ of 1 percent sales tax imposed by LACMTA beginning in 1990 known as "Proposition C Sales Tax," a 30-year ½ of 1 percent sales tax imposed by LACMTA beginning in 2009 known as the "Measure R Sales Tax," and a ½ of 1 percent sales tax imposed by LACMTA beginning on July 1, 2017 known as "Measure M Sales Tax."

Board of Directors

LACMTA is governed by a 14-member Board of Directors (the "Board"). The Board is composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, two public members and one member of the City Council of the City of Los Angeles appointed by the Mayor of the City of Los Angeles, four members who are either a mayor or a member of a city council of a city in the County (other than the City of Los Angeles) and who have been appointed by the Los Angeles County City Selection Committee (comprised of individuals appointed by the Mayors of each city in the County), and a non-voting member appointed by the Governor.

The Board of LACMTA exclusively exercises and discharges the following powers and responsibilities: (a) establishment of overall goals and objectives, (b) adoption of the aggregate budget for all of its organizational units, (c) designation of additional municipal bus operators under criteria enumerated in the LACMTA Act, (d) approval of all final rail corridor selections, (e) final approval of labor contracts covering employees of LACMTA and its organizational units, (f) establishment of LACMTA's organizational structure, (g) conducting hearings and setting fares for the operating organizational units, (h) approval of transportation zones, (i) approval of any debt instrument with a maturity date exceeding the end of the Fiscal Year in which it is issued, (j) approval of benefit assessment districts and assessment rates and (k) approval of contracts for construction and transit equipment acquisition which exceed $5,000,000 and making findings in connection with certain procurement decisions.

The current members of the Board and a brief biography of each member are provided below.

Eric Garcetti, Chair. Mr. Garcetti was elected Mayor of Los Angeles in 2013. From 2001 until taking office as Mayor, Mr. Garcetti served on the Los Angeles City Council representing the Thirteenth District and was elected to serve as President of the Los Angeles City Council four times from 2006 to 2012. Mr. Garcetti earned his B.A. and M.A. from Columbia University. He has also studied as a Rhodes Scholar at Oxford and the London School of Economics and taught at Occidental College and University of Southern California.

Sheila Kuehl, First Vice-Chair. Ms. Kuehl was elected to the Board representing the Third Supervisorial District in 2014. Ms. Kuehl served eight years in the State Senate and six years in the State Assembly, and, in 2008, left the legislature under California's term limits statute. She served as Founding Director of the Public Policy Institute at Santa Monica College. In 2012, she was appointed Regents' Professor of Public Policy at UCLA. Prior to her election to the Legislature, Ms. Kuehl was a law professor at Loyola, UCLA and USC Law Schools and co-founded and served as managing attorney of the California Women's Law Center. She graduated from Harvard Law School in 1978. She served on the Harvard University Board of Overseers from 1998 to 2005.

James T. Butts, Jr., ***Second Vice Chair***. Mr. Butts was elected as Mayor of the City of Inglewood on January 11, 2011 and reelected on November 4, 2014. Mr. Butts has more than 39 years of public safety and municipal government experience. He has held the rank of general manager or assistant general manager of large and complex municipal organizations for the past 27 years. He served 19 years in the Inglewood Police Department rising to the rank of Deputy Chief, 15 years as the Chief of Police for the City of Santa Monica, and 5 years as an Assistant General Manager for the Los Angeles World Airport system in charge of Public Safety and Counter-Terrorism. Mr. Butts received a Bachelor of Science degree in Business Administration from California State University, Los Angeles and a master's degree in Business Administration from California Polytechnic University in Pomona.

Kathryn Barger. Ms. Barger was elected to the Los Angeles County Board of Supervisors representing the Fifth Supervisorial District in November 2016. Ms. Barger began her career in public service as a student intern in the office of Supervisor Michael D. Antonovich while earning her B.A. in Communications from Ohio Wesleyan University. She became his Chief Deputy Supervisor in 2001, and served in this role until her election in November 2016. During the course of her county career as chief policy advisor on Health, Mental Health, Social Service and Children's issues, Ms. Barger provided leadership to deliver efficient and effective services and programs that have significantly improved the quality of life for foster children, seniors, veterans, the disabled and the mentally ill. She has worked with state and federal leaders along with our County District Attorney's office, Sheriff, and other law enforcement agencies to implement tough laws and vital public safety initiatives.

Mike Bonin. Mr. Bonin was elected to Los Angeles City Council in July 2013 to represent the Eleventh District. He was appointed to the Board by Mayor Garcetti in July 2013 and acts as Chair of the City Council's Transportation Committee and as Vice Chair of the Metro Exposition Line Construction

Authority. Previously, Mr. Bonin served as chief deputy to former Councilmember Bill Rosendahl. In that role, he was an alternate member on the Board of the Metro Exposition Line Construction Authority and a Co-Chair of the North Runway Safety Advisory Committee. He has also served as district director for U.S. Congresswoman Jane Harman and deputy chief of staff for Councilmember Ruth Galanter and is co-founder and program director of Camp Courage, a training program for LGBT community organizers. Mr. Bonin received his B.A. in U.S. History from Harvard University.

Jacquelyn Dupont-Walker. Ms. Dupont-Walker is the founding President of Ward Economic Development Corporation, a faith-based community development organization, and is chair of the USC Master Plan Advisory Committee where she represents the residents of the West Adams district. She was appointed to the Board by Mayor Garcetti in July 2013 and is involved in numerous other civic organizations. She serves as the AME Church International Social Action Officer and as the Social Action Chair of Delta Sigma Theta–Century City.

John Fasana. Mr. Fasana has served on the Duarte City Council since 1987, and served as Mayor of the City of Duarte in 1990, 1997, 2004, and 2009. Mr. Fasana was selected by the Los Angeles County City Selection Committee and has represented the San Gabriel Valley Sector on the Board since its inception in 1993. Mr. Fasana serves as Chair of the San Gabriel Valley Council of Governments Transportation Committee and is a member of the board of the Metro Gold Line Foothill Extension Construction Authority. Mr. Fasana has worked 30 years with Southern California Edison and is a graduate of Whittier College with a Bachelor of Arts in Business Administration.

Robert Garcia. Dr. Robert Garcia is the Mayor of Long Beach and represents the Southeast Long Beach Sector. He holds a master's degree in Communication Management from the University of Southern California and a baccalaureate degree in Communication Studies from California State University, Long Beach. As Vice Mayor and First District Councilmember, a position he held from 2009-2014, Dr. Garcia served as the Chair of the Long Beach Public Safety Committee and the Long Beach Housing Authority, and on both the Federal Legislative and State Legislative Council Committees. He also served on the California Coastal Commission from January 2013 until taking office as Mayor of Long Beach.

Janice Hahn. Ms. Hahn serves on the Los Angeles County Board of Supervisors representing the Fourth Supervisorial District, having been elected in November 2016. She previously served in Congress as the representative for California's 44th congressional district (2013-2016) and 36th congressional district (2011-2012). Before she was elected to Congress in 2011, Ms. Hahn served eight years on the Los Angeles City Council representing the Harbor Area, District 15. Prior to her career in public service, Hahn worked in the private sector. She attended Abilene Christian University in Texas, earning a Bachelor of Science in education in 1974. She taught at the Good News Academy, a private school in Westchester from 1974 to 1978. Her other work in the private sector has included Public Affairs Region Manager at Southern California Edison from 1995 to 2000, Vice President for Prudential Securities in Public Finance, Director of Community Outreach for Western Waste Industries, and Director of Marketing for the Alexander Haagen Company.

Paul Krekorian. Mr. Krekorian was elected to the Los Angeles City Council to represent the Second District in 2009 and was re-elected in 2013 and 2015. He was appointed to the Board by Mayor Garcetti in July 2013. Prior to his election to the Los Angeles City Council, he represented California's 43rd Assembly District in the California State Assembly for three years. Prior to being elected to public office, Mr. Krekorian served as President of the Burbank Board of Education and practiced law. He attended the University of Southern California and received his Juris Doctor from the University of California, Berkeley, School of Law.

Ara Najarian. Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009 and 2013; he served as Mayor from 2007 to 2008 and 2010 to 2011. He was selected to the Board in 2006 by the Los Angeles County City Selection Committee to represent the North County/San Fernando Valley Sector. He served as LACMTA Chairman from 2009-2010. He is past Chair of the Glendale Housing Authority and previously served as Chair of the Glendale Redevelopment Agency. He was elected to serve on the Glendale Community College Board of Trustees from 2003 to 2005. Mr. Najarian was Chair of the Glendale Transportation and Parking Commission. Mr. Najarian also serves on Metrolink's Board of Directors. Mr. Najarian has been an attorney in private practice in Glendale for over 25 years. He attended Occidental College where he received a Bachelor of Arts in Economics and later earned his Juris Doctor from University of Southern California School of Law.

Mark Ridley-Thomas. Mr. Ridley-Thomas was elected to the Board representing the Second Supervisorial District in November 2008 and was reelected in June 2012 and June 2016. Previously, he served as a California State Senator, 26th District, 2006 to 2008, and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, serving on the Los Angeles City Council for nearly a dozen years during which time he sat on the Board. He later served two terms in the California State Assembly, where he chaired the Committee on Jobs, Economic Development and the Economy and the Assembly Democratic Caucus. He earned a baccalaureate degree in Social Relations, minor in Government, and a master's degree in Religious Studies (concentration in Christian Ethics) from Immaculate Heart College. Mr. Ridley-Thomas received his Ph.D. in Social Ethics and Policy Analysis from the University of Southern California.

Hilda L. Solis. Ms. Solis was elected to the Board representing the First Supervisorial District in 2014. Prior to her election to the Board, Ms. Solis was confirmed as U.S. Secretary of Labor on February 24, 2009, becoming the first Latina to serve in the United States Cabinet. Prior to confirmation as Secretary of Labor, Secretary Solis represented the 32nd Congressional District in California, a position she held from 2001 to 2009. Solis graduated from California State Polytechnic University, Pomona, and earned a Master of Public Administration from the University of Southern California. A former federal employee, she worked in the Carter White House Office of Hispanic Affairs and was later appointed as a management analyst with the Office of Management and Budget in the Civil Rights Division.

Carrie Bowen, Ex-Officio Member. Ms. Bowen became the Acting Director of the California Department of Transportation District 7 in August 2013. She was appointed to the Board by Governor Brown in August 2013 and provides oversight to all divisions including administration, construction, design, environmental, external affairs, maintenance, operations, planning, project management and right-of-way. Previously, Ms. Bowen served as District 10 Director, following her appointment in January 2011. She has worked for Caltrans for approximately 30 years, rising to the position of Deputy District Director for the Central Region, Environmental Division. In addition to her work with Caltrans, Ms. Bowen also served on Assemblyman Jim Costa's staff from 1985 to 1991.

Management

General. The management of LACMTA is carried out under the direction of its Chief Executive Officer, who performs any duties delegated to him or her by the Board. The Board also appoints a General Counsel, Inspector General, Chief Ethics Officer and Board Secretary. The Chief Executive Officer serves at the pleasure of the Board, as do the General Counsel, Inspector General, Chief Ethics Officer and Board Secretary. Certain of LACMTA's executives and a brief biography of each executive are provided below.

Chief Executive Officer. Phillip A. Washington became Chief Executive Officer in May 2015. Prior to his appointment as Chief Executive Officer, Mr. Washington served as General Manager of the

Denver Regional Transportation District ("RTD"). Mr. Washington served in that position since December 2009, with previous service as Interim General Manager since June 2009 and Assistant General Manager, Administration since 2000. Mr. Washington is credited with completing the Eagle P3 project, a $2.2 billion public-private partnership that built RTD's East Rail Line, a commuter rail from Denver International Airport to downtown Denver. Mr. Washington was a highly decorated 24-year military professional, having attained the highest military noncommissioned officer rank, that of Command Sergeant Major, E-9, before retiring from service in June 2000. He began his military career in Air Defense Artillery units and served in virtually every noncommissioned officer leadership role. He has also been a distinguished project manager, strategic planner, contract representative, human resource director, trainer and budget technician. Mr. Washington received a Bachelor of Arts degree in Business Administration from Columbia College and a master's degree in Management from Webster University.

Chief Financial Officer. Nalini Ahuja was appointed as Executive Director, Finance and Budget in February 2014 (renamed Chief Financial Officer in July 2016). Prior to her appointment as Executive Director, Finance and Budget, Ms. Ahuja served as LACMTA's Executive Director, Office of Management, Budget & Local Programming from 2010 to 2012, at which point her duties were expanded to include oversight of LACMTA's Transit Access Pass ("TAP") operations. As Chief Financial Officer, she is responsible for oversight of LACMTA's Office of Management, Budget, Local Programming & TAP operations and the agency's Financial Services including accounting and treasury functions. She has also served LACMTA as Director, Countywide Planning; Transportation Manager V, Local Programming; Acting Budget Director, Office of Management & Budget; and Project Manager, South Bay Area Team. Ms. Ahuja began her career with LACMTA's predecessor, the Los Angeles County Transportation Commission, in 1986, as a technical and administrative analyst, which led to her position as Project Manager with the South Bay Area Team in 1990. Ms. Ahuja earned a bachelor's degree in Economics from Miranda House, University of Delhi as well as a master's degree in Economics from Delhi School of Economics and a master's degree in Urban Planning from UCLA.

Treasurer. Donna R. Mills was appointed Treasurer in July 2013, following her appointment to Interim Treasurer in January 2013. Ms. Mills previously served LACMTA as Assistant Treasurer beginning in April 2001, and as Senior Investment Manager beginning in December 1995. As Treasurer, she is responsible for directing LACMTA's investment management and debt management programs, and for overseeing pension and benefits administration. Prior to joining LACMTA, Ms. Mills served as a Financial Planning Administrator and as Cash Manager for Pacific Enterprises. She also worked as a Banking Analyst and as a Research Assistant for the Federal Reserve Bank of Philadelphia. Ms. Mills received a Bachelor of Arts in Economics and Sociology from the University of Pennsylvania and an MBA from the University of California, Berkeley.

Public Transportation Services Corporation

In December 1996, LACMTA created the Public Transportation Services Corporation ("PTSC"), a nonprofit public benefit corporation organized under the laws of the State. PTSC was created in order to transfer certain functions, then performed by LACMTA, and the employees related to those functions, to this new corporation. The purpose of PTSC is to conduct essential public transportation activities including but not limited to the following: (a) to coordinate multimodal multi-jurisdictional transportation planning; (b) to program federal, State and local funds for transportation projects County-wide within the County; (c) to oversee construction; (d) to provide certain administrative services to the Los Angeles County Service Authority for Freeway Emergencies and the Southern California Regional Rail Authority; (e) to provide administrative support and security services for the foregoing and to the operation of LACMTA's bus and rail system; and (f) such other activities and services as it deems necessary. One advantage of PTSC is that it allows its employees, including those transferred from LACMTA, to participate in the California Public Employees Retirement System.

TRANSPORTATION SERVICES

LACMTA is a multi-faceted transportation agency responsible for the coordination of transportation policy, funding and planning within the County as well as the development and operation of bus, light rail and heavy rail within the greater Los Angeles region. This breadth of services distinguishes LACMTA from other transportation agencies across the country.

Bus System

LACMTA operates the second largest bus system in the United States. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,450 buses. LACMTA's bus system covers over 170 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide approximately 7.0 million revenue service hours annually with an average of approximately 912,000 weekday boardings on a system-wide basis for the fiscal quarter ended June 30, 2017 and total boardings of 58.4 million for the fiscal quarter ended June 30, 2017, including Orange Line busway ridership. In addition, LACMTA contracts with outside service providers, with approximately 42,500 average weekday boardings for the fiscal quarter ended June 30, 2017. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. As of August 1, 2017, the average age of LACMTA's bus fleet was approximately 7.90 years. At the October 27, 2016 Board meeting, the Board approved a motion calling for staff to draw up plans to fully electrify LACMTA's Orange Line by 2020. LACMTA received a $4.3 million grant from the US Department of Transportation to partially fund the acquisition of five new 60-foot electric buses and eight new charging stations to be utilized on the Orange Line. In July, 2017, the LACMTA Board approved the purchase of approximately 95 electric buses to be added to its fleet and committed to converting the entire fleet to zero emission vehicles by 2030.

Metro Rapid Bus. In June 2000, LACMTA launched the Metro Rapid Demonstration Program ("Metro Rapid"). Initially, Metro Rapid consisted of two lines—one along Ventura Boulevard in the San Fernando Valley and the other along the Wilshire/Whittier transit corridor. In September 2002, based on the success of Metro Rapid, the Board adopted the Metro Rapid Five-Year Implementation Plan that identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. All of the 25 Metro Rapid corridors are now operating, covering approximately 400 miles in the City of Los Angeles, the County and 34 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus, Culver City Bus and Torrance Transit operate Metro Rapid. The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service, fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, and traffic signal priority.

Metro Orange Line. The Metro Orange Line is a 14-mile Bus Rapid Transit service that operates along an exclusive right-of way and transports thousands of commuters between Warner Center in the west San Fernando Valley to the Metro Red Line subway station in North Hollywood. The Metro Orange Line buses operate in exclusive lanes along a 13-mile stretch of LACMTA-owned right-of-way and one mile in mixed flow traffic on public streets. The Metro Orange Line has 14 stations, each located roughly one mile apart, with park and ride facilities at seven stations providing approximately 4,700 parking spaces. The Metro Orange Line Extension Project, which opened in June 2012, extended the Orange Line four-miles north from the Canoga park-and-ride lot to the Chatsworth Amtrak/Metrolink Station.

Highway System

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, State and local resources. As part of a congestion reduction demonstration program, LACMTA converted I-10 and I-110 High Occupancy Vehicle ("HOV") Lanes to High Occupancy Toll ("HOT") Lanes and provide the choice for drivers of single occupant vehicles to pay to travel in a high occupancy lane, based on congestion pricing. The general purpose lanes on these highways are not tolled. This program also includes improvements to the transit service along the freeways, transit facility improvements and increased funding for vanpools. In March 2017, the LACMTA Board approved a plan to convert additional existing HOV lanes to HOT Lanes (also known Express Lanes) in phases over the next 30 years. LACMTA also provides highway construction funding and traffic flow management.

Rail System

General. In 1992, the Commission developed a comprehensive rail rapid transit system development plan (the "Rail System") which has been revised from time to time. The Rail System currently consists of four light rail lines: the Metro Blue Line, the Metro Green Line, the Metro Gold Line (including the Gold Line Eastside Extension) and the Exposition Line; and two heavy rail lines: Metro Red Line and the Metro Purple Line. The Rail System covers 105 miles and serves 93 stations, with weekday estimated ridership of more than 350,000.

Metro Blue Line. The Metro Blue Line is an approximately 22 mile light rail line that extends from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. The Metro Blue Line consists of a dual-track line with 22 stations, with a fleet of 54 articulated rail cars and a primary maintenance facility (which also supports vehicles from the Metro Green Line) and yard located in Long Beach adjacent to the Long Beach Freeway with a storage and maintenance capacity of 89 vehicles. Passenger service began in July 1990. The Metro Blue Line had estimated ridership of approximately 5.4 million for the fiscal quarter ended June 30, 2017.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has 14 stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. The Metro Green Line began operations in August 1995, and had estimated ridership of approximately 2.4 million for the fiscal quarter ended June 30, 2017.

Metro Gold Line. The Metro Gold Line is a 13.7-mile light rail line which extends from downtown Los Angeles (where it links to the Metro Red Line) to the City of Pasadena. The Metro Gold Line consists of a dual-track line with 13 stations. The Metro Gold Line began operations in July 2003. The Gold Line Eastside Extension, which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. In March 2016, service began on an 11-mile extension of the Gold Line from Pasadena to Azusa. Estimated ridership for the entire Metro Gold Line was approximately 4.1 million for the fiscal quarter ended June 30, 2017.

The Metro Gold Line is being further extended as discussed below under "FUTURE TRANSPORTATION PROJECTS – *Gold Line Foothill Extension*."

Exposition Line. The Exposition Line is an approximately 15 mile long light rail line that runs from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. The first portion of the Exposition Line opened in June 2012 and extended approximately 8.6 miles from downtown Los Angeles to Culver City. The second portion, which began revenue operations in May 2016, extends 6.6 miles westward from Culver City to downtown Santa Monica and adds seven stations to the Exposition Line. Estimated ridership for the Exposition Line was approximately 4.8 million for the fiscal quarter ended June 30, 2017.

Metro Red Line and Metro Purple Line. The Metro Red Line and Metro Purple Line were designed as state-of-the-art, modern heavy rail subway lines comparable to transit systems in San Francisco, Atlanta and Washington, DC. The Metro Red Line and Metro Purple Line are dual-rail steel-wheeled, high speed rapid subway systems that originally were to consist of a 19.7 mile 18-station line that was to connect the Los Angeles central business district to the San Fernando Valley, through the Wilshire Corridor and Hollywood, and to East Los Angeles through Union Station. However, due to the "Metropolitan Transportation Authority Reform and Accountability Act of 1998" (the "Act of 1998") and federal and State funding shortfalls, the development of the Metro Red Line and the Metro Purple Line were significantly reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, the Act of 1998 did not prohibit LACMTA from continuing the construction of the Metro Red Line and the Metro Purple Line as long as such design, construction and operation are paid from other funds.

The Metro Red Line was constructed in segments. Segment 1 from Union Station to Alvarado Street opened in January 1993. Segment 2 extended west from Alvarado Street to Vermont Avenue where it branches north to Hollywood Boulevard/Vine Street and west to Wilshire Boulevard/Western Avenue. The west branch became operational in July 1996 and was renamed the Purple Line in August 2006. Segment 3 extending the north branch from Hollywood/Vine to North Hollywood opened in June 2000. The Red Line is 14.9 miles long with 14 stations. LACMTA is in the process of extending the Metro Purple Line from its current terminus at Wilshire/Western to the westside of Los Angeles. This project is described under "FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects" below.

Commuter Rail. The Southern California Regional Rail Authority ("SCRRA") oversees commuter rail services in the region that includes Los Angeles, Riverside, Ventura, Orange, San Bernardino and San Diego Counties. SCRRA operates the Metrolink system, which consists of seven lines totaling 512 miles and 55 stations and is primarily geared toward providing commuter rail service from outlying communities to downtown Los Angeles. Average weekday boardings were approximately 39,400 for the third quarter of Fiscal Year 2017. LACMTA is the Los Angeles County participant in SCRRA and contributes funds to SCRRA. Other participants include the Orange County Transportation Authority, the Riverside County Transportation Commission, the San Bernardino Association of Governments and the Ventura County Transportation Authority.

Transit System Enterprise Fund

LACMTA accounts for the revenues and expenses of its transit system as an enterprise fund, separate from accounting of its governmental funds, such as the Proposition A, Proposition C, Measure R and Measure M Sales Tax revenues. See "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016." As indicated in Appendix B and as is generally true with large transit systems, the operating expenses for LACMTA's transit system greatly exceed operating revenues. The Proposition A, Proposition C, Measure R and Measure M Sales Tax revenues are a primary source of funding for the transit system. Additionally, LACMTA relies heavily on other local, State and federal sources to pay for operating expenses and capital improvements. LACMTA is currently undertaking future transit improvements to the transit system, which require substantial investment and increase operating costs. As the system expands, the LACMTA is committed to looking for additional revenue sources, to re-prioritize existing and new programs, and to regularly reassessing the service provided to minimize duplication and improve efficiency. Proposition A Sales tax revenues are available to pay operating expenses only after debt service on the First Tier Senior Obligations and certain other amounts are paid. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds."

FUTURE TRANSPORTATION IMPROVEMENTS

LACMTA, as the State-designated planning and programming agency for the County, identifies future transportation needs and transportation funding and construction priorities in the County. LACMTA prepares a Long Range Transportation Plan that identifies the costs of major transportation projects and the anticipated funding sources. See "RISK FACTORS" in the front part of this Official Statement.

Capital Planning

In October 2009, the Board approved a 2009 Long Range Transportation Plan ("2009 LRTP") which updated the prior Long Range Transportation Plan. LACMTA's capital program is built on two major planning documents, the 2009 LRTP, which has a 30-year vision and which may be amended from time to time, and the Short-Range Transportation Plan ("SRTP"), a ten-year plan last updated in 2014 and guiding capital investment through 2024. These plans incorporate the mix of projects approved by voters in concert with the four sales tax measures that fund a large share of Metro's operations and capital programs. Annually, LACMTA's Office of Management and Budget reviews the projects called for in the 2009 LRTP and the SRTP, and prepares a proposed budget recommending project appropriations as part of the annual Capital Program, which is incorporated within the overall annual agency budget.

The 2009 LRTP identifies projected costs of planning, constructing and running the transportation system based on a financial forecast of future revenue assumptions through 2040. During the planning process, data was reviewed that predict where and what the current challenges are on the existing transportation system, where mobility issues could arise in 2040, and how the transportation system could be improved with new investments.

The 2009 LRTP reflects LACMTA's assessment of growth patterns, regional congestion, strategies to improve local air quality, transit-oriented development, the latest technical assumptions and climate change issues, and incorporates Measure R projects. The 2009 LRTP identified a $297.6 billion countywide investment in the County's transportation system through 2040, funded with more than 45 sources of federal, State and local funds. The 2009 LRTP is now the guiding policy behind funding decisions on subsequent transportation projects and programs in the County. Major capital projects and programs that are identified in the 2009 LRTP have priority for future programming of funds. While these projects and programs require further Board approval at various stages of their development, they are priorities for further planning, design, construction and the pursuit of additional funding.

The Board-approved 2009 LRTP, and subsequent updated financial forecasts include projections of debt financing by LACMTA composed of a combination of Proposition A, Proposition C and Measure R-secured debt. The March 2016 Financial Forecast of the 2009 LRTP updates the assumptions about debt issuance and assumes approximately $2.7 billion (excluding commercial paper notes) in new debt financing from Fiscal Year 2018 through Fiscal Year 2022, not including the TIFIA loans described under

"—Transit Projects" below. The March 2016 update of the 2009 LRTP assumes the funding of approximately $755.6 million, $795.7 million, and $1.1 billion through the issuance of additional Proposition A First Tier Senior Lien Bonds (including the Series 2017-A Bonds), Proposition C Senior Bonds, and Measure R Senior Bonds, respectively, from Fiscal Year 2018 through Fiscal Year 2022. LACMTA's March 2016 Financial Forecast assumes the issuance of approximately $755.6 million (including the Series 2017-A Bonds) in additional Proposition A First Tier Senior Lien Bonds from Fiscal Year 2018 through Fiscal Year 2022. The March 2016 financial update also forecasts bond issuance from Fiscal Year 2018 through Fiscal Year 2057 of approximately $14.2 billion, of which approximately $5.8 billion is projected to be Proposition A First Tier Senior Lien Bonds.

The 2009 LRTP and financial updates are planning tools and not projections, and therefore the timing and amount of any debt issuance is likely to change. The actual amount and timing of any debt issuance depends on a number of factors including the actual scope, timing and cost of transportation projects, the ability to obtain funding from other sources and the amount of Proposition A, Proposition C, Measure R and Measure M Sales Tax revenues available to fund the projects in the LRTP. With the passage of Measure M on November 8, 2016, the 2009 LRTP has been amended to include Measure M Sales Tax revenues and Expenditure Plan. The financial forecast is expected to be updated by the end of fiscal year 2018 and a new LRTP is expected to be adopted by 2020.

Transit Projects

LACMTA has several major transit projects in planning and under construction: the Crenshaw/LAX Transit Project, the Regional Connector and the Westside Purple Line Extension.

Crenshaw/LAX Transit Project. The Crenshaw/LAX Transit Project is a north/south corridor that serves the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The line extends 8.5 miles, from the intersection of Crenshaw and Exposition Boulevards to a connection with the Metro Green Line at the Aviation/LAX Station. The total project budget is currently $2.058 billion. The costs of the project are expected to be paid from Measure R Sales Tax revenues, Proposition A Sales Tax revenues, Proposition C Sales Tax revenues, other local sources, and federal and State sources. The project has received a $545.9 million TIFIA loan, which is to be repaid from available Measure R Sales Tax. LACMTA has drawn the full amount of the TIFIA loan.

Regional Connector. The Regional Connector is a 1.9-mile light rail line with three underground stations in downtown Los Angeles. The Project will provide a direct connection from the 7th/Metro Center Station to the existing Metro Gold Line tracks to the north and east of 1st and Alameda. This connection will provide through service between the Metro Blue Line, Metro Gold Line and Metro Exposition Line corridors. The total project budget is currently $1.77 billion. LACMTA has been awarded a $669.9 million federal grant for the Regional Connector project. Additionally, the project has received a $160 million TIFIA loan, which is to be repaid from Measure R Sales Tax revenues. As of October 1, 2017, LACMTA has drawn down $91.6 million of the TIFIA loan proceeds. The remaining project costs are expected to be paid from other Federal, State and local sources (other than Proposition A Sales Tax Revenues).

Westside Purple Line Extension. The Westside Purple Line Extension (the "Purple Line Extension") is an extension of the Metro Purple Line from its current terminus at Wilshire/Western to the westside of Los Angeles. The Board has certified the Final Environmental Impact Report and has adopted the project definition for the nine-mile Purple Line Extension. The Purple Line Extension currently is planned to be constructed in three sections.

Section 1 is currently under construction and extends the existing Metro Purple Line by 3.92 miles beginning at the Wilshire/Western Station and adds three stations to the Phase 1 terminus at Wilshire/La Cienega. The total budget for Section 1 of the Purple Line Extension is $2.53 billion, excluding finance charges and unallocated contingency. LACMTA has been awarded a $1.25 billion federal grant and has entered into an agreement for an $856 million TIFIA loan, to be repaid from Measure R Sales Tax revenues, with respect to Section 1 of the Purple Line Extension. As of October 1, 2017, LACMTA had drawn down $123 million of the TIFIA loan proceeds. The remaining project costs for Section 1 are expected to paid from Measure R Sales Tax revenues, State sources and other local sources (other than Proposition A Sales Tax Revenues).

Section 2 of the Purple Line Extension is located entirely underground, primarily following Wilshire Boulevard, and includes the design and construction of approximately 2.59 miles of double-track heavy rail and two new stations. The estimated total project cost is $2.16 billion, excluding finance charges and unallocated contingency. LACMTA has been awarded a $1.187 billion federal grant and has entered into an agreement for a TIFIA loan for $307 million to be repaid from Measure R Sales Tax revenues. As of October 1, 2017, LACMTA had drawn down $103.5 million of the TIFIA loan proceeds. The remaining project costs for Section 2 are expected to be paid from Measure R Sales Tax revenues, other Federal sources, and State sources.

Section 3 of the Purple Line Extension is planned to extend 2.59 miles from Section 2 terminus at Century City to Westwood and add two stations. Currently, estimated project cost is $2.9 billion, excluding finance costs.

Gold Line Foothill Extension. LACMTA is extending the Metro Gold Line 12.3 miles from Azusa to Claremont. LACMTA is currently working with the Gold Line Foothill Extension Construction Authority ("GLFECA"), an independent transportation planning and construction agency created in 1999. The GLFECA is tasked with designing and construction the line. Once built, LACMTA will operate it in conjunction with existing LACMTA rail services. The total project budget for the extension is $1.4 billion. Project costs are expected to be paid primarily from Measure M Sales Tax Revenues. In addition, the San Bernardino Associated Governments has requested that an additional station in Montclair be added to the plans for this second phase if this occurs, the extension to Montclair and the Montclair station would be funded by San Bernardino County, not by the LACMTA.

LABOR RELATIONS

General

As of October 1, 2017, LACMTA had approximately 9,764 employees, of which approximately 86% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (formerly UTU) ("SMART-TD"); LACMTA mechanics and service attendants are members of the Amalgamated Transit Union ("ATU"); LACMTA clerks are members of the Transportation Communications Union ("TCU"); bus and rail transportation and maintenance supervisors are members of the American Federation of State County and Municipal Employees ("AFSCME"); and LACMTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by the labor agreements of LACMTA with each of its employee bargaining units as of October 1, 2017 and the current expiration dates of the labor agreements. In July 2017, LACMTA signed five new contracts with our labor unions, the longest contracts in LACMTA's history. Most of these contracts provide for annual salary increases of 4.2% over the five year life of the contracts.

Employee Bargaining Unit	Number of Employees	Contract Expiration Date
United Transportation Union (Sheet Metal, Air, Rail and Transportation Division)	4,263	06/30/22
Amalgamated Transit Union	2,350	06/30/22
Transportation Communications Union	858	06/30/22
Am. Fed. of State, County and Municipal Employees	765	06/30/22
Teamsters Union	149	06/30/22

Defined Benefit Pension Plan

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the "Plans") that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by State statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to members of the Teamsters Union. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. For a description of these defined benefit plans and LACMTA's obligations to make contributions to these plans, see "Note III—DETAILED NOTES ON ALL FUNDS—I. Employees' Retirement Plans" in the Notes to the Financial Statements and related Required Supplementary Schedules in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and their families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)," LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA's obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see "Note III—DETAILED NOTES ON ALL FUNDS—J. Other Postemployment Benefits (OPEB)" in the Notes to the Financial Statements and the related Required Supplementary Schedules in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

OUTSTANDING DEBT

General

In addition to obligations issued by LACMTA that are secured by Proposition A Sales Tax, LACMTA has issued debt secured by the Proposition C Sales Tax, the Measure R Sales Tax, and other revenues of LACMTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable trust agreements governing such debt. See "FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan" above. See "SECURITY

AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS" in the front part of this Official Statement for a discussion of obligations secured by the Proposition A Sales Tax.

Debt and Interest Rate Swap Policies

In April 2015, the Board approved an updated Debt Policy for LACMTA (the "Debt Policy"). The Debt Policy sets forth guidelines for the issuance and management of LACMTA's debt. Among other things, the Debt Policy sets forth allowable uses of debt and debt policy maximums. It requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years. The Debt Policy also sets forth guidance on the type of debt that may be incurred by LACMTA (e.g., long-term versus short-term), the source of payment for such debt, and other factors to be considered when incurring debt.

In April 2015, the Board approved an updated Interest Rate Swap Policy for LACMTA (the "Swap Policy"). The Swap Policy includes guidelines to be used by LACMTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that LACMTA evaluate the risks, on an ongoing basis, of existing interest rate swaps. As of the date of this Official Statement, LACMTA has no interest rate swaps.

Proposition C Sales Tax Obligations

General. LACMTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Proposition C Senior Sales Tax Revenue Bonds and Proposition C Senior Parity Debt, and its Proposition C Subordinate Lien Obligations. In addition, LACMTA has incurred other obligations, which are secured by certain "remaining" Proposition C Sales Tax cash receipts. See "PROPOSITION A SALES TAX OBLIGATIONS—Outstanding Proposition A Sales Tax Obligations—Other Obligations—General Revenue Bonds" in the front part of this Official Statement.

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Proposition C Senior Sales Tax Revenue Bonds. LACMTA had the following Proposition C Senior Sales Tax Revenue Bonds outstanding as of October 1, 2017:

Los Angeles County Metropolitan Transportation Authority
Proposition C Senior Sales Tax Revenue Bonds
(Outstanding as of October 1, 2017)

Proposition C Senior Sales Tax Revenue Bonds	Outstanding Principal Amount
Sales Tax Revenue, Senior Bonds, Series 2017-A	$ 454,845,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A	82,310,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A	61,180,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A	90,960,000
Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B	287,745,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C	51,125,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012 A	14,635,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012 B	74,885,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010 A	37,150,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009 B	102,770,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009 D	28,445,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009 E	78,960,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008 A	69,245,000
Total	$1,434,255,000

Source: LACMTA

Proposition C Senior Parity Debt. LACMTA may designate as Proposition C Senior Parity Debt certain indebtedness, installment sale obligations, lease obligations or other obligations for borrowed money, or payment obligations under interest swaps or other arrangements payable on parity with the Proposition C Senior Sales Tax Revenue Bonds. LACMTA currently has no Proposition C Senior Parity Debt outstanding. LACMTA may incur Proposition C Senior Parity Debt upon the satisfaction of certain additional bonds tests.

Proposition C Subordinate Lien Obligations. On June 9, 1993, LACMTA received authorization to issue and have outstanding, at any one time, up to $150,000,000 (principal of and interest thereon) of commercial paper notes (the "Proposition C Commercial Paper Notes") payable from and secured by Proposition C Sales Tax revenues. The Proposition C Commercial Paper Notes are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Proposition C Senior Sales Tax Revenue Bonds and the Proposition C Senior Parity Debt. As of October 1, 2017, the Proposition C Commercial Paper Notes were outstanding with a maturity value of approximately $10.3 million. The Proposition C Commercial Paper Notes are supported by a letter of credit (the "Proposition C CP Letter of Credit") issued by Bank of America, N.A. LACMTA's reimbursement obligations with respect to the Proposition C CP Letter of Credit are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes.

In addition, LACMTA is authorized to issue and have outstanding, from time to time, up to $75,000,000 in aggregate principal amount of its Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the "Proposition C Revolving Obligations"), which are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes and which are considered part of the $150,000,000 authorization for Proposition C Commercial Paper. As of October 1, 2017, LACMTA had $45,000,000 Proposition C Revolving Obligations outstanding. All Proposition C Revolving Obligations issued by LACMTA are purchased by the Wells Fargo Bank, National Association, in accordance with the terms of a revolving credit agreement (the "Proposition C Revolving Credit Agreement"). The Proposition C Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement.

The following tables set forth certain terms of Proposition C Commercial Paper Notes, including the Proposition C CP Letter of Credit and the Proposition C Revolving Obligations.

Proposition C CP Letter of Credit

Letter of Credit Provider	Bank of America, N.A.
Principal Amount	$68,885,000[1]
Expiration Date	April 5, 2019

[1] Plus $6,114,724 of interest. Draws on the letter of credit must be paid within 270 days, though the drawings may be converted to a term loan payable in 10 quarterly installments if conditions are satisfied.

Source: LACMTA

Proposition C Revolving Obligations

Revolving Obligations Bank	Wells Fargo Bank, National Association
Principal Amount	$75,000,000
Expiration/Maturity Date	March 28, 2019[1]

[1] Can be converted to a term loan payable in twelve equal quarterly installments following the Expiration/Maturity Date if conditions are satisfied.

Measure R

General. LACMTA has three priority levels of obligations secured by the Measure R Sales Tax: the senior lien (which currently secures its Measure R Senior Sales Tax Revenue Bonds), the subordinate lien (which currently secures its Measure R Subordinate Obligations), and the junior subordinate lien (which currently secures three TIFIA loans).

Measure R Senior Sales Tax Revenue Bonds. On November 16, 2010, LACMTA issued $732,410,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A and Series 2010-B (the "Series 2010 Measure R Senior Bonds") to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. On November 30, 2016, LACMTA issued $522,120,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2016-A (the "Series 2016 Measure R Senior Sales Tax Revenue Bonds," and together with the Series 2010 Measure R Senior Bonds, the "Measure R Senior Bonds") to finance certain transportation projects and to refund certain outstanding Measure R Subordinate Revolving Obligations (defined below). As of October 1, 2017, there was $1,145,995,000 aggregate principal amount of Measure R Senior Sales Tax Revenue Bonds outstanding. LACMTA may incur additional senior debt secured by and payable from the Measure R Sales Tax.

Measure R Subordinate Obligations. LACMTA is authorized to issue and have outstanding, from time to time, up to $150,000,000 in aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Revolving Obligations (the "Measure R Subordinate Revolving Obligations"), which are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Series C Bonds (defined below), and on a senior basis to the TIFIA Loans. As of October 1, 2017, LACMTA had approximately $65 million in Measure R Subordinate Revolving Obligations outstanding. The Measure R Subordinate Revolving Obligations issued by LACMTA are purchased by (i) State Street Public Lending Corporation, in a principal amount not to exceed $100 million, in accordance with the terms of a revolving credit agreement (the "State

Street Revolving Credit Agreement"), and (ii) Bank of the West, in a principal amount not to exceed $50 million, in accordance with the terms of a revolving credit agreement (the "Bank of the West Revolving Credit Agreement," and together with the State Street Revolving Credit Agreement, the "Measure R Subordinate Revolving Credit Agreements"). The Measure R Subordinate Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Measure R Subordinate Revolving Credit Agreements. Except as otherwise provided in the Measure R Subordinate Revolving Credit Agreements, the principal of all Measure R Subordinate Revolving Obligations outstanding are due and payable on November 20, 2020. However, subject to the terms of the Measure R Subordinate Revolving Credit Agreements, on November 20, 2020, LACMTA can convert any outstanding Measure R Subordinate Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments following November 20, 2020.

The following table sets forth certain terms of the Measure R Subordinate Revolving Obligations.

Measure R Subordinate Revolving Obligations

Revolving Obligations Bank	State Street Public Lending Corporation	Bank of the West
Principal Amount	$100,000,000[1]	$50,000,000[2]
Expiration Date	November 20, 2020[3]	November 20, 2020[3]

[1] As of October 1, 2017, $15,212,743.45 aggregate principal amount of State Street Measure R Revolving Obligations were outstanding.
[2] As of October 1, 2017, $50,000,000 aggregate principal amount of Bank of the West Measure R Revolving Obligations were outstanding.
[3] Can be converted to term loan payable in twelve equal quarterly installments
Source: LACMTA

In addition to the Measure R Subordinate Revolving Obligations, LACMTA entered into a bond purchase agreement dated November 23, 2015 with RBC Capital Markets LLC (the "Measure R Series C Underwriter") to sell, from time to time, up to $150,000,000 aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Drawdown Bonds, Subseries C-1 (Tax-Exempt) and Subseries C-2 (Taxable) (the "Measure R Subordinate Series C Bonds," and together with the Measure R Subordinate Revolving Obligations, the "Measure R Subordinate Obligations") to the Measure R Series C Underwriter. The Measure R Series C Underwriter in turn sells the Measure R Subordinate Series C Bonds to RBC Municipal Products, LLC. The Measure R Subordinate Series C Bonds are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Revolving Obligations, and on a senior basis to the TIFIA Loans. As of October 1, 2017, LACMTA had $210,000 aggregate principal amount of Measure R Subordinate Series C Bonds outstanding. The Measure R Subordinate Series C Bonds bear interest at variable rates. Except as otherwise provided in the Third Supplemental Subordinate Trust Agreement, dated as of November 1, 2015, by and between LACMTA and U.S. Bank National Association, as trustee, and the Bondholder's Agreement, dated as of November 1, 2015, by and between LACMTA and RBC Municipal Products, LLC, the principal of all Measure R Subordinate Series C Bonds outstanding are due and payable on November 20, 2020.

Measure R Junior Subordinate Obligations (TIFIA Loans). LACMTA has entered into agreements for four TIFIA loans in the aggregate principal amount of $1.869 billion, which will be repaid from Measure R Sales Tax revenues. As of October 1, 2017, LACMTA had drawn $864.0 million in proceeds under three of the TIFIA loans. All four TIFIA loans are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds and the Measure R Subordinate

Obligations. See "FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects" above for additional information on the TIFIA loans.

Measure M

LACMTA has not issued any debt secured by the Measure M Sales Tax. However, it anticipates issuing such debt in the future.

INVESTMENT POLICY

General

Certain features of LACMTA's Investment Policy are summarized in "Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" in the Notes to the Financial Statements in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Investment Balances

As of June 30, 2017 (based on unaudited financial information), LACMTA had approximately $634.4 million in market value deposited in non-discretionary bond proceeds and debt service trust accounts, primarily invested in U.S. Treasury securities, Federal Agencies, money market funds, forward purchase agreements and the County of Los Angeles Pooled Surplus Investments maintained by the County of Los Angeles Treasurer and Tax Collector. LACMTA had approximately $2.0 billion in additional non-discretionary trust accounts, primarily for pension and OPEB.

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Additionally, as of June 30, 2017, LACMTA had approximately $1.089 billion (book value) deposited in discretionary/operating accounts. Such discretionary/operating accounts were invested in the investments summarized in the following table:

Discretionary/Operating Accounts Investments	**Percentage of Total Book Value as of June 30, 2017**
Local Agency Investment Fund	7.44%
Bank Deposits	6.12
FICA Account	0.09
Subtotal	13.66%
Managed Investments	
U.S. Treasuries	19.42%
Federal Agencies	30.08
Corporate Notes	19.15
Commercial Paper	1.93
Municipal securities	4.43
Money Market Funds	4.66
Asset Backed Securities	4.01
Certificates of Deposit	0.93
Medium Term Notes	1.73
Sub Total Managed Investments	86.34%
Total Cash and Investments*	100.00%

* Numbers may not add due to rounding.
Source: LACMTA

As of June 30, 2017, the liquid reserve of the discretionary accounts, which totaled approximately $218.83 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 27 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

Moneys released to LACMTA pursuant to the Agreement, including moneys in the discretionary/operating accounts, do not secure the Senior Bonds and LACMTA is not obligated to use such amounts to pay debt service on the Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—Flow of Funds."

Additional information regarding LACMTA's investments are included in "Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" in the Notes to the Financial Statements in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

LITIGATION AND OTHER REGULATORY ACTIONS

Sales Tax Litigation

On April 30, 1982, the California Supreme Court, in *Los Angeles County Transportation Commission v. Richmond*, upheld the constitutionality of the Proposition A Sales Tax. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. On September 28, 1995, the California Supreme Court affirmed the California Court of Appeal's ruling in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a half cent sales tax by the Santa Clara County Local Transportation Authority. LACMTA does not believe such decision has any effect on the validity of LACMTA's Proposition C Sales Tax.

Other Litigation

In addition to the matters described herein, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal of and interest on any of its obligations.

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APPENDIX B
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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Los Angeles County
Metropolitan Transportation Authority
California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

FY16

Metro

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Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

FY16

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

PREPARED BY THE ACCOUNTING DEPARTMENT

Nalini Ahuja, *Chief Financial Officer*
Jesse Soto, *Controller*

Metro

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Metro Rail

Introductory Section

Letter of Transmittal

Metro
Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
213.922.2000 Tel
metro.net

December 16, 2016

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2016 is submitted herewith. State law requires LACMTA to publish a complete set of audited financial statements within six months of the close of each fiscal year.

LACMTA is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Uniform Guidance. Information related to the Single Audit, including the Schedule of Federal and State awards, findings, and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe Horwath LLP, a firm of licensed Certified Public Accountants, has audited the LACMTA's financial statements. The main goal of the independent audit is to provide reasonable assurance that the financial statements of LACMTA as of and for the fiscal year ended June 30, 2016, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion on LACMTA's financial statements as of and for the fiscal year ended June 30, 2016. The independent auditor's report is located in the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal controls. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

Management's Discussion and Analysis (MD&A), shown on pages 18 to 28, provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

LACMTA was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator and funding partner of the transportation network serving the most populous county in the nation. As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have nearly half a billion bus and rail boardings a year within its 1,433-square-mile service area.

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY17 Budget - Once the FY16 budget was adopted, LACMTA began to balance the FY17 budget by updating the Ten-Year Forecast using known parameters and future assumptions made by Executive Management. This Ten-Year Forecast includes revenue and expense/expenditure forecasts and trend analysis for all funds and major programs which identify potential situations where deficits might occur. It also highlights instances where expense/expenditure growth patterns may not be consistent with the related revenue growth. LACMTA's FY17 budget preparation process resolved the imbalances between revenues and expenses/expenditures for that year.

The $5.6 billion FY17 adopted budget is 3.4% less than the FY16 budget demonstrating LACMTA's management's resolve in controlling costs and ensuring long-term financial stability. A zero-based budgeting technique was used for FY17, requiring all departments to justify every expense from the ground up. Every single project included in the FY17 budget has been assessed with an emphasis on deliverables in an effort to increase efficiency while spending taxpayer dollars as responsibly as possible.

Budgetary Controls - LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. The budgetary control for capital projects is at the life-of-project level and thus the funding commitment does not lapse at the end of each fiscal year. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board of Directors (Board) approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding, and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP). In addition to operating its own services, LACMTA funds other municipal bus operators and a wide array of transportation projects.

LOCAL ECONOMY

According to the Los Angeles County Economic Development Corporation (LAEDC), Los Angeles County (the County) has over 10.1 million residents in 88 cities spread across 4,100 square miles, meaning that the County's population exceeds that of 43 states. If it were a country, it would be the twentieth largest economy in the world (having displaced Saudi Arabia to move up one spot from last year). In addition to its signature industries - entertainment, tourism, and fashion - its enormous diversified economy is home to the largest port complex in the Western Hemisphere and the largest number of manufacturing jobs of any county in the country. Other major industries include health care, education and knowledge creation, and business services.

According to the State of California Employment Development Department, the County added 80,700 jobs in 2016, equivalent to a 1.7% annual increase. A majority of the County's major industries added jobs last year, as broad-based growth pushed wage and salary jobs to a record high. According to UCLA's Anderson Forecast, the forecast for total employment growth is 1.6% in 2017 and 0.8% in 2018. Along with job growth, the unemployment rate fell to 5.2%, the lowest rate of the post-recession period.

Total personal income for the County increased by 4.8% in 2016 and is expected to maintain its trajectory in 2017 with anticipated gains of 5.3%. Now that the economy is back to full employment, upward pressure on wages, a strong dollar, and weak inflation may lead to significant household purchasing power in 2017. Per capita income growth, which held relatively steady with a 4.0% gain in 2016, should respond to accelerating wage growth to rebound to 4.9% in 2017.

Like most other parts of the state, the housing market in the County improved in 2016. According to the California Association of Realtors, the median sales price for a home was $531,500 a 9.4% increase over 2015's median price of $485,980. Moreover, according to LAEDC, home sales were up 2.5% compared with a year earlier. New home construction also accelerated in 2016 and should continue to grow, although at lower rates, both in 2017 and 2018.

International trade also plays an important role in the County's economic growth. The San Pedro Bay Ports of Los Angeles and Long Beach and the Los Angeles International Airport are the two largest container ports and busiest air cargo terminals in the nation. Over 45% of the nation's inbound containers pass through these ports. Two-way trade experienced growth in terms of trade volume last year, and this growth is expected to continue at an accelerated rate in 2017.

With the County's growing population, its transportation industry is undoubtedly extensive. LACMTA has established several projects intended to alleviate congestion problems in the County and to ease the use of the freeway system, especially during peak hours, by increasing access to bus and rail services. LACMTA's rail system is the third largest in the U.S., with more than 214 miles of track and more than 336,000 boardings per weekday. LACMTA's growth will continue with the ongoing major construction of one of the largest public works programs in the nation. In addition, there are other mass transit options in the County, including other cities' and municipalities' bus operators, Amtrak, and Metrolink commuter rail. Rail freight services are provided by Burlington Northern Santa Fe and Union Pacific.

The County's economy continues to grow in 2017. The County's Board of Supervisors, together with the LAEDC, continues to formulate strategic plans to further promote economic development while gaining a competitive advantage as well as stimulating a sustainable and stronger growth in a rapidly changing environment.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning is accomplished in three stages at LACMTA: (1) the Long Range Transportation Plan (LRTP), (2) the Short Range Transportation Plan (SRTP), and (3) the Ten-Year Forecast. The LRTP is a 25-30 year plan that is updated approximately every five years. The LRTP is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the entire region. The SRTP is a five-year plan that is updated between LRTP cycles and adopted by the Board. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The Ten-Year Financial Forecast is updated annually. The LRTP, the SRTP, and the Ten-Year Forecast use the most recent Adopted Annual Budget as the baseline for the period covered in those plans.

RELEVANT FINANCIAL POLICIES

The Board approves the financial stability policy at the same time the annual proposed budget is approved each year. The policy remains in effect until it is amended or changed by the Board.

The Financial Stability Policy (Policy) is divided into three sections: Goals, Strategies, and General Fiscal Policies. The purpose of the Policy is to ensure that LACMTA prudently manages its financial affairs and establishes appropriate cash reserves in order to meet its future financial commitments.

Also included in the Policy are the Business Planning Parameters and Debt Financial Standards. The purpose of the Business Planning Parameters is to provide management with a framework for developing the following year's budget and other LACMTA financial plans and to establish future business targets for management to achieve. The purpose of the Debt Financial Standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to, or more conservative than, those that would be placed on LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

MAJOR INITIATIVES

FY17 will see the operation of one full year for two new rail line segments, the Gold Line Foothill Phase 2A extension to Azusa and the Expo Line extension to Santa Monica. These extensions will add thirteen new rail stations and expand the Metro Rail System by 20%. At the same time, LACMTA will continue to oversee the construction of three major rail lines in FY17: 1) the Crenshaw/LAX Transit Corridor, 2) the Light Rail Regional Connector, and 3) the Westside Purple Line Extension Section 1 to La Cienega in Beverly Hills. As our transit network grows, LACMTA is still mindful of the need to improve options for first/last mile connections (accessibility to transit systems) and the cultivation of a more walkable and bikeable environment.

Also, in FY17, the top priority related to transit service will be to provide clean, safe, and on-time transit services to the public. Resources will be focused on inspecting, cleaning, maintaining and performing corrective maintenance on our vehicle fleets and transit stations to ensure our assets meet LACMTA and industry standards. New light rail vehicles are being procured to support the operation of our expanded Metro Rail system, and the final 75 buses to complete the 900 40-foot CNG bus buy are being purchased and delivered. With the completion of the most recent bus procurement, one third of the Metro bus fleet will be new.

The State of Good Repair (SGR) program will continue to be a top priority of the FY17 Capital Plan. Efforts will be focused on a wide array of asset improvement and maintenance projects, including bus and rail system reliability improvements and technology improvements. There will also be an emphasis on infrastructure improvements. Union Station renovations for fire and life safety improvements and ADA requirements are underway while various improvements will be made to LACMTA's headquarters at the Gateway Building.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe LACMTA's current report continues to conform to the Certificate of Achievement Program's requirements and it will be submitted to the GFOA for consideration.

ACKNOWLEDGMENTS

We want to thank the Accounting Department, who has worked diligently in the preparation of these financial statements, and all other departments for their assistance in providing the data necessary to prepare the report. We would like to acknowledge the Board and the CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, we want to thank our independent auditors, Crowe Horwath LLP, for their efforts throughout this audit engagement.

Respectfully submitted,

Nalini Ahuja

Nalini Ahuja
Chief Financial Officer


Metro
Welcome Aboard
Bienvenidos

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County

Metropolitan Transportation Authority

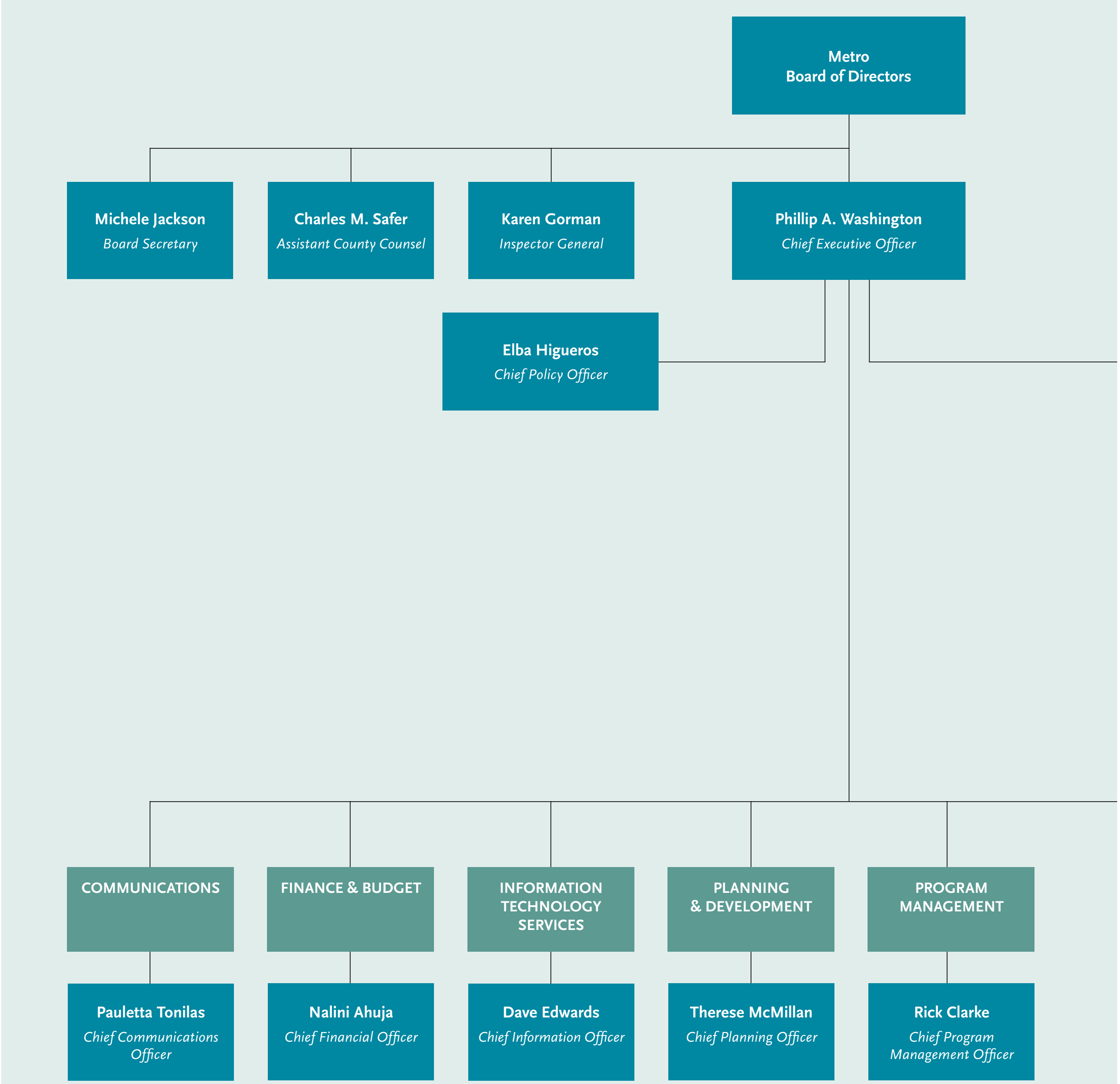
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Metro Organizational Chart



Stephanie Wiggins
Deputy Chief Executive Officer

- **MANAGEMENT AUDIT SERVICES**
  - **Diana Estrada** — *Chief Auditor*
- **LABOR / EMPLOYEE RELATIONS**
  - **Joanne Peterson** — *(Interim) Chief Employee & Labor Relations*
- **SYSTEMS SECURITY & LAW ENFORCEMENT**
  - **Alex Wiggins** — *Chief Systems Security & Law Enforcement*
- **CONGESTION REDUCTION**
  - **Shahrzad Amiri** — *Executive Officer Congestion Reduction*
- **VENDOR/CONTRACT MANAGEMENT**
  - **Debra Avila** — *Chief Vendor/Contract Management*
- **METRO OPERATIONS**
  - **James Gallagher** — *Chief Operations Officer*
- **OFFICE OF EXTRAORDINARY INNOVATION**
  - **Joshua Schank** — *Chief Innovation Officer*
- **CIVIL RIGHTS & EEO**
  - **Dan Levy** — *Chief Civil Rights Programs Officer*
- **RISK, SAFETY & ASSET MANAGEMENT**
  - **Greg Kildare** — *Chief Risk, Safety & Asset Management*

Board of Directors

(Updated as of July 2016)

1

John Fasana
Chair
Council Member, City of Duarte

2

Eric Garcetti
First Vice Chair
Mayor, City of Los Angeles

3

Sheila Kuehl
Second Vice Chair
Los Angeles County Supervisor
3rd Supervisorial District

4

Michael Antonovich
Los Angeles County Supervisor
5th Supervisorial District

5

Mike Bonin
Council Member, City of Los Angeles

6

James Butts
Mayor, City of Inglewood

7

Diane DuBois
Council Member, City of Lakewood

8

Jacquelyn Dupont-Walker
City of Los Angeles Appointee

9

Don Knabe
Los Angeles County Supervisor
4th Supervisorial District

10

Paul Krekorian
Council Member, City of Los Angeles

11

Ara Najarian
Council Member, City of Glendale

12

Mark Ridley-Thomas
Los Angeles County Supervisor
2nd Supervisorial District

13

Hilda L. Solis
Los Angeles County Supervisor
1st Supervisorial District

14

Carrie Bowen
Appointed by the Governor
of California

See map for area represented

Officials and Executive Staff

BOARD APPOINTED OFFICIALS

Phillip A. Washington, *Chief Executive Officer*

Michele Jackson, *Board Secretary*

Karen Gorman, *Ethics Officer*

Charles Safer, *General Counsel*

Karen Gorman, *Inspector General*

EXECUTIVE STAFF

Stephanie Wiggins, *Deputy Chief Executive Officer*

Pauletta Tonilas, *Chief Communications Officer*

Nalini Ahuja, *Chief Financial Officer*

Richard Clarke, *Chief Program Management Officer*

David Edwards, *Chief Information Officer*

Greg Kildare, *Chief Risk, Safety & Asset Management Officer*

Diana Estrada, *Chief Auditor*

Daniel Levy, *Chief Civil Rights Program*

James Gallagher, *Chief Operations Officer*

Ivan Page, *Chief Vendor/Contract Management (Interim)*

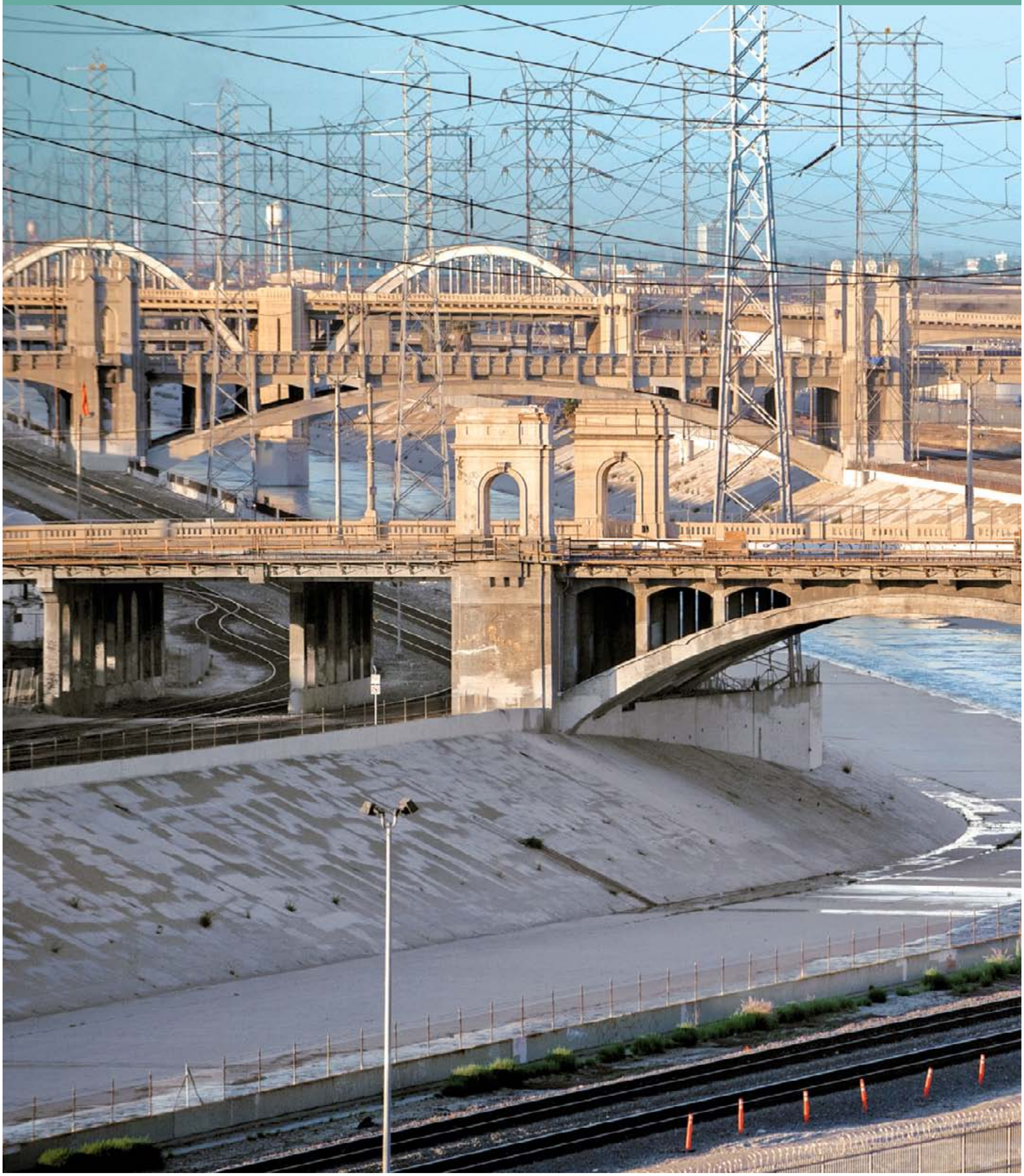
Elba Higueros, *Chief Policy Officer*

Joanne Peterson, *Chief Employee & Labor Relations Officer (Interim)*

Therese McMillan, *Chief Planning Officer*

Alex Wiggins, *Chief Systems Security & Law Enforcement*

Dr. Joshua L. Schank, *Chief Innovation Officer*



Financial Section


AZUSA
No Trespassing

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 75%, 74%, and 46% of the assets, net position, and revenues/additions, respectively, of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 relevant to the entity'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 the entity'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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of June 30, 2016, and the respective changes in its financial position, and where applicable, cash flows thereof for the year 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 management's discussion and analysis on pages 18 through 28, the schedule of changes in the CalPERS net pension liability and related ratios on page 108, schedule of CalPERS contributions on page 109, the schedule of changes in Employee's Retirement Income Plans' Net Pension Liabilities and Related Ratios on pages 110 through 115, the schedule of contributions to Employee's Retirement Income Plans on page 116, schedule of funding progress – OPEB on page 117, and the budgetary comparison information on pages 118 to 124, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The accompanying other supplementary information on pages 128 to 137 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary 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. Such 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections on pages 1 to 11 and 142 to 170 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of LACMTA's internal control over financial reporting and our on 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 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 LACMTA's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer our readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2016. The LACMTA's financial statements are designed to:

- Provide an overview of LACMTA's financial activities
- Highlight significant financial issues
- Discuss changes in LACMTA's financial position
- Explain any material deviations from the approved budget
- Identify individual major fund issues

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 2-5 of this report. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by $9,260,492. Of this, a negative amount of $705,783 is reported as unrestricted net position.

- LACMTA's total net position increased by $18,903, 0.20%, over the previous year. Business-type activities net position increased by $528,075, 7.87% and governmental activities net position decreased by $509,172, 20.13%. The increase in the business-type activities net position was primarily due to increase in net capital assets mainly related to the Crenshaw/LAX Transit Corridor, the Gold Line Foothill Extension, the Regional Connector, the Westside Purple Line Extension, and the Expo Line - Phase II funded by sales tax revenues from the governmental funds. The decrease in the governmental activities net position was due to the increase in subsidies provided by Proposition A and Proposition C funds for the transit operators and paratransit programs, as well as additional project expenditures for capacity enhancements and highway improvements on the I-5 North and South funded by Measure R. Additionally, state grants revenue, including STA and Prop 1B-PTMISEA, also decreased.

- At the close of fiscal year 2016, the LACMTA's governmental funds reported combined fund balances totaling $1,524,250, a decrease of $134,626 in comparison to the prior year. Of this amount, $1,049,235 was restricted, $13,862 was committed, $23,653 was assigned, and $437,500 was unassigned and available for spending at LACMTA's discretion.

- At the end of fiscal year 2016, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the general fund was $488,109 or approximately 423.71% of total General fund expenditures.

- During fiscal year 2016, long-term debt increased by $487,994, 12.13%, compared to the previous fiscal year due to the issuance of commercial paper notes, additional drawdowns from TIFIA loans and new borrowings from revolving lines of credit to finance immediate cash flow requirements for the payment of capital project expenditures until long-term financing is secured.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to LACMTA's financial statements. LACMTA's financial statements are comprised of three components: 1) the government-wide financial statements; 2) the fund financial statements; and 3) the notes to the financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of LACMTA's finances in a manner similar to private-sector entities.

The Statement of Net Position on page 29 presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, and the difference is reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities on pages 30-31 presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs regardless of the timing of related cash flows using the total economic resources measurement focus. It shows the gross and net costs of LACMTA's functions.

Both the Statement of Net Position and the Statement of Activities distinguish between the functions that are intended to recover a significant portion of their costs from user fees and charges for business-type activities, and the functions that are principally supported by governmental revenues for governmental activities.

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE).

Fund Financial Statements
A fund is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

Proprietary Funds
LACMTA maintains only one Proprietary fund: the Bus and Rail Operations Enterprise Fund. All transit-related transactions, including support services, capital, debt, ExpressLanes, and Union Station operation activities are recorded in this fund and presented in the business-type activities in the government-wide financial statements.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The Proprietary fund financial statements can be found on pages 40-42.

Governmental Funds
Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows and outflows of spendable resources, as well as balances of available spendable resources at the end of the fiscal year.

The governmental fund financial statements can be found on pages 32-33 and 36-37.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 34 and 38 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

LACMTA maintains eleven individual governmental funds, seven of which are considered major funds. Individual fund data for the major funds are presented in the governmental funds' balance sheet and governmental funds' statement of revenues, expenditures, and changes in fund balances.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major Special Revenue fund on pages 118-124, for the nonmajor funds on page 128, and for the aggregate remaining Special Revenue funds on page 131.

Fiduciary Funds
Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the Other Postemployment Benefits Trust fund that are administered by LACMTA. The fiduciary fund statements can be found on pages 44 and 45.

Notes to the Basic Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to the financial statements are on pages 46-105.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other supplementary information, and statistical information beginning on page 108.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

LACMTA's net position at June 30, 2016 increased by $18,903, 0.20%, when compared with June 30, 2015. The change in net position was due to increase in capital assets funded by sales tax revenues.

The following table is a summary of the Statement of Net Position as of June 30, 2016 and 2015:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Current & other assets	$ 1,619,349	$ 1,699,406	$ 1,944,725	$ 2,119,097	$ 3,564,074	$ 3,818,503
Capital assets	11,783,581	10,703,357	769,834	769,942	12,553,415	11,473,299
Deferred outflows of resources	255,866	108,943	-	-	255,866	108,943
Total assets and deferred outflows of resouces	**13,658,796**	**12,511,706**	**2,714,559**	**2,889,039**	**16,373,355**	**15,400,745**
Long-term liabilities	4,891,603	4,391,838	17,629	18,870	4,909,232	4,410,708
Other liabilities	1,428,987	1,284,311	676,297	340,364	2,105,284	1,624,675
Deferred inflows of resources	98,347	123,773	-	-	98,347	123,773
Total liabilities and deferred inflows of resouces	**6,418,937**	**5,799,922**	**693,926**	**359,234**	**7,112,863**	**6,159,156**
Net investment in capital assets	7,762,367	7,313,244	769,834	769,942	8,532,201	8,083,186
Restricted for:						
Debt service	420,543	418,006	-	-	420,543	418,006
Proposition A ordinance projects	-	-	86,647	311,284	86,647	311,284
Proposition C ordinance projects	-	-	266,232	278,776	266,232	278,776
Measure R ordinance projects	-	-	369,215	255,516	369,215	255,516
PTMISEA projects	-	-	13,907	82,385	13,907	82,385
TDA and STA projects	-	-	165,757	107,393	165,757	107,393
Other nonmajor governmental projects	-	-	111,773	68,121	111,773	68,121
Unrestricted (deficit)	(943,051)	(1,019,466)	237,268	656,388	(705,783)	(363,078)
Total Net Position	**$ 7,239,859**	**$ 6,711,784**	**$ 2,020,633**	**$ 2,529,805**	**$ 9,260,492**	**$ 9,241,589**

The decrease in current and other assets of $80,057, 4.71%, in the business-type activities was primarily due to the termination of the Phillip Morris lease accounts and decrease in receivables due to collection of FY15 federal grants receivable for operating expenses.

The increase in capital assets of $1,080,224, 10.09%, in the business-type activities was mainly due to the on-going construction of the EXPO Line - Phase II, the Metro Gold Line - Phase II Foothill Extension, the Regional Connector Transit Corridor, the Crenshaw/LAX Transit Project, and the Westside Purple Line Extension - Section 1, as described in more detail on pages 25-27.

The increase in other liabilities of $144,676, 11.26%, in the business-type activities was primarily due to additional unfunded net pension obligation in compliance with GASB Statement No. 68 and GASB Statement No. 71, and net OPEB obligation.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

The decrease in the business-type unrestricted net position of $76,415, 7.50%, was substantially due to the year-end adjustments in fiscal year 2015 related to the net pension liability in compliance with GASB Statement No. 68 and GASB Statement No. 71, and the net OPEB obligation.

The decrease in current and other assets of $174,372, 8.23%, in the governmental activities was mainly due to the funding of LACMTA's major capital projects as fully described on pages 25-27.

The increase in other liabilities of $335,933, 98.70%, in the governmental activities was primarily due to the accrual of the final settlement of the Kiewit case. Please refer to Note P on page 104 for additional information.

Statement of Activities

The following table is a summary of the statement of activities for the years ended June 30, 2016 and 2015:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
REVENUES	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	$ 443,856	$ 439,028	$ 9,009	$ 23,704	$ 452,865	$ 462,732
Operating grants and contributions	200,193	263,838	44,805	345,206	244,998	609,044
Capital grants and contributions	457,106	486,793	-	-	457,106	486,793
General revenues:						
Sales tax	-	-	2,753,686	2,717,320	2,753,686	2,717,320
Investment income	8,798	17,241	19,471	10,163	28,269	27,404
Net appreciation in fair value of investments	121	54	5,167	1,335	5,288	1,389
Gain (loss) on disposition of capital assets	427	829	-	(1,681)	427	(852)
Miscellaneous	9,672	9,464	59,786	32,462	69,458	41,926
Total Program Revenues	**1,120,173**	**1,217,247**	**2,891,924**	**3,128,509**	**4,012,097**	**4,345,756**
Program expenses:						
Bus and rail operations	2,085,787	1,935,989	-	-	2,085,787	1,935,989
Union station operations	9,172	2,206	-	-	9,172	2,206
Toll operations	24,815	20,757	-	-	24,815	20,757
Transit operators programs	-	-	357,346	304,916	357,346	304,916
Local cities programs	-	-	548,101	549,302	548,101	549,302
Congestion relief operations	-	-	42,279	43,724	42,279	43,724
Highway projects	-	-	594,069	196,158	594,069	196,158
Regional multimodal capital programs	-	-	52,363	42,844	52,363	42,844
Paratransit programs	-	-	105,042	83,602	105,042	83,602
Other transportation subsidies	-	-	64,237	72,088	64,237	72,088
General government	-	-	109,983	97,920	109,983	97,920
Total Program Expenses	**2,119,774**	**1,958,952**	**1,873,420**	**1,390,554**	**3,993,194**	**3,349,506**
Increase (decrease) in net position before transfers	(999,601)	(741,705)	1,018,504	1,737,955	18,903	996,250
Transfers	1,527,676	2,063,299	(1,527,676)	(2,063,299)	-	-
Increase (decrease) in net position	**528,075**	**1,321,594**	**(509,172)**	**(325,344)**	**18,903**	**996,250**
Net position – beginning of year	6,711,784	5,390,190	2,529,805	2,855,149	9,241,589	8,245,339
Net position – end of year	**$ 7,239,859**	**$ 6,711,784**	**$ 2,020,633**	**$ 2,529,805**	**$ 9,260,492**	**$9,241,589**

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

Business-type activities recovered 28.40% of total operating expenses from operating revenues, excluding depreciation and interest, compared to 31.36% in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

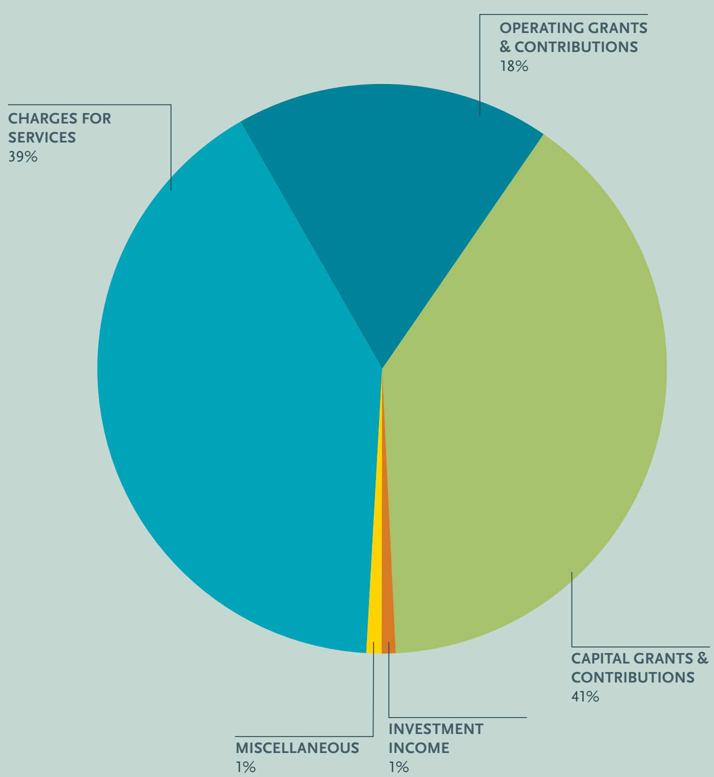
Operating grants and contributions in the governmental activities decreased by $300,401, 87.02%, compared to the previous year, primarily due to lower state grants received particularly from STA, Prop 1A - High-Speed Passenger Train Bond (HSPTB), and Prop 1B - State/Local Partnership Program (SLPP).

Most of the governmental activities expenses are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies to other agencies totaled $1,227,936, an increase of 9.04% from the prior year and representing the largest governmental expense. Subsidies consisted of pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic system, street and road maintenance, and other transit related improvement projects.

Highway project expenses in the governmental activities increased by $397,911, 202.85%, compared to the previous year, mainly due to the accrual of the final settlement of the Kiewit case and the construction activities associated with various highway projects. Please refer to Note P on page 104 for additional information.

Below is a graphical depictions of the components of business-type revenues for the fiscal year ended June 30, 2016.

REVENUES BY SOURCE — BUSINESS-TYPE ACTIVITIES

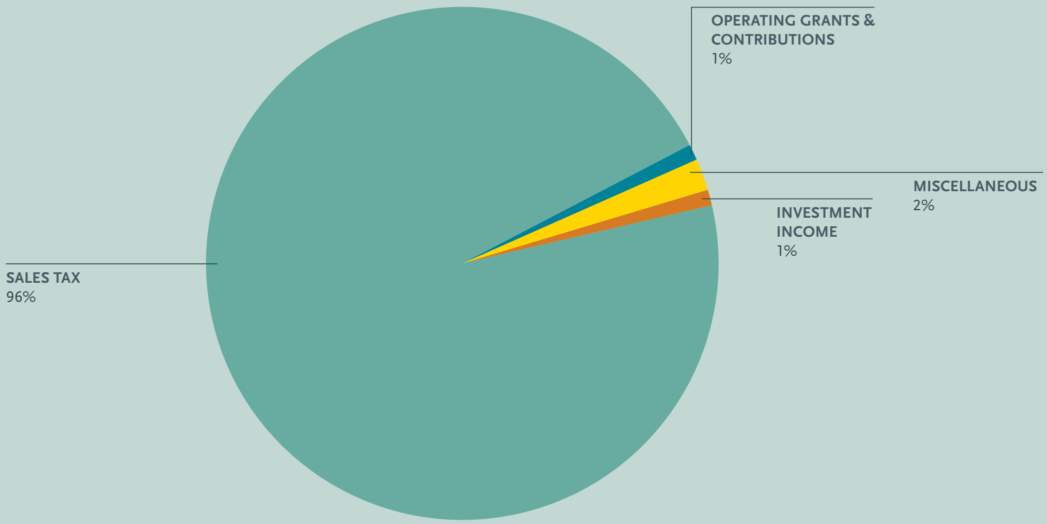


Management's Discussion and Analysis (Unaudited)

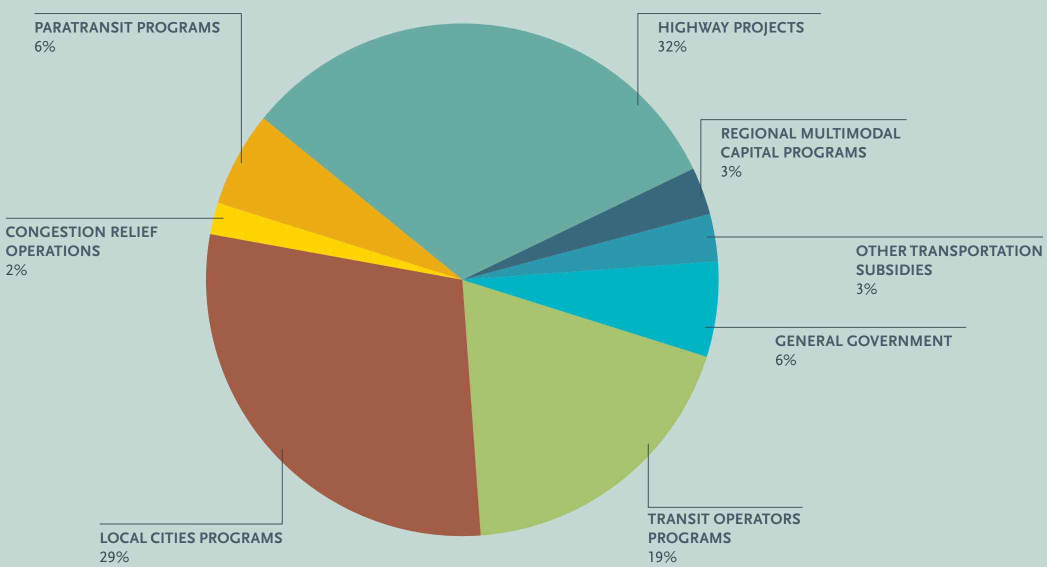
For the Fiscal Year Ended June 30, 2016

Below are graphical depictions of the components of governmental revenues and expenses for the fiscal year ended June 30, 2016.

REVENUES BY SOURCE — GOVERNMENTAL ACTIVITIES



EXPENSES BY PROGRAM — GOVERNMENTAL ACTIVITIES



FINANCIAL ANALYSIS OF LACMTA'S FUNDS

Proprietary Funds

The Proprietary fund financial statements provide the same information found in the business-type section of the government-wide financial statements, but in more detail.

The increase of $528,075, 7.87% in net position was primarily due to net addition in capital assets due to construction activities of the Crenshaw/LAX Transit Corridor, the Regional Connector, and the Westside Purple Line Extension projects mostly funded by sales tax revenues from the governmental funds.

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact the short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of $437,500 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $1,524,250 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $31,588 mainly due to increase in funding of capital projects expenditures. Of the $523,813 fund balance, $73,219 is restricted, committed, and assigned for future expenditures.

The Proposition A fund balance decreased by $224,637 mainly due to higher operating subsidies for the operation and maintenance of bus and rail operations. The entire amount of $86,647 fund balance was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by $12,544 mainly due to recognition of various capital projects' deferred revenues and the revision of funding sources for projects expenditures billed to the funds. The Proposition C ordinance restricts the use of the fund balance of $266,232.

The Measure R fund balance increased by $113,699 mainly due to lower funding of various capital projects expenditures. The restricted fund balance of $369,215 will be used to fund future programs eligible under the Measure R ordinance.

The PTMISEA fund balance decreased by $68,478 mainly due to funding of various capital projects expenditures. The PTMISEA fund reported a restricted fund balance of $13,907.

The Transportation Development Act fund balance increased by $66,918 mainly due to lower operating subsidies for bus and rail operations and maintenance. The fund balance of $165,757 is restricted under the Transportation Development Act's provisions.

The State Transit Assistance fund balance decreased by $21,648 mainly due to a shortfall in allocations of sales tax from gasoline and diesel fuel collected by the California State Board of Equalization. The fund balance deficit of $13,094 is considered unassigned under GASB 54.

General Fund Budgetary Highlights

The General fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 2.96% of LACMTA's total governmental fund revenues, while expenditures represent 7.32% of total governmental fund expenditures.

The original budget decreased by $4,261 due to lower projected expenditures for transit planning and property owned administration activities.

Revenues

The General fund's main sources of revenue are lease and rental income from LACMTA's owned properties and receipts of Federal alternative fuel tax credits. Total actual revenues were higher than budget by $7,027 mainly due to the receipt of Federal alternative fuel tax credits program that was extended through December 31, 2016.

Expenditures

The General Fund provides resources to pay for bus and rail operating activities, joint development administration, property management expenditures, administration of LACMTA's rideshare services, and other general expenditures.

The favorable expenditure variance of $79,611 compared to final budget was mainly due to lower spending for transit planning and other programming and planning activities, lower subsidy payments, and lower expenditures related to governmental and oversight activities. The favorable variance in the Other Financing Sources and Uses of Funds of $10,689 compared to budget was mainly due to the billing of various highway projects to other funding sources.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2016, LACMTA had $12,553,415 invested in capital assets, net of accumulated depreciation, as shown below, a 9.41% increase from the previous fiscal year.

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Land	$ 1,190,396	$ 961,549	$ 769,834	$ 769,942	$ 1,960,230	$ 1,731,491
Buildings and improvements	6,601,499	4,849,740	-	-	6,601,499	4,849,740
Equipment	52,211	35,278	-	-	52,211	35,278
Vehicles	983,529	935,761	-	-	983,529	935,761
Construction in progress	2,955,946	3,921,029	-	-	2,955,946	3,921,029
Total Capital Assets	**$ 11,783,581**	**$ 10,703,357**	**$ 769,834**	**$ 769,942**	**$ 12,553,415**	**$ 11,473,299**

Major capital asset projects in various stages of development at the end of the current fiscal year included the following:

The Exposition Light Rail project is a $2.5 billion project that traverses 15.2 miles between Downtown Los Angeles and Santa Monica. The EXPO line is being built in two phases:

The first phase of the EXPO Line project, with a budget of $979 million, is approximately 8.6 miles long and parallels the heavily congested I-10 freeway, extending from Downtown Los Angeles to Culver City, with a travel time of less than 30 minutes. It operates in a dual track configuration on Flower Street and along the Exposition right-of-way. It has twelve stations, including three aerial stations. The project is electrically powered from overhead power lines. As of June 30, 2016, $965 million had been expended on Phase 1. This phase of the project commenced revenue operations in April 2012.

The second phase estimated to cost $1.5 billion, is approximately 6.6 miles long and continues from the Phase 1 terminus in Culver City to the intersection of 4th Street and Colorado Avenue in the City of Santa Monica. It travels along the Exposition right-of-way until it reaches 17th Street in Santa Monica and operates in street-running mode down the middle of Colorado Avenue. It has seven new stations, two of which are aerial. The approximate travel time between Downtown Los Angeles and Santa Monica is 47 minutes. As of June 30, 2016, $1.1 billion had been expended on Phase 2. This phase of the project commenced revenue operations in May 2016.

The Metro Gold Line Phase II Foothill Extension project includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas, La Verne, Pomona, Claremont, and Montclair in the counties of Los Angeles and San Bernardino. The Foothill Extension is being built in two segments. The first segment, Segment 2A, is budgeted at $741 million and extends from the Sierra Madre Villa Station in Pasadena to the City of Azusa. Segment 2B will extend from Azusa to the City of Montclair and is currently budgeted at $36 million to perform California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) regulatory compliance, preliminary engineering and planning. The Project includes approximately 11.4 miles of double light rail main track, new bridges, improvements to existing bridges, retaining walls, sound walls, six at-grade passenger stations, parking structures, surface parking lots, power systems, train control systems, grade crossings and roadway improvements. Segment 2A also includes 5 miles of freight rail track relocations and improvements. As of June 30, 2016, $658.5 million had been expended. The first segment, Segment 2A, commenced revenue operations in March 2016.

The Regional Connector Transit Corridor Project has an approved Life-of-Project (LOP) budget of $1.6 billion. This project has received the Full Funding Grant Agreement (FFGA) and Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT) to construct the 1.9-mile of dual-track, underground light rail line. The project includes three new stations, at the intersections of 1st Street/Central Ave., 2nd Street/Broadway Street, and 2nd Street/Hope Street. The project will connect the existing Blue and Exposition Light Rail Lines to the existing Gold Light Rail Line at Little Tokyo station. The project includes the environmental planning, preliminary engineering, final design, and construction phases and the concurrent non-FFGA activities. As of June 30, 2016, $586.8 million had been expended.

The Crenshaw/LAX Transit project has an approved LOP budget of $2.1 billion that covers the design and construction of a new 8.5-mile double-track light rail line, including eight stations, the procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the "Southwestern Yard." The Southwestern Yard project has an approved LOP of $307.2 million which was approved by the Board in May 2015. The project has received the FFGA and the TIFIA Loan Agreement from the USDOT. The project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Light Rail line near the existing Aviation/LAX Station. In May 2015, the Board approved a revision to the project alignment to include accommodations for the future 96th Street Station so as not to preclude a future light rail line station being developed as part of the Airport Metro Connector project. The Airport Metro Connector project includes shifting the ultimate track configuration to the west side of the alignment to confine all the revised track-work on the Metro right-of-way to minimize cost. For the Southwestern Yard, the design-builder, Hensel Phelps/Herzog, was issued a notice-to-proceed on June 29, 2015. The design-builder completed the final design and required submittals and they are on track to meet their milestone completion. As of June 30, 2016, $998.8 million had been expended.

The Westside Purple Line Extension Section 1 Project has an approved LOP budget of $2.8 billion. The project has received the FFGA and the TIFIA Loan Agreement from the USDOT. The project will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire/La Cienega Boulevards. The project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and a procurement of 34 heavy rail vehicles. Two of the three Advanced Utility Relocations (AUR) contracts have been completed, and the third AUR contract is 78% complete. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, Joint Venture for the tunneling, subway stations, trade-work, and systems integration testing. The Design/Build Contract of $52.8 million was awarded to Clark Construction Group for the construction of Division 20 Rail Maintenance and Operation Facility. As of June 30, 2016, $852 million had been expended.

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved Life-of-Project budget including the four executed Options is $972 million. In April 2012, the Board approved a contract with KI to manufacture and deliver 78 new LRVs as base order vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. In April 2015, the Board approved to execute Option 2, for an additional 39 vehicles, and Option 3, for another 21 vehicles. The 78 base order vehicles are intended for use on the Foothill Gold Line Extension and the EXPO light rail extension and are scheduled for complete delivery by January 2017. A portion of Option 1 of the contract of 28 LRVs will be used on the Crenshaw Light Rail Line expansion project while the remaining, along with all LRVs in Option 4, will be used for system-wide fleet replacement. Options 2 and 3 of the contract are intended for the Regional Connector, future service improvements, and for the replacement of the existing P865 and P2020 fleets. The twenty five (25) new P3010 LRVs have been conditionally accepted and placed into revenue service, ten (10) at Foothill Extension line and fifteen (15) at the EXPO line. As of June 30, 2016, $258 million had been expended.

The Division 13 Bus Maintenance and Operations facility is a $122.1 million project. The project is a bus maintenance, operations, and service facility. This facility is designed to accommodate a fleet of 200 CNG buses and consists of a multi-level structured parking garage, a maintenance building, bus fueling, bus washing, chassis wash and non-revenue vehicle washing, non-revenue vehicle fueling, and maintenance and transportation offices and support areas. This project facility strives to set an example of sustainable design (LEED Gold goal) and the responsible use of natural resources. The materials specified in the construction of this project are regionally sourced and/or have a high recycled content. The project has been focused on the use of potable water with an exemplary system of storm water reclamation and reuse for bus operations and washing, and a low maintenance native vegetation. The storm water run-off and the urban heat island effect are also addressed by a demonstration green roof on the Transportation Building. The service and vehicle equipment includes two and three post-in-ground lifts with modern, computer controlled automated adjustment, a bus wash system utilizing reclaimed storm water, non-revenue vehicle wash systems utilizing 100% recycled water, three-axis lift systems for accessing roof mounted equipment on buses, mobile work platforms at lower level work areas, high-density palletized stacking systems, and carousel and vertical retrieval modules for parts. As of June 30, 2016, $121.8 million had been expended. The Division 13 Bus Maintenance and Operations facility began operations in February 2016.

Additional information on capital assets can be found on page 69.

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2016, LACMTA had a total of $4,511,796 in long-term debt outstanding. Of this amount, $2,810,114 related to bonds secured by sales tax revenues, $113,405 was secured by farebox and other general revenues, and $424,806 related to lease/leaseback obligations. The remaining balance consisted of commercial paper notes, and other debt as shown below:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Sales tax revenue bonds and refunding bonds	$ 2,810,114	$ 3,037,535	$ -	$ -	$ 2,810,114	$ 3,037,535
Lease/lease-to-service obligations	424,806	467,895	-	-	424,806	467,895
General revenue bonds	113,405	141,970	-	-	113,405	141,970
Notes Payable	490,168	41,349	17,629	18,870	507,797	60,219
Commercial paper and revolving lines of credit	384,495	83,624	-	-	384,495	83,624
Total long-term debt	4,222,988	3,772,373	17,629	18,870	4,240,617	3,791,243
Unamortized bond premium	271,290	232,679	-	-	271,290	232,679
Unamortized bond discount	(111)	(120)	-	-	(111)	(120)
Total Long-Term Debt, Net	**$ 4,494,167**	**$ 4,004,932**	**$ 17,629**	**$ 18,870**	**$ 4,511,796**	**$ 4,023,802**

The increase in long-term debt was mainly due to additional drawdowns made from TIFIA loans which increased notes payable obligations by $450,222, including $7,635 of interest accretion, for the Crenshaw/LAX Project.

Additionally, LACMTA authorized a short-term borrowing program, including two revolving lines of credit and one bond purchase agreement, that will be payable from Measure R sales tax revenue up to an aggregate maximum principal amount of $300,000. In fiscal year 2016, $225,870 was drawn and used to pay for current capital project expenditures while waiting for a long-term financing to be arranged.

The refunding of the variable rate and index rate bonds in fiscal year 2016 resulted to a net decrease in bonds payable during the period and yielded a net present value cash flow savings of $15,261 over the life of the bonds.

BOND RATINGS

LACMTA's bonds are rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2016, the ratings are as follows:

BOND ISSUE TYPE	STANDARD & POOR'S	MOODY'S	FITCH
Proposition A First Tier Senior Lien Bonds	AAA	Aa1	n/a
Proposition C Senior Sales Tax Revenue Bonds	AA+	Aa2	AA
Measure R Sales Tax Revenue Bonds	AAA	Aa1	n/a
General Revenue Bonds	AA	Aa2	n/a

Additional information on LACMTA's long-term debt can be found on pages 89-101.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The main economic factors affecting LACMTA's financial capacity to deliver transportation programs and projects include:

- Economic conditions influencing local sales tax revenues
- Capital grant revenues availability
- Fuel and labor costs
- Inflation

LACMTA's FY17 budget includes many programs and projects to improve transportation throughout Los Angeles County and to address safety improvements beneficial to passengers. The budget assumes the following major resources and expenditures:

Resources

- Sales tax and TDA revenues are expected to grow at 3.3% over FY16 levels.
- STA revenues for bus and rail operations and capital are expected to be $52.9 million region wide representing a 49.9% decrease below the FY16 budget due to the continued statewide decline in diesel fuel prices and demand.
- Fare revenues are expected to increase by 1.8% over the FY16 budget reflecting a full year of operations of the Gold Line (light rail) Foothill Phase 2A extension to Azusa and the Expo Line Phase 2 (light rail) extension to Santa Monica.
- Capital financing, including grant reimbursements, sales tax carryover and TIFIA loan drawdowns will contribute $2.3 billion in FY17 in line with planned expenditure activity.

Expenditures

- The FY17 budget assumes a slight decrease in bus revenue service hours of 4,628 hours or a 0.6% decrease primarily due to increase in speed and optimizing service levels.
- Rail revenue service hours will increase by 168,584 hours or 15.4% reflecting a full year of operations of the Gold Line (light rail) Foothill Phase 2A extension to Azusa and the Expo Line Phase 2 (light rail) extension to Santa Monica.
- Capital program assumptions include continued progress of Measure R transit and highway activities, increased emphasis on safety and security projects, and enhanced bus and rail vehicle midlife maintenance projects.

Local sales tax, TDA, and STA are the largest revenue sources for LACMTA and comprise 50% of LACMTA's total FY17 estimated revenues. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs. For details of LACMTA's FY17 budget, please visit LACMTA's website at www.metro.net.

FURTHER INFORMATION

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Additional information can be obtained from the Accounting Department, One Gateway Plaza, Mail Stop 99-24-7, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

Statement of Net Position

June 30, 2016 (Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents - unrestricted	$ 137,677	$ 662,875	$ 800,552
Cash and cash equivalents - restricted	329,077	940	330,017
Investments – unrestricted	263,039	506,831	769,870
Investments – restricted	222,127	-	222,127
Receivables, net	299,345	646,523	945,868
Internal balances	(127,248)	127,248	-
Inventories	61,301	-	61,301
Prepaid and other current assets	9,225	308	9,533
Lease accounts	424,806	-	424,806
Capital assets:			
Land and construction in progress	4,146,342	769,834	4,916,176
Other capital assets, net of depreciation	7,637,239	-	7,637,239
TOTAL ASSETS	13,402,930	2,714,559	16,117,489
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on debt refunding	16,108	-	16,108
Deferred outflows from pension	239,758	-	239,758
TOTAL DEFERRED OUTFLOWS OF RESOURCES	255,866	-	255,866
LIABILITIES			
Accounts payable and accrued liabilities	329,391	607,432	636,823
Accrued interest payable	53,964	-	53,964
Net pension obligation	487,320	-	487,320
Net OPEB obligation	481,589	-	481,589
Pollution remediation obligation	7,438	-	7,438
Unearned revenues	16,636	56,198	72,834
Other liabilities	52,649	12,667	65,316
Long-term liabilities:			
Due within 1 year	374,683	1,303	375,986
Due in more than 1 year	4,516,920	16,326	4,533,246
TOTAL LIABILITIES	6,320,590	393,926	7,014,516
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	98,347	-	98,347
TOTAL DEFERRED INFLOWS OF RESOURCES	98,347	-	98,347
NET POSITION			
Net investment in capital assets	7,762,367	769,834	8,532,201
Restricted for:			
Debt Service	420,543	-	420,543
Proposition A ordinance projects	-	86,647	86,647
Proposition C ordinance projects	-	266,232	266,232
Measure R ordinance projects	-	369,215	369,215
PTMISEA projects	-	13,907	13,907
TDA and STA projects	-	165,757	165,757
Other nonmajor governmental projects	-	111,773	111,773
Unrestricted	(943,051)	237,268	(705,783)
TOTAL NET POSITION	$ 7,239,859	$ 2,020,633	$ 9,260,492

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

		Program Revenues		
	Expenses	Changes for Services	Operating Grants & Contributions	Capital Grants & Contributions
FUNCTIONS / PROGRAMS				
Business-type activities:				
Bus and rail operations	$ 2,085,787	$ 362,921	$ 200,193	$ 457,106
Union Station operations	9,172	8,134	-	-
Toll operations	24,815	72,801	-	-
Total Business-Type Activities	**2,119,774**	**443,856**	**200,193**	**457,106**
Governmental activities:				
Transit operators programs	357,346	-	-	-
Local cities programs	548,101	-	-	-
Congestion relief operations	42,279	-	-	-
Highway project	594,069	-	13,560	-
Regional multimodal capital programs	52,363	-	3,628	-
Paratransit programs	105,042	-	-	-
Other transportation subsidies	64,237	-	-	-
General government	109,983	9,009	27,617	-
Total Governmental Activities	**1,873,420**	**9,009**	**44,805**	**-**
Total	**$ 3,993,194**	**$ 452,865**	**$ 244,998**	**$ 457,106**

General revenues:

Sales tax

Investment income

Net appreciation in fair value of investments

Gain on disposition of capital assets

Miscellaneous

Transfers

Total General Revenues

Change in net position

Net position – beginning of year

Net Position – end of year

The notes to the financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE & CHANGES IN NET POSITION		
BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
$ (1,065,567)	$ -	$ (1,065,567)
(1,038)	-	(1,038)
47,986	-	47,986
(1,018,619)	**-**	**(1,018,619)**
-	(357,346)	(357,346)
-	(548,101)	(548,101)
-	(42,279)	(42,279)
-	(580,509)	(580,509)
-	(48,735)	(48,735)
-	(105,042)	(105,042)
-	(64,237)	(64,237)
-	(73,357)	(73,357)
(1,018,619)	**(1819,606)**	**(1819,606)**
$ (1,018,619)	**$ (1,819,606)**	**$ (2,838,225)**
-	2,753,686	2,753,686
8,798	19,471	28,269
121	5,167	5,288
427	-	427
9,672	59,786	69,458
1,527,676	(1,527,676)	-
1,546,694	1,310,434	2,857,128
528,075	(509,172)	18,903
6,711,784	**2,529,805**	**9,241,589**
$ 7,239,859	**$ 2,020,633**	**$ 9,260,492**

Balance Sheet
Governmental Funds

June 30, 2016 (Amounts expressed in thousands)

	MAJOR FUNDS			
		SPECIAL REVENUE FUNDS		
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R
ASSETS				
Cash and cash equivalents – unrestricted	$ 38,820	$ 6,362	$ 118,754	$ 139,220
Investments - unrestricted	55,199	9,889	184,575	216,384
Receivables:				
Accounts	6,950	-	-	2,375
Interest	1,993	-	639	2,209
Intergovernmental	6,781	-	81,821	327
Sales tax	-	139,506	139,522	139,677
Notes	4,000	-	-	8,000
Due from other funds	465,788	37,656	-	5,876
Prepaid items and other assets	-	-	-	-
Cash and cash equivalents – restricted	940	-	-	-
TOTAL ASSETS	$ 571,471	$ 193,413	$ 525,311	$ 514,068
LIABILITIES				
Accounts payable and accrued liabilities	17,087	571,730	120,692	114,991
Due to other funds	6,786	55,036	61,160	29,535
Unearned revenues	18,892	-	28,487	-
Other liabilities	1,233	-	-	-
TOTAL LIABILITIES	43,998	106,766	210,339	144,526
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	3,660	-	48,740	327
TOTAL DEFERRED INFLOWS OF RESOURCES	3,660	-	48,740	327
FUND BALANCES				
Restricted	35,704	86,647	266,232	369,215
Committed	13,862	-	-	-
Assigned	23,653	-	-	-
Unassigned (deficit)	450,594	-	-	-
TOTAL FUND BALANCES	523,813	86,647	266,232	369,215
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 571,471	$ 193,413	$ 525,311	$ 514,068

The notes to the financial statements are an integral part of this statement.

PTMISEA	TDA	STA	NONMAJOR FUNDS OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 28,157	$ 239,936	$ 3,430	$ 88,196	$ 662,875
5,202	-	-	35,582	506,831
-	-	-	-	9,325
-	199	13	89	5,142
-	-	-	1,431	90,360
-	70,633	40,358	-	529,696
-	-	-	-	12,000
-	-	-	-	500,320
-	-	-	308	308
-	-	-	-	940
$ 33,359	**$ 310,768**	**$ 43,801**	**$ 125,606**	**$ 2,317,797**
-	1,961	33	938	307,432
19,452	143,050	56,862	1,191	373,072
-	-	-	-	47,379
-	-	-	11,434	12,667
19,452	**145,011**	**56,895**	**13,563**	**740,550**
-	-	-	270	52,997
-	**-**	**-**	**270**	**52,997**
13,907	165,757	-	111,773	1,049,235
-	-	-	-	13,862
-	-	-	-	23,653
-	-	(13,094)	-	437,500
13,907	**165,757**	**(13,094)**	**111,773**	**1,524,250**
$ 33,359	**$ 310,768**	**$ 43,801**	**$ 125,606**	**$ 2,317,797**

Reconciliation of the Balance Sheet to the Statement of Net Position — Governmental Activities

June 30, 2016 (Amounts expressed in thousands)

Fund balance – total governmental funds (page 32)	$ 1,524,250
Government capital assets are not financial resources and, therefore, are not reported in the funds.	769,834
Governmental funds report expenditures only to the extent that it decreases current financial resources. However, in the Statement of Activities, expenses are reported when incurred. This is the amount of expenditures pertaining to future periods.	(300,000)
Deferred revenues recognized on the Balance Sheet but not reported in the Statement of Net Position - Governmental Activities. These are not available in the current period.	52,997
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported on the Balance Sheet.	(17,629)
Governmental funds report revenue only to the extent that it increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. This is the amount of revenues pertaining to future periods.	(8,819)
Net position of governmental activities (page 29)	**$ 2,020,633**

The notes to the financial statements are an integral part of this statement.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Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	MAJOR FUNDS			
		SPECIAL REVENUE FUNDS		
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R
REVENUES				
Sales tax	$ -	$ 763,636	$ 763,643	$ 764,968
Intergovernmental	17,217	-	39,204	3,628
Investment income	9,305	1,671	2,040	4,333
Net appreciation in fair value of investments	662	404	1,826	1,979
Lease and rental	9,065	-	-	-
Licenses and fines	538	-	-	-
Other	51,180	-	-	-
TOTAL REVENUES	87,967	765,711	806,713	774,908
EXPENDITURES				
Current:				
Administration and other transportation projects	98,571	-	173,033	62,857
Transportation subsidies	14,433	317,241	430,810	327,633
Debt and interest expenditures:				
Principal	1,241	-	-	-
Interest and fiscal charges	954	-	-	-
TOTAL EXPENDITURES	115,199	317,241	603,843	390,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,232)	448,470	202,870	384,418
OTHER FINANCING SOURCES (USES)				
Transfers in	77,208	451	45,297	69,653
Transfers out	(81,564)	(673,558)	(260,711)	(340,372)
TOTAL OTHER FINANCING SOURCES (USES)	(4,356)	(673,107)	(215,414)	(270,719)
NET CHANGE IN FUND BALANCES	(31,588)	(224,637)	(12,544)	113,699
Fund balances – beginning of year	555,401	311,284	278,776	255,516
FUND BALANCES – END OF YEAR	$ 523,813	$ 86,647	$ 266,232	$ 369,215

The notes to the financial statements are an integral part of this statement.

			NONMAJOR FUNDS	
PTMISEA	TDA	STA	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ 382,753	$ 78,686	$ -	$ 2,753,686
-	-	-	60,379	120,428
134	1,415	177	396	19,471
-	-	-	296	5,167
-	-	-	-	9,065
-	-	-	8,068	8,606
-	-	-	-	51,180
134	**384,168**	**78,863**	**69,139**	**2,967,603**
-	-	-	9,961	344,422
-	129,817	8,002	-	1,227,936
-	-	-	-	1,241
-	-	-	-	954
-	**129,817**	**8,002**	**9,961**	**1,574,553**
134	**254,351**	**70,861**	**59,178**	**1,393,050**
-	-	-	-	192,609
(68,612)	(187,433)	(92,509)	(15,526)	(1,720,285)
(68,612)	**(187,433)**	**(92,509)**	**(15,526)**	**(1,527,676)**
(68,478)	**66,918**	**(21,648)**	**43,652**	**(134,626)**
82,385	98,839	8,554	68,121	1,658,876
$ 13,907	**$ 165,757**	**$ (13,094)**	**$ 111,773**	**$ 1,524,250**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 37)	$ (134,626)
Governmental funds account for principal payments as expenditures. The payment of principal on long-term debts consumes current financial resources but has no effect on net position. Debt Service Payments for Principal are reported as expenditures in the governmental funds but not reported as expense in the Statement of Activities.	1,241
Revenues reported in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These deferred revenues are not reported in the current period because they are not available.	1,437
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets is recorded as revenue in governmental funds. However, in the Statement of Activities, the gain or loss is recognized.	(108)
Revenues recorded in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance. These unearned revenues were not available in the current period.	52,997
Expenses recorded in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These expenditures were not paid in the current period.	(300,000)
Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances provide current financial resources to governmental funds. However, these were reported as revenues in the Statement of Activities in the prior period.	(130,113)
Change in net position of governmental activities (page 31)	**$ (509,172)**

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund — Enterprise Fund
June 30, 2016 (Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 137,677
Cash and cash equivalents – restricted	207,378
Investments – unrestricted	263,039
Investments – restricted	4,465
Receivables, net	296,923
Inventories	61,301
Prepaid and other current assets	9,225
Total current assets	980,008
Noncurrent assets:	
Cash and cash equivalents – restricted	121,699
Investments – restricted	217,662
Notes receivable	2,422
Lease accounts	424,806
Capital assets:	
Land and construction in progress	4,146,342
Other capital assets, net of depreciation	7,637,239
Total noncurrent assets	12,550,170
Total Assets	13,530,178
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on debt refunding	16,108
Deferred outflows from pension	239,758
Total deferred outflows of resources	255,866
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 13,786,044
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 329,391
Accrued interest payable	53,964
Due to other funds	127,248
Claims payable	95,659
Compensated absences payable	73,433
Bonds and notes payable	205,591
Other current liabilities	52,649
Total current liabilities	937,935
Noncurrent liabilities:	
Claims payable	204,643
Compensated absences payable	23,701
Net pension obligation	487,320
Net OPEB obligation	481,589
Pollution remediation obligation	7,438
Bonds and notes payable	4,288,576
Unearned revenues	16,636
Total noncurrent liabilities	5,509,903
Total liabilities	6,447,838
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	98,347
Total deferred inflows of resources	98,347
NET POSITION	
Net investment in capital assets	7,762,367
Restricted for debt service	420,543
Unrestricted	(943,051)
Total net position	$ 7,239,859

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund — Enterprise Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 340,274
Auxiliary transportation	22,647
Lease and rental	8,134
Toll revenues	72,801
Total operating revenues	443,856
OPERATING EXPENSES	
Salaries and wages	510,776
Fringe benefits	484,886
Professional and technical services	228,569
Material and supplies	96,619
Casualty and liability	47,519
Fuel, lubricants, and propulsion power	81,407
Purchased transportation	41,381
Depreciation	497,026
Other	71,827
Total operating expenses	2,060,010
OPERATING LOSS	(1,616,154)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	15
State grants	222
Federal grants	199,956
Investment income	8,798
Net appreciation in fair value of investments	121
Interest expense	(59,764)
Gain on disposition of capital assets	427
Other revenue	9,672
Total net non-operating revenues	159,447
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,456,707)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	33,759
State grants	1,337
Federal grants	422,010
Transfers in – capital	625,906
Total capital grants and contributions	1,083,012
TRANSFERS	
Transfers in	944,552
Transfers out	(42,782)
Total transfers - operating	901,770
CHANGE IN NET POSITION	528,075
Net position – beginning of year	6,711,784
NET POSITION – END OF YEAR	$ 7,239,859

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund — Enterprise Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 468,443
Payments to suppliers	(571,369)
Payments to employees	(925,133)
Net cash used for operating activities	**(1,028,059)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal operating grants received	345,421
State and local operating grants received	8,054
Transfers to/from other funds	623,506
Receipts from other non-operating activities	75
Net cash flows from non-capital financing activities	**977,056**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of debts	1,182,611
Proceeds from disposition of capital assets	428
Federal capital grants	430,504
State and local capital grants	25,649
Transfer from other funds for capital project reimbursements	681,513
Payments for matured bonds and notes payable	(626,044)
Acquisition and construction of capital assets	(1,641,586)
Interest paid	(96,792)
Net cash used for capital and related financing activities	**(43,717)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturity of investments	7,295,647
Purchase of investments	(7,402,883)
Investment earnings	8,345
Net cash flows from investing activities	**(98,891)**
Net increase in cash and cash equivalents	**(193,611)**
Cash and cash equivalents - beginning of year	**660,365**
Cash and cash equivalents - end of year	**$ 466,754**

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	**$**	**(1,616,154)**
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		497,026
Other non-operating revenue		9,672
Decrease in receivables		18,172
Increase in prepaid and other current assets		(1,334)
Decrease in inventories		4,583
Increase in deferred outflows from pension		(154,634)
Increase in accounts payables and accrued liabilities		35,155
Decrease in pollution remediation obligation		(63)
Increase in compensated absences payable		5,529
Increase in claims payable		5,002
Increase in net OPEB obligation		72,431
Increase in net pension liability		169,096
Decrease in other current liabilities		(47,390)
Decrease in unearned revenues and deferred credits		(3,257)
Decrease in deferred inflows from pension		(21,893)
Total adjustments		**588,095**
Net cash used for operating activities	**$**	**(1,028,059)**
Non-cash investing, capital and financing transactions:		
Interest accretion on lease/leaseback obligations	$	19,634
Interest accretion on notes payable included in capital assets	$	7,635
Gain on disposition of assets	$	427
Bond premium/discount amortization	$	29,879
Capital assets included in accounts payable and accrued liabilities	$	71,968
Net appreciation in fair value of investments	$	121
Capital grants and contributions included in intergovernmental receivable	$	152,329

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

June 30, 2016 (Amounts expressed in thousands)

ASSETS	
Cash and cash equivalents	$ 39,223
Investments:	
Bonds	214,674
Domestic stocks	196,785
Non-domestic stocks	9,542
Pooled investments	1,068,055
Receivables:	
Member contributions	1,363
Securities sold	1,453
Interest and dividends	1,766
Prepaid items and other assets	43
Total assets	**1,532,904**
LIABILITIES	
Accounts payable and other liabilities	1,431
Securities purchased	8,073
Total liabilities	**9,504**
NET POSITION	
Held in trust for pension and OPEB benefits	**$ 1,523,400**

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

ADDITIONS	
Contributions:	
Employer	$ 86,015
Member	31,257
Total Contributions	117,272
From investing activities:	
Net decline in fair value of investments	(23,210)
Investment income	22,781
Investment expense	(4,913)
Other income	1,029
Total investing activities	(4,313)
Total additions	112,959
DEDUCTIONS	
Retiree benefits	102,168
Administrative expenses	1,899
Total deductions	104,067
Net increase in net position	8,892
NET POSITION – BEGINNING OF YEAR	1,514,508
NET POSITION – END OF YEAR	$ 1,523,400

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

June 30, 2016

The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise stated, all dollar amounts are expressed in thousands.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a 14-member Board of Directors (Board). The Board is comprised of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

Management has prepared LACMTA's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially accountable upon LACMTA and because LACMTA's approval is needed for the units to expend their budgets or charges and issue long-term debt. Although they are legally separate entities, the blended component units are in substance part of LACMTA's operations and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE) and includes the activities of these organizations in the accompanying financial statements. PTSC, PRMA, and EXPO provide services exclusively to LACMTA. LACMTA shares its governing board with CPC and SAFE, and the management of LACMTA has operational responsibility for both CPC and SAFE. PTSC, PRMA, EXPO, and CPC are presented and reported in the business activity type funds and SAFE is reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from LACMTA's Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

PTSC was created in August 1997 to conduct activities essential to the provision of public transportation in and around Los Angeles County. To achieve this goal, LACMTA entered into an acquisition agreement under which the planning, programming, administrative, operational management, and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

PRMA was established in October 1998 for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA provides workers' compensation coverage for all LACMTA and PTSC employees and provides public liability and property damage insurance coverage for all LACMTA properties.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 95-station Metro Rail system. The first phase of the project runs 8.6 miles from the Metro Rail Station at 7th and Flower Streets in downtown Los Angeles to Washington and National Boulevards in Culver City. The second phase is approximately 6.6 miles and is continuing from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012. The second phase commenced revenue operations in May 2016.

CPC was established in March 2012 for the purpose of securing a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Crenshaw/LAX Corridor project. This project covers the design and construction of a new 8.5 mile double-track light rail lines with a minimum of six transit stations and a full service maintenance facility known as "Southwestern Yard." The Crenshaw/LAX Corridor project will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards and the Green Line near the existing Aviation/LAX station. The expected revenue operation of this project is October 2019.

SAFE was established in 1988 under the authority of the California Legislature to provide emergency aid to motorists on freeways and expressways within Los Angeles County.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, as amended, Financial Statements and Management's Discussion and Analysis for State and Local Governments, consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from governmental activities, which normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included within the program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. However, intra-activity billing for services provided and used is not eliminated in the process of consolidation.

Separate fund financial statements are provided for proprietary funds, governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and 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. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economic resources measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request. Long-term debt is recorded only when payment is due.

Interest income associated with the current fiscal period is subject to accrual and has been recognized as revenue of the current fiscal period and reported in the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LACMTA's Enterprise fund are charges to customers for services, rental, and toll revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: proprietary, governmental, and fiduciary, as described below.

The Proprietary fund is used to account for LACMTA's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to provide sound financial administration. The Enterprise fund, which accounts for bus and rail operations, the Union Station leasing program, and the Metro ExpressLanes operations, is LACMTA's only Proprietary fund.

Bus and rail operations are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and governmental transfers. All major transit operations capital projects are partially funded by proceeds from debt secured by sales tax revenue, State and Federal grants, and contributions from the governmental funds. Sales tax secured debt is reported as a liability in the Enterprise fund. The financial resources used to pay the debt principal and interests are reported as contributions from the governmental funds.

Union Station is a hub for rail and bus services. Amtrak, Metrolink, Metro light rail and subway, and Metro buses are the major providers of services that operate within Union Station's facilities. There are also private businesses providing food services and general merchandising within Union Station facilities. Union Station's activities associated with the rental of spaces and parking are reported in the Enterprise fund of LACMTA.

Metro ExpressLanes began as a one-year pilot program funded through a federal grant from U.S. Department of Transportation (USDOT). The ExpressLanes convert existing carpool High-Occupancy Vehicle (HOV) to High-Occupancy Toll (HOT) lanes. Metro ExpressLanes consists of 11 miles on the I-110 Harbor Transit-way between Adams Boulevard and Harbor Gateway Transit Center that opened in November 2012 and 14 miles on the I-10 El Monte Bus-way between Alameda Street and I-605 that opened in February 2013. All vehicles using the ExpressLanes are required to have a transponder to access the lanes. Tolls are collected electronically. The activities of Metro ExpressLanes are reported in the Enterprise fund of LACMTA. In April 2014, LAMCTA's Board of Directors authorized the conversion of Metro ExpressLanes to a permanent program.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA uses the following governmental fund types:

The General Fund is used to account for those financial resources that are not required to be accounted for in another fund. The General fund is one of LACMTA's major governmental funds.

Special Revenue Funds are used to account for proceeds of specific revenue sources including sales taxes that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

> **Proposition A –** This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 1982. Revenues collected are to be allocated: 1) 25% to local jurisdictions for local transit; 2) 35% to be used for construction and operation of rail rapid transit systems; and 3) 40% is allocated to county-wide operators at the discretion of LACMTA.

> **Proposition C –** The "Los Angeles County Anti-Gridlock Transit Improvement Fund" is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 1) 5% to improve and expand rail and bus security; 2) 10% for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 3) 20% to local jurisdictions for public transit and related services; 4) 25% for essential county-wide transit-related improvements to freeways and state highways; and 5) 40% to improve and expand rail and bus transit county-wide.

> **Measure R –** The "Traffic Relief and Rail Expansion Ordinance" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective on July 1, 2009 and continuing to June 30, 2039. Revenues collected are allocated to: 1) 2% for Metro rail capital improvements; 2) 3% for Metrolink capital improvements; 3) 5% for rail operations for new transit projects; 4) 15% for local return; 5) 20% for bus operations allocated using LACMTA's formula allocation procedure (based on vehicle service miles and fare revenue); 6) 20% for highway capital projects; and 7) 35% for specific transit capital projects.

> **Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) –** This fund is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This fund is intended to pay for projects that protect the environment and public health, conserve energy, reduce congestion, and provide alternative mobility and access choices for Californians.

> **Transportation Development Act (TDA) –** This fund is used to account for revenues received from the State as part of the Transportation Development Act and are paid out to various transit operators, including LACMTA, for operating and capital uses..

> **State Transit Assistance (STA) –** This fund is used to account for revenue received from the State Transit Assistance Program under the Transportation Development Act formulas that determine the allocation of the proceeds among eligible recipients. Under the provisions of the "Gas Tax Swap" enacted in 2010, the STA program is funded by an excise tax on diesel fuel and based on actual consumption of diesel fuel rather than an annual budget appropriation.

The LACMTA also has the following nonmajor special revenue funds:

> **Service Authority for Freeway Emergencies (SAFE) –** This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a $1 per car registration fee in Los Angeles County to improve freeway emergency response programs including call box operations.

> **Other Special Revenue Funds –** This fund is used to account for specific revenue sources related to funds not classified as major Special Revenue funds.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Fiduciary funds include the following pension and other employee benefit trust funds:

> **Employee Retirement Trust Funds** account for the assets of the five defined-benefit pension plans that LACMTA administers and are accounted for in essentially the same manner as the proprietary funds.

> **Other Postemployment Benefits (OPEB) Trust funds** account for the resources held in trust by LACMTA for the other postemployment benefits of members and beneficiaries not offered as an integral part of a pension plan.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Cash and Investments

LACMTA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are stated at fair value based on the fair value hierarchy. The net appreciation (decline) in fair value of investments is shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances for all governmental fund types, and in the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary fund.

> **Cash and Cash Equivalents**
LACMTA considers all highly liquid investments with maturities of 90 days or less at the reporting date to be cash and cash equivalents because they are readily convertible to known amounts of cash and are so near their maturity that they present an insignificant risk of change in value. State statutes and LACMTA's policy allows LACMTA to invest in U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool.

As required by California State statutes, LACMTA is required to deposit surplus STA and TDA cash with the County Treasurer. LACMTA is an involuntary participant in the County Treasurer's external investment pool. Deposits in the cash management pool of the County Treasurer are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal.

> **Restricted Cash and Cash Equivalents**
Certain cash and cash equivalents are restricted as these assets are either advances used for specific purpose with the balance being refunded upon project completion or funds restricted for debt service.

> **Restricted Investments**
Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

> **Non-current Restricted Cash, Cash Equivalents, and Investments**
In accordance with GASB 62, certain restricted cash, cash equivalents, and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations, for disbursement in the acquisition or construction of non-current assets, or for the liquidation of long-term debt.

Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experiences. Most of the receivables from Federal agencies are amounts funding projects for major bus and rail, planning, capital acquisition, construction and operating assistance. Other State receivables involve funding for construction of various highways in partnership with the California Department of Transportation. Other local receivables arise from certain local cities and municipalities who partner with LACMTA for certain projects that affect their local corridors.

Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements. Generally, the effect of the interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items of governmental funds are recorded as expenditures when consumed. Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by LACMTA as assets with an initial individual cost of more than $5,000 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is expensed.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the assets as follows:

ASSET TYPE	USEFUL LIFE IN YEARS
Buildings and improvements	30
Rail cars	25
Buses	7 – 14
Equipment and other furnishings	5 – 10
Other vehicles	5

Proprietary fund capital assets acquired with federal, state, and local capital grants are included in the Statement of Net Position. Depreciation on these capital assets is included in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position.

Compensated Absences

It is LACMTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned in the Government-wide and Proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions.

Employees' Retirement Plans

LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered single-employer defined benefit pension plans, and an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). Four of the self-administered single-employer defined benefit pension plans are restricted to specific union members, while the fifth provides benefits to Non-Contract employees and Teamsters.

For financial reporting purposes, the CalPERS administered Miscellaneous Plan and the five LACMTA self-administered Retirement Plans' net pension liability is measured by the pension plans' total pension liability at the close of the last fiscal year and rolled forward from information based on the actuarial valuation reports dated no more than twenty-four months prior to the current fiscal year end.

Additional detailed information on LACMTA's Employees' Retirement Plans can be found on pages 74- 83.

Long-term Obligations

In the government-wide and Proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of related original issue premiums and discounts. Bond issue costs are reported as current period costs and accounting gains and losses resulting from refunding of debts are reported as deferred outflows of resources or deferred inflows of resources in conformity with GASB 65. In the governmental fund type fund financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources on Pensions

Most changes in net pension liability are required to be included in pension expense in the period of the change such as service cost, interest on the total pension liability, and changes in benefit terms. The following changes in net pension liability are not included in pension expense as of the beginning of the measurement period and are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions:

1) Changes in total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors
2) The effects of changes in assumptions about future economic or demographic factors or of other inputs.
3) Differences between projected and actual investment earnings on pension plan investments.

The amounts in items 1 and 2 are recognized as pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period. Item 3 is recognized as pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report LACMTA's contributions to CalPERS and the Employees Retirement Plans subsequent to the measurement date of the net pension liability. They will be recognized as a reduction of the net pension liability in the next fiscal year.

Deferred Outflows/Inflows of Resources on Debt Refunding

LACMTA issues sales tax revenue refunding bonds by refinancing previously issued sales tax revenue bonds and/or commercial paper notes, generally to achieve debt service costs savings, to restructure the repayment of a debt, to change the type of instruments being used, or to retire an indenture in order to remove undesirable covenants when more favorable interest rates or financing terms become available. In refunding a debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as a deferred outflows or deferred inflows of resources in the Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

Deferred Revenue

National Council on Governmental Accounting (NCGA) Statement 1 provides that revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. GASB 65 provides that when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflows of resources should be reported until it becomes available. LACMTA considers receivables that are not collected within 90 days from the close of the fiscal year as revenues that are not available in the current year, and therefore, not susceptible to accrual. These represent governmental revenues for grants receivable from federal, state, and local sources that are reported as deferred revenues in the governmental fund financial statements in the current year and recognized as revenue in the subsequent periods as they become available.

Unearned Revenues and Unamortized Credits

In the Government-wide and Proprietary fund type fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by LACMTA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenditures, the presale of passes and tokens, and others. When revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

Fund Balances

LACMTA reports its fund balances in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classifies its governmental fund balances into:

> **Restricted fund balances** include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, by the creditors, or by the regulations of other governments. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from PTMISEA, TDA, STA, SAFE, and other grants are restricted by the grantors providing the funds.

> **Committed fund balances** are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of Directors, the primary government's highest decision-making authority. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specific use of the funds.

> **Assigned fund balances** are amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the LACMTA's board policy, contracts that are $1,000 or less can be approved and assigned by the Chief Executive Officer or his designee.

> **Unassigned fund balances** are the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

The Board establishes, modifies, or rescinds fund balance commitments by passage of resolution. LACMTA adopted the GASB 54 criteria and determined that a resolution is binding, and that action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year. In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and then unassigned.

E. EFFECTS OF NEW PRONOUNCEMENTS

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard is applicable primarily to investments made by state and local governments and defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statements. This new standard also expands note disclosures to categorize fair values according to their relative reliability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. LACMTA implemented the new reporting requirement for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein, but it did require additional footnote disclosures.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The reporting requirements of GASB 73 had no effect on LACMTA.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Statement No. 74 addresses the financial reports of retiree benefit plans by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires additional disclosures and RSI related to the measurement of the retiree benefit plan liabilities with accumulated assets, including information about the annual money-weighted rates of return on the plan investments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. LACMTA plans to implement the new reporting requirements for its postemployment benefit plans for the fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Statement No. 75 directs governments to report a liability on their financial statements for their retiree benefits. It requires governments in all types of retiree benefit plans to present additional disclosures and supplementary information (RSI) about their retiree benefit liabilities. The requirements of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which reduces the GAAP hierarchy from four categories under GASB Statement No. 55 to two categories. The first category consists of GASB Statements of the Governmental Accounting Standard Board; the second category comprises GASB Technical Bulletins, Implementation Guides, and guidance from the AICPA. The most significant change is the raising of the level of authority of the Implementation Guides. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This will improve the usefulness of financial statement information for making decisions, assessing accountability, and enhancing the comparability of financial statement information among governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In December 2015, GASB issued Statement No. 78, *Pension Provided Through Certain Multiple-employer Defined Benefit Pension Plan*. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that; 1) is not a state or local governmental pension plan, 2) is used to provide define benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria addresses; 1) how the external investment pool transacts with participants; 2) requirements for portfolio maturity, quality, diversification, and liquidity; and 3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. An external investment pool that does not meet the criteria established by this statement will apply the provisions in paragraph 13 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018, if applicable.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An amendment of GASB Statements No. 67, No. 68 and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding: 1) the presentation of payroll-related measures in required supplementary information; 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for AROs. The determination of a when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and to be adjusted for the effects of general inflation or deflation at least annually. This Statement also requires disclosure of information about the nature of a government ARO, the methods and assumption used for the estimate of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting period beginning after June 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2019, if applicable.

II. STEWARDSHIP, COMPLIANCES AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The budget cycle begins in August when the capital call process is initiated. This involves identifying capital needs for the coming fiscal year's budget and reviewing and prioritizing the requests. The capital budget process is usually concluded by the end of November or early December. In December, the CEO establishes- or updates core missions and objectives for the coming fiscal year budget. Between January and February, LACMTA submits budgeted planning parameters to the Board outlining basic assumptions to be used in preparing the coming year's annual budget. In February or March of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared. The Office of Management and Budget (OMB) works with the requesting departments to finalize the annual budget request and begins the process of "selling" the proposed budget drafts to Board staff from mid-March through early April. In late April, OMB prepares the Proposed Budget book and posts the final version to the metro.net website at least two weeks prior to the public hearing in May. The proposed budgets are submitted to the Board in mid-May for review and adoption. Prior to adoption, the Board conducts public hearings in May for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur in late May, but no later than June 30.

Enabling legislation and adopted policies and procedures provide that LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles (GAAP) for all governmental and proprietary funds. The Board also approves the Life of Project budget whenever new capital projects are approved. All non-capital appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, cost center, expense type, and project. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

B. ENCUMBRANCES

Encumbrance accounting is employed in the General and Special Revenue governmental funds. Under this method, purchase orders, contracts, Memoranda of Understanding (MOU), and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.

Notes to the Financial Statements

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

As of June 30, 2016, the following are LACMTA's cash and investments:

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Cash deposits	$ 37,148	$ 21,119	$ 58,267
State/county investment pool	43,847	299,183	343,030
Debt securities:			
Medium term notes	34,484	76,873	111,357
Mortgage back securities	2,103	11,635	13,738
Commercial paper	18,780	90,040	108,820
Asset backed securities	14,085	35,688	49,773
Fixed income:			
Mutual funds and marketable securities	422,148	150,175	572,323
U.S. Agencies securities	146,619	303,492	450,111
U.S. Treasury obligations	232,706	182,441	415,147
Total cash and investments	**$ 951,920**	**$ 1,170,646**	**$ 2,122,566**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents – unrestricted, current	$ 137,677	$ 662,875	$ 800,552
Cash and cash equivalents – restricted, current	207,378	940	208,318
Investments - unrestricted, current	263,039	506,831	769,870
Investment - restricted, current	4,465	-	4,465
Cash and cash equivalents - restricted, noncurrent	121,699	-	121,699
Investments - restricted, noncurrent	217,662	-	217,662
Total cash and investments	**$ 951,920**	**$ 1,170,646**	**$ 2,122,566**

Note: A portion of LACMTA's investments are classified as cash and cash equivalents on the Statement of Net Position and the Balance Sheet based on their maturity date.

Notes to the Financial Statements

June 30, 2016

As of June 30, 2016, the following are LACMTA's investments sets forth by level, within the fair value hierarchy:

	BUSINESS-TYPE ACTIVITIES			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Debt Securities:				
Medium term notes	$ -	$ 34,484	$ -	$ 34,484
Mortgage backed securities	-	2,103	-	2,103
Commercial papers	-	18,780	-	18,780
Asset backed securities	-	14,085	-	14,085
Fixed Income:				
Pooled funds and mutual funds	33,694	388,454	-	422,148
U.S. Agencies securities	-	146,619	-	146,619
U.S. Treasury obligations	232,706	-	-	232,706
Total	$ 266,400	$ 604,525	$ -	$ 870,925

Notes to the Financial Statements

June 30, 2016

GOVERNMENT ACTIVITIES				TOTAL			
LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
$ -	$ 76,873	$ -	$ 76,873	$ -	$ 111,357	$ -	$ 111,357
-	11,635	-	11,635	-	13,738	-	13,738
-	90,040	-	90,040	-	108,820	-	108,820
-	35,688	-	35,688	-	49,773	-	49,773
-	150,175	-	150,175	33,694	538,629	-	572,323
-	303,492	-	303,492	-	450,111	-	450,111
182,441	-	-	182,441	415,147	-	-	415,147
$ 182,441	**$ 667,903**	**$ -**	**$ 850,344**	**$ 448,841**	**$ 1,272,428**	**$ -**	**$ 1,721,269**

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This standard is applicable primarily to investments made by state and local governments that defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 – Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

U.S. Treasury obligations and some marketable securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual funds and marketable securities, and U.S. Agencies securities are classified as Level 2 and are valued using inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investment Policy

LACMTA internally pools cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investments account is presented as cash and investments on the Statement of Net Position and Balance Sheet. Negative equity balances have been reclassified and are reflected as interfund receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their average daily balances. For purposes of the Statement of Net Position, Balance Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted assets with maturity date of 90 days or less from reporting date, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at their fair values. Net changes in the fair values of investments are shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Enterprise fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances in the Governmental fund.

LACMTA's most recent investment policy, adopted by the Board on January 28, 2016, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety –** preservation of capital, diversification, and the protection of investment principal; **Liquidity –** investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated.

Return on Investments

LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. LACMTA's investment policy is applicable to the cash deposits and investments. Bond proceeds and debt service investment accounts are governed by LACMTA's debt policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

AUTHORIZED INVESTMENT TYPE	MAXIMUM EFFECTIVE MATURITY	MAXIMUM PERCENTAGE OF PORTFOLIO	MAXIMUM INVESTMENT IN ONE ISSUER	MAXIMUM MINIMUM RATINGS
Bonds issued by LACMTA	5 years	No limit	No limit	None
U.S. Treasury obligations	5 years	No limit	No limit	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
Local Agency within the State of California	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
U.S. Agency securities	5 years	50%	15%	None
Registered state warrants or treasury notes or bonds of other 49 states	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
Bankers acceptance	180 days	40%	10%	AAA/Aaa short term or A-1/P-1 long term
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	A
Repurchase agreements	90 days	20%	None	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	Not applicable	20%	10%	AAA/Aaa
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	None	AAA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	None	AAA
Local Agency Investment Fund (LAIF)	Not applicable	No Limit	Set by LAIF	Not applicable
Local Government Investment Pool (LGIP)	Not applicable	No Limit	Set by LGIP	Not applicable

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements.

The management of LACMTA's cash and investments can be categorized as follows:

- Cash deposits
- Cash equivalents and investments – unrestricted
- Cash equivalents and investments – restricted

Cash Deposits

As of June 30, 2016, LACMTA's carrying amount of cash comprises $1,006 in cash on hand and $57,261 in checking accounts for a combined total of $58,267. LACMTA's total bank balance was $56,278 with the difference representing primarily outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $250,000 (amount not in thousands) per financial institution and uninsured amounts are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $98,899. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for the LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $244,131 as of June 30, 2016. The County Board of Supervisors provides regulatory oversight for LACIP.

The value of position in the pool for both the LAIF and the LACIP is the same as the LACMTA's value of the pool shares and is reported at amortized cost.

Cash and Investments – Unrestricted

As of June 30, 2016, LACMTA had the following unrestricted investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE DURATION (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Asset-backed securities	$ 49,773	0.0383	4.26%	Not Rated to AAA
Commercial paper	108,820	0.0090	9.31%	Not Rated
Medium-term notes	111,357	0.0643	9.52%	BBB+ to AA+
Mortgage-backed securities	13,738	0.0324	1.18%	Not Rated
Mutual funds & marketable securities	205,911	0.2817	17.61%	Not Rated to AAA
U.S. Agency securities	411,837	0.5511	35.22%	Not Rated to AA+
U.S. Treasury obligations	267,689	0.4613	22.90%	Not Rated to AAA
Total	$ 1,169,125		100.00%	
Portfolio weighted average duration		1.4381		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

Cash and Investments – Restricted

The following table shows the investments held by the bond trustees for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements as of June 30, 2016:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Mutual funds & marketable securities	$ 366,412	0.3233	66.36%	Not Rated
U.S. Agency securities	38,274	0.0024	6.93%	Not Rated
U.S. Treasury obligations	147,458	0.0693	26.71%	Not Rated to AAA
Total	$ 552,144		100.00%	
Portfolio weighted average maturities		0.39500		

Risk

In accordance with GASB Statement No. 40, *"Deposit and Risk Disclosure – an Amendment of GASB Statement No.3,"* certain required disclosures regarding investment policies and practices with respect to credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

Notes to the Financial Statements

June 30, 2016

> Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above for short-term investments and bond proceeds and debt service investments, summarize the market value of investments and the related credit ratings. LACMTA maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

> Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA did not have any holdings meeting or exceeding these threshold levels as of June 30, 2016.

As of June 30, 2016, LACMTA did not have any investments with more than 5% of the total investments under one issuer except for the following U.S. Agency securities and money market mutual funds or obligations explicitly guaranteed by the U.S. government. The following table presents investments with 5% or more of the total investments:

	TOTAL	CONCENTRATION OF CREDIT RISK
Federal Home Loan Bank (FHLB)	$ 190,431	11.06%
First American	234,049	13.60%
Federal National Mortgage Association (FNMA)	159,496	9.27%

> Custodial Credit Risk

LACMTA has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110% of the deposit or by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. LACMTA may waive collateral requirements for deposits that are fully insured up to $250,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in LACMTA's name and maintained for the benefit of LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between LACMTA and the financial institution.

> Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains a policy requiring that the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

> Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2016, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

Notes to the Financial Statements

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B. RECEIVABLES

Receivables as of June 30, 2016, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts, are as follows:

RECEIVABLES	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Accounts	$ 46,735	$ 9,325	$ 56,060
Interest	1,589	5,142	6,731
Intergovernmental	249,527	90,360	339,887
Sales Tax	-	529,696	529,696
Notes	2,422	12,000	14,422
Leases and other	59	-	59
Gross Receivables	300,332	646,523	946,855
Less: Allowances for doubtful accounts	(987)	-	(987)
Receivables, net	**$ 299,345**	**$ 646,523**	**$ 945,868**

Receivables as of June 30, 2016 for governmental activities by individual major funds and nonmajor funds are as follows:

	RECEIVABLES					
FUND NAME	ACCOUNTS	INTEREST	INTER-GOVERNMENTAL	SALES TAX	NOTES	TOTAL
General Fund	$ 6,950	$ 1,993	$ 6,781	$ -	$ 4,000	$ 19,724
Prop A	-	-	-	139,506	-	139,506
Prop C	-	639	81,821	139,522	-	221,982
Measure R	2,375	2,209	327	139,677	8,000	152,588
TDA	-	199	-	70,633	-	70,832
STA	-	13	-	40,358	-	40,371
Other Governmental	-	89	1,431	-	-	1,520
Total	**$ 9,325**	**$ 5,142**	**$ 90,360**	**$ 529,696**	**$ 12,000**	**$ 646,523**

Notes to the Financial Statements

June 30, 2016

C. INTERNAL BALANCES

The following is a summary of the amounts due to other funds and due from other funds at June 30, 2016:

	DUE FROM OTHER FUNDS							
DUE TO OTHER FUNDS	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEAURE R	PTMISEA	OTHER	TOTAL
General Fund	$ 6,786	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,786
Prop A	55,036	-		-	-	-	-	55,036
Prop C	61,160	-	-	-	-	-	-	61,160
Measure R	23,735	5,800	-	-	-	-	-	29,535
PTMISEA	19,452	-	-	-	-	-	-	19,452
TDA	143,050	-	-	-	-	-	-	143,050
STA	56,862	-	-	-	-	-	-	56,862
Other Governmental	1,191	-	-	-	-	-	-	1,191
Enterprise Fund	(367,272)	450,988	37,656	-	5,876	-	-	127,248
Total	**$ -**	**$456,788**	**$ 37,656**	**$ -**	**$ 5,876**	**$ -**	**$ -**	**$500,320**

Due to/from other funds includes loans among funds in order to meet their operating needs. The loans will be repaid when there is sufficient cash available. Any outstanding balances between the governmental funds and business-type activities were reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2016 were as follows:

	TRANSFERS IN					
TRANSFERS OUT	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEASURE R	GRAND TOTAL
General Fund	$ 71,361	$ -	$ -	$ 7,353	$ 2,850	$ 81,564
Prop A	633,276	40,282	-	-	-	673,558
Prop C	186,465	21,320	451	-	52,475	260,711
Measure R	330,717	509	-	9,146	-	340,372
PTMISEA	68,612	-	-	-	-	68,612
TDA	174,235	13,198	-	-	-	187,433
STA	92,509	-	-	-	-	92,509
Other Governmental	13,283	-	-	2,243	-	15,526
Enterprise Fund	(42,782) (1)	1,899	-	26,555	14,328	-
Grand Total	**$ 1,527,676**	**$ 77,208**	**$ 451**	**$ 45,297**	**$ 69,653**	**$ 1,720,285**

(1) Enterprise fund bond proceeds used to finance HOV lane improvements on major highway projects.

The following transfers were made out of funds receiving revenues to the funds where they were spent:

General fund transfers to the Enterprise fund were funding for bus and rail operations and bus and rail capital projects, majority of which were for the Westside Purple Line Extension Section 1; transfers to the Proposition C fund were for long-term debt service payments and Caltrans planning highway projects; and majority of the transfers to Measure R fund were for a planning project related to the Metro Gold Line Foothill Extension Phase II.

Proposition A fund fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments, and for bus and rail capital projects; transfers to the General fund represents the 1.5% administration portion of Proposition A sales tax revenues collected.

Proposition C fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments, and bus and rail capital projects; transfers to the General fund represent the 1.5% administration portion of Proposition C sales tax revenues collected and for other planning projects mostly related to rideshwere services; transfers to Proposition A represent recognition of growth over inflation in FY15; transfers to Measure R fund were funding for freeway related projects.

Measure R fund fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments and funding for bus and rail capital projects mostly on the construction of the Gold Line Foothill Extension Phase II, the Westside Purple Line Extension Section 1 and the EXPO Line Phase II; transfers to the General fund were mostly for planning projects such as the highway/goods movement package; and transfers to the Proposition C fund were for freeway planning projects.

PTMISEA fund transfers to the Enterprise fund were for the Regional Connector Transit Corridor and the EXPO Line Phase II projects.

TDA fund transfers to the Enterprise fund were for bus and rail operations and maintenance and for bus and rail capital projects; transfers to the General fund were for the administrative portion of TDA allocable to the General fund and the Union Station renovation project.

STA fund transfers to the Enterprise fund were mainly for bus and rail operations and maintenance.

Other fund transfers to the Enterprise fund were for bus and rail capital projects funded by Proposition 1B Transit Security and Systems fund and operating assistance for the newly opened Gold Line Foothill Extension Phase II; transfers to the the Proposition C fund by the Service Authority Freeway Emergencies (SAFE) is for the operation of the Freeway Service Patrol.

The transfers from the Enterprise fund's bond proceeds were used to fund HOV lane improvements and major highway projects.

Notes to the Financial Statements

June 30, 2016

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	BALANCE JULY 1, 2015	INCREASES	DECREASES	BALANCE JUNE 30, 2016
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 961,549	$ 228,847	$ -	$ 1,190,396
Construction in progress	3,921,029	1,168,189	(2,133,272)	2,955,946
Total capital assets, not being depreciated	4,882,578	1,397,036	(2,133,272)	4,146,342
Capital assets, being depreciated:				
Buildings and improvements	8,786,111	2,067,987	-	10,854,098
Equipment	714,899	33,160	-	748,059
Vehicles	2,327,344	212,339	(74,910)	2,464,773
Total capital assets, being depreciated	11,828,354	2,313,486	(74,910)	14,066,930
Less accumulated depreciation for:				
Buildings and improvements	(3,936,371)	(316,229)	-	(4,252,600)
Equipment	(679,621)	(16,227)	-	(695,848)
Vehicles	(1,391,583)	(164,570)	74,910	(1,481,243)
Total accumulated depreciation	(6,007,575)	(497,026)	74,910	(6,429,691)
Total capital assets, being depreciated, net	5,820,779	1,816,460	-	7,637,239
Business-type activities capital assets	10,703,357	3,213,496	(2,133,272)	11,783,581
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	769,942	-	(108)	769,834
Governmental activities capital assets	769,942	-	(108)	769,834
Total capital assets	$ 11,473,299	$ 3,213,496	$ (2,133,380)	$ 12,553,415

Depreciation expense charged to functions and/or programs are as follows:

BUSINESS-TYPE ACTIVITIES	
Bus operations	$ 490,863
Union Station operations	2,391
Toll operations	3,772
Total depreciation expense – Business-type activities	$ 497,026

During the fiscal year, the total interest cost incurred amounted to $121,399, of which $61,635 has been capitalized and reported in the construction in progress account.

Notes to the Financial Statements

June 30, 2016

E. LONG-TERM LIABILITIES

As discussed in more detail in Notes F, G, and L, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2016.

	BALANCE JULY 1, 2015	ADDITION	REDUCTION	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Long-term debt	$ 4,004,932	$ 1,209,879	$ 720,644	$ 4,494,167	$ 205,591
Claims payable	295,300	100,661	95,659	300,302	95,659
Compensated absences payable	91,606	79,293	73,765	97,134	73,433
Total business-type activities	**4,391,838**	**1,389,833**	**890,068**	**4,891,603**	**374,683**
GOVERNMENTAL ACTIVITIES					
Bonds payable	18,870	-	1,241	17,629	1,303
Total long-term liabilities	**$ 4,410,708**	**$ 1,389,833**	**$ 891,309**	**$ 4,909,232**	**$ 375,986**

F. CLAIMS PAYABLE (RISK MANAGEMENT)

The primary emphasis of risk management activities at LACMTA is to prevent or reduce the risk of injury to persons and damage to or loss of property. Where losses cannot be prevented, LACMTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

Capital

For its construction projects, LACMTA requires contractors to maintain a contractor controlled insurance program (CCIP) to minimize LACMTA's risk of exposure to construction related losses. These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on LACMTA construction projects.

LACMTA purchased a construction project umbrella liability insurance program (super excess general liability policies) that provides additional coverage limits on LACMTA's five major capital projects currently underway. The program provides up to $550 million in additional coverage over the dedicated limits of insurance provided by each of the Design Build contractors. The Design Build contract values for these projects are approximately $5.2 billion.

Operations

The reserves for the public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2016 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

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LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $7,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of $250,000 in excess of self-insurance retentions. LACMTA is self-insured for losses greater than $250,000.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately $11.1 billion on a probable maximum loss basis with policy limits of $400,000 for damages ($150,000 for flood damages). Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses. As of June 30, 2016, a designated investment has been set aside in the amount of $101,103 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2016, a designated investment has been set aside in the amount of $199,199 equal to the workers' compensation liabilities.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2016 and 2015:

	PROPERTY & CASUALTY		WORKERS' COMPENSATION		TOTAL	
	2016	2015	2016	2015	2016	2015
Unpaid claims and claim adjustment reserves – beginning of year	$ 100,359	$ 100,772	$ 194,941	$ 190,289	$ 295,300	$ 291,061
Provisions for insured events	39,740	30,777	53,348	58,428	93,088	89,205
Interest income	2,475	1,560	5,098	1,078	7,573	2,638
Total incurred claims and claims adjustment expense	**142,574**	**133,109**	**253,387**	**249,795**	**395,961**	**382,904**
Payment attributable to insured events	(41,471)	(32,750)	(54,188)	(54,854)	(95,659)	(87,604)
Total unpaid claims and claim adjustment reserves – end of year	**$ 101,103**	**$ 100,359**	**$ 199,199**	**$ 194,941**	**$ 300,302**	**$ 295,300**

As of June 30, 2016, $95,659 of the total claims liability is considered current. Claims Payable is reported in the Statement of Net Position in the Proprietary fund.

G. COMPENSATED ABSENCES

LACMTA's and PTSC's contract employees represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Amalgamated Transportation Union (ATU), the Transportation Communications Union (TCU), the American Federation of State, County and Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters), accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions.

Under the existing collective bargaining agreements, vacation periods are not cumulative. However, employees may carry forward vacation pay of up to 40 hours for TCU and ATU, while 40 hours may be carried forward to the next vacation period for SMART-TD if notice is given by April 1. Otherwise, unused vacation hours earned for the year are paid off on May 31. SMART-TD, TCU, and Teamsters employees may request payment of a limited amount of unused sick leave each year at a rate of 75% of face value. Unused sick leave for contract employees is payable at the rate of 100% of the face value upon retirement or death.

LACMTA, PTSC, and EXPO have a combined vacation and sick leave program for NC and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75%, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50% to 75% depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary. If an employee covered by a collective bargaining agreement accepts a regular NC or AFSCME position, any sick hours that normally would be awarded on the next anniversary date of employment will be prorated and placed in a frozen sick leave account. The normal annual accrual rate is pursuant to the respective collective bargaining agreement. In addition, the amount of prior sick hours earned under a union plan shall be placed in the employee's frozen sick account.

The following is a summary of the compensated absences payable for the year ended June 30, 2016:

	BALANCE JULY 1, 2015	EARNED	USED	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
Union Employees:					
Vacation leave	$ 27,198	$ 30,180	$ (27,662)	$ 29,716	$ 27,662
Sick leave	33,611	16,103	(15,144)	34,570	15,106
TOWP	8,343	10,786	(9,870)	9,259	9,818
Sub-total	**69,152**	**57,069**	**(52,676)**	**73,545**	**52,586**
Non-Union Employees:					
Vacation leave	562	36	(208)	390	208
Sick leave	2,402	225	(369)	2,258	369
TOWP	19,490	21,963	(20,512)	20,941	20,270
Sub-total	**22,454**	**22,224**	**(21,089)**	**23,589**	**20,847**
Total	**$ 91,606**	**$ 79,293**	**$ (73,765)**	**$ 97,134**	**$ 73,433**

As of June 30, 2016, $73,433 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Proprietary Fund.

H. DEFERRED COMPENSATION AND 401(K) SAVINGS PLAN

457 Deferred Compensation Plan – LACMTA and PTSC have deferred compensation plans for all employees established in accordance with Internal Revenue Code (IRC) Section 457, which permits employees to defer a portion of their current salary to future years.

Under the plans, employees may contribute up to the lesser of $18,000 (not in thousands) or 100% of their earnings, in calendar year 2016. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2016. Employees eligible for retirement within three years can also contribute up to an additional $36,000 (not in thousands). Under the "catch-up provision" if they have not previously participated for some portion of their eligibility period. The MTA 457 Deferred Compensation Plan and the PTSC 457 Deferred Compensation Plan were established by the LACMTA Board of Directors and the PTSC Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to the employee until termination, retirement, death, or unforeseeable emergency. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the accompanying financial statements. LACMTA and PTSC do not match employees' contributions to the deferred compensation plan. As of June 30, 2016, the deferred compensation plans had assets stated at fair value of $311,861.

401(k) Savings Plan – LACMTA and PTSC also offer deferred savings plans to all employees created in accordance with IRC Section 401(k). Under the plans, employees may contribute up to the lesser of $18,000 (not in thousands) or 100% of their earnings in calendar year 2016. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2016.

The MTA 401(k) Defined Contribution Thrift Plan and the PTSC 401(k) Defined Contribution Thrift Plan were established by the LACMTA Board of Directors and the PTSC Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or hardship withdrawal. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the accompanying financial statements. LACMTA and PTSC do not match employees' contributions to the 401(k) savings plan. As of June 30, 2016, the 401(k) savings plan had assets at fair value totaling $389,219.

Employees may participate in both the 457 deferred compensation and the 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $36,000 (not in thousands) if the employee is less than age 50. Also, the maximum annual combined contribution per calendar year using both plans is $48,000 (not in thousands) if an employee is age 50 or greater, or $60,000 (not in thousands) if an employee falls within the 457 plan catch-up provision and is 50 years old or older.

I. EMPLOYEES' RETIREMENT PLANS

LACMTA provides pension benefits through CalPERS and five self-administered defined-benefit pension plans that cover substantially all full-time employees.

California Public Employees' Retirement System (CalPERS)

> **Plan Description**

Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, provides defined benefit pension plan through the Miscellaneous Plan (the Plan), an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of the multiple employers are pooled together for investment purposes, but separate accounts are maintained for each individual employer.

> **Benefits Provided**

Most full-time employees of PTSC are covered under the Plan. There are two classes of plan members. Those hired before the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect on January 1, 2013 are known as Classic Members. Members hired after that date are known as PEPRA members. Classic Members are eligible for retirement at age 50, while PEPRA members must be 52 years of age. In both cases, at least 5 years of service credit is needed to retire. Benefits for the defined benefit plan are based on the member's year of service, age, final compensation, and benefit formula. The benefit factor is actuarially reduced or increased prior to or after age 60 for Classic Members and for PEPRA members prior to or after age 62. The Plan also provides optional benefits for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law.

CalPERS issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> **Employees covered by benefit terms**

The following employees (not in thousands) were covered based on the CalPERS actuarial valuation report dated June 30, 2014:

Active employees	1,820
Inactive employees	578
Terminated employees	408
Retired members and beneficiaries	800
Total	**3,606**

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> **Contributions**

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of a change in the rate in accordance with Section 20814(C) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered-employee payroll, which is based on pensionable earnings. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the reporting fiscal year 2016, the contribution rate was 14.61% of covered-employee payroll and contributions totaled $27,306. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.25% of covered-employee payroll which is 50% of the total normal cost of 12.50%..

> **Net Pension Liability**

The Plan's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The total pension liability was then rolled forward to June 30, 2015.

> **Actuarial Assumptions and Assumptions Used to Determine Total Pension Liability**

The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% Net of pension plan investment expenses, includes inflation
Mortality rate table (1)	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increases	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation report were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates.

> **Change of Assumptions**

According to GASB 68, paragraph 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

(1) Mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate

The Plan used the long-term actuarially determined discount rate of 7.65% to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the employer's contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the employee rate. The discount rate did not incorporate a municipal bond rate as it was determined by CalPERS's stress test that the plan did not run out of assets using the discount rate of 7.65%. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The table below shows the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

ASSET CLASS	CURRENT TARGET ALLOCATIONS	REAL RETURN YEARS 1 - 10 (1)	REAL RETURN YEARS 11 + (2)
Global equity	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	(0.55)%	(1.05)%

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET POSITION LIABILITY (a) - (b)
Balances at 6/30/2014	$ 542,417	$ 487,705	$ 54,712
Changes for the year:			
Service cost	23,238	-	23,238
Interest on the total pension liability	41,535	-	41,535
Change of assumptions	(10,299)	-	(10,299)
Difference between expected and actual	7,066	-	7,066
Contribution - employer	-	14,415	(14,415)
Contribution - employee	-	11,367	(11,367)
Net investment income	-	11,202	(11,202)
Benefit payments, including refunds of employee contributions	(15,729)	(15,729)	-
Administrative expense	-	(581)	581
Net changes during 2014 - 2015	45,811	20,674	25,137
Balance at June 30, 2015	$ 588,228	$ 508,379	$ 79,849

There were no significant changes between the measurement date at June 30, 2015 and the reporting date at June 30, 2016 that were known to management to have significant effect on the net pension liability.

(1) An expected inflation rate of 2.5% was used for this period.

(2) An expected inflation rate of 3.0% was used for this period.

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> **Sensitivity of the net pension liability to changes in discount rate**

The table below shows the sensitivity of the Plan's net pension liability as of the measurement date, calculated using the discount rate of 7.65%, and the changes of 1 percentage-point lower (6.65%) and 1 percentage-point higher (8.65%):

	DISCOUNT RATE - 1% 6.65%	CURRENT DISCOUNT RATE 7.65%	DISCOUNT RATE + 1% 8.65%
Plan's Net pension liability	$ 161,012	$ 79,849	$ 12,261

> **Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report. A copy of the CalPERS Annual Comprehensive Financial Report can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> **Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For the reporting fiscal year ended June 30, 2016, the plan recognized pension expense of $12,681. Pension expenses represent the changes in net pension liability recognized in the current reporting period adjusted for employee actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows and deferred inflows of resources as of the measurement date at June 30, 2015:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumption	$ -	$ (8,108)
Differences between expected and actual experiences	5,562	-
Net difference between projected and actual earnings on pension plan investments	21,121	(24,886)
Employer contributions for fiscal year 2016	27,306	-
Total	**$ 53,989**	**$ (32,994)**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2015, totaling $27,306, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2017.

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Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expenses in future periods as follows:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
2016	$ (3,703)
2017	(3,703)
2018	(3,703)
2019	4,798
Total	**$ (6,311)**

> **Expected Average Remaining Service Lifetime (EARSL)**
At the June 30, 2015 measurement date, the EARSL for the Plan is 4.7 years. It was calculated by dividing the total service years of 17,070 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 3,606 (amount not in thousands) which represents the total number of participants, including active, inactive, and retired. Inactive employees and retirees have remaining service lifetimes equal to zero. Also, total future service reflects the probability of decrements resulting from events other than receiving a cash refund.

LACMTA-ADMINISTERED PENSION PLANS

> **Plan Description**
LACMTA established and administers five single-employer defined benefit plans, referring to collectively as the " Plans", that provide pension, disability, and death benefits to full-time employees in a work classification covered under collective bargaining agreements with the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD) as the successor to the United Transportation Communication (UTU), the Transportation Communication Union (TCU), the Amalgamated Transit Union (ATU), the Non-Contract (NC), and the American Federation of State, County and Municipal Employees (AFSCME). The assets of the five Plans are pooled together for investment purposes, but separate accounts are maintained for each individual retirement plan to pay for their benefits and other liabilities.

An annual audited stand-alone financial report for the Plans and can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

> **Benefits Provided**
LACMTA provides retirement, disability, and death benefits. SMART-TD employees with 10 years of service and age 55, or 23 years of service, or 5 years of service and age 65 are eligible to retire. TCU and ATU employees with 10 years of service and age 55 or 23 years of service are eligible to retire. NC and AFSCME employees with 5 years of service and age 50 or 30 years of service (Old Plan only) or age 50 and active on April 1, 1993 are eligible to retire. Retirement benefits for SMART-TD, TCU, NC, and AFSCME employees are calculated as 1.67% of the employee's adjusted final compensation, which is computed as the average of highest 36 consecutive months of compensation less $133.33 (not in thousands). For the NC and AFSCME employees, New Plan participants are not eligible for the 30 and out benefits, but receive an 8% higher benefits. For the ATU employees, the benefit increases beginning with 23 years of service and increases from there.

All SMART-TD, TCU, and ATU employees are eligible for disability benefits after 10 years of service and the retirement benefits are 2% of final compensation for each year of service. NC and AFSCME employees are eligible after 10 years of service and age 50 and the retirement benefits are the same as normal retirement benefits. Death benefits for SMART-TD, TCU, and ATU employees equal member contributions with 5.5% interest and if vested, spouse will receive instead benefits payable under 100% Joint and Survivor (J&S) option had the employee retired before his or her death. For NC and AFSCME employees, the death benefits equal member contributions with 5.5% interest plus an amount equal to the member's monthly compensation earn at the date of death multiplied by years of service not to exceed six years and if eligible with 10 years of service, the spouse will receive instead benefits payable under 100% J&S option had the employee retired before his or her death. If no surviving spouse, 50% of life annuity that member would have received if he/she had retired on the date of death goes to surviving children.

> **Employees covered by benefit terms**

The table below shows the number (not in thousands) of current employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2014, and January 1, 2015 for ATU:

	SMART – TD	TCU	ATU	NC	AFSCME	TOTAL
Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits	2,591	497	1,266	1,174	163	5,691
Active employees accruing benefits under CalPERS	n/a	n/a	n/a	244	52	296
Active employees:						
Vested	1,348	295	1,044	35	39	2,761
Non-vested	2,325	439	1,005	-	-	3,769
Total	**6,264**	**1,231**	**3,315**	**1,453**	**254**	**12,517**

> **Contributions**

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed costs as they accrue. Actuarially computed costs are determined using the Projected Unit Credit Method except for the ATU Plan which changed the actuarial cost method from Projected Unit Credit Method to Entry Age Normal effective January 1, 2013.

The employer and employee contributions are required by the plan agreements to be expressed as either a percentage of annual earnings applicable only to the ATU Plan, or as the dollar amount recommended by an actuary to finance the benefits as provided in the SMART-TD, TCU, NC, and AFSCME plans. This formula for making contributions to the Plans has been set by the respective Plans' collective bargaining agreements and can be changed in future collective bargaining negotiations between LACMTA and their respective Plans.

The required contributions of LACMTA and its employees for FY16 were actuarially determined by the funding valuation reports dated December 31, 2014 for the SMART-TD, TCU, AFSCME, and NC retirement plans, and January 1, 2015 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 6.82% , TCU plan is 7.00%, and SMART-TD is 9.96%, LACMTA's required contributions for the ATU Plan was 17.82% of covered payroll. The plans covering SMART-TD, TCU, AFSCME, and Non-Contract, the contributions were determined to be $5,615, $21,369, $4,531, and $1,638, respectively. LACMTA's actual contributions for all plans covering SMART-TD, TCU, AFSCME, NC, and ATU were $ $21,369, $5,615, $1,638, $4,531, and $22,781, respectively.

> **Net Pension Liability**

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2015 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2014 based on the an actuarial experience study for the period from January 1, 2011 to December 31, 2014.

The ATU pension plan net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 based on the results of an actuarial experience study for the period from January 1, 2007 to December 31, 2013.

All Plans projected total pension liabilities were rolled forward to the June 30, 2015 measurement date taking into consideration adjustments for benefit payments, expected growth in benefit obligations, changes in key assumptions, plan provisions, and any significant changes in plan demographics events.

> **Actuarial assumptions**

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2015 as applicable to the plans:

ACTUARIAL COST METHOD	SMART-TD / TCU / AFSCME / NC	ATU
Actuarial assumption:	**Entry age normal**	**Early age normal**
Discount rate	7.00%	7.00%
Inflation	3.00%	2.50%
Salary growth rate	Varies by age	2.25% - 12.00% (4.25% across the board, 2015-2017)
Long term expected return on assets	7.00% net of investment expense and gross of administrative expense	7.00% net of investment expense and gross of administrative expense
Mortality	RP-2014 Blue Collar with generationally projected improvements using scale MP-2014	Healthy: RP-2014 Blue collar mortality tables for healthy employees and annuitants, projected to 2022 using scale BB; Disabled: RP-2014 disability table

> **Change of Assumptions**

For the measurement date of June 30, 2015, the mortality assumption was changed from the RP-2000 Blue Collar mortality table, with projected mortality improvements to 2025 by scale 2025 by scale AA, to the RP-2014 Blue Collar mortality table, with generational projected improvements with scale MP-2014. The change was effective for the SMART-TD, TCU, AFSCME, and NC plans. There was no mortality change for the ATU plan.

Additionally, the following changes were made at June 30, 2015 for the specific plans listed:

SMART-TD – The percentage of participants assumed to elect lump sums was decreased from 35% to 30%, the age-based termination rates were increased, and retirement rates were increased at service levels of 23 to 29 years.

TCU – Retirement rates changed at service levels of less than 25 years. The retirement rate at exactly 23 years of service was increased and the retirement rates at all other service levels were decreased.

AFSCME and NC – The percentage of participants assumed to elect lump sums decreased from 30% to 25% and the age-based termination rates were increased. Additionally, the age-based rates now apply to all new Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applies to the old Plan participants).

ATU – The discount rate assumption decreased from 7.50% to 7.00% to better reflect the long-term return expectations for the ATU plan over the 30 year horizon. In addition, the salary assumption was updated to reflect negotiated rate increases over the next three years (2015-2017).

> **Discount Rate**

SMART-TD, ATU, TCU, AFSCME, and NC plans used the long-term actuarially determined discount rate of 7.00% to measure the total pension liabilities. The discount rate for all plans did not incorporate a municipal bond rate. The projection of cash flows to determine the discount rate assumed that the contributions from the employer and employee will be equal to the actuarially determined contribution rates or dollar amounts for the applicable fiscal years. In the event that the assumptions are not realized, then the contributions will be adjusted accordingly to match the change in liability.

The SMART-TD, TCU, AFSCME, and NC retirement plans long-term expected rate of return on pension plan investments was based on the actuary's proprietary January 1, 2015 capital market simulation model, where each return represents a 20-year geometric real return, (i.e. net of inflation).

The ATU plan long-term expected rate of return on pension plan investments was determined using a building-block method using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and reflect long-term expected real rates of return over a 30-year horizon.

Summarized below are the long term real rates of return by asset class of the Plans:

ASSET CLASS	TCU/AFSCME/SMART-TD/NC LONG-TERM EXPECTED REAL RATE	ATU LONG-TERM EXPECTED REAL RATE	ALL PLANS TARGET ASSET ALLOCATION
Domestic equities	5.20%	7.17%	39.00%
International equities	5.80%	12.13%	23.00%
Fixed income	0.90%	3.13%	29.00%
Real Estate	3.50%	6.15%	5.00%
Alternative investments	3.90%	5.95%	3.00%
Cash equivalents	0.30%	2.10%	1.00%

Notes to the Financial Statements

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> Changes in the Net Pension Liability

Presented below is the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2014 to June 30, 2015.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITIES	FIDUCIARY NET POSITION	NET POSITION LIABILITIES
Balances at June 30, 2014	$ 1,481,009	$ 1,217,498	$ 263,511
Changes for the year:			
Service cost	37,539	-	37,539
Interest	105,591	-	105,591
Demographic (gains)/losses	22,692	-	22,692
Difference between expected & actual experience	1,060	-	1,060
Assumption changes	68,974	-	68,974
Employer contributions	-	51,419	(51,419)
Employee contributions	-	27,435	(27,435)
Net investment income	-	14,659	(14,659)
Benefit payments, including refunds	(84,151)	(84,151)	-
Administrative expense	-	(1,617)	1,617
Net changes during 2014 - 2015	**151,705**	**7,745**	**143,960**
Balances at June 30, 2015	**$ 1,632,714**	**$ 1,225,243**	**$ 407,471**

There are no subsequent events or significant changes in population covered or assumptions or methods that the management is aware of that would impact the results between the measurement date of the net pension liabilities and LACMTA reporting date for the year ended June 30, 2016.

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

The table below presents the net pension liability of the Plans, calculated using the discount rate as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is percentage-point lower or percentage-point higher than the current rate:

PLAN'S NET PENSION LIABILITY	1% DECREASE (6.00%)	CURRENT DISCOUNT RATE (7.00%)	1% INCREASE (8.00%)
SMART-TD	$ 287,310	$ 209,686	$ 144,919
ATU	162,531	110,492	66,484
TCU	55,763	40,454	27,703
NC	48,478	34,579	22,676
AFSCME	18,043	12,262	7,325

> Pension Plan's Fiduciary Net Position

Detailed information about the Plans' fiduciary net position is available in the separately issued financial reports. A copy of the financial reports can be obtained by submitting a written request to the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

> Pension Expense, Deferred Outflows of Resources, & Deferred Inflows of Resources Related to Pension

For reporting fiscal year ended June 30, 2016, LACMTA recognized pension expense of $52,285, which represents the change in net pension liability during the measurement period, adjusted for employee contributions and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2015:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	$ 53,269	$ -
Differences between expected and actual experiences	18,758	(1,382)
Net difference between projected and actual earnings on pension plan investments	57,808	(63,971)
Employer contributions for fiscal year 2016	55,934	-
Total	**$ 185,769**	**$ (65,353)**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2015 totaling $55,934, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2017.

Deferred inflows of resources resulting from net differences between projected and actual earnings on investments are amortized over five years, all other deferred outflows or inflows of resources will be amortized over their service lives.

The following amounts reported as deferred outflows of resources related to pension that will be recognized in future periods as pension expense:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS / INFLOWS OF RESOURCES
2016	$ 8,457
2017	8,457
2018	8,457
2019	29,303
2020	9,098
2021	710
Total	**$ 64,482**

> **Payable to the Pension Plan**

At June 30, 2016, the pension plans reported a net receivable of $709 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2016.

> **Aggregate Pension Expense**

For FY16, LACMTA recognized aggregate pension expenses of $64,966 across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS.

J. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (Plan). The Plan is a single-employer defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA for Non-Contract employees and employees represented by AFSCME and the Teamsters and for the contractual obligations to the respective Union Health and Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. Generally, eligibility for coverage is based on the employee's service and age. An annual unaudited stand-alone financial report is prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

Plan Accounting Practices

> **Basis of Accounting –** The Plan's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

> **Contributions and Benefits –** Plan member contributions are recognized in the period in which the contributions are due. LACMTA contributions are funded in accordance with the funding policy as described below. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

> **Method Used to Value Investments –** Investments are reported at fair value based on the fair value hierarchy at fiscal year-end. Investment income is recognized on an accrual basis. Gains and losses on sales and exchange of securities are recognized on the trade date. Gains or losses on sales of securities are measured on the basis of average cost.

Funding Policy

> **Member Contribution**

The contributions made by Non-Contract, AFSCME, and Teamsters retirees are established and approved by the Board. Generally, the contribution is calculated as a percent of the premium cost based on service of 25 years or more is required in order to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4% of LACMTA's cost. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rates. ATU contributions are $80 per month for retirees less than 65 years of age and $60 per month for retirees more than 65 years of age. TCU contributions are $45 per month with an additional contributions of $15 per month for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. SMART -TD contributions are $100 per month with no additional contribution for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. Contributions made by retirees represented by ATU, TCU, and SMART-TD are directly remitted to their respective union healthcare trusts. All amounts are not in thousands.

> **LACMTA Contribution**

LACMTA's funding policy is to contribute the ARC as determined by GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, unless budgetary constraints require a lower contribution. In no event will the annual contribution be less than the LACMTA's direct "pay-as-you-go" costs as determined by required premium payments and contracted contributions to the union healthcare trusts. In the near-term, LACMTA expects that contributions will be approximately $5,000 above pay-as-you-go costs. Actuarially computed costs are determined using the projected unit credit method.

Since LACMTA has committed to fund in excess of the pay-as-you-go cost but less than the ARC, contributions were determined reflecting a “partial” funding approach. LACMTA elected to use a blended discount rate of 4.00%, which implicitly assumes a level of funding in excess of pay-as-you-go costs but less than the investment policy rate of the trust of 7.50%. LACMTA’s general assets support a return on assets of 3.50%. The ARC calculation uses an open 20-year rolling amortization that meets the requirements of GASB 45.

> **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan, which is the Plan as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts reflect a long-term perspective and are subject to continual revision as results are compared with past expectations, and new estimates are made about the future. The most significant actuarial assumptions include: a) 4.00% discount rate, compounded annually, b) increase in future payroll of 3.50% per year, compounded annually, c) mortality using the RP-2014 mortality table with the MP-2014 projection scale reflecting expected future mortality improvements , d) health care cost trend rate ranging initially from 6.30% to 8.10% reduced to ultimate rate ranging from 4.50% to 4.80%, and e) included an inflation rate of 2.50%.

The healthcare cost trend assumptions are comprised of three elements: 1) initial trend rate, 2) ultimate trend rate, and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation, i.e., the first assumed annual increase in starting per capita rates. Initial rates are established on an aggregate basis for pre-Medicare medical claims, Medicare-eligible medical claims, prescription drug claims, and administrative expenses. These expected trend rates, are based on market assessments and surveys and take into account historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology. For valuation purposes, these trend rates are blended together on a cost-weighted average basis. The assumed ultimate trend rate and grade-down period are based on macroeconomic principles reflecting assumed long-term general information, nominal gross domestic product growth rates, the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth. The healthcare cost trend rate as adjusted to reflect the impact from the 40% excise tax provision on high cost plans beginning in 2018 under the healthcare reform.

LACMTA’s contractual contributions are assumed to increase in years after the current contract in accordance with medical trend, and while LACMTA plan retirees/dependent contributions are assumed to increase at the same rate as medical costs, retiree contributions for ATU, TCU, and SMART-TD participants are not assumed to increase.

The actuarial value of assets is based on a five-year moving average of expected and market values adjusted by recognition of gains or losses and limited to be no more than 120% and no less than 80% of market value.

LACMTA opted to perform biennial valuations of its liabilities under the provision of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Thus, the January 1, 2015 valuation is used to determine the Annual Required Contributions (ARC) for the fiscal years ended June 30, 2016 and 2017. In the January 1, 2015 valuation, the ARC is equal to normal cost plus amount of amortization of the unfunded actuarial accrued liability determined under the projected unit credit method.

The amortization period is an open 20-year period as a level percentage of expected payroll. The total ARC as a percentage of payroll is equal to 16.69%. The aggregate payroll is assumed to grow at 3.5% per year.

The following table summarizes the valuation results applying the level percentage of pay method to the valuation date of January 1, 2015:

SUMMARY OF COSTS		
Normal cost	$	63,826
Percentage of total payroll		8.69%
Amortization of unfunded actuarial accrued liability	$	58,775
Percentage of total payroll		8.00%
ARC with 20-year level percent of payroll amortization	$	122,601
Percentage of total payroll		16.69%

> Annual OPEB Cost and Net OPEB Obligation

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year, and to amortize any unfunded actuarial liabilities or funding excess of the plan over a period not to exceed 30 years. Amounts required but not set aside to pay for these benefits are accumulated as part of the net OPEB obligation.

LACMTA's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the LACMTA's Net OPEB obligation to the plan for the year ended June 30, 2016 are as follows:

Annual required contribution	$	122,601
Interest on net OPEB obligation		16,368
Adjustment to ARC		(21,834)
Total annual OPEB cost		117,135
Less contributions made		44,704
Increase in net OPEB obligation		72,431
Net OPEB obligation - beginning of year		409,158
Net OPEB obligation - end of year	**$**	**481,589**

LACMTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2016, 2015, and 2014 are as follows:

YEAR ENDED		OPEB COST	PERCENTAGE OF OPEB COST CONTRIBUTED		NET OPEB OBLIGATION
2016	$	117,135	38.16%	$	481,589
2015		84,133	59.89%		409,158
2014		120,153	38.74%		375,409

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Funding Progress

The schedule of funding progress presents multi-year trend information on whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The LACMTA's funding progress information as of June 30, 2016 is illustrated as follows:

ACTUARIAL VALUATION DATE (a)	ACTUARIAL ACCRUED LIABILITY (b)	ACTUARIAL VALUE OF ASSETS (a) - (b)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (b) / (a)	FUNDED RATIO (c)	ANNUAL COVERED PAYROLL (a) - (b) / (c)	UAAL AS A % OF COVERED PAYROLL
January 1, 2015						
LACMTA	$ 175,368	$ 35,081	$ 140,287	20.00%	$ 209,179	67.07%
ATU	884,698	176,977	707,721	20.00%	186,473	379.53%
TCU	76,132	15,230	60,902	20.00%	47,475	128.28%
SMART-TD	214,026	42,814	171,212	20.00%	254,696	67.22%

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high cost plans (Cadillac Plans) beginning in 2018. Under this act, 40% excise tax applies to plans with costs exceeding certain thresholds: $11,850 (not in thousands) - single; $30,950 (not in thousands) - family for early retirees. Significant uncertainties exist regarding the impact of the excise tax on high cost plans unless there is further regulatory guidance. Management's estimated potential liability of the effect of the tax is based on unadjusted thresholds and assumes that the tax is shared between LACMTA and its participants is the same as the current costs are shared. The estimated impact of the 40% excise tax provision on high cost plans beginning in 2018, under the healthcare reform, is reflected in the actuarial valuation report of January 1, 2015.

In addition, an adjustment for anticipated health care reform fees beginning in 2014 was also reflected in the actuarial valuation report.

K. POLLUTION REMEDIATION OBLIGATION

LACMTA follows the guidance of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

LACMTA is responsible for the pollution remediation obligations for various facilities and capital projects. These facilities and projects include those with known soil and/or groundwater impacts or either current or anticipated future litigation involving contamination of soil or groundwater at locations not controlled by LACMTA.

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely, external remediation costs, internal administration costs, and litigation and settlement costs, where each cost category has a different way to estimate the costs. External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or using a forecasted, year-by-year scope of the remaining project life cycles to the point of No Further Action (NFA), i.e. closure. The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start on July 1, 2016.

Internal administration costs estimate labor using the full time equivalent (FTE) basis. An FTE value of $200,000 (amount not in thousands) per annum is multiplied by the annual FTE count anticipated for each site and the projected duration period required to retire the pollution remediation obligations.

Litigation and settlement costs are based on LACMTA's proportionate share of cleanup and remediation costs at each cleanup site that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

The remediation obligation estimates as of June 30, 2016 are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations, and other factors that could result in revisions to these estimates.

Prospective recoveries from responsible parties may reduce LACMTA's obligation. Capital assets may be created when pollution outlays are made under specific circumstances. LACMTA is not expecting recovery from other responsible parties.

As of June 30, 2016, LACMTA has an estimated pollution remediation obligation of $7,438 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any liabilities for pollution remediation activities for possible liabilities which are not reasonably estimable.

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June 30, 2016

L. LONG-TERM DEBT

LACMTA's long-term debt activities for the year ended June 30, 2016 are summarized as follows:

TYPE OF ISSUANCE	BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Sales tax revenue and refunding bonds	$ 3,037,535	$ 297,384 (1)	$ 524,805	$ 2,810,114	$ 180,665
Lease/leaseback to service obligations	467,895	19,634 (2)	62,723	424,806	(15,779) (4)
General revenue bonds	141,970	64,770	93,335	113,405	7,655
Notes payable	41,349	450,222 (3)	1,403	490,168	1,462
Commercial paper & revolving credits	83,624	307,371	6,500	384,495	-
Total long-term debt	3,772,373	1,139,381	688,766	4,222,988	174,003
Add: Unamortized bond premium	232,679	70,498	31,887	271,290	31,597
Less: Unamortized bond discount	(120)	-	(9)	(111)	(9)
Net Business-type activities long-term debt	**4,004,932**	**1,209,879**	**720,644**	**4,494,167**	**205,591**
GOVERNMENTAL ACTIVITIES					
Redevelopment and housing bonds	18,870	-	1,241	17,629	1,303
Total long-term debt	**$ 4,023,802**	**$1,209,879**	**$ 721,885**	**$ 4,511,796**	**$ 206,894**

Unamortized bond premium and bond discount reflected on the table above are associated with the issuance of sales tax revenue and refunding bonds and general revenue bonds.

(1) Includes $25,209 TIFIA loan proceeds to partially finance the Regional Connector Transit Corridor project.

(2) Represents lease/leaseback accretion.

(3) Represents $442,587 TIFIA loan proceeds and interest accretion of $7,635 to partially finance the Crenshaw/LAX project.

(4) Negative amounts due within one year represent interest accretion to the principal.

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June 30, 2016

Sales tax revenue and refunding bonds outstanding as of June 30, 2016 are as follows:

SERIES		ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY
PROPOSITION A					
2007A	$	46,635	2007	2016	5.00%
2008A		263,075	2008	2031	VRDB (1)
2008B		26,075	2008	2028	3.50 to 5.00%
2009A		320,945	2009	2026	2.00 to 5.00%
2011A		144,000	2011	2018	0.20 to 5.00%
2011B		91,110	2011	2023	3.00 to 5.00%
2012A		68,205	2012	2021	2.00 to 5.00%
2013A		262,195	2013	2021	5.00%
2014A		135,715	2014	2035	3.00 to 5.00%
2015A		26,480	2015	2035	3.00 to 5.00%
2016A		185,605	2016	2031	2.00 to 5.00%
					Sub-total
PROPOSITION C					
2006A		129,385	2006	2030	4.00 to 5.00%
2008A		128,745	2008	2022	4.00 to 5.00%
2009B		245,825	2009	2020	3.00 to 5.00%
2009D		118,785	2009	2019	1.40 to 5.00%
2009E		118,940	2009	2029	3.25 to 5.00%
2010A		45,455	2010	2023	3.00 to 5.25%
2012A		14,635	2012	2028	3.00 to 3.12%
2012B		74,885	2012	2025	5.00%
2013A		138,960	2013	2023	2.00 to 5.00%
2013B		313,490	2013	2038	2.00 to 5.00%
2013C		63,785	2013	2026	4.00 to 5.00%
2014A		61,180	2014	2034	5.00%
2016A		86,570	2016	2030	2.00 to 5.00%
					Sub-total
MEASURE R					
2010A		573,950	2010	2039	4.28 to 5.73%
2010B		158,460	2010	2020	0.50 to 5.00%
2014A (2)		160,000	2013	2036	3.50%
					Sub-total
					Total

(1) Include Variable Rate Demand Bonds (VRDB) and Index Interest Rate Bonds.

(2) Represents Measure R Junior Subordinate Bonds issued to evidence LACMTA's obligation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan related to the Regional Connector Transit Corridor Project.

BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
$ 24,310	$ -	$ (11,860)	$ 12,450	$ 12,450
247,025	-	(247,025)	-	-
21,520	-	(905)	20,615	935
189,265	-	(23,520)	165,745	16,710
83,595	-	(21,870)	61,725	27,690
91,110	-	-	91,110	-
51,380	-	-	51,380	-
262,195	-	(13,800)	248,395	9,780
135,715	-	-	135,715	5,655
26,480	-	-	26,480	985
-	185,605	-	185,605	14,845
1,132,595	**185,605**	**(318,980)**	**999,220**	**89,050**
117,900	-	(117,900)	-	-
70,405	-	(370)	70,035	5,415
195,125	-	(29,665)	165,460	30,805
66,115	-	(11,960)	54,155	12,530
96,690	-	(5,695)	90,995	5,925
37,150	-	-	37,150	-
14,635	-	-	14,635	-
74,885	-	-	74,885	-
127,890	-	(11,825)	116,065	12,265
309,760	-	(7,030)	302,730	7,310
63,785	-	(4,015)	59,770	4,215
61,180	-	-	61,180	-
-	86,570	-	86,570	-
1,235,520	**86,570**	**(188,460)**	**1,133,630**	**78,465**
573,950	-	-	573,950	-
95,470	-	(17,365)	78,105	18,180
-	25,209	-	25,209	-
669,420	**25,209**	**(17,365)**	**677,264**	**18,180**
$ 3,037,535	**$ 297,384**	**$ (524,805)**	**$ 2,810,114**	**$ 180,665**

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes, net of administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refunding may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants.

The principal amount is payable in annual installments on July 1 on Proposition A and Proposition C bonds, and on June 1 on Measure R bonds. Interest is payable semi-annually on January 1 and July 1 on Proposition A and Proposition C bonds, and on December 1 and June 1 on Measure R bonds.

Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "Lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized $64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements were provided for LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from various finance obligations have been recorded as lease accounts in the Statement of Net Position of the Enterprise Fund. LACMTA entered into various Lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust. As of June 30, 2016, these lease/leaseback agreements totaled $424,806.These funds were placed with fiscal agents and are sufficient to cover all scheduled payments.

The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. (AIG) or its affiliates provided a fixed income investment product known as a "payment undertaking agreement" (PUA) that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and

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early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) (AGM) for several of the transactions. As a result of declines in AIG's and AGM's credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight transactions. The remaining two were unaffected.

LACMTA has terminated three of the eight affected leases and has entered into collateral posting agreements for three others. Issues remain with two of the affected leases and LACMTA is discussing potential solutions with the applicable lessors. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to $39,600 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2016 are as follows:

LEASE	INTEREST RATE	BALANCE JULY 1, 2015	ADDITIONS [1]	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR [2]
Comerica/CIBC/ Norwest Lease	6.79% - 7.64%	$ 246,062	$ 7,477	$ (21,901)	$ 231,638	$ (8,015)
Comerica Lease	7.12%	67,574	4,527	(1,297)	70,804	(3,717)
First Hawaiian Lease	6.61%	56,463	3,448	(602)	59,309	(582)
Philip Morris Lease	5.00% - 5.13%	37,930	727	(38,657)	-	-
Fleet Lease	6.79% - 7.64%	59,866	3,455	(266)	63,055	(3,465)
Total		**$ 467,895**	**$ 19,634**	**$ (62,723)**	**$ 424,806**	**$ (15,779)**

General Revenue Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. Both bonds were issued at a fixed rate.

General revenue bonds outstanding as of June 30, 2016 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JUNE 30, 2016
2010A Bonds	$ 79,620	2010	2021	3.00 - 5.00%	$ 48,635
2015 Bonds	64,770	2015	2027	3.00 - 5.00 %	64,770
Total					**$ 113,405**

(1) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to principal amount.

(2) Negative amounts due within one year represent interest accretion to the principal.

Notes Payable

Notes payable principal outstanding as of June 30, 2016 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	OUTSTANDING BALANCE
Western Alliance	$ 16,407	2008	2018	4.04%	$ 2,468
TIFIA Loan – CPC	545,900	2012	2034	2.43%	487,700
Total					$ 490 ,168

The notes payable outstanding balance of $2,468 relates to the Acquisition Fund and Control Agreement between LACMTA and Banc of America Public Capital Corp, for financing the acquisition of the solar energy generator and conservation equipment including installation costs at the LACMTA's Support Services Center. The note is bearing interest of 4.04% will mature in February 2018. The principal and interest are due monthly on the 6th of each month. The note was later sold to Western Alliance to retain all of the terms and conditions of the original note.

In September 2012, LACMTA secured a loan of $545,900 from the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) to partially finance the construction of the Crenshaw/LAX Transit Corridor. The loan, secured by a portion of LACMTA's Measure R sales tax revenue allocated to the Crenshaw/LAX Transit Corridor project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. As of June 30, 2016, LACMTA has drawn $480,065 of the TIFIA loan. The outstanding balance of $487,700 includes $7,635 interest accretion through June 30, 2016.

Commercial Paper Notes and Revolving Lines of Credit

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A and Proposition C CPN, to maintain access to a low cost and flexible source of capital financing. LACMTA taxable and tax-exempt CPN are issued with maturity dates ranging from one to 270 days at various interest rates.

In addition to the CPN Program, LACMTA's Board authorized up to $300,000 of short-term borrowing for which obligations are payable from the Measure R sales tax revenues on a subordinate basis to the Measure R Senior obligations and on a senior basis to the Measure R Junior Subordinate obligations to provide interim financing and to fund cash flow requirements for construction payments until funding sources are received or until long-term financing is arranged. The short-term borrowing program includes subordinate revolving credit obligations with two banks for an aggregate maximum principal amount of $150,000 and a bond purchase agreement with another bank that will sell from time to time up to an aggregate principal amount of $150,000 subordinate bonds. All three revolving credit agreements bear variable interest rates and will expire on November 20, 2020.

As of June 30, 2016, LACMTA's Proposition A CPN program has a $200,000 letter of credit while the Proposition C CPN program has $150,000 credit capacity that includes a $75,000 letter of credit and another $75,000 revolving credit facility. The letter of credit supporting the Proposition C commercial paper program will expire on April 5, 2019 while the revolving credit line will expire on April 22, 2019. The letters of credit supporting the Proposition A commercial paper program will expire on March 7, 2019.

Notes to the Financial Statements

June 30, 2016

As of June 30, 2016, the outstanding balances of the commercial paper notes and revolving lines of credit are as follows:

	PROPOSITION A	PROPOSITION C	MEASURE R	TOTAL
Commercial Paper Notes	$ 144,000	$ 14,625	$ -	$ 158,625
Revolving credit line	-	-	150,000	150,000
Bond purchase agreement	-	-	75,870	75,870
Total	**$ 144,000**	**$ 14,625**	**$ 225,870**	**$ 384,495**

Under the terms of the commercial paper programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of LACMTA to pay the accrued interest and reissue the principal amounts as they mature. Therefore, the outstanding amounts were classified as non-current liabilities. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

The Proposition A and Proposition C commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by one bank for the Proposition C CPN program and another two banks for the Proposition A CPN program. All of the banks are required to have a short-term credit rating of at least A-1/P-1. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition C CPN is repayable over a period of four years with equal quarterly principal payments. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable reimbursement agreement.

Under the Proposition C Revolving Credit Agreement between the LACMTA and Wells Fargo Bank, LACMTA is authorized to issue up to $75,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations.

In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to $45,000. In September 2013, LACMTA borrowed $20,000 from its taxable Proposition C revolving credit facility and another $25,000 from its tax-exempt Proposition C revolving credit facility in November 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last $75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.

All Proposition C revolving obligations are purchased by Wells Fargo Bank in accordance with the Proposition C Revolving Credit Agreement. The Proposition C revolving obligations are payable from the Proposition C sales tax revenue on a basis subordinate to the lien on Proposition C Senior bonds.

Pursuant to the terms of the Proposition C Revolving Credit Agreement, the Proposition C revolving obligations bear interest at variable rates. The principal balance of all Proposition C revolving obligations outstanding are due and payable on March 28, 2019, except as provided in the Proposition C Revolving Credit Agreement. However, subject to the terms of the Proposition C Revolving Credit Agreement, on March 28, 2019, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in twelve equal quarterly installments following March 28, 2019.

The Measure R Subordinate Revolving obligations are purchased by State Street Public Lending Corporation, in a principal amount not to exceed $100,000, and by Bank of the West, in a principal amount not to exceed $50,000 in accordance with the terms of a revolving credit agreement. The obligations issued under the revolving credit lines bear variable interest at rates based on the SIFMA or LIBOR Index as determined pursuant to the terms of the revolving credit agreements. Except as otherwise provided under the terms of the credit agreements, all principal amounts outstanding are due and payable on November 20, 2020 at which time, LACMTA has the option to convert any outstanding balance to term loans that will be payable in twelve equal quarterly installments following November 20, 2020.

In addition, LACMTA entered into a bond purchase agreement with underwriter, RBC Capital Markets, LLC to sell from time to time up to $150,000 aggregate principal amount of Subordinate Series C Bonds, which, in turn, sells the bonds to RBC Municipal Products, LLC. The Subordinate Series C Bonds bear variable interest rates. Under the terms of the agreements, the principal of all Subordinate Series C Bonds outstanding is due and payable on November 20, 2020.

Redevelopment and Housing Bonds

Redevelopment and Housing Bonds consist of two issues: 1) the 2002 Grand Central Square Qualified Redevelopment Bonds Series 2002A, and 2) Grand Central Square Multi Family Housing Revenue Refunding Series 2007B. The outstanding balances as of June 30, 2016, were as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	OUTSTANDING BALANCE
2002A Bonds	$ 20,825	2002	2026	4.90% - 5.38%	$ 12,169
2007B Bonds	8,615	2007	2026	4.00% - 5.00%	5,460
Total					**$ 17,629**

The Redevelopment and Housing Bonds were issued by the Community Redevelopment Financing Authority of the CRA/LA, a Designated Local Authority, formerly Community Redevelopment Agency (CRA) of the City of Los Angeles, secured by LACMTA revenues, pursuant to the pledge agreement between the two parties. Proceeds were used to purchase certain CRA/LA obligations and to finance CRA/LA's projects that include Grand Central Square Housing Project, which relates to the rehabilitation of a portion of the Grand Central market, and the Central Business District Area Redevelopment Project. Both projects are located in downtown Los Angeles, and are served by and accessible to Metro Red Line subway station. LACMTA agreed to support these projects as a means of encouraging the use of mass transit and reducing traffic congestion.

These projects were completed and LACMTA makes the debt service payments on the related refunding bond issues Series 2002A and 2007B, to be reimbursed by Grand Central Square Limited Partnership the "Developer", pursuant to the reimbursement agreement. The Developer issued two promissory notes, collateralized by real property of the Grand Central Square Housing Project, with a combined value of $44,896 due in fiscal year 2027. These two promissory notes were settled in October 2016. LACMTA will redeem or defease these Redevelopment and Housing Bonds in fiscal year 2017.

Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease/leaseback obligations, and notes payable as of June 30, 2016 are as follows:

Business-type Activities

> Sales tax revenue and refunding bonds

YEAR ENDING JUNE 30	PROPOSITION A PRINCIPAL	PROPOSITION A INTEREST	PROPOSITION A TOTAL
2017	$ 89,050	$ 44,108	$ 133,158
2018	90,040	41,660	131,700
2019	94,760	37,194	131,954
2020	102,540	32,348	134,888
2021	107,950	27,127	135,077
2022-2026	347,880	69,840	417,720
2027-2031	114,055	18,763	132,818
2032-2036	52,945	5,085	58,030
2037-2040	-	-	-
Total	$ 999,220	$ 276,125	$ 1,275,345

YEAR ENDING JUNE 30	PROPOSITION C PRINCIPAL	PROPOSITION C INTEREST	PROPOSITION C TOTAL
2017	$ 73,435	$ 51,885	$ 125,320
2018	80,785	50,076	130,861
2019	84,520	46,016	130,536
2020	88,315	41,749	130,064
2021	88,005	37,398	125,403
2022-2026	368,900	123,966	492,866
2027-2031	171,120	63,228	234,348
2032-2036	117,535	28,450	145,985
2037-2040	61,015	4,213	65,228
Total	$ 1,133,630	$ 446,981	$ 1,580,611

YEAR ENDING JUNE 30	MEASURE R PRINCIPAL (1)	MEASURE R INTEREST (1)	MEASURE R TOTAL
2017	$ 18,180	$ 35,490	$ 53,670
2018	17,291	36,380	53,671
2019	19,013	34,657	53,670
2020	25,614	33,728	59,342
2021	22,778	32,562	55,340
2022-2026	124,553	146,658	271,211
2027-2031	148,111	110,899	259,010
2032-2036	183,009	65,768	248,777
2037-2040	118,715	13,783	132,498
Total	$ 677,264	$ 509,925	$ 1,187,189

(1) Include Measure R Junior Subordinate Bonds with aggregate principal balance of $25,209 outstanding as of June 30, 2016.

> General revenue bonds and notes payable

YEAR ENDING JUNE 30	GENERAL REVENUE BOND			NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL (1)	INTEREST	TOTAL
2017	$ 7,655	$ 5,455	$ 13,110	$ 1,462	$ 73	$ 1,535
2018	8,140	4,863	13,003	(22,093)	23,134	1,041
2019	8,700	4,486	13,186	(12,488)	12,488	-
2020	9,295	4,078	13,373	(12,811)	12,811	-
2021	9,595	3,632	13,227	(82)	13,009	12,927
2022-2026	47,605	11,522	59,127	63,874	63,111	126,985
2027-2031	22,415	1,134	23,549	245,134	45,947	291,081
2032-2035	-	-	-	227,172	11,280	238,452
Total	$ 113,405	$ 35,170	$ 148,575	$ 490,168	$ 181,853	$ 672,021

> Lease/leaseback Obligations

YEAR ENDING JUNE 30	PRINCIPAL (2)	INTEREST	TOTAL
2017	$ (15,779)	$ 20,237	$ 4,458
2018	(12,384)	13,445	1,061
2019	(22,298)	22,298	-
2020	(23,563)	23,760	197
2021	(34,640)	34,726	86
2022-2026	178,403	89,536	267,939
2027-2031	259,860	46,314	306,174
2032-2036	64,323	-	64,323
2037-2041	30,884	-	30,884
Total	$ 424,806	$ 250,316	$ 675,122

Governmental Activities

LACMTA's annual debt service requirement for Redevelopment and Housing Bonds are as follows:

> Redevelopment and Housing Bonds

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2017	$ 1,303	$ 894	$ 2,197
2018	1,364	829	2,193
2019	1,432	761	2,193
2020	874	650	1,524
2021	1,545	617	2,162
2022-2026	9,015	1,762	10,777
2027-2030	2,096	54	2,150
Total	$ 17,629	$ 5,567	$ 23,196

(1) Principal amounts include interest accretion on TIFIA Loan that is due and payable beginning June 1, 2021. The principal outstanding on the TIFIA Loan, including interest accretion of $7,635, was $487,700 as of June 30, 2016.

(2) Principal amount includes interest accretion that are due and payable beginning January 1, 2022.

Notes to the Financial Statements

June 30, 2016

Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, sales tax revenue refunding bonds, and redevelopment and housing bonds while farebox revenues are pledged for the payment of the general revenue refunding bonds. These bonds were used to finance the acquisition of revenue vehicles and construction and renovation of major capital facilities. LACMTA is subject to a maximum annual debt service policy limits set forth in its Debt Policy adopted by LACMTA's Board.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2016:

SOURCE	GROSS RECEIPTS [1]	ALLOCATION RATE	LOCAL ALLOCATIONS	PLEDGED REVENUE	TOTAL DEBT SERVICE [2]	DEBT SERVICE COVERAGE
Prop A	$ 763,636	25%	$ 190,909	$ 572,727	$ 125,253	4.57
Prop C	763,643	20%	152,729	610,914	132,161	4.62
Measure R	764,968	15%	114,745	650,223	53,605	12.13
General Revenue	462,874	-	-	462,874	11,426	40.51

Significant Changes to Long-Term Bond and Note Obligations

Bonds Refunding

In December 2015, LACMTA issued fixed rate General Revenue Refunding Bonds Series 2015 with an aggregate principal amount of $64,770, the proceeds of which, including bond premium of $13,584 and other available funds were used to refund all of the outstanding principal balance of $86,175 of the auction rate bonds, General Revenue Refunding Bonds Series 2004A, Series 2004B, Series 2004C and Series 2004D and pay the costs of issuing the bonds. The new bonds bear interest ranging from 3% to 5% with final maturity on July 1, 2027. Annual principal payments due on the new bonds are payable on July 1 of each year commencing July 1, 2021 and interest is due semi-annually payable on January 1 and July 1 of each year commencing July 1, 2016.

The excess of the net carrying value of the refunded bonds over the reacquisition cost of $4,708 was reported as deferred inflows of resources in the Enterprise fund and amortized over the shorter of the life of the refunded or the refunding bonds.

In March 2016, LACMTA issued a total of $185,605 principal amount of Proposition A First Tier Senior Lien Bonds Series 2016A with fixed interest rates ranging from 2% to 5% and final maturity of July 1, 2031. The net proceeds, including bond premium of $37,726 and after payment of $687 of underwriting fees, together with funds available from reserve accounts were used to (a) refund and defease the total outstanding principal balance of $238,400 of the variable rate demand bond, Proposition A Bonds Series 2008A, and (b) pay the costs associated with the issuance of the new bonds. Annual principal amounts due are payable on July 1 of each year and interest on the outstanding principal amounts are due semi-annually and payable on July 1 and January 1 of each year.

The net carrying amount of the refunded Proposition A Series 2008A bond exceeded the reacquisition price by $4,154. The excess of the net carrying value over the reacquisition price is reported as deferred inflows of resources in the Enterprise fund and is amortized over the shorter of the life of the refunded or the refunding bonds.

In June 2016, LACMTA issued $86,570 aggregate principal amount of Proposition C Sales Tax Revenue Refunding Bonds Series 2016A with interest rate ranging from 2% to 5% and final maturity date of July 1, 2030. The net proceeds, including bond premium of $19,188 and net of

(1) Sales tax revenues are reported using the accrual basis of accounting net of the State Board of Equalization administrative fees. Gross receipts on General revenue bonds represent farebox revenues, advertising, revenues derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise fund.

(2) Principal and interest expenses are reported using the accrual basis of accounting.

underwriting fees, together with funds available from reserve accounts were used to (a) refund all of the $112,740 outstanding principal balance of the Proposition A Bonds Series 2006A, and (b) pay the costs associated with the issuance of the new bonds. Annual principal amounts due are payable on July 1 of each year and interest on the outstanding principal amounts are due semi-annually and payable on July 1 and January 1 of each year.

The reacquisition price of the refunded Proposition A Series 2006A bond exceeded the net carrying amount by $656. The excess of the reacquisition price over the net carrying value is reported as deferred outflows of resources in the Enterprise fund and is amortized over the shorter of the life of the refunded or the refunding bonds.

The net cash flow savings that resulted from the refunding are as follows:

REFUNDED DEBT	REFUNDED PRIOR NET CASH FLOWS	DEBT SERVICE	NET CASH FLOW SAVINGS	NET PRESENT VALUE OF NET CASH FLOW SAVINGS
GRRB Series 2015 refunding 2004 Series A-D	$ 93,258	$ 91,563	$ 1,695	$ -
Prop A 2016-A refunding 2008-A	262,715	246,648	16,067	(1,632)
Prop A 2016-A refunding 2006-A	155,230	121,477	33,753	17,245
Total	**$ 511,203**	**$ 459,688**	**$ 51,515**	**$ 15,613**

Measure R Junior Subordinate Bonds

In October 2013, the USDOT approved a TIFIA loan for the design and construction of the Regional Connector Transit Corridor Project (the Project) in an aggregate principal amount not to exceed $160,000. In February 2014, the USDOT through the Federal Highway Administration (FHA) and LACMTA entered into a Full Funding Grant Agreement (FFGA) to secure a grant of up to $669,900 of the $1.4 billion budgeted cost for the Project and issued series 2014A to evidence the obligation of LACMTA to repay the $160,000 loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.5% per annum with final maturity on June 1, 2036. LACMTA has drawn $25,209 of the TIFIA loan as of June 30, 2016.

In May 2014, LACMTA secured a TIFIA loan for its Westside Purple Line Extension Section 1 Project (the Project) in an aggregate principal amount not to exceed $856,000 and entered into an FFGA with the USDOT through the FHA pursuant to which the Project, budgeted at $2.6 billion, has received a grant of $65,000 with up to $1.25 billion in total grant funds. LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Bonds, 2014B TIFIA Series to evidence LACMTA's obligation to repay the loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.23% per annum with final maturity date of June 1, 2037. There are no loan proceeds as of June 30, 2016. The first drawdown is expected in fiscal year 2017.

Annual principal amounts due on all the TIFIA loans are payable on June 1 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1.

Measure R Short-term Borrowing Program

In November 2015, the LACMTA's Board authorized up to $300,000 of short-term borrowing program that are payable from Measure R sales tax revenues and simultaneously entered into revolving credit agreements with two banks and a bond purchase agreement with an underwriter as described in more detail on page 94.

Notes to the Financial Statements

June 30, 2016

Commercial Paper Notes and TIFIA loans

In June 2016, LACMTA issued an aggregate $81,500 of new Proposition A Tax-Exempt Commercial Paper 18TH Commercial Paper Notes to fund the immediate cash flow requirements of current capital project expenditures as follows:

GROSS	PAR AMOUNT	TAX STATUS	TYPE OF CP NOTES	DEALER	LETTER OF CREDIT BANK
Series A-TE-SMBC	$ 28,000	Tax-Exempt	Fixed Rate	RBC	Sumitomo Mitsui
Series A-TE-SMBC	13,500	Tax-Exempt	Fixed Rate	Barclays	Sumitomo Mitsui
Series A-TE-UB	12,000	Tax-Exempt	Fixed Rate	Barclays	MUFG Union Bank
Series A-TE-UB	28,000	Tax-Exempt	Fixed Rate	Goldman	MUFG Union Bank
Total	**$ 81,500**				

The new issues resulted to a net increase in the commercial paper note obligations to $158,625 as of June 30, 2016.

Notes Payable

During fiscal year 2016, LACMTA drew down $442,588 of the $545,900 approved TIFIA loan for the Crenshaw/LAX Transit Corridor project. These drawdowns, including interest accretion of $7,635, increased the outstanding principal balance to $487,700 as of June 30, 2016.

Derivative Instruments

LACMTA has entered into interest swap agreements and commodity swap agreements to hedge or reduce financial risk such as interest rates and commodity price fluctuations related to variable rate bonds and compressed natural gas.

LACMTA exercised early termination option on its Interest Rate Swap Agreement related to the GRRB Series 2015 refunding 2004 Series A-D during fiscal year 2016. LACMTA's commodity swaps expired on June 30, 2016 and no additional swaps were entered into for FY17. Therefore, there are no balances for derivative instruments as of June 30, 2016.

M. LEASES

Operating Leases

LACMTA has entered into various lease agreements as "Lessor" of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 and 99 years. These leases are considered operating leases for accounting purposes and reported as business-type activities.

The carrying value of the land held for lease as of June 30, 2016, is $94,983 and is included under the Land caption in the capital assets section of the notes to the financial statements found on page 68.

The following is a schedule by years of minimum future rentals to be received on non- cancelable operating leases as of June 30, 2016:

YEAR ENDING JUNE 30	AMOUNT
2017	$ 4,649
2018	4,326
2019	4,060
2020	4,110
2021	3,797
2022-2026	15,338
2027-2031	16,902
2032-2036	19,597
2037-2041	26,729
2042-2046	31,981
2047-2051	37,198
2052-2056	37,495
2057-2061	27,560
2062-2066	24,873
2067-2071	27,343
2072-2076	30,331
2077-2081	33,160
2082-2086	37,003
2087-2091	39,847
2092-2096	38,264
2097-2101	44,386
2102-2106	48,805
Total	$ 557,754

LACMTA is committed under various leases as the "Lessee" of building and office spaces. These leases are considered for accounting purposes to be operating leases and reported as business-type activities. Lease expenditures for the year ended June 30, 2016 totaled $6,651. Future minimum lease payments for these leases are as follows:

YEAR ENDING JUNE 30	AMOUNT
2017	$ 7,201
2018	7,377
2019	7,560
2020	7,750
2021	7,947
Total	$ 37,835

N. CAPITAL AND MOU COMMITMENTS

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2016 are as follows:

	CONTRACT COMMITMENTS	
PROJECT	TOTAL	REMAINING
Rail projects	$ 4,683,459	$ 2,935,779
Bus rapid transit ways	4,419	1,220
Bus acquisition and others	1,344,839	581,808
Total	$ 6,032,717	$ 3,518,807

LACMTA has entered into various Memoranda of Understanding (MOU) to fund local transportation projects. For this purpose, LACMTA has reserved Propositions A and C, Measure R, TDA and STA funds totaling $803,165 as of June 30, 2016.

O. JOINT POWERS

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the Counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. LACMTA provides funding for the majority of Metrolink's operating and capital costs. As of June 30, 2016, the total outstanding payables and commitments were $1,130 and $33,616, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2015 (most recent data available) is as follows:

Current Assets	$	126,652
Noncurrent Assets		48,146
Capital Assets, net		1,356,723
Total Assets		1,531,521
Total Liabilities		167,760
Net Position	**$**	**1,363,761**
Total Revenues	$	292,797
Total Expenses		285,576
Increase in Net Position	**$**	**7,221**

Additional detailed financial information is available from the Office of Finance and Administration, SCRRA, One Gateway Plaza, 12th Floor, Los Angeles, CA 90012, or by visiting Metrolink's website at www.metrolinktrains.com.

P. LITIGATION AND OTHER CONTINGENCIES

Litigation

Kiewit Infrastructure West Co., f/k/a Kiewit Pacific Company, a Delaware corporation, claimed damages in the $650,000 range in connection with a design/build contract for the I-405 Sepulveda Pass Widening Project. In October 2016, the claim was settled by the court for approximately $402,000. LACMTA made a partial payment of $102,000 in November 2015 and $300,000 was accrued and reported in the government-wide financial statements as of June 30, 2016. LACMTA does not believe the settlement will have a material adverse impact on LACMTA's ability to pay debt service on any of its obligations.

In addition to the matters herein discussed, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal of and interest on any of its obligations.

Federal, State, and Other Governmental Funding

LACMTA receives significant funding from federal, state, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. Based on Section 4965 and the final Treasury Regulations thereunder, LACMTA believes that the Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

Q. SUBSEQUENT EVENTS

Long-Term Debt

In November 2016, LACMTA issued Measure R Senior Sales Tax Revenue Bonds, Series 2016A Bonds with an aggregate principal amount of $522,120 that bears interest rates ranging from 3.00% to 5.00% with the final maturity on June 1, 2039. The bond proceeds, together with the bond premium of $78,879 will be used to repay the outstanding Measure R subordinate revolving obligations and to finance LACMTA's major capital projects.

Measure M - Los Angeles County Traffic Improvement Plan

On November 8, 2016, Measure M, "Los Angeles County Traffic Improvement Plan" was approved by the voters of Los Angeles County by more than a two-thirds majority. Measure M is an ordinance authorizing an additional ½ of 1% sales tax starting July 1, 2017. Measure M will also continue the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Measure M has no expiration date. Revenues will be used to improve freeway traffic flow and safety; repair potholes and sidewalks; repave local streets; earthquake-retrofit bridges; synchronize signals; keep senior, disabled and student fares affordable; expand light rail, subway and bus systems; and improve job, school and airport connections.

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios
California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
TOTAL PENSION LIABILITY		
Service cost	$ 21,905	$ 23,238
Interest on total pension liability	37,546	41,535
Changes of assumptions	-	(10,299)
Differences between expected and actual experience	-	7,066
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)
Net change in total pension liability	**46,052**	**45,811**
Total pension liability - beginning of year	496,365	542,417
Total pension liability - end of year	**$ 542,417**	**$ 588,228**
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	$ 13,313	$ 14,415
Contributions - Employee	10,565	11,367
Net investment income	72,179	11,202
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)
Administrative expense	-	(581)
Net change in fiduciary net position	**82,658**	**20,674**
Plan fiduciary net position - beginning of year	405,047	487,705
Plan fiduciary net position - end of year	487,705	508,379
Plan net pension liability - end of year	**$ 54,712**	**$ 79,849**
Plan fiduciary net position as a percentage of the total pension liability	89.91%	86.43%
Covered-employee payroll	$ 145,140	$ 159,124
Plan net pension liability as a percentage of covered-employee payroll	**37.70%**	**50.18%**

Notes to Schedule:

> **Benefit Changes**

The figures presented above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credits (a.k.a. Golden Handshakes).

> **Changes of Assumptions**

The discount rate was changed from 7.50% (net of administrative expense) to 7.65%.

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Contributions
California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
Actuarially determined contribution	$ 25,270	$ 27,306
Contributions in relation to the actuarially determined contribution	(25,270)	(27,306)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 158,633	$ 186,951
Contributions as a percentage of covered-employee payroll	15.93%	14.61%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for FY16 were taken from the June 30, 2013 actuarial valuation report:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(1) Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)	2015	2016
Total Pension Liability - beginning of year	$ 660,053	$ 683,777
Service cost	19,054	19,135
Interest	46,123	47,691
Demographic (gains)/losses	(317)	19,101
Assumption changes	-	23,117
Differences between expected and actual experience	-	-
Benefit payments paid from trust	(40,145)	(43,016)
Transfer (benefit payments originally paid by other plans)	(991)	(959)
Net change in total pension liability	23,724	65,069
Total pension liability - end of year	683,777	748,846
Fiduciary net position - beginning of year	462,402	541,018
Contributions - LACMTA	23,568	19,781
Contributions - Employees	15,920	16,528
Net investment income	80,715	6,446
Benefit payments	(40,145)	(43,016)
Administrative expenses	(451)	(638)
Transfers (benefit payments originally paid by other plans)	(991)	(959)
Net change in fiduciary net position	78,616	(1,858)
Fiduciary net position - end of year	541,018	539,160
Net pension liability - end of year	$ 142,759	$ 209,686
Funded ratio	79.10%	72.00 %
Covered-employee payroll	173,322	187,395
Net pension liability as a percentage of payroll	82.36%	111.90%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the SMART-TD plan, the percentage of participants assumed to elect lump-sum was decreased from 35% to 30%, the age-based termination rates were increased, and the retirement rates were increased at service levels of 23 to 29 years.

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Position Liability and Related Ratios — Employee Retirement Income Plans Transportation Communication Plan (TCU) — Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

TRANSPORTATION COMMUNICATION UNION PLAN (TCU)	2015	2016
Total Pension Liability - beginning of year	**$ 128,421**	**$ 136,120**
Service cost	3,342	3,622
Interest	9,020	9,615
Demographic (gains)/losses	1,246	1,559
Assumption changes	-	5,213
Benefit payments paid from trust	(5,787)	(4,716)
Transfer (benefit payments originally paid by other plans)	(122)	(141)
Net change in total pension liability	7,699	15,152
Total pension liability - end of year	136,120	151,272
Fiduciary net position - beginning of year	90,413	107,551
Contributions - LACMTA	5,466	4,741
Contributions - Employees	1,769	2,300
Net investment income	16,005	1,294
Benefit payments	(5,787)	(4,716)
Administrative expenses	(193)	(209)
Transfers (benefit payments originally paid by other plans)	(122)	(141)
Net change in fiduciary net position	17,138	3,269
Fiduciary net position - end of year	107,551	110,820
Net pension liability - end of year	**$ 28,569**	**$ 40,452**
Funded ratio	79.00%	73.26%
Covered-employee payroll	28,978	34,512
Net pension liability as a percentage of payroll	98.60%	117.21%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the TCU plan, retirement rates changed at service levels of less than 25 years. The retirement rate at exactly 23 years of service was increased and the retirement rates at all other service levels were decreased.

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liabilities and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)	2015	2016
Total Pension Liability - beginning of year	$ 64,607	$ 66,226
Service cost	391	318
Interest	4,384	4,438
Demographic (gains)/losses	872	1,839
Assumption changes	-	3,358
Benefit payments paid from trust	(4,835)	(6,393)
Transfer (benefit payments originally paid by other plans)	807	870
Net change in total pension liability	1,619	4,430
Total pension liability - end of year	66,226	70,656
Fiduciary net position - beginning of year	54,938	61,926
Contributions - LACMTA	1,964	1,455
Net investment income	9,219	690
Benefit payments	(4,835)	(6,393)
Administrative expenses	(167)	(156)
Transfers (benefit payments originally paid by other plans)	807	870
Net change in fiduciary net position	6,988	(3,534)
Fiduciary net position - end of year	61,926	58,392
Net pension liability - end of year	$ 4,300	$ 12,264
Funded ratio	93.50%	82.64%
Covered-employee payroll	3,822	3,338
Net pension liability as a percentage of payroll	112.51%	367.41%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the AFSCME plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the aged-based termination rates were increased, and age-based rates previously not applied to participants with less than 30% years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

NON-CONTRACT (NC)	2015	2016
Total Pension Liability - beginning of year	$ 147,574	$ 148,935
Service cost	628	536
Interest	10,011	10,062
Demographic (gains)/losses	587	191
Assumption changes	-	8,044
Benefit payments paid from trust	(10,540)	(11,661)
Transfer (benefit payments originally paid by other plans)	675	688
Net change in total pension liability	1,361	7,860
Total pension liability - end of year	148,935	156,795
Fiduciary net position - beginning of year	113,454	127,728
Contributions - LACMTA	5,074	4,186
Net investment income	19,276	1,493
Benefit payments	(10,540)	(11,661)
Administrative expenses	(211)	(219)
Transfers (benefit payments originally paid by other plans)	675	688
Net change in fiduciary net position	14,274	(5,513)
Fiduciary net position - end of year	127,728	122,215
Net pension liability - end of year	$ 21,207	$ 34,580
Funded ratio	85.76%	77.95%
Covered-employee payroll	3,953	3,460
Net pension liability as a percentage of payroll	536.48%	999.42%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the NC plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the aged-based termination rates were increased, and age-based rates previously not applied to participants with less than 30% years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liabilities and Related Ratios — Employee Retirement Plan Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

AMALGAMATED TRANSPORTATION UNION PLAN (ATU)	2015	2016
Total Pension Liability - beginning of year	$ 417,566	$ 445,952
Service cost	12,428	13,928
Interest	31,401	33,785
Assumption changes	8,999	29,243
Differences between expected and actual experience	(1,823)	1,060
Benefit payments paid from trust	(22,251)	(18,366)
Transfer (benefit payments originally paid by other plans)	(3 68)	(458)
Net change in total pension liability	28,386	59,192
Total pension liability - end of year	445,952	505,144
Fiduciary net position - beginning of year	318,802	379,275
Contributions - LACMTA	20,126	21,257
Contributions - Employees	7,648	8,607
Net investment income	55,695	4,736
Benefit payments	(22,251)	(18,366)
Administrative expenses	(376)	(396)
Transfers (benefit payments originally paid by other plans)	(369)	(458)
Net change in fiduciary net position	60,473	15,380
Fiduciary net position - end of year	379,275	394,655
Net pension liability - end of year	$ 66,677	$ 110,489
Funded ratio	85.05%	78.13%
Covered-employee payroll	113,462	118,355
Net pension liability as a percentage of payroll	58.77%	93.36%

Notes to Schedule:

For the ATU plan, the amount reported as assumption changes reflects a change in the discount rate assumption from 7.50% to 7.00%. The discount rate better reflects the long-term return expectations for the plan over a 30-year horizon. The salary assumption was updated to reflect negotiated rate increases over the next 3 years (4.25%, 2015-2017).

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

TOTALS FOR THE FOUR UNION GROUPS & NON-CONTRACT	2015	2016
Total Pension Liability - beginning of year	$ 1,418,221	$ 1,481,009
Service cost	35,843	37,539
Interest	100,939	105,591
Demographic (gains)/losses	2,388	22,692
Assumption changes	8,999	68,975
Differences between expected and actual experience	(1,823)	1,060
Benefit payments paid from trust	(83,558)	(84,151)
Net change in total pension liability	62,788	151,705
Total pension liability - end of year	1,481,009	1,632,714
Fiduciary net position - beginning of year	1,040,009	1,217,498
Contributions - LACMTA	56,198	51,419
Contributions - Employees	25,337	27,435
Net investment income	180,910	14,659
Benefit payments	(83,558)	(84,151)
Administrative expenses	(1,398)	(1,617)
Net change in fiduciary net position	177,489	7,745
Fiduciary net position - end of year	1,217,498	1,225,243
Net pension liability - end of year	$ 263,511	$ 407,471
Funded ratio	82.21%	75.04%
Covered-employee payroll	323,537	347,060
Net pension liability as a percentage of payroll	81.45%	117.41%

(1) The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Contributions to Employee Retirement Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)		
Actuarially determined contribution	$ 19,780	$ 21,369
Contributions in relation to the actually determined contribution	(19,780)	(21,369)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 187,395	$ 193,246
Contributions as a percentage of covered-employee payroll	10.56%	11.06%
TRANSPORTATION COMMUNICATION UNION PLAN (TCU)		
Actuarially determined contribution	$ 4,741	$ 5,615
Contributions in relation to the actually determined contribution	(4,741)	(5,615)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 34,512	$ 37,014
Contributions as a percentage of covered-employee payroll	13.74%	15.17%
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)		
Actuarially determined contribution	$ 1,455	$ 1,638
Contributions in relation to the actually determined contribution	(1,455)	(1,638)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 3,338	$ 2,936
Contributions as a percentage of covered-employee payroll	43.59%	55.79%
NON-CONTRACT (NC)		
Actuarially determined contribution	$ 4,186	$ 4,531
Contributions in relation to the actually determined contribution	(4,186)	(4,531)
Contribution deficiency (excess)	-	-
Covered-employee payroll	3,460	3,522
Contributions as a percentage of covered-employee payroll	120.98%	128.65%
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)		
Actuarially determined contribution	$ 21,257	$ 22,781
Contributions in relation to the actually determined contribution	(21,257)	(22,781)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 118,355	$ 127,258
Contributions as a percentage of covered-employee payroll	17.96%	17.90%
TOTAL		
Actuarially determined contribution	$ 51,419	$ 55,934
Contributions in relation to the actually determined contribution	(51,419)	(55,934)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 347,060	$ 363,976
Contributions as a percentage of covered-employee payroll	14.82%	15.37%

(1) Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Funding Progress (OPEB)
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

The Schedule of Funding Progress below shows the recent history of actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the OPEB fund established by LACMTA:

ACTUARIAL VALUATION DATE	PROJECTED UNIT CREDIT ACCRUED LIABILITY (A)	ACTUARIAL VALUE OF ASSETS (B)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (A) - (B)	FUNDED RATIO (B) / (A)	ANNUAL COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (A) - (B) / (C)
January 1, 2015						
LACMTA	$ 175,368	$ 35,081	$ 140,287	20.00%	$ 209,179	67.07%
ATU	884,698	176,977	707,721	20.00%	186,473	379.53%
TCU	76,132	15,230	60,902	20.00%	47,475	128.28%
SMART-TD	214,026	42,814	171,212	20.00%	254,696	67.22%
Total	**$ 1,350,224**	**$ 270,102**	**$ 1,080,122**	**20.00%**	**$ 697,823**	**154.78%**
January 1, 203						
LACMTA	$ 181,326	$ 35,736	$ 145,590	19.71%	$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
SMART-TD	282,600	55,696	226,904	19.71%	246,765	91.95%
Total	**$ 1,064,017**	**$ 209,700**	**$ 854,317**	19.71%	**$ 623,358**	**137.05%**
January 1, 2011						
LACMTA	$ 172,997	$ 32,322	$ 140,675	18.68%	$ 159,974	87.94%
ATU	499,030	93,236	405,794	18.68%	154,401	262.82%
TCU	70,017	13,082	56,935	18.68%	38,139	149.28%
SMART-TD	262,005	48,951	213,054	18.68%	257,023	82.89%
Total	**$ 1,004,049**	**$ 187,591**	**$ 816,458**	**18.68%**	**$ 609,537**	**133.95%**

An unaudited Annual Financial Report can be obtained by submitting a written request to: Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual General Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 46,300	$ 42,521	$ 17,217	$ (25,304)
Investment income	4,060	4,060	9,305	5,245
Net appreciation in fair value of investments	-	-	662	662
Lease and rental	14,129	14,129	9,065	(5,064)
Licenses and fines	500	500	538	38
Other	19,730	19,730	51,180	31,450
TOTAL REVENUES	84,719	80,940	87,967	7,027
EXPENDITURES				
Current:				
Administration and other	144,216	144,331	98,571	45,760
Transportation subsidies	47,939	48,306	14,433	33,873
Debt and interest expenditures:				
Principal	1,215	1,215	1,241	(26)
Interest and fiscal charges	958	958	954	4
TOTAL EXPENDITURES	194,328	194,810	115,199	79,611
DEFICIENCY OF REVENUES OVER EXPENDITURES	(109,609)	(113,870)	(27,232)	86,638
OTHER FINANCING SOURCES (USES)				
Transfers in	41,902	41,902	77,208	35,306
Transfers out	(56,947)	(56,947)	(81,564)	(24,617)
TOTAL OTHER FINANCING SOURCES (USES)	(15,045)	(15,045)	(4,356)	10,689
NET CHANGE IN FUND BALANCES	(124,654)	(128,915)	(31,588)	97,327
Fund balances – beginning of year	555,401	555,401	555,401	-
FUND BALANCES – END OF YEAR	$ 430,747	$ 426,486	$ 523,813	$ 97,327

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Proposition A Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,500	$ 763,500	$ 763,636	$ 136
Investment income	-	-	1,671	1,671
Net appreciation in fair value of investments	-	-	404	404
TOTAL REVENUES	763,500	763,500	765,711	2,211
EXPENDITURES				
Current:				
Transportation subsidies	304,243	304,243	317,241	(12,998)
TOTAL EXPENDITURES	304,243	304,243	317,241	(12,998)
EXCESS OF REVENUES OVER EXPENDITURES	459,257	459,257	448,470	(10,787)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	451	451
Transfers out	(522,984)	(522,984)	(673,558)	(150,574)
TOTAL OTHER FINANCING SOURCES (USES)	(522,984)	(522,984)	(673,107)	(150,123)
NET CHANGE IN FUND BALANCES	(63,727)	(63,727)	(224,637)	(160,910)
Fund balances - beginning of year	311,284	311,284	311,284	-
FUND BALANCES - END OF YEAR	$ 247,557	$ 247,557	$ 86,647	$ (160,910)

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Proposition C Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1)			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,500	$ 763,500	$ 763,643	$ 143
Intergovernmental	13,517	13,517	39,204	25,687
Investment income	-	-	2,040	2,040
Net appreciation in fair value of investments	-	-	1,826	1,826
TOTAL REVENUES	777,017	777,017	806,713	29,696
EXPENDITURES				
Current:				
Administration and other	78,477	181,564	173,033	8,531
Transportation subsidies	475,872	475,070	430,810	44,260
TOTAL EXPENDITURES	554,349	656,634	603,843	52,791
EXCESS OF REVENUES OVER EXPENDITURES	222,668	120,383	202,870	82,487
OTHER FINANCING SOURCES (USES)				
Transfers in	116,059	116,059	45,297	(70,762)
Transfers out	(310,283)	(310,283)	(260,711)	49,572
TOTAL OTHER FINANCING SOURCES (USES)	(194,224)	(194,224)	(215,414)	(21,190)
NET CHANGE IN FUND BALANCES	28,444	(73,841)	(12,544)	61,297
Fund balances - beginning of year	278,776	278,776	278,776	-
FUND BALANCES - END OF YEAR	$ 307,220	$ 204,935	$ 266,232	$ 61,297

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Measure R Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,498	$ 763,498	$ 764,968	$ 1,470
Intergovermental	5,500	5,500	3,628	(1,872)
Investment income	-	-	4,333	4,333
Net appreciation in fair value of investments	-	-	1,979	1,979
TOTAL REVENUES	768,998	768,998	774,908	5,910
EXPENDITURES				
Current:				
Administration and other	136,060	138,852	62,857	75,995
Transportation subsidies	397,449	398,581	327,633	70,948
TOTAL EXPENDITURES	533,509	537,433	390,490	146,943
EXCESS OF REVENUES OVER EXPENDITURES	235,489	231,565	384,418	152,853
OTHER FINANCING SOURCES (USES)				
Transfers in	11,997	11,997	69,653	57,656
Transfers out	(490,555)	(490,555)	(340,372)	150,183
TOTAL OTHER FINANCING SOURCES (USES)	(478,558)	(478,558)	(270,719)	207,839
NET CHANGE IN FUND BALANCES	(243,069)	(246,993)	113,699	360,692
Fund balances - beginning of year	255,516	255,516	255,516	-
FUND BALANCES - END OF YEAR	$ 12,447	$ 8,523	$ 369,215	$ 360,692

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
PTMISEA Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ -	$ -	$ 134	$ 134
TOTAL REVENUES	-	-	134	134
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,553)	(18,553)	(68,612)	(50,059)
TOTAL OTHER FINANCING SOURCES (USES)	(18,553)	(18,553)	(68,612)	(50,059)
NET CHANGE IN FUND BALANCES	(18,553)	(18,553)	(68,612)	(50,059)
Fund balances - beginning of year	82,385	82,385	82,385	-
FUND BALANCES - END OF YEAR	$ 63,832	$ 63,832	$ 13,907	$ (49,925)

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Transportation Redevelopment Act Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 381,750	$ 381,750	$ 382,753	$ 1,003
Investment income			1,415	1,415
TOTAL REVENUES	381,750	381,750	384,168	2,418
EXPENDITURES				
Current:				
Transportation subsidies	123,961	123,961	129,817	(5,856)
TOTAL EXPENDITURES	123,961	123,961	129,817	(5,856)
EXCESS OF REVENUES OVER EXPENDITURES	257,789	257,789	254,351	(3,438)
OTHER FINANCING SOURCES (USES)				
Transfers out	(262,290)	(262,290)	(187,433)	74,857
TOTAL OTHER FINANCING SOURCES (USES)	(262,290)	(262,290)	(187,433)	74,857
NET CHANGE IN FUND BALANCES	(4,501)	(4,501)	66,918	71,419
Fund balances - beginning of year	98,839	98,839	98,839	-
FUND BALANCES - END OF YEAR	$ 94,338	$ 94,338	$ 165,757	$ 71,419

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
State Transit Assistance Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 105,682	$ 105,682	$ 78,686	$ (26,996)
Investment income	-	-	177	177
TOTAL REVENUES	105,682	105,682	78,863	(26,819)
EXPENDITURES				
Current:				
Transportation subsidies	13,986	13,986	8,002	5,984
TOTAL EXPENDITURES	13,986	13,986	8,002	5,984
EXCESS OF REVENUES OVER EXPENDITURES	91,696	91,696	70,861	(20,835)
OTHER FINANCING SOURCES (USES)				
Transfers out	(90,985)	(90,985)	(92,509)	(1,524)
TOTAL OTHER FINANCING SOURCES (USES)	(90,985)	(90,985)	(92,509)	(1,524)
NET CHANGE IN FUND BALANCES	711	711	(21,648)	(22,359)
Fund balances - beginning of year	8,554	8,554	8,554	-
FUND BALANCES - END OF YEAR	$ 9,265	$ 9,265	$ (13,094)	$ (22,359)

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.


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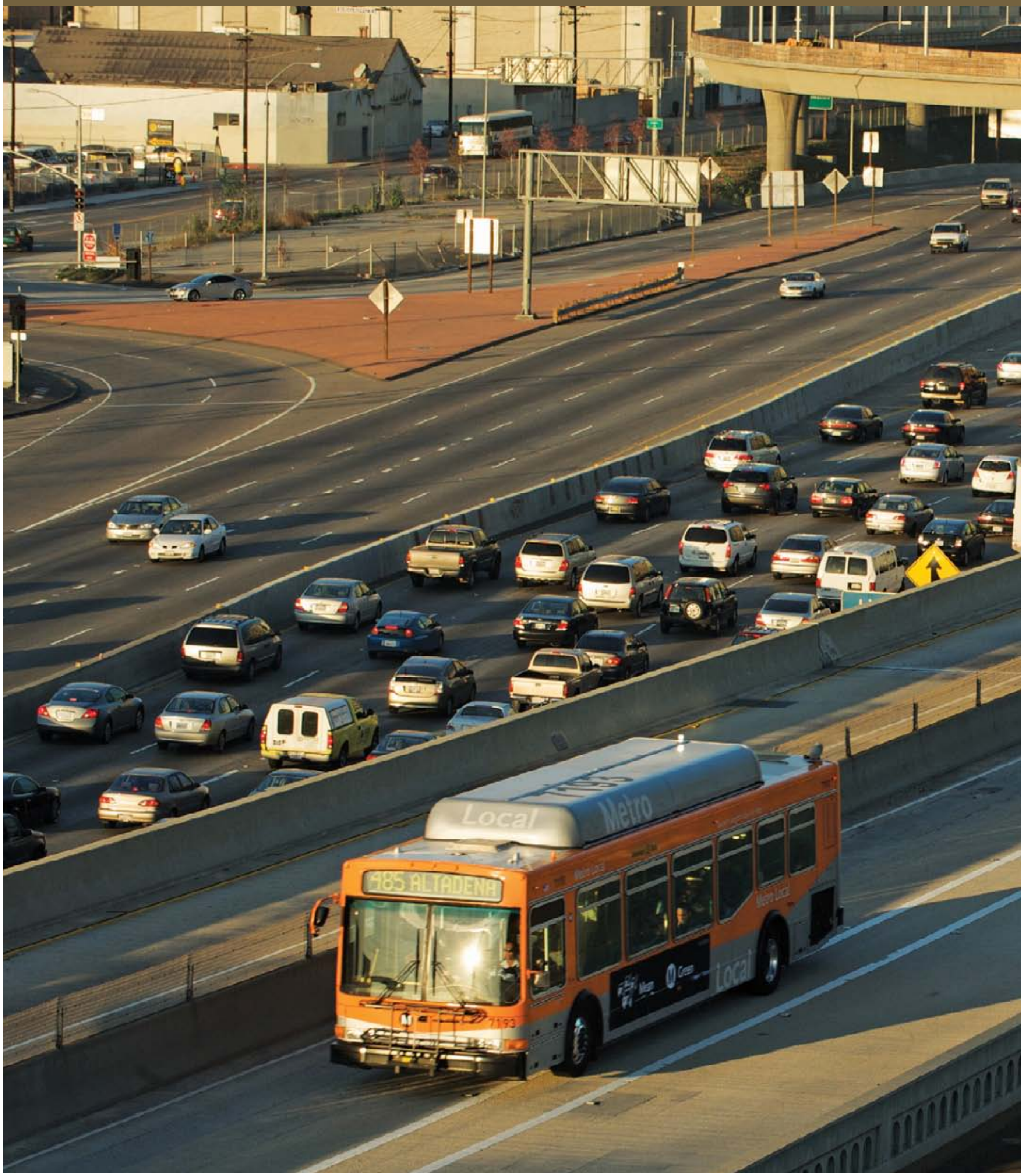
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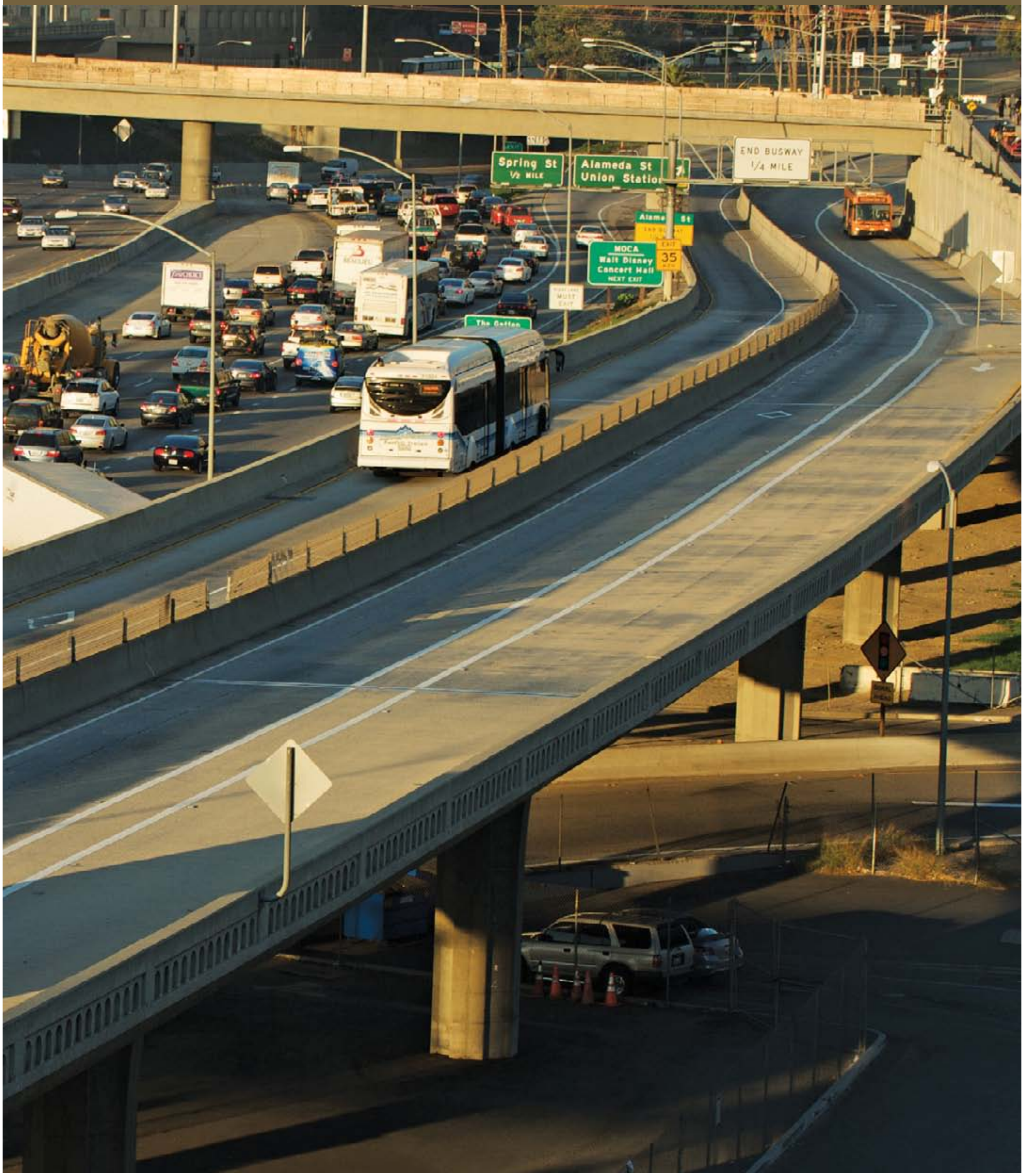
Other Supplementary Information



Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 9,221	$ 78,975	$ 88,196
Investments	13,286	22,296	35,582
Receivables:			
Interest	89	-	89
Intergovernmental	791	640	1,431
Prepaid items and other assets	-	308	308
TOTAL ASSETS	23,387	102,219	125,606
LIABILITIES			
Accounts payable and accrued liabilities	933	5	938
Due to other funds	-	1,191	1,191
Other liabilities	-	11,434	11,434
TOTAL LIABILITIES	933	12,630	13,563
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	-	270	270
TOTAL DEFERRED INFLOWS OF RESOURCES	-	270	270
FUND BALANCES			
Restricted	22,454	89,319	111,773
TOTAL FUND BALANCES	22,454	89,319	111,773
TOTAL LIABILITIES AND FUND BALANCES	$ 23,387	$ 102,219	$ 125,606

See accompanying independent auditor's report.

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental	$ -	$ 60,379	$ 60,379
Investment income	279	117	396
Net appreciation in fair value of investments	145	151	296
Licenses and fines	8,068	-	8,068
TOTAL REVENUES	8,492	60,647	69,139
EXPENDITURES			
Current:			
Administration and other	8,310	1,651	9,961
TOTAL EXPENDITURES	8,310	1,651	9,961
EXCESS OF REVENUES OVER EXPENDITURES	182	58,996	59,178
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,287)	(13,239)	(15,526)
TOTAL OTHER FINANCING SOURCES (USES)	(2,287)	(13,239)	(15,526)
NET CHANGE IN FUND BALANCES	(2,105)	45,757	43,652
Fund balances – beginning of year	24,559	43,562	68,121
FUND BALANCES – END OF YEAR	$ 22,454	$ 89,319	$ 111,773

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Service Authority for Freeway Emergencies Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1)			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ 100	$ 100	$ 279	$ 179
Net appreciation in fair value of investments	-	-	145	145
Licenses and fines	7,500	7,500	8,068	568
TOTAL REVENUES	7,600	7,600	8,492	892
EXPENDITURES				
Current:				
Administration and other	10,328	10,328	8,310	2,018
TOTAL EXPENDITURES	10,328	10,328	8,310	2,018
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(2,728)	(2,728)	182	2,910
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,000)	(2,000)	(2,287)	(287)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000)	(2,000)	(2,287)	(287)
NET CHANGE IN FUND BALANCES	(4,728)	(4,728)	(2,105)	2,623
Fund balances – beginning of year	24,559	24,559	24,559	-
FUND BALANCES – END OF YEAR	$ 19,831	$ 19,831	$ 22,454	$ 2,623

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1) ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 555	$ 555	$ 60,379	$ 59,824
Investment income	-	-	117	117
Net appreciation in fair value of investments	-	-	151	151
-TOTAL REVENUES	555	555	60,647	60,092
EXPENDITURES				
Current:				
Administration and other	555	555	1,651	(1,096)
TOTAL EXPENDITURES	555	555	1,651	(1,096)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	58,996	58,996
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,631)	(3,631)	(13,239)	(9,608)
TOTAL OTHER FINANCING SOURCES (USES)	(3,631)	(3,631)	(13,239)	(9,608)
NET CHANGE IN FUND BALANCES	(3,631)	(3,631)	45,757	49,388
Fund balances – beginning of year	43,562	43,562	43,562	-
FUND BALANCES – END OF YEAR	$ 39,931	$ 39,931	$ 89,319	$ 49,388

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position

June 30, 2016 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 247	$ 38,976	$ 39,223
Investments:			
Bonds	150,292	64,382	214,674
Domestic stocks	174,961	21,824	196,785
Non-domestic stocks	6,622	2,920	9,542
Pooled investments	900,811	167,244	1,068,055
Receivables:			
Member contributions	1,072	291	1,363
Securities sold	1,453	-	1,453
Interest and dividends	1,352	414	1,766
Prepaid items and other assets	43	-	43
Total assets	**1,236,853**	**296,051**	**1,532,904**
LIABILITIES			
Accounts payable and other liabilities	447	984	1,431
Securities purchased	8,073	-	8,073
Total liabilities	**8,520**	**984**	**9,504**
NET POSITION			
Held in trust for pension and OPEB benefits	**$ 1,228,333**	**$ 295,067**	**$ 1,523,400**

See accompanying independent auditor's report.

Combining Statement of Changes in Fiduciary Net Position

June 30, 2016 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ADDITIONS			
Contributions:			
Employer	$ 55,936	$ 30,079	$ 86,015
Member	30,319	938	31,257
Total contributions	**86,255**	**31,017**	**117,272**
From investing activities:			
Net decline in fair value of investment	(17,662)	(5,548)	(23,210)
Investment income	17,665	5,116	22,781
Investment expense	(4,272)	(641)	(4,913)
Other income	1,029	-	1,029
Total investing activities income	(3,240)	(1,073)	(4,313)
Total additions	**83,015**	**29,944**	**112,959**
DEDUCTIONS			
Retiree benefits	78,217	23,951	102,168
Administrative expenses	1,706	193	1,899
Total deductions	**79,923**	**24,144**	**104,067**
Net increase	3,092	5,800	8,892
Net position – beginning of year	1,225,241	289,267	1,514,508
NET POSITION – END OF YEAR	**$ 1,228,333**	**$ 295,067**	**$ 1,523,400**

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position — Employee Retirement Trust Funds
Fiduciary Funds

June 30, 2016 (Amounts expressed in thousands)

	SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION	TRANSPORTATION COMMUNICATION UNION PLAN	AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEE PLAN
ASSETS			
Cash and cash equivalents	$ 108	$ 23	$ 11
Investments:			
Bonds/Derivatives	65,991	13,716	6,669
Domestic stocks	76,823	15,967	7,764
Non-domestic stocks	2,908	604	294
Pooled investments	395,537	82,207	39,972
Receivables:			
Member contributions	638	96	-
Contribution transfer from other plans	-	-	709
Securities sold	638	133	64
Interest and dividends	594	123	60
Receivable from sponsors	-	75	87
Prepaid items and other assets	19	4	2
Total assets	**543,256**	**112,948**	**55,632**
LIABILITIES			
Contribution transfer to other plans	1,056	123	-
Accounts payable and other liabilities	455	155	123
Securities purchased	3,545	737	358
Total liabilities	**5,056**	**1,015**	**481**
NET POSITION			
Held in trust for pension benefits	**$ 538,200**	**$ 111,933**	**$ 55,151**

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 132.

Receivable from sponsors among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 132.

See accompanying independent auditor's report.

NON-CONTRACT EMPLOYEE PLAN	AMALGAMATED TRANSPORTATION UNION PLAN	TOTAL
$ 23	$ 82	$ 247
14,189	49,727	150,292
16,518	57,889	174,961
625	2,191	6,622
85,044	298,051	900,811
-	338	1,072
642	-	1,351
137	481	1,453
128	447	1,352
491	155	808
4	14	43
117,801	**409,375**	**1,239,012**
-	172	1,351
172	350	1,255
762	2,671	8,073
934	**3,193**	**10,679**
$ 116,867	**$ 406,182**	**$ 1,228,333**

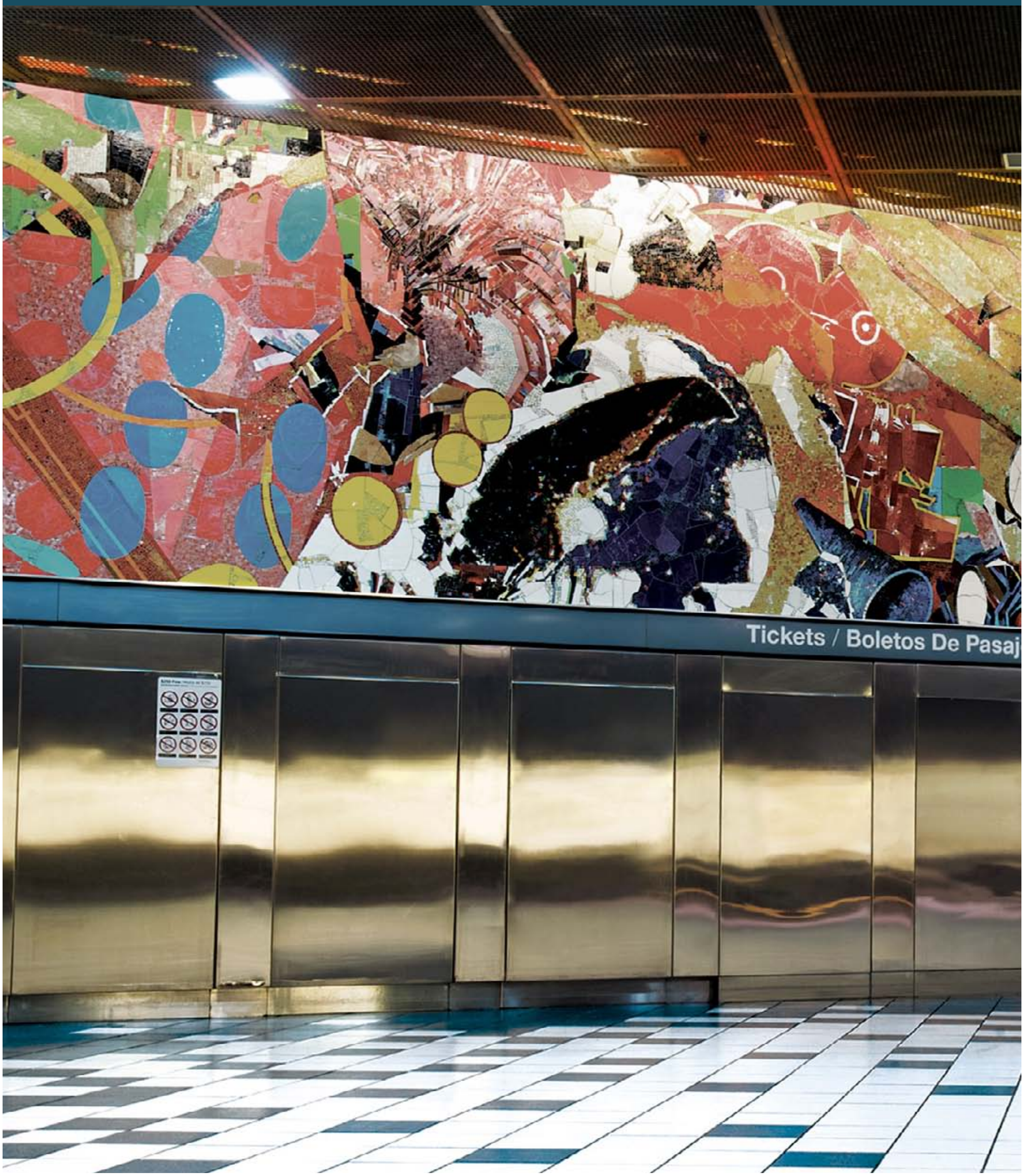
Combining Statement of Changes in Fiduciary Net Position — Employee Retirement Trust Funds
Fiduciary Funds

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION	TRANSPORTATION COMMUNICATION UNION PLAN	AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEE PLAN
ADDITIONS			
Contributions:			
Employer	$ 21,369	$ 5,615	$ 1,639
Member	18,490	2,557	-
Transfer between plans	(1,056)	(123)	709
Total contributions	**38,803**	**8,049**	**2,348**
From investing activities:			
Net decline in fair value of investments	(7,774)	(1,584)	(883)
Investment income	7,773	1,599	812
Investment expense	(1,880)	(387)	(194)
Other income	476	26	13
Total investing activities income	**(1,405)**	**(346)**	**(252)**
Total additions	**37,398**	**7,703**	**2,096**
DEDUCTIONS			
Retiree benefits	38,001	6,268	5,018
Administrative expenses	356	323	320
Total deductions	**38,357**	**6,591**	**5,338**
Change in net position	(959)	1,112	(3,242)
Net Position – beginning of year	539,159	110,821	58,393
NET POSITION – END OF YEAR	**$ 538,200**	**$ 111,933**	**$ 55,151**

See accompanying independent auditor's report.

NON-CONTRACT EMPLOYEE PLAN	AMALGAMATED TRANSPORTATION UNION PLAN	TOTAL
$ 4,532	$ 22,781	$ 55,936
-	9,272	30,319
642	(172)	-
5,174	**31,881**	**86,255**
(1,860)	(5,561)	(17,662)
1,721	5,760	17,665
(413)	(1,398)	(4,272)
48	466	1,029
(504)	**(733)**	**(3,240)**
4,670	**31,148**	**83,015**
9,697	19,233	78,217
322	385	1,706
10,019	**19,618**	**79,923**
(5,349)	11,530	3,092
122,216	394,652	1,225,241
$ 116,867	**$ 406,182**	**$ 1,228,333**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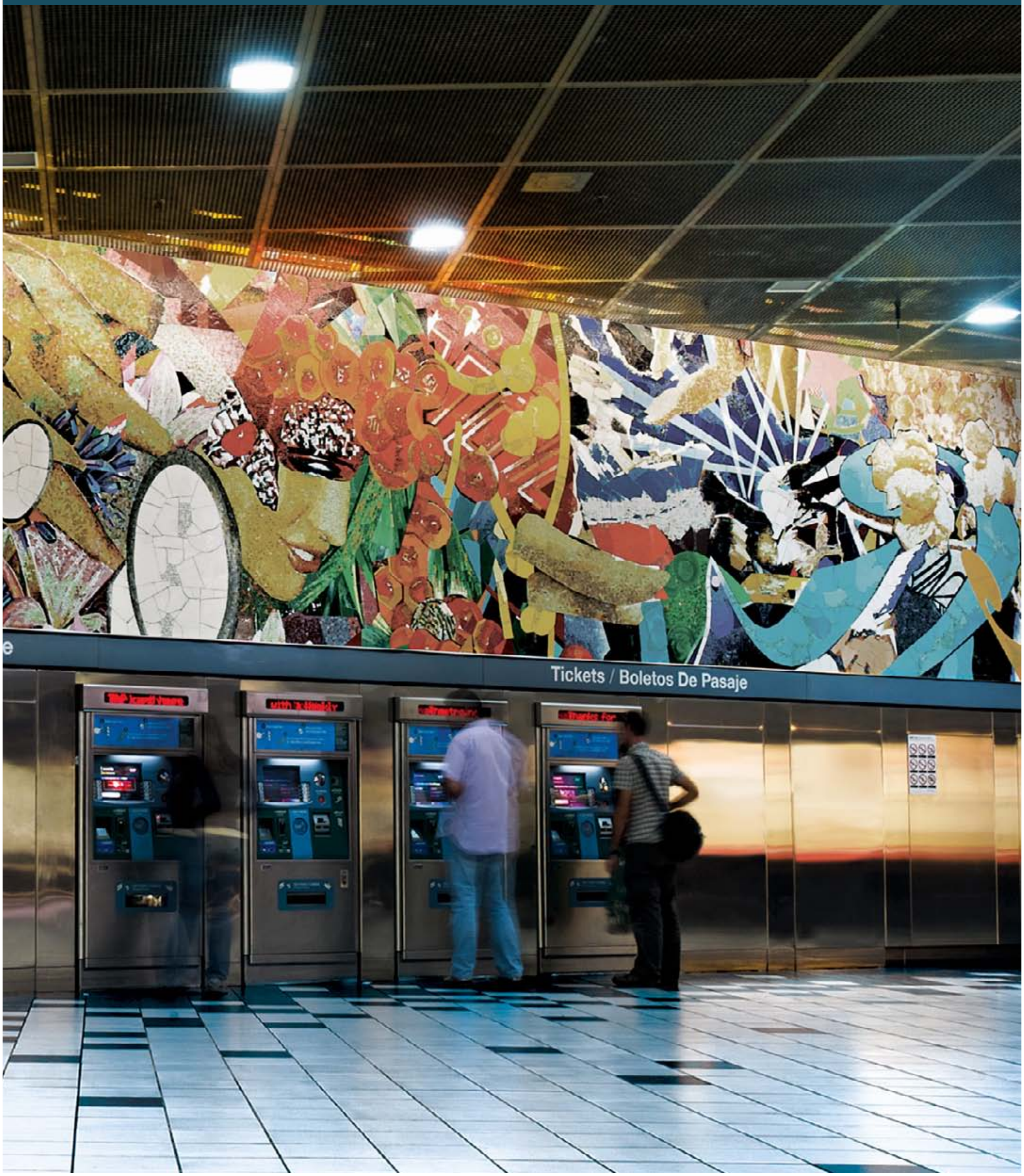
Statistical Section

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Statistical Section

This section of LACMTA's comprehensive annual financial report presents trend information about LACMTA's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand LACMTA's overall financial condition.

Contents **Page**

Net Position by Component
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2007	2008	2009
GOVERNMENTAL ACTIVITIES:			
Net investment in capital assets	$ 772,905	$ 772,838	$ 772,794
Restricted for:			
Proposition A ordinance projects	304,706	196,639	114,615
Proposition C ordinance projects	388,235	578,028	478,474
Measure R ordinance projects	-	-	-
PTMISEA projects		52,624	118,614
TDA and STA projects	243,120	245,822	171,491
Other nonmajor governmental projects	353,299	369,610	384,875
Unrestricted	297,103	132,436	100,240
Total governmental activities net position	**2,359,368**	**2,347,997**	**2,141,103**
BUSINESS-TYPE ACTIVITIES:			
Net investment in capital assets	3,671,581	3,911,725	3,900,614
Restricted for debt service	289,669	321,823	419,282
Unrestricted	111,273	76,168	212,781
Total business-type activities net position	**4,072,523**	**4,309,716**	**4,532,677**
PRIMARY GOVERNMENT:			
Net investment in capital assets	4,444,486	4,684,563	4,673,408
Restricted for debt service	289,669	321,823	419,282
Restricted for other purpose:			
Proposition A ordinance projects	304,706	196,639	114,615
Proposition C ordinance projects	388,235	578,028	478,474
Measure R ordinance projects	-	-	-
PTMISEA projects	-	52,624	118,614
TDA and STA projects	243,120	245,822	171,491
Other nonmajor governmental projects	353,299	369,610	384,875
Unrestricted	408,376	208,604	313,021
Total primary government net position	**$ 6,431,891**	**$ 6,657,713**	**$ 6,673,780**

Source: Comprehensive Annual Financial Report.

See accompanying independent auditor's report.

Table 1

	2010	2011	2012	2013	2014	2015	2016
	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 769,942	$ 769,834
	80,536	69,049	161,158	191,111	342,565	311,284	86,647
	116,013	116,912	134,652	40,057	39,419	278,776	266,232
	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215
	56,696	-	32,182	158,943	108,904	82,385	13,907
	259,618	264,366	324,010	337,582	203,463	107,393	165,757
	348,327	49,968	74,742	79,759	82,725	68,121	111,773
	234,401	499,084	486,403	514,563	640,325	656,388	237,268
	2,252,050	**2,383,637**	**2,901,298**	**3,284,088**	**2,855,149**	**2,529,805**	**2,020,633**
	4,366,480	4,497,567	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367
	446,878	440,892	431,009	469,027	504,782	418,006	420,543
	(1,909)	(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)
	4,811,449	**4,807,591**	**4,962,516**	**5,058,834**	**5,390,190**	**6,711,784**	**7,239,859**
	5,139,274	5,270,361	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201
	446,878	440,892	431,009	469,027	504,782	418,006	420,543
	80,536	69,049	161,158	191,111	342,565	311,284	86,647
	116,013	116,912	134,652	40,057	39,419	278,776	266,232
	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215
	56,696	-	32,182	158,943	108,904	82,385	13,907
	259,618	264,366	324,010	337,582	203,463	107,393	165,757
	348,327	49,968	74,742	79,759	82,725	68,121	111,773
	232,492	368,216	455,915	196,336	(61,781)	(363,078)	(705,783)
	$ 7,063,499	**$ 7,191,228**	**$ 7,863,814**	**$ 8,342,922**	**$ 8,245,339**	**$ 9,241,589**	**$ 9,260,492**

Changes in Net Position
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2007	2008	2009
EXPENSES			
Governmental activities:			
Transit operators programs	$ 235,476	$ 209,299	$ 282,305
Local cities programs	-	-	-
Congestion relief operations	-	-	-
Highway projects	320,629	318,492	300,113
Regional multimodal capital programs	103,286	316,631	188,316
Paratransit programs	12,440	14,355	14,208
Other transportation subsidies	49,997	57,711	79,910
Debt service interest	1,456	1,408	1,444
General government	132,228	165,783	200,523
Total government activities	**855,512**	**1,083,679**	**1,066,819**
Business-type activities:			
Transit operations	1,691,649	1,747,243	1,807,037
Union Station operations (1)	-	-	-
Toll operations (2)	-	-	-
Total business-type activities expenses	**1,691,649**	**1,747,243**	**1,807,037**
Total expenses	**2,547,161**	**2,830,922**	**2,873,856**
PROGRAM REVENUES			
Governmental activities:			
Charges for services	13,311	10,915	10,101
Operating grants and contributions	343,003	191,046	162,387
Total governmental activities program	**356,314**	**201,961**	**172,488**
Business-type activities:			
Charges for services	313,000	357,857	357,895
Operating grants and contributions	186,003	198,443	214,285
Capital grants and contributions	302,613	200,575	424,732
Total business-type activities program	**801,616**	**756,875**	**996,912**
Total primary government program revenues	**1,157,930**	**958,836**	**1,169,400**
Net (expense) / revenue:			
Governmental activities	(499,198)	(881,718)	(894,331)
Business-type activities	(890,033)	(990,368)	(810,125)
Total net expense	**(1,389,231)**	**(1,872,086)**	**(1,704,456)**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Sales tax	1,908,416	1,801,291	1,596,152
Investment income (1)	51,186	70,782	55,284
Miscellaneous	29,736	39,273	41,063
Transfers	(944,260)	(1,040,999)	(1,005,062)
Total government activities	**1,045,078**	**870,347**	**687,437**
Business-type activities:			
Investment income (1)	29,282	15,586	7,793
Miscellaneous	5,829	5,237	20,231
Transfers	944,260	1,040,999	1,005,062
Total business-type activities	**979,371**	**1,061,822**	**1,033,086**
Total primary government	**2,024,449**	**1,932,169**	**1,720,523**
CHANGE IN NET POSITION			
Governmental activities	545,880	(11,371)	(206,894)
Business-type activities	89,338	71,454	222,961
Total primary government	**$ 635,218**	**$ 60,083**	**$ 16,067**

Source: Comprehensive Annual Financial Report.

(1) Includes net appreciation (decline) in fair value of investments

(2) Includes gain(loss) on sale of capital assets.

See accompanying independent auditor's report.

Table 2

2010	2011	2012	2013	2014	2015	2016
$ 201,354	$ 238,624	$ 220,782	$ 239,718	$ 346,326	$ 304,916	$ 357,346
370,177	401,957	442,409	431,470	541,736	549,302	548,101
-	-	-	-	44,792	43,724	42,279
247,715	108,511	234,690	312,807	521,755	196,158	594,069
102,084	80,221	96,174	146,528	29,080	42,844	52,363
25,283	16,456	10,227	13,097	92,745	83,602	105,042
88,180	56,504	63,875	130,964	62,861	72,088	64,237
1,249	1,205	1,161	1,114	1,064	1,011	954
218,380	257,433	167,134	218,637	81,380	96,909	109,029
1,254,422	**1,160,911**	**1,236,452**	**1,494,335**	**1,721,739**	**1,390,554**	**1,873,420**
1,808,257	1,910,466	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787
-	1,052	4,167	6,586	7,498	9,729	9,172
-	-	-	10,102	12,803	20,757	24,815
1,808,257	**1,911,518**	**1,839,902**	**1,932,729**	**1,961,076**	**1,966,475**	**2,119,774**
3,062,679	**3,072,429**	**3,076,354**	**3,427,064**	**3,682,815**	**3,357,029**	**3,993,194**
15,713	16,302	15,740	23,770	5,899	23,704	9,009
267,306	169,261	401,651	502,374	410,545	345,206	44,805
283,019	**185,563**	**417,391**	**526,144**	**416,444**	**368,910**	**53,814**
342,087	375,168	375,917	382,003	400,832	439,028	443,856
239,835	261,068	289,517	272,951	241,808	263,838	200,193
411,392	182,378	207,509	135,653	298,199	486,793	457,106
993,314	**818,614**	**872,943**	**790,607**	**940,839**	**1,189,659**	**1,101,155**
1,276,333	**1,004,177**	**1,290,334**	**1,316,751**	**1,357,283**	**1,558,569**	**1,154,969**
(971,403)	(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)
(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)
(1,786,346)	**(2,068,252)**	**(1,786,020)**	**(2,110,313)**	**(2,325,532)**	**(1,790,937)**	**(2,838,225)**
2,085,370	2,104,072	2,386,439	2,519,720	2,778,676	2,717,320	2,753,686
39,268	24,628	17,829	4,822	14,719	11,498	24,638
26,979	49,218	32,205	42,203	22,244	30,781	59,786
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
1,082,350	**1,106,935**	**1,336,722**	**1,350,981**	**876,356**	**696,300**	**(1,310,434)**
8,102	13,191	15,480	17,977	13,261	17,295	8,919
16,346	4,872	6,653	4,699	11,707	10,293	10.099
1,069,267	1,070,983	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676
1,093,715	**1,089,046**	**1,121,884**	**1,238,440**	**1,964,251**	**2,090,887**	**1,546,694**
2,176,065	**2,195,981**	**2,458,606**	**2,589,421**	**2,840,607**	**2,787,187**	**2,857,128**
110,947	131,587	517,661	382,790	(428,939)	(325,344)	(509,172)
278,772	(3,858)	154,925	96,318	944,014	1,321,594	528,075
$ 389,719	**$ 127,729**	**$ 672,586**	**$ 479,108**	**$ 515,075**	**$ 996,250**	**$ 18,903**

Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2007	2008	2009
GENERAL FUND			
Reserved	$ 3,047	$ 2,890	$ 1,780
Unreserved	150,995	144,513	158,847
Restricted (1)	-	-	-
Committed (1)	-	-	-
Assigned (1)	-	-	-
Unassigned (1)	-	-	-
Total General Fund	154,042	147,403	160,627
ALL OTHER GOVERNMENTAL FUNDS			
Reserved	542,896	656,807	825,140
Unreserved:			
Proposition A Fund	250,696	120,077	(18,093)
Proposition C Fund	75,753	239,583	(44,054)
Measure R Fund	-	-	-
PTMISEA Fund	-	52,624	118,614
TCRP Fund	317,434	-	-
Transportation Development Act Fund	53,579	17,572	(8,529)
State Transit Act Fund	36,505	7,684	33,613
Nonmajor Governmental Fund	25,939	363,345	360,172
Restricted: (1)			
Proposition A Fund	-	-	-
Proposition C Fund	-	-	-
Measure R Fund	-	-	-
PTMISEA Fund	-	-	-
Transportation Development Act Fund	-	-	-
State Transit Act Fund	-	-	-
Nonmajor Governmental Fund	-	-	-
Unrestricted:			
State Transit Act Fund	-	-	-
Total all other governmental funds	1,301,515	1,457,692	1,266,863
Total governmental funds	$ 1,455,557	$ 1,605,095	$ 1,427,490

Source: Comprehensive Annual Financial Report.

(1) Reclassification of fund balances with the implementation of GASB Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions.*

See accompanying independent auditor's report.

Table 3

2010	2011	2012	2013	2014	2015	2016
$ 1,843	$ -	$ -	$ -	$ -	$ -	$ -
178,611	-	-	-	-	-	-
-	7,827	9,023	6,588	4,045	15,753	35,704
-	46,564	3,492	8,877	8,779	10,994	13,862
-	986	6,818	11,403	10,624	16,162	23,653
-	434,371	456,263	448,155	489,143	512,492	450,594
180,454	**489,748**	**475,596**	**475,023**	**512,591**	**555,401**	**523,813**
1,201,151	-	-	-	-	-	-
23,741	-	-	-	-	-	-
(871,854)	-	-	-	-	-	-
349,183	-	-	-	-	-	-
56,696	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,107)	-	-	-	-	-	-
160,797	-	-	-	-	-	-
319,897	-	-	-	-	-	-
-	69,049	161,158	191,111	342,565	311,284	86,647
-	116,912	134,652	40,057	39,419	278,776	266,232
-	611,464	915,357	1,189,279	664,954	255,516	369,215
-	-	32,182	158,943	108,904	82,385	13,907
-	214,652	297,064	324,387	199,743	98,839	165,757
-	49,714	26,946	13,195	3,720	8,554	-
-	49,968	74,742	79,759	82,725	68,121	111,773
-	-	-	-	-	-	(13,094)
1,238,504	**1,111,759**	**1,642,101**	**1,996,731**	**1,442,030**	**1,103,475**	**1,000,437**
$ 1,418,958	**$ 1,601,507**	**$ 2,117,697**	**$ 2,471,754**	**$ 1,954,621**	**$ 1,658,876**	**$ 1,524,250**

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2007	2008	2009
REVENUES			
Sales tax	$ 1,908,416	$ 1,768,916	$ 1,628,527
Intergovernmental	343,003	194,565	162,387
Investment income (1)	51,186	70,782	55,284
Lease and rental	11,293	10,915	10,101
Licenses and fines	8,246	8,407	8,091
Other	26,784	28,706	30,811
Total revenues	**2,348,928**	**2,082,291**	**1,895,201**
EXPENDITURES			
Current:			
Administration and other	98,720	130,090	161,504
Transportation subsidies	754,733	759,447	903,971
Principal, interest, and fiscal charges	2,226	2,217	2,269
Total expenditures	**855,679**	**891,754**	**1,067,744**
Excess of revenues over expenditures	1,493,249	1,190,537	827,457
Other financing sources (uses)			
Transfers out, net of transfers in	(944,260)	(1,040,999)	(1,005,062)
Total other financing sources (uses)	(944,260)	(1,040,999)	(1,005,062)
Net change in fund balances	**$ 548,989**	**$ 149,538**	**$ (177,605)**
Debt service expenditures expressed as a percentage of non-capital expenditures	0.26%	0.25%	0.21%

Source: Comprehensive Annual Financial Report.

(1) Includes net appreciation (decline) in fair value of investments.

See accompanying independent auditor's report.

Table 4

2010	2011	2012	2013	2014	2015	2016
$ 2,085,370	$ 2,104,072	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686
151,046	228,469	413,262	484,194	315,337	374,350	120,428
39,268	24,628	16,812	5,025	15,533	11,498	24,638
15,713	16,206	15,740	15,509	14,162	23,641	9,065
7,962	8,023	8,065	8,115	8,366	8,354	8,606
16,820	34,071	13,095	32,658	12,756	24,129	51,180
2,316,179	**2,415,469**	**2,853,413**	**3,065,221**	**3,144,830**	**3,159,292**	**2,967,603**
377,193	295,139	356,480	431,967	405,554	263,376	344,422
875,977	864,528	878,796	1,061,239	1,314,929	1,126,168	1,227,936
2,274	2,270	2,196	2,194	2,197	2,194	2,195
1,255,444	**1,161,937**	**1,237,472**	**1,495,400**	**1,722,680**	**1,391,738**	**1,574,553**
1,060,735	1,253,532	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
$ (8,532)	**$ 182,549**	**$ 516,190**	**$ 354,057**	**$ (517,133)**	**$ (295,745)**	**$ (134,626)**
0.18%	0.20%	0.18%	0.15%	0.13%	0.16%	0.14%

Governmental Activities — Sales Tax Revenues by Source
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 5

FISCAL YEAR	PROPOSITION A	PROPOSITION C	MEASURE R	TRANSPORTATION DEVELOPMENT ACT	OTHER	TOTAL
2007	$ 686,167	$ 686,308	$ -	$ 344,867	$ 191,074 [1]	$ 1,908,416
2008	683,352	683,530	-	340,548	61,486	1,768,916
2009	620,797	620,866	-	310,406	76,458	1,628,527
2010	565,746	565,787	551,480 [2]	285,270	117,087	2,085,370
2011	601,883	601,932	598,647	301,610	- [3]	2,104,072
2012	648,692	648,776	645,026	326,883	117,062	2,386,439
2013	687,172	687,332	684,862	343,806	116,548	2,519,720
2014	778,504 [4]	778,600 [4]	714,218 [4]	390,232	117,122	2,778,676
2015	745,655	745,632	745,919	373,991	106,123	2,717,320
2016	763,636	763,643	764,968	382,753	78,686	2,753,686

Source: Comprehensive Annual Financial Report.

(1) The substantial increase was due to the State of California voter-approved Proposition 42, which requires existing revenues resulting from state sales and use tax on the sale of motor vehicle fuel to be used for transportation purposes as provided by law.

(2) Measure R is a voter-approved half-cent sales tax that took effect in July 1, 2009 for Los Angeles County to finance new transportation projects and programs.

(3) No allocation from State of California due to budget deficit.

(4) The substantial increase was due to one-time accrual of sales tax revenues.

See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Program Revenues by Source
Last Ten Fiscal Years

Accrual basis of accounting (Amounts expressed in thousands)

Table 6

FISCAL YEAR	PASSENGER FARES	FEDERAL OPERATING GRANTS	OPERATING SUBSIDIES	AUXILIARY TRANS/ ROUTE SUBSIDIES	LEASE AND RENTAL [1]	TOLL REVENUES [2]	TOTAL
2007	$ 293,368	$ 185,108	$ 617,855	$ 18,288	$ -	$ -	$ 1,114,619
2008	336,961	197,643	632,665	20,896	-	-	1,188,165
2009	333,989	213,478	629,242	23,906	-	-	1,200,615
2010	316,427	238,981	619,221	25,660	-	-	1,200,289
2011	345,973	259,871	554,808	28,000	1,195	-	1,189,847
2012	344,014	287,977	522,998	27,815	4,088	-	1,186,892
2013	340,010	272,199	625,955	24,543	4,459	12,991	1,280,157
2014	339,599	239,888	596,736 [3]	20,639	5,929	34,665	1,237,456
2015	351,648	253,422	665,998 [3]	21,606	7,691	58,083	1,358,448
2016	340,274	199,956	901,770 [3]	22,647	8,134	72,801	1,545,582

Source: Comprehensive Annual Financial Report.

(1) LACMTA purchased Union Station property in April 2011.

(2) Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10.

(3) Net transfers out.

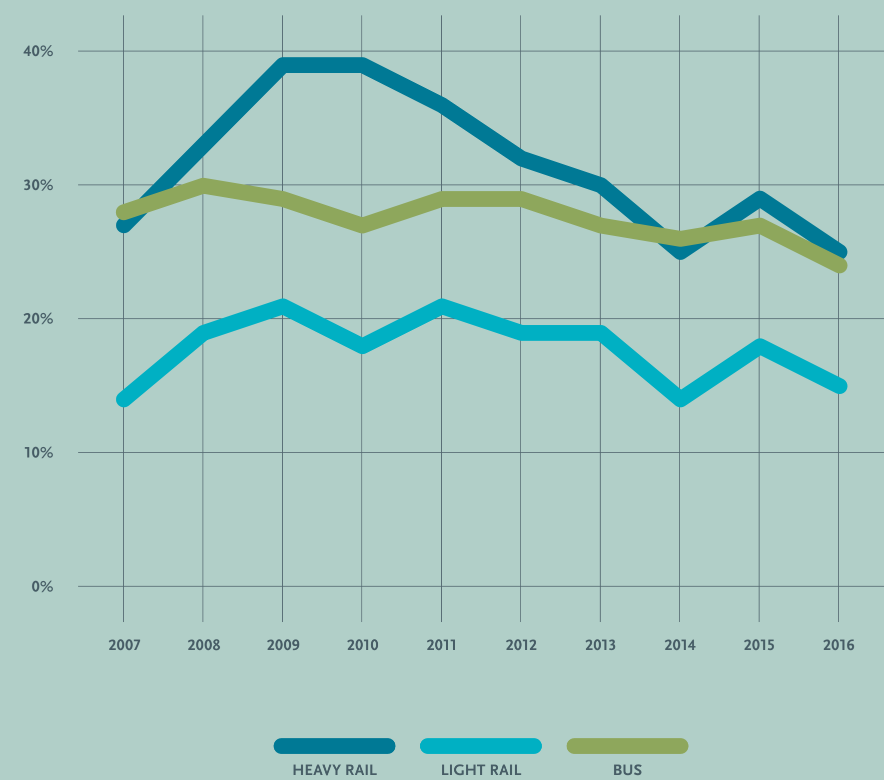
See accompanying independent auditor's report.

Business-type Activities – Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Table 7

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS	ALL MODES
2007	27%	14%	28%	26%
2008	33%	19%	30%	29%
2009	39%	21%	29%	28%
2010	39%	18%	27%	27%
2011	36%	21%	29%	28%
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%
2014	25%	14%	26%	23%
2015	29%	18%	27%	25%
2016	25%	15%	24%	22%

FAREBOX RECOVERY PERCENTAGE BY MODE
LAST TEN FISCAL YEARS



Source: National Transit Database Report.

See accompanying independent auditor's report.

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 8

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL EXPENDITURES	PERCENT OF DEBT SERVICE TO GENERAL EXPENDITURES
2007	$ 195,023	$ 156,680	$ 351,703	$ 2,574,205	13.66%
2008	244,887	161,976	406,863	2,716,469	14.98%
2009	293,606	169,737	463,343	3,168,395	14.62%
2010	262,992	137,187	400,179	3,326,242	12.03%
2011	325,173	148,131	473,304	3,397,117	13.93%
2012	215,522	157,942	373,464	3,292,896	11.34%
2013	180,432	134,724	315,156	3,608,561	8.73%
2014	316,781	136,318	453,099	4,000,992	11.32%
2015	510,144	73,027	583,171	3,860,834	15.10%
2016	182,066	140,575	322,641	3,917,887	8.24%

Source: Comprehensive Annual Financial Report.

See accompanying independent auditor's report.

Historical Debt Service Coverage Ratios — Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 9

SOURCE	FISCAL YEAR	NET SALES TAX REVENUE	LESS LOCAL RETURNS (1)	AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS	AGGREGATE DEBT SERVICE COVERAGE REQUIREMENT	DEBT SERVICE RATIO
Proposition A	2007	$ 686,167	$ 171,542	$ 514,625	$ 143,017	3.60
	2008	683,352	170,838	512,514	148,065	3.46
	2009	620,797	155,199	465,598	153,777	3.03
	2010	565,746	141,437	424,309	166,380	2.55
	2011	601,883	150,471	451,412	152,480	2.96
	2012	648,692	162,173	486,519	160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
	2014	778,504	194,626	583,878	154,697	3.77
	2015	745,655	186,414	559,241	140,849	3.97
	2016	763,636	190,909	572,727	125,253	4.57
Proposition C	2007	686,308	137,262	549,046	93,771	5.86
	2008	683,530	136,706	546,824	103,089	5.30
	2009	620,866	124,173	496,693	117,792	4.22
	2010	565,787	113,157	452,630	105,483	4.29
	2011	601,932	120,386	481,546	109,340	4.40
	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
	2014	778,600	155,720	622,880	121,326	5.13
	2015	745,632	149,126	596,506	135,092	4.42
	2016	763,643	152,729	610,914	132,161	4.62
Measure R (2)	2010	551,480	82,722	468,758	-	-
	2011	598,647	89,797	508,850	25,303	20.11
	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85
	2014	714,218	107,133	607,085	53,658	11.31
	2015	745,919	111,888	634,031	53,658	11.82
	2016	764.968	114,745	650,223	53,605	12.13

Source: Comprehensive Annual Financial Report.

(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%.

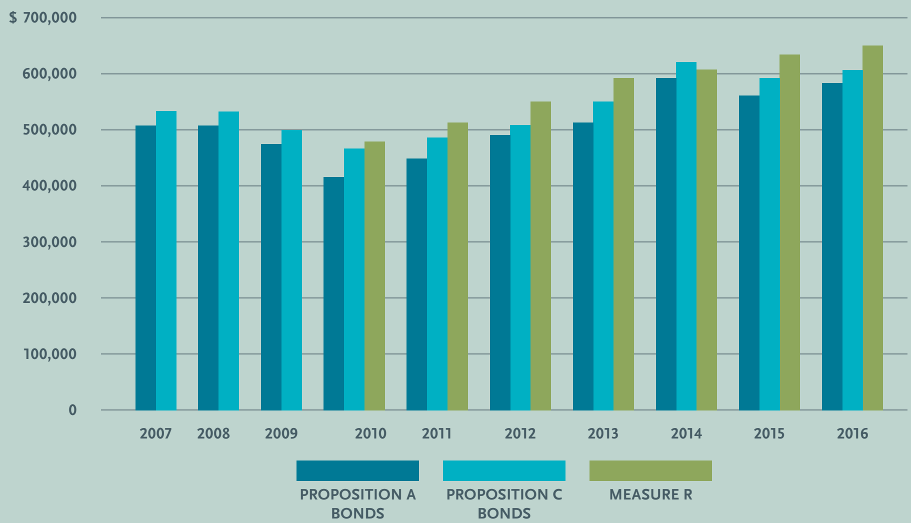
(2) Measure R took effect in July 1, 2009.

See accompanying independent auditor's report.

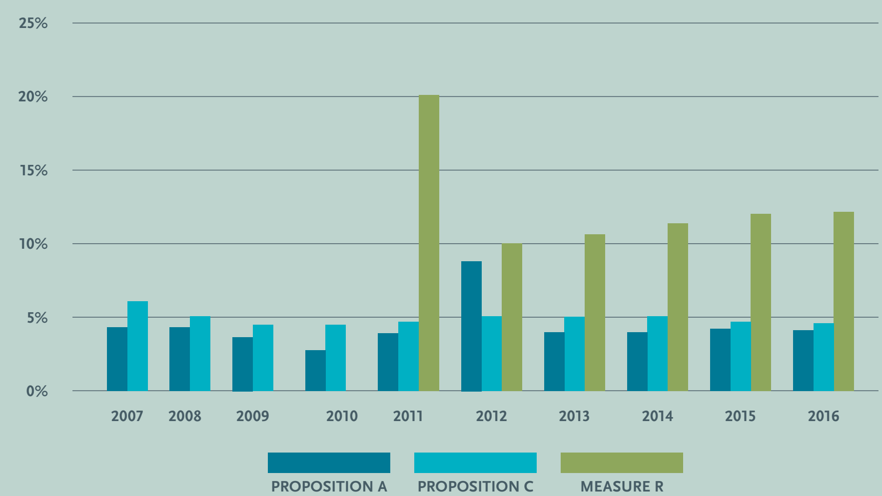
Graphic Presentation of Table 9
Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios

(Amounts expressed in thousands)

AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS



DEBT SERVICE COVERAGE RATIO



See accompanying independent auditor's report.

Ratio of Outstanding Debt by Type (Excluding Claims and Compensated Absences)
Last Ten Fiscal Years

(Amounts expressed in millions except per capita amount)

	2007	2008	2009
Governmental activities:			
Redevelopment and housing bonds	$ 27	$ 26	$ 25
Total Governmental activities	**27**	**26**	**25**
Business-type activities:			
Sales tax revenue and refunding bonds	3,062	2,951	2,873
Sales tax revenue bonds – local allocation	4	2	-
Lease/leaseback obligation	814	845	871
General revenue bonds	236	221	203
Commercial paper and revolving lines of credit	189	184	279
Capitalized lease	13	27	19
Capital grant receipts revenue bonds	240	217	132
Notes obligation - TIFIA (CPC)	-	-	-
Total Business-type activities	**4,558**	**4,447**	**4,377**
Total Primary government	**$ 4,585**	**$ 4,473**	**$ 4,402**
Percentage of Personal Income [1]	1.12%	1.05%	1.08%
Per Capita [1]	$ 469.10	$ 456.57	$ 448.95

Source: Comprehensive Annual Financial Report.

(1) See the Schedule of Demographic and Economic Statistics for population and personal income data.

See accompanying independent auditor's report.

Table 10

2010	2011	2012	2013	2014	2015	2016
$ 24	$ 23	$ 22	$ 21	$ 20	$ 19	$ 18
24	**23**	**22**	**21**	**20**	**19**	**18**
2,834	3,448	3,361	3,107	3,237	3,037	2,810
-	-	-	-	-	-	-
912	851	785	815	718	468	425
185	166	161	155	149	142	113
144	144	34	148	139	84	385
5	2	0.8	-	-	-	-
90	-	-	-	5	4	2
-	-	-	-	-	37	488
4,170	**4,611**	**4,342**	**4,225**	**4,248**	**3,772**	**4,223**
$ 4,194	**$ 4,634**	**$ 4,364**	**$ 4,246**	**$ 4,268**	**$ 3,791**	**$ 4,241**
1.00%	1.05%	0.92%	0.89%	0.85%	0.70%	0.72%
$ 426.26	$ 467.94	$ 438.73	$ 422.24	$ 421.57	$ 373.31	$ 414.12

Demographic and Economic Statistics
Last Ten Fiscal Years

(Amounts and population expressed in thousands)

Table 11

FISCAL YEAR	POPULATION COUNTY OF LOS ANGELES [1]	POPULATION STATE OF CALIFORNIA [1]	TAXABLE SALES COUNTY OF LOS ANGELES [2]	PERSONAL INCOME COUNTY OF LOS ANGELES [3]	PER CAPITA PERSONAL INCOME COUNTY OF LOS ANGELES [3]	UNEMPLOYMENT RATE COUNTY OF LOS ANGELES [4]
2007	9,774	36,553	$ 137,820,418	$ 409,232,169	39	5.1%
2008	9,797	36,856	131,881,774	424,773,112	41	7.6%
2009	9,805	37,077	112,744,727	408,269,611	42	11.6%
2010	9,839	37,339	116,942,334	418,046,367	42	12.5%
2011	9,903	37,676	126,440,737	441,724,254	45	12.2%
2012	9,947	38,038	135,295,582	475,931,985	48	10.9%
2013	10,056	38,367	140,079,708	478,371,346	48	9.8%
2014	10,124	38,725	147,446,927 [5]	499,767,889	49	8.3%
2015	10,155	38,907	155,201,610 [6]	544,324,900	54	6.7%
2016	10,241	39,255	163,364,136 [6]	592,854,410 [6]	58	5.3%

Sources:
(1) California Department of Finance.

(2) State Board of Equalization.

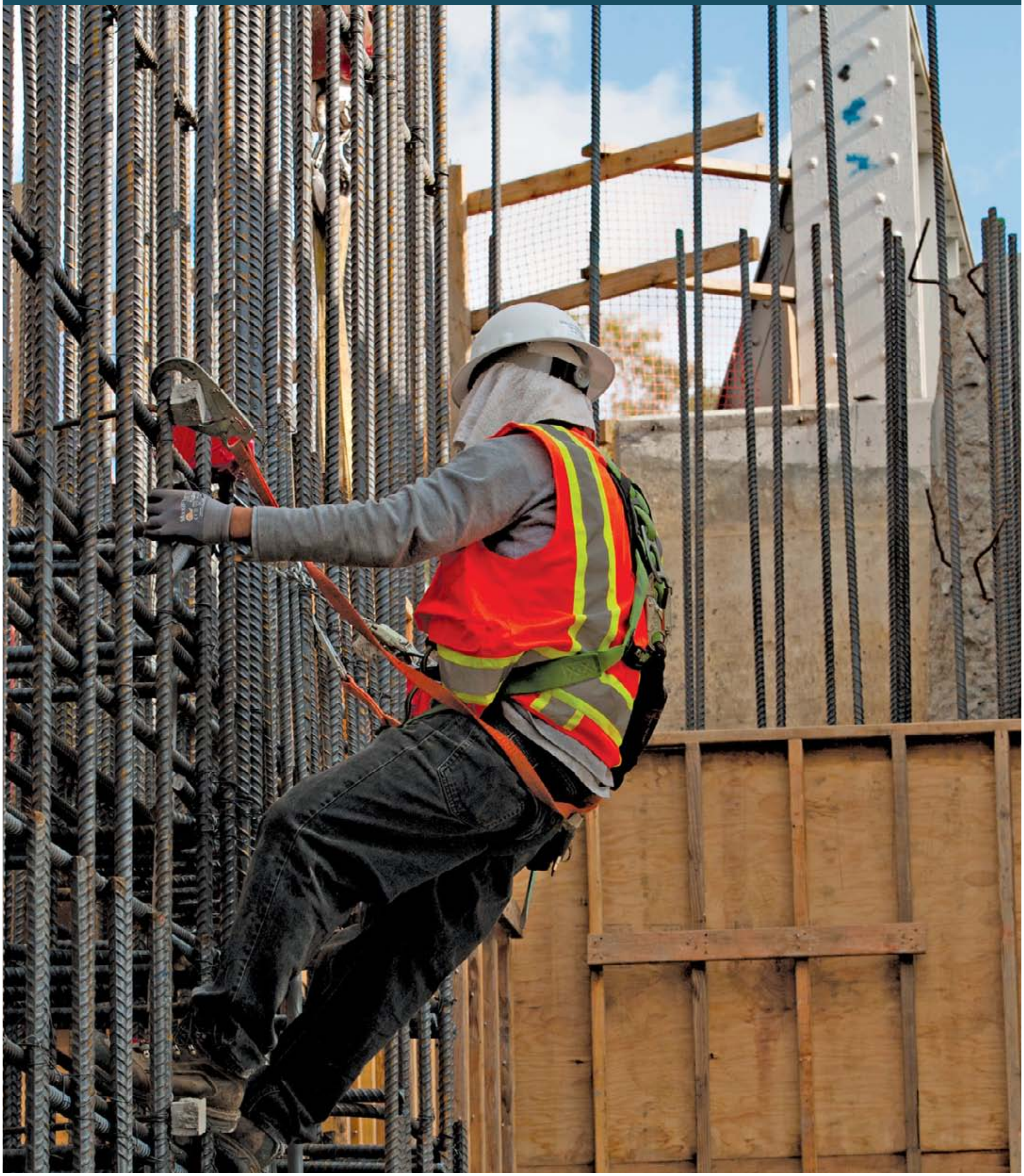
(3) U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income includes net earnings by place of residence; dividends, interest and rent; and personal current transfer receipts received by the residence of Los Angeles

(4) California Employment Development Labor Market Information Division, not seasonally adjusted.

(5) Updated based on 2014 publication (State Board of Equalization).

(6) Data not available, estimates only, based on % change from current fiscal year to prior fiscal year.

See accompanying independent auditor's report.



Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

(Numbers of employees expressed in thousands)

	2007 [2]		
MAJOR EMPLOYERS	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
County of Los Angeles	93,354	1	2.03%
Los Angeles Unified School District	80,802	2	1.76%
City of Los Angeles (including DWP) [4]	51,150	4	1.11%
University of California, Los Angeles	36,354	5	0.79%
Federal Government (Non-Defense Dept.) [4]	56,100	3	1.22%
Kaiser Permanente	27,635	7	0.60%
State of California (non-education)	32,300	6	0.70%
Northrop Grumman Corp.	21,000	8	0.46%
Target Corp.	12,066	9	0.26%
Providence Health & Services	7,058	10	0.15%
University of Southern California	-	-	-
Total	**417,819**		**9.08%**
Total Employment in LA County [3]	**4,602,700**		

Sources:
(1) Los Angeles Almanac research.

(2) Los Angeles Economic Development.

(3) California Employment Development Dept, Labor Market Information Division.

(4) Includes U.S. Postal Service.

Note:
Information for 2008, 2009, 2010, 2012, 2013, 2015, and 2016 are not available.

See accompanying independent auditor's report.

Table 12

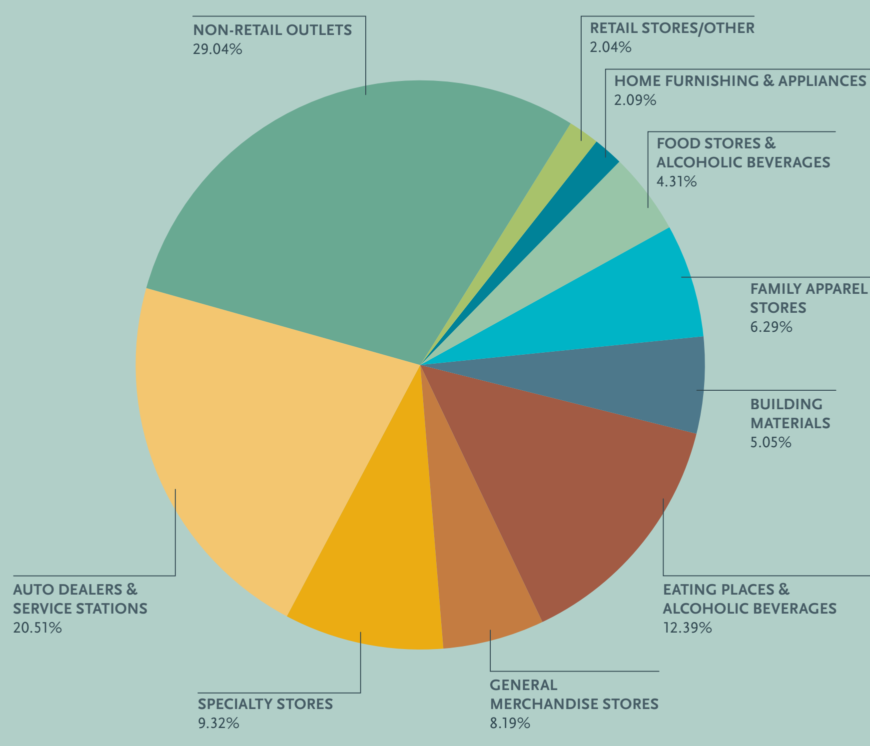
2011 [1]			2014 [1]		
NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
95,700	1	2.23%	96,500	1	2.10%
73,300	2	1.71%	59,600	2	1.30%
47,700	4	1.11%	46,900	3	1.02%
41,000	5	0.95%	44,000	4	0.96%
48,100	3	1.12%	43,400	5	0.95%
36,500	6	0.85%	36,000	6	0.78%
30,400	7	0.71%	29,200	7	0.64%
18,000	8	0.42%	17,000	8	0.37%
14,250	10	0.33%	15,000	9	0.33%
-	-	-	15,000	10	0.33%
16,600	9	0.39%	-	-	-
421,550		**9.82%**	**402,600**		**8.78%**
4,295,500			**4,589,800**		

Los Angeles County Taxable Transactions by Type of Business
Last Ten Fiscal Years

(Amounts expressed in millions)

	2007	2008	2009
Non-retail outlets	$ 36,316	$ 36,759	$ 34,301
Auto dealers and service stations	29,387	29,746	20,431
Specialty stores	14,703	14,882	12,896
General merchandise stores	13,825	13,994	10,059
Eating places and alcoholic beverages	14,473	14,650	13,877
Building materials	7,495	7,586	5,755
Family apparel stores	5,829	5,901	7,146
Food stores and alcoholic beverages	4,912	4,972	5,411
Home furnishings and appliances	4,287	4,339	2,058
Retail stores – other	1,184	1,198	811
Total	**$ 132,411**	**$ 134,027**	**$ 112,745**

FY16 TAXABLE TRANSACTIONS BY BUSINESS TYPE
(Amounts expressed in millions)



Source: California State Board of Equalization

(1) Updates to reflect actual data.

(2) Data not available, estimates only based on 2014 Quarter 2 data.

(3) Data not available, estimates only based on % change from current fiscal year to prior fiscal year.

See accompanying independent auditor's report.

Table 13

	2010	2011	2012	2013	2014 (1)	2015 (2)	2016 (3)
	$ 34,767	$ 37,189	$ 39,977	$ 37,633	$ 35,289	$ 45,957	$ 48,826
	22,298	26,081	28,517	28,578	28,639	32,652	35,740
	13,125	13,543	13,987	13,374	12,761	15,056	14,991
	10,369	10,866	11,158	10,463	9,768	10,505	9,548
	14,291	15,287	16,512	16,735	16,958	21,003	23,260
	6,130	6,307	6,511	6,072	5,633	7,960	9,088
	7,608	8,357	9,167	8,942	8,717	10,604	10,648
	5,405	5,591	5,825	5,769	5,713	6,936	7,662
	2,158	2,322	2,442	2,388	2,334	2,779	2,823
	791	897	1,200	1,594	1,988	2,520	2,925
	$ 116,942	**$ 126,440**	**$ 135,296**	**$ 131,548**	**$ 127,800**	**$ 155,972**	**$ 165,511**

Business-type Activities — Transit Operations — Operating Indicators by Mode
Last Ten Fiscal Years

(Amounts expressed in thousands except Buses, Rail Cars, and Passenger Stations)

	2007	2008	2009	2010	2011	2012
PASSENGER FARES:						
Heavy Rail	$ 23,739	$ 31,843	$ 29,402	$ 34,983	$ 34,789	$ 33,665
Light Rail	20,752	29,690	28,682	30,725	36,627	37,778
Bus (1)	248,877	275,428	275,906	250,719	274,557	272,571
OPERATING EXPENSES:						
(excluding depreciation)						
Heavy Rail	$ 87,368	$ 95,930	$ 88,793	$ 90,320	$ 97,631	$ 105,620
Light Rail	144,466	153,267	150,108	167,915	174,704	201,416
Bus (1)	892,512	919,541	939,248	945,990	956,784	924,512
PASSENGER MILES TRAVELED:						
Heavy Rail	194,032	217,965	227,657	231,936	226,974	231,684
Light Rail	291,158	306,848	327,341	333,334	337,518	366,233
Bus (1)	1,497,245	1,462,317	1,517,647	1,486,802	1,492,820	1,519,263
VEHICLE/PASSENGER CAR REVENUE MILES:						
Heavy Rail	5,986	6,003	6,078	5,885	5,908	6,156
Light Rail	8,688	8,812	9,051	9,646	10,155	11,153
Bus (1)	84,700	90,282	88,535	87,128	81,489	76,390
VEHICLE/PASSENGER CAR REVENUE HOURS:						
Heavy Rail	263	265	269	257	259	269
Light Rail	370	376	385	429	458	519
Bus (1)	7,620	7,600	7,514	7,432	7,084	6,804
BUSES/RAIL CARS:						
Heavy Rail	104	104	104	104	104	104
Light Rail	121	121	145	158	167	169
Bus (1)	2,733	2,738	2,460	2,727	2,405	2,429
PASSENGER STATIONS:						
Heavy Rail	16	16	16	16	16	16
Light Rail	49	49	49	53	53	66

Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

(2) Increase due to opening of a new segment.

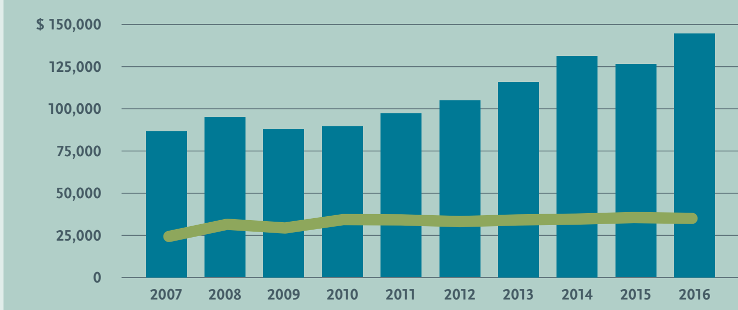
See accompanying independent auditor's report.

Table 14

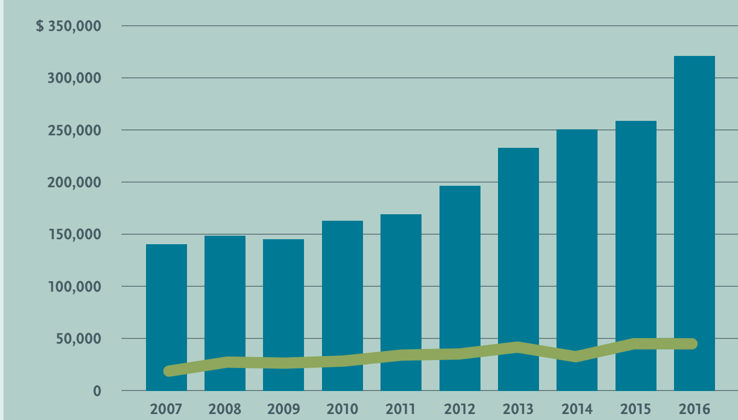
2013	2014 [1]	2015 [2]	2016
$ 34,753	$ 35,300	$ 36,338	$ 35,789
44,565	44,412	47,902	47,807
260,692	259,887	267,408	256,667
$ 117,006	$ 132,142	$ 127,153	$ 145,450
234,856	257,979	265,702	328,351
956,306	980,176	994,171	1,087,236
237,760	254,440	236,023	224,277
408,032	412,776	386,901	427,260
1,496,480	1,494,524	1,444,741	1,337,680
6,865	7,067	6,977	6,884
13,239	13,863	13,702	13,746
75,465	75,664	75,207	76,159
302	320	319	316
654	685	680	663
6,810	6,946	6,972	7,067
104	104	104	104
171	171	171	196 [2]
2,453	2,420	2,457	2,438
16	16	16	16
66	66	66	79 [2]

PASSENGER FARES AND OPERATING EXPENSES BY MODE
(Amounts expressed in thousands)

HEAVY RAIL



LIGHT RAIL



BUS

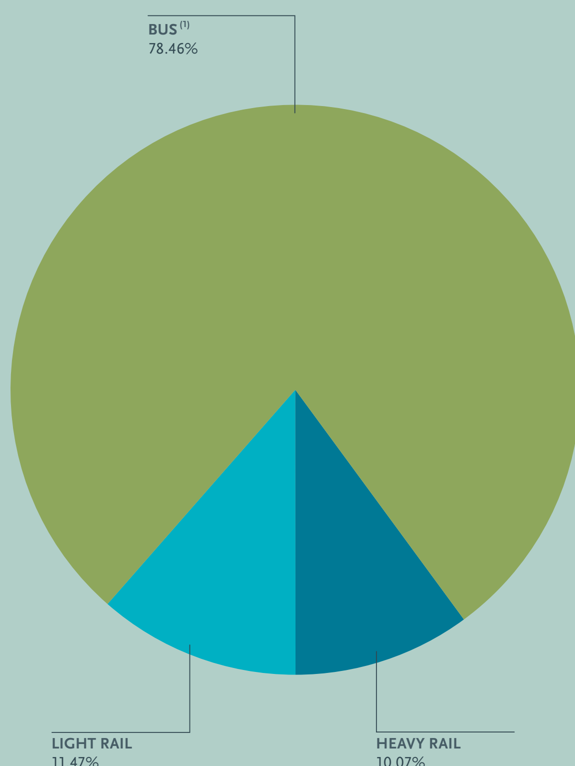
Business-type Activities — Transit Operations — Passenger Boardings by Mode
Last Ten Fiscal Years

(Boardings expressed in thousands)

Table 15

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS [1]	TOTAL
2007	40,883	41,345	413,645	495,873
2008	43,585	43,123	387,520	474,228
2009	46,891	46,028	386,029	478,948
2010	47,906	46,409	365,975	460,290
2011	46,454	49,252	357,301	453,007
2012	47,736	53,781	360,003	461,520
2013	49,516	63,652	359,504	472,672
2014	50,365	63,705	345,055	459,125
2015	47,721	62,775	342,980	437,476
2016	46,003	62,085	320,870	428,958

PASSENGER BOARDINGS
LAST TEN FISCAL YEARS



Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Operating Expenses by Function (Bus and Rail)
Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 16

FISCAL YEAR	OPERATIONS	VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	GENERAL ADMINISTRATION	DEPRECIATION	TOTAL
2007	$ 605,438	$ 231,722	$ 84,609	$ 203,371	$ 405,731	$ 1,530,871
2008	653,224	237,643	90,562	187,308	410,476	1,579,213
2009	654,760	248,215	91,010	184,164	455,575	1,633,724
2010	694,967	259,109	90,749	173,831	432,856	1,651,512
2011	674,215	259,813	95,630	210,793	512,776	1,753,227
2012	680,907	276,187	109,919	178,797	436,820	1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979
2014	671,358	283,275	116,877	281,226	438,235	1,790,971
2015	732,694	291,972	114,359	265,746	490,590	1,895,361
2016	823,371	320,422	99,126	332,746	482,908	2,058,573

Source: National Transit Database Report.

See accompanying independent auditor's report.

Full-Time Equivalent Employees by Function
Last Ten Fiscal Years
(Not in thousands)

Table 17

FUNCTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Metro Operations	7,701	7,789	7,834	7,678	7,324	7,344	7,477	7,571	7,585	7,859
Countywide Planning & Development	104	116	119	124	84	103	98	101	156	161
Construction Project Management	86	86	93	118	128	171	157	180	193	205
Communications	214	216	221	228	210	196	199	194	271	278
Support Services	750	755	792	831	713	722	757	765	612	690
Chief Executive Office	67	75	73	179	175	209	285	314	428	482
Board of Directors	45	45	45	43	37	38	38	37	36	39
Total	**8,967**	**9,082**	**9,177**	**9,201**	**8,671**	**8,783**	**9,011**	**9,162**	**9,281**	**9,714**

Source: Adopted Budget.

See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Revenues and Operating Assistance
Comparison to Transit Industry Trend — Percent to Total
Last Ten Fiscal Years

Table 18

	OPERATIONS			OPERATING ASSISTANCE				
FISCAL YEAR	PASSENGER FARES	OTHER	SUBTOTAL	FEDERAL	STATE	LOCAL	SUBTOTAL	TOTAL
Transportation Industry (1)								
2007	31%	7%	38%	7%	24%	31%	62%	100%
2008	31%	7%	38%	6%	26%	30%	62%	100%
2009	32%	6%	38%	8%	25%	29%	62%	100%
2010	32%	6%	38%	9%	25%	28%	62%	100%
2011	33%	5%	38%	10%	24%	28%	62%	100%
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA (2)								
2007	25%	3%	28%	16%	13%	43%	72%	100%
2008	28%	3%	31%	17%	6%	46%	69%	100%
2009	24%	3%	27%	15%	5%	53%	73%	100%
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%
2014	24%	4%	28%	16%	8%	49%	72%	100%
2015	23%	6%	29%	16%	6%	48%	71%	100%
2016	21%	7%	28%	12%	6%	54%	72%	100%

(1) APTA 2016 Public Transportation Fact Book.

(2) National Transit Database Report.

n/a Data not available

See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Operating Expenses by Function
Comparison to Transit Industry Trend — Percent to Total
Last Ten Fiscal Years

Table 19

FISCAL YEAR	VEHICLE OPERATIONS	VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	GENERAL ADMINISTRATION	PURCHASED TRANSPORTATION	TOTAL [1]
Transportation Industry [2]						
2007	46%	18%	9%	14%	13%	100%
2008	46%	17%	9%	14%	14%	100%
2009	46%	17%	9%	14%	14%	100%
2010	45%	17%	9%	15%	14%	100%
2011	46%	17%	9%	15%	13%	100%
2012	45%	17%	9%	15%	14%	100%
2013	44%	16%	10%	16%	14%	100%
2014	44%	16%	10%	16%	14%	100%
2015	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA [3]						
2007	53%	20%	7%	17%	3%	100%
2008	54%	20%	8%	15%	3%	100%
2009	53%	20%	8%	15%	4%	100%
2010	54%	21%	7%	14%	4%	100%
2011	52%	20%	8%	16%	4%	100%
2012	52%	22%	9%	13%	4%	100%
2013	49%	20%	8%	19%	4%	100%
2014	49%	21%	9%	18%	3%	100%
2015	50%	20%	8%	18%	4%	100%
2016	50%	20%	6%	20%	4%	100%

(1) Excludes depreciation.

(2) APTA 2013 Public Transportation Fact Book.

(3) National Transit Database Report.

n/a Data not available

See accompanying independent auditor's report.

Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.6000

metro.net

@metrolosangeles

losangelesmetro

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APPENDIX C
PROPOSITION A SPECIAL REVENUE FUND BALANCE SHEET, STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Table C-1
Proposition A Special Revenue Fund
Balance Sheet
(Amounts expressed in thousands)

	2012	2013	2014*	2015	2016	Unaudited 2017
Assets						
Cash and cash equivalents	$ 79,467	$ 8,654	$ 95,492	$ 77,626	$ 6,362	$ 13,658
Investments	83,829	87,685	159,912	135,162	9,889	21,855
Receivables:						
Interest	163	419	–	165	–	239
Intergovernmental	–	–	–	–	–	186
Sales taxes	60,221	68,128	134,958	139,057	139,506	143,257
Due from other funds	–	94,500	–	3,077	37656	–
Total Assets	$223,680	$259,386	$390,362	$355,087	$193,413	$179,195
Liabilities and Fund Balances						
Liabilities						
Accounts payable and accrued liabilities	$ 24,822	$ 30,325	$ 42,797	$ 43,053	$ 51,730	$ 42,449
Due to other funds	37,700	37,950	5,000	750	55,036	0
Total Liabilities	62,522	68,275	47,797	43,803	106,766	42,449
Fund Balances						
Restricted	161,158	191,111	342,565	311,284	86,647	136,746
Total Fund Balances	161,158	191,111	342,565	311,284	86,647	136,746
Total Liabilities and Fund Balances	$223,680	$259,386	$390,362	$355,087	$193,413	$179,195

* Audited amount includes $61.4 million of additional Proposition A sales tax revenue due to a one-time accounting accrual adjustment. Net Proposition A Sales Tax revenues and Pledged Revenues in Tables 4 and 6 herein are reported and calculated excluding the $61.4 million accounting accrual adjustment.

Source: Audited Financial Statements for fiscal years 2012-2016 and the Fourth Quarter Financial Report (Unaudited) for the Fourth Quarter Ended June 30, 2017.

TABLE C-2
Proposition A Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Amounts expressed in thousands)

	2012	2013	2014*	2015	2016	Unaudited 2017
Revenues						
Sales taxes	$648,692	$687,172	$778,504	$745,655	$763,636	$782,553
Investment income	843	1,270	871	820	1671	798
Net appreciation in fair value of investment	(82)	(1,046)	529	138	404	–
Net decline in fair value of investments	–	–	–	–	–	(80)
Other	–	–	–	–	–	–
Total Revenues	649,453	687,396	779,904	746,613	765,711	783,271
Expenditures						
Current:						
Transportation subsidies	259,569	275,057	300,674	286,600	317,241	304,256
Total Expenditures	259,569	275,057	300,674	286,600	317,241	304,256
Excess (deficiency) of revenues over (under) expenditures	389,884	412,339	479,230	460,013	448,470	479,015
Other Financing Sources (uses)						
Transfers in	28,794	32,224	–	5,000	451	7,017
Transfers out	(326,569)	(414,610)	(327,776)	(496,294)	(673,558)	(435,933)
Total other financing sources (uses)	(297,775)	(382,386)	(327,776)	(491,294)	(673,107)	(428,916)
Net change in fund balances	92,109	29,253	151,454	(31,281)	(224,637)	50,099
Fund balances – beginning of year	69,049	161,158	191,111	342,565	311,284	86,647
Fund balances – end of year	$161,158	$191,111	$342,565	$311,284	$86,647	$136,746

* Includes $61.4 million of additional Proposition A sales tax revenue due to a one-time accounting accrual adjustment, that was excluded from the calculation of net Proposition A Sales Tax revenues and Pledged Revenues shown in Tables 4 and 6 herein.

Source: Audited Financial Statements for fiscal years 2012-2016 and the Fourth Quarter Financial Report (Unaudited) for the Fourth Quarter Ended June 30, 2017.

APPENDIX D

LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The Proposition A Sales Tax derives from a retail transaction and use tax applicable to all taxable sales throughout Los Angeles County. As such, sales tax revenues reflect a number of economic factors that influence taxable transactions, including population, employment and income. Some of those factors are described below.

The economic and demographic information provided below has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of Los Angeles County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

Los Angeles County

As of January 1, 2017, the County had an estimated population of over 10 million. Los Angeles County is the largest County in the country by population, and includes over a quarter of the State of California's population. The County covers 4,084 square miles, and includes 88 incorporated cities as well as unincorporated communities with over one million residents.

Population

The table below summarizes the populations of the County and State of California (the "State"), estimated as of January 1 of each year. The population estimates for 2010 and later incorporate 2010 Census counts as the benchmark.

Table D-1
COUNTY AND STATE POPULATION STATISTICS

	County of Los Angeles	Annual Growth Rate[1]	State of California	Annual Growth Rate[1]
2000	9,519,330	–	33,873,086	–
2005	9,816,153	0.61%	35,869,173	1.15%
2010	9,818,605	0.01	37,253,956	0.74
2011	9,874,887	0.57	37,536,835	0.76
2012	9,956,722	0.83	37,881,357	0.92
2013	10,021,318	0.65	38,238,492	0.94
2014	10,089,847	0.68	38,572,211	0.87
2015	10,150,617	0.60	38,915,880	0.89
2016	10,182,961	0.32	39,189,035	0.70
2017	10,241,278	0.57	39,523,613	0.85

[1] For five-year time series, figures represent average annual growth rate for each of the five years.
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2017, with 2010 Census Benchmark. Sacramento, California, May 2017.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the County, based on the annual "benchmark," an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records.

The California Employment Development Department has reported preliminary unemployment figures for August 2017 of 5.4% statewide and 5.4% for Los Angeles County (not seasonally adjusted).

Table D-2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE[1]

	2012	2013	2014	2015	2016
Civilian Labor Force					
County of Los Angeles					
Employed	4,378,800	4,495,700	4,610,800	4,674,800	4,778,800
Unemployed	535,800	486,600	415,100	336,900	264,500
Total	4,914,600	4,982,300	5,025,900	5,011,700	5,043,300
Unemployment Rates					
County	10.9%	9.8%	8.3%	6.7%	5.2%
State	10.5	8.5	7.5	6.2	5.4
United States	8.1	7.4	6.2	5.3	4.9

[1] March 2016 Benchmark report; not seasonally adjusted.
Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S. Items may not add to totals due to rounding.

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The table below summarizes the California Employment Development Department's estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table D-3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE[1]

	County		State of California	
	2016	% of Total	2016	% of Total
Total Farm	5,300	0.1%	426,700	2.5%
Mining and Logging	3,600	0.1	24,500	0.1
Construction	133,100	3.0	774,100	4.6
Manufacturing	360,400	8.2	1,305,600	7.7
Trade, Transportation and Utilities	829,900	18.9	2,990,200	17.7
Information	230,900	5.3	523,100	3.1
Financial Activities	219,800	5.0	822,900	4.9
Professional and Business Services	605,200	13.8	2,530,800	15.0
Educational and Health Services	767,400	17.5	2,537,400	15.0
Leisure and Hospitality	510,500	11.6	1,897,300	11.2
Other Services	153,400	3.5	556,900	3.3
Government	576,300	13.1	2,514,600	14.9
Total[2]	4,395,700	100.0%	16,904,100	100.0%

[1] The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.
[2] Total may not equal sum of parts due to independent rounding.
Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table D-2.
Source: California Employment Development Department, Labor Market Information Division. Based on March 2016 Benchmark report.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of "net earnings," rental income, dividend income, interest income, and transfer receipts. "Net earnings" is defined as wages and salaries, supplements to wages and salaries, and proprietors' income, less contributions for government social insurance, before deduction of personal income and other taxes.

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The following table sets forth the estimate of personal income for the County, State and United States from 2012 to 2016.

Table D-4
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	Personal Income[1] (thousands of dollars)	Per Capita Personal Income[1] (dollars)
2012		
County[2]	$ 486,733,508	$48,818
State[3]	1,838,567,162	48,369
United States[3]	13,904,485,000	44,282
2013		
County[2]	$ 483,578,594	$48,140
State[3]	1,861,956,514	48,570
United States[3]	14,068,960,000	44,493
2014		
County[2]	$ 512,846,779	$50,730
State[3]	1,977,923,740	51,134
United States[3]	14,801,624,000	46,464
2015		
County[2]	$ 544,324,900	$53,521
State[3]	2,103,669,473	53,949
United States[3]	15,463,981,000	48,190
2016		
County	N/A	N/A
State[3]	2,197,492,012	55,987
United States[3]	16,017,781,445	49,571

[1] Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population.

[2] Last updated: November 17, 2016—new estimates for 2015; revised estimates for 2012-2014 for the County. Estimates for 2012-2015 reflect county population estimates available as of March 2016. Source: U.S. Bureau of Economic Analysis, "Table CA1 - Personal Income Summary," (accessed September 11, 2017).

[3] Last updated: March 28, 2017—new estimates for 2016; revised estimates for 2012-2015 for the State and United States. Estimates for 2012-2016 reflect Census Bureau midyear state population estimates available as of December 2016. Source: U.S. Bureau of Economic Analysis, "Table SA1 - Personal Income Summary," (accessed September 11, 2017).

Retail Sales

The following tables set forth taxable sales for the County for calendar years 2011 through 2015, with 2015 being the last full year for which data are currently available.

Table D-5
COUNTY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	2011	2012	2013	2014
Motor Vehicle and Parts Dealers	$ 12,686,384	$ 14,479,392	$ 15,543,657	$ 16,564,553
Furniture and Home Furnishings Stores	2,321,830	2,441,922	2,568,630	2,734,737
Electronics and Appliance Stores	3,416,744	3,570,668	3,576,308	4,040,534
Building Materials & Garden Equipment & Supplies	6,306,814	6,510,966	6,558,312	6,971,149
Food and Beverage Stores	5,591,250	5,824,815	6,051,754	6,279,795
Health and Personal Care Stores	2,998,946	3,163,312	3,306,274	3,414,941
Gasoline Stations	13,394,467	14,037,507	13,817,056	13,265,979
Clothing and Clothing Accessories Stores	8,356,612	9,166,549	9,926,558	10,560,952
Sporting Goods, Hobby, Book, and Music Stores	2,478,020	2,454,806	2,487,061	2,460,392
General Merchandise Stores	10,866,531	11,157,997	11,463,750	11,557,051
Miscellaneous Store Retailers	4,649,598	4,798,211	4,953,245	5,204,656
Nonstore Retailers	897,596	1,200,322	1,906,573	2,170,084
Food Services and Drinking Places	15,286,655	16,512,136	17,481,996	18,964,996
Total Retail and Food Services	89,251,447	95,318,603	99,641,174	104,189,819
All other outlets[1]	37,189,291	39,976,979	40,438,534	43,257,109
TOTAL ALL OUTLETS[2]	$126,440,737	$135,295,582	$140,079,708	$147,446,927

[1] Primarily manufacturing and wholesale businesses.
[2] Items may not add to totals due to rounding.
Source: Department of Tax and Fee Administration

Table D-6
COUNTY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	2015
Motor Vehicle and Parts Dealers	$ 18,058,173
Home Furnishings and Appliance Stores	7,832,717
Building Materials & Garden Equipment & Supplies Dealers	7,402,869
Food and Beverage Stores	6,689,582
Gasoline Stations	11,468,929
Clothing and Clothing Accessories Stores	10,974,322
General Merchandise Stores	10,912,560
Food Services and Drinking Places	20,605,855
Other Retail Group	14,202,014
Total Retail and Food Services	108,147,021
All other outlets[1]	42,886,760
TOTAL ALL OUTLETS[2]	$151,033,781

[1] Primarily manufacturing and wholesale businesses.
[2] Items may not add to totals due to rounding.
Source: Department of Tax and Fee Administration.

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APPENDIX E
SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the Trust Agreement and the Thirty-Eighth Supplemental Agreement and is supplemental to the summary of other provisions of such documents elsewhere in this Supplemental Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the full text of the Trust Agreement and the Thirty-Eighth Supplemental Agreement. Copies of said documents are available from the LACMTA.

DEFINITIONS

The following terms, as used in the Trust Agreement and the Thirty-Eighth Supplemental Agreement and in this summary, have the meanings set forth below.

"*Accrued Interest*" means, for any calendar month, the amount of interest which has accrued or will accrue on a Series of First Tier Senior Lien Bonds during that month less any interest which accrues during such period, but for which a separate fund has been established and into which has been deposited moneys or Government Obligations which, with the earnings thereon, will be sufficient to pay such interest and which fund is irrevocably pledged to payment of such interest; with respect to First Tier Senior Lien Bonds the interest rate on which will or may fluctuate from the date of calculation to the end of such calendar month, interest after the calculation date, for purposes of calculating Accrued Interest for such month, will be assumed to accrue at a rate equal to 12% per annum.

"*Accrued Premium*" means, with respect to any First Tier Senior Lien Bonds which are to be redeemed or otherwise prepaid, the full amount of the premium or prepayment penalty imposed as a condition of such redemption or prepayment; the full amount of the premium or penalty will accrue in the calendar month in which notice of the redemption or prepayment is given by the LACMTA to the Trustee.

"*Accrued Principal*" means, with respect to any calendar month, the amount of principal which has accrued or will accrue on a Series of First Tier Senior Lien Bonds during that month less any principal which accrues during such period but for which a separate fund has been established and into which has been deposited moneys or Government Obligations which, with the earnings thereon, will be sufficient to pay such principal and which fund is irrevocably pledged to the payment of such principal; for purposes of this definition, it will be assumed that, for any principal payment, principal commences to accrue on the later of (a) the date of issue of the Series; or (b) one year prior to the payment date (unless principal is payable more frequently than annually, in which case, principal will, for the first payment, be assumed to accrue from the later of the date of issuance or one year prior to the first payment date and thereafter principal will accrue from the date of each principal payment) and principal will be assumed to accrue in equal monthly installments during each calendar month or portion of any calendar month occurring from the time of commencement of such accrual to the payment date. If First Tier Senior Lien Bonds have been declared to be due and payable as provided in the Agreement, then in each calendar month the entire unpaid principal of all First Tier Senior Lien Bonds which have been accelerated will be deemed to have accrued in that calendar month.

"*Act*" means the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code, as amended from time to time.

"*Additional First Tier Senior Lien Bonds*" means additional bonds and other obligations ranking on a parity with the First Tier Senior Lien Bonds that the LACMTA may issue or incur provided that the LACMTA complies with certain tests for additional obligations contained in the Agreement.

"*Aggregate Accrued Interest*" means, for any calendar month, the sum of the Accrued Interest for all Series of Outstanding First Tier Senior Lien Bonds.

"*Aggregate Accrued Principal*" means, for any calendar month, the sum of the Accrued Principal for all Series of Outstanding First Tier Senior Lien Bonds.

"*Agreement*" means the Trust Agreement, dated as of July 1, 1986, between the LACMTA and the Trustee, together with all amendments and supplements thereto, including the Thirty-Eighth Supplemental Agreement.

"*Authorized Authority Representative*" means the chairperson or treasurer of the LACMTA or such other officer or employee of the LACMTA or other person who has been designated an agent of the LACMTA by resolution of the LACMTA.

"*Authorized Denomination*" means, with respect to the Series 2017 Bonds, $5,000 and any integral multiple thereof.

"*Balloon Indebtedness*" means indebtedness 25% or more of the principal of which matures on the same date and such amount is not required by the documents governing such indebtedness to be amortized by payment or redemption prior to such date. If any indebtedness consists partially of Variable Rate Indebtedness and partially of indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate will be treated as separate issues for purposes of determining whether any such indebtedness constitutes Balloon Indebtedness. First Tier Senior Lien Bonds and Second Tier Obligations which are issued as commercial paper will be deemed to be both Balloon Indebtedness and Variable Rate Indebtedness.

"*Beneficial Owner*" means, whenever used with respect to a Series 2017 Bond, the person in whose name such Series 2017 Bond is recorded as the beneficial owner of such Series 2017 Bond by a Participant on the records of such Participant.

"*Bond Counsel*" means a firm of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated by the Agreement and which are acceptable to the LACMTA and the Trustee.

"*Bondholder*," "*holder*," "*owner*" or "*registered owner*" means the person in whose name any First Tier Senior Lien Bond or First Tier Senior Lien Bonds are registered on the books maintained by the Registrar.

"*Bond Interest Account*" means the trust account by that name established with the Debt Service Fund pursuant to the Agreement.

"*Bond Principal Account*" means the trust account by that name established with the Debt Service Fund pursuant to the Agreement.

"*Book-Entry Bonds*" means, the Series 2017 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Thirty-Eighth Supplemental Agreement.

"*Business Day*" means any day other than (a) a Saturday or Sunday; or (b) a day on which commercial banks in New York, New York or Los Angeles, California are authorized or required by law to close.

"*Cede & Co.*" means Cede & Co., the nominee of DTC and any successor nominee of DTC with respect to the Series 2017 Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto, or with respect to provisions applicable to the First Tier Senior Lien Bonds, including the Series 2017 Bonds, the Internal Revenue Code of 1954, as amended and the United States Treasury Regulations proposed or in effect with respect thereto.

"*Construction Fund*" means the fund or funds by the name authorized to be created by the Agreement.

"*Consultant*" means the consultant, consulting firm, accountant or accounting firm retained by the LACMTA to perform acts and carry out the duties provided for such Consultant in the Agreement or any Supplemental Agreement. Such consultant, consulting firm, accountant or accounting firm will be nationally recognized within its profession for work of the character required and will be acceptable to the Trustee and the LACMTA.

"*Costs of Issuance*" means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2017 Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2017 Bonds and the fees, costs and expenses of rating agencies, the Trustee, bond counsel, disclosure counsel, verification agents, the dealer-manager, the information agent, the tender agent, accountants, financial advisors and other consultants and the premium for the reserve fund surety bond insurance, if any.

"*Debt Service Fund*" means the fund by that name created by the Agreement and containing the "Bond Interest Account" and "Bond Principal Account."

"*Default*" or "*Event of Default*" means any occurrence or event described in this Appendix D under the caption "Events of Default and Remedies."

"*Deficiency*" means, at any time, the difference between the amount on deposit in the Bond Interest Account or the Bond Principal Account, as the case may be, and the Aggregate Accrued Interest or Aggregate Accrued Principal, respectively, for all prior calendar months which is unpaid on such day.

"*Department of Tax and Fee Administration*" means the California Department of Tax and Fee Administration, formerly known as the California State Board of Equalization, which collects the Proposition A Sales Tax.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*Excess Deposit*" means, with respect to a previous calendar month, the amount of Pledged Revenues deposited into the Bond Interest Fund in excess of the amount of interest which actually accrued on the Outstanding First Tier Senior Lien Bonds during such previous calendar month.

"*Financial Guaranty*" means Financial Guaranty Insurance Company, a New York stock insurance company, and any successor thereto as provider of the FGIC Reserve Policy. Financial Guaranty is a Reserve Insurer.

"*First Supplemental Agreement*" means the First Supplemental Trust Agreement, dated as of July 1, 1986 between the LACMTA and the Trustee.

"*First Supplemental Subordinate Agreement*" means the First Supplemental Subordinate Trust Agreement dated as of January 1, 1991 between the LACMTA and the Subordinate Trustee, pursuant to which the Proposition A Commercial Paper Notes are issued from time to time.

"*First Tier Senior Lien Bond*" or "*First Tier Senior Lien Bonds*" means indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued under the provisions of the Agreement. "First Tier Senior Lien Bond" or "First Tier Senior Lien Bonds" will not include any subordinated obligations incurred by the LACMTA as permitted by the Agreement.

"*Fiscal Year*" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the LACMTA designates as its fiscal year.

"*Fitch*" means Fitch Ratings, its successors and assigns, and if Fitch Ratings for any reason no longer performs the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the LACMTA.

"*Government Obligations*" means (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; (b) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (a) above; and (c) direct obligations of agencies of the United States of America which obligations are rated "Aaa" by Moody's or "AAA" by S&P and the guaranteed investment agreements of such agencies.

"*Initial Bonds*" means the First Tier Senior Lien Bonds issued under the Agreement and the First Supplemental Agreement and designated as Los Angeles County Transportation Commission Sales Tax Revenue Bonds, Series 1986-A, Series 1986-B, Series 1986-C, Series 1986-D and Series 1986-E.

"*Initial Bonds Reserve Requirement*" $61,097,689 or such lesser amount as will be equal to Maximum Annual Debt Service on the Initial Bonds. The Initial Bonds Reserve Requirement may, if the LACMTA deems it appropriate or necessary to meet the expectations or needs of Bondholders, be increased above the amount determined under the foregoing provisions of this definition if, prior to such increase, there is delivered to the Trustee a written opinion of Bond Counsel to the effect that such increase will not adversely affect the exemption of interest on the First Tier Senior Lien Bonds from federal income taxation.

"*Interest Payment Date*" means each July 1 and January 1, commencing July 1, 2018, the dates upon which interest on the Series 2017 Bonds is due and payable.

"*LACMTA*" means the Los Angeles County Metropolitan Transportation Authority created under the provisions of the LACMTA Act, and any successor to its function.

"*LACMTA Act*" means Chapter 2, Division 12 of the California Public Utilities Code (commencing with Section 130050.2).

"*Local Allocation*" means 25% of the Proposition A Sales Tax, calculated on an annual basis, which 25% is, under Ordinance No. 16, allocated to local jurisdictions for local transit.

"*Maximum Annual Debt Service*" means, at any point in time, with respect to First Tier Senior Lien Bonds then Outstanding, the maximum amount of principal and interest becoming due in the then current or any future Fiscal Year, calculated by the LACMTA or by a Consultant as provided in this definition. For purposes of calculating Maximum Annual Debt Service, as used in determining the Reserve Fund Requirement for the First Tier Senior Lien Bonds and as used in the Agreement, the following assumptions will be used to calculate the principal and interest becoming due in any Fiscal Year:

(a) in determining the principal amount due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any scheduled redemption of First Tier Senior Lien Bonds on the basis of accreted value, and for such purpose, the redemption payment will be deemed a principal payment;

(b) if any of the Outstanding Series of First Tier Senior Lien Bonds constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness or if First Tier Senior Lien Bonds then proposed to be issued would constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, then, for purposes of determining Maximum Annual Debt Service, such amounts as constitute Balloon Indebtedness will be treated as if the principal amount of such First Tier Senior Lien Bonds were to be amortized in substantially equal annual installments of principal and interest over a term of 25 years; the interest rate used for such computation will be 12% per annum;

(c) if any Outstanding First Tier Senior Lien Bonds constitute Tender Indebtedness or if First Tier Senior Lien Bonds then proposed to be issued would constitute Tender Indebtedness, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such First Tier Senior Lien Bonds, the options or obligations of the owners of such First Tier Senior Lien Bonds to tender the same for purchase or payment prior to their stated maturity or maturities will be treated as a principal maturity (but any such amount treated as a maturity will not be eligible for treatment as Balloon Indebtedness) occurring on the first date on which owners of such First Tier Senior Lien Bonds may or are required to tender such First Tier Senior Lien Bonds, except that any such option or obligation to tender First Tier Senior Lien Bonds will be ignored and not treated as a principal maturity if (i) such First Tier Senior Lien Bonds are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by Moody's, if Moody's is then maintaining a rating on First Tier Senior Lien Bonds Outstanding under the Agreement, and by S&P, if S&P is then maintaining a rating on First Tier Senior Lien Bonds Outstanding under the Agreement, or such First Tier Senior Lien Bonds are rated in the highest short-term, note or commercial paper rating categories by Moody's, if Moody's is then maintaining a rating on First Tier Senior Lien Bonds Outstanding under the Agreement, and by S&P, if S&P is then maintaining a rating on First Tier Senior Lien Bonds Outstanding under the Agreement; and (ii) any obligation, if any, the LACMTA may have, other than its obligations on such First Tier Senior Lien Bonds, to reimburse any person for having extended a credit or liquidity facility or a bond insurance policy, or similar arrangement, will either be subordinated to the obligation of the LACMTA on the First Tier Senior Lien Bonds or be an obligation incurred under and meeting the tests and conditions set forth in Article II of the Agreement;

(d) (i) if any Outstanding First Tier Senior Lien Bonds issued prior to May 4, 1993 constitute Variable Rate Indebtedness, the interest rate on such First Tier Senior Lien Bonds will be assumed to be 110% of the greater of (A) the daily average interest rate on such First Tier Senior Lien Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such First Tier Senior Lien Bonds will have been Outstanding; or

(B) the rate of interest on such First Tier Senior Lien Bonds on the date of calculation; or (ii) if any First Tier Senior Lien Bonds issued, or proposed to be issued, on or after May 4, 1993 constitute Valuable Rate Indebtedness, the interest rate on such First Tier Senior Lien Bonds will be assumed to be the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such First Tier Senior Lien Bonds, or if no such facility or arrangement exists, the maximum stated interest rate which may be borne by such First Tier Senior Lien Bonds; provided that in the event that such Variable Rate Indebtedness is issued in connection with an interest rate swap agreement in which the LACMTA has agreed to pay a fixed interest rate and such interest rate swap agreement has been reviewed and approved by S&P, and to the extent Financial Guaranty or MBIA are then insuring any First Tier Senior Lien Bonds and are not in default under the related insurance policy, Financial Guaranty and/or MBIA, as applicable, for purposes of this definition, then the interest rate for purposes of computing Maximum Annual Debt Service will be such fixed interest rate for the period that such interest rate swap agreement is contracted to remain in full force and effect and thereafter will be assumed to be such maximum interest rate described above;

(e) if any interest rate swap agreement or similar agreement or arrangement, entered into, or proposed to be entered into, on or after May 4, 1993, in which the LACMTA has agreed to pay the floating amount thereunder is in effect with respect to the First Tier Senior Lien Bonds to which it relates, no fixed amounts payable under such interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service, and the interest rate with respect to such First Tier Senior Lien Bonds will be assumed to be 12% per annum, unless the interest rate swap agreement has been reviewed and approved by S&P, and to the extent Financial Guaranty and MBIA are then insuring any First Tier Senior Lien Bonds and are not in default under the related insurance policy, Financial Guaranty and/or MBIA, as applicable, for purposes of this definition, in which event only the amount of such floating payments to be made by the LACMTA (at an assumed interest rate of 12% per annum) that exceed the fixed amounts to be paid under the interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service;

(f) if moneys or Government Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on specified First Tier Senior Lien Bonds, then the principal and/or interest to be paid from such moneys, Government Obligations or from the earnings thereon will be disregarded and not included in calculating Maximum Annual Debt Service; and

(g) if the First Tier Senior Lien Bonds are Paired Obligations, the interest rate on such First Tier Senior Lien Bonds will be the resulting linked rate or effective fixed interest rate to be paid by the LACMTA with respect to such Paired Obligations.

"*MBIA*" means MBIA Insurance Corporation, a New York stock insurance company, or any successor thereto.

"*Moody's*" means Moody's Investors Service, its successors and assigns, and if Moody's Investors Service for any reason no longer performs the function of a securities rating agency. "Moody's" will be deemed to refer to any other nationally recognized rating agency designated by the LACMTA.

"*Ordinance No. 16*" means "An Ordinance Establishing a Retail Transactions and Use Tax In The County of Los Angeles For Public Transit Purposes" adopted by the LACMTA on August 20, 1980.

"*Outstanding*" means all First Tier Senior Lien Bonds which have been authenticated and delivered under the Agreement, except:

(a) First Tier Senior Lien Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) First Tier Senior Lien Bonds deemed to be paid in accordance with the Trust Agreement;

(c) First Tier Senior Lien Bonds in lieu of which other First Tier Senior Lien Bonds have been authenticated under the Agreement;

(d) First Tier Senior Lien Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) First Tier Senior Lien Bonds which, under the terms of the Supplemental Agreement pursuant to which they were issued, are deemed to be no longer Outstanding; and

(f) for purposes of any consent or other action to be taken by the holders of a specified percentage of First Tier Senior Lien Bonds under the Agreement, First Tier Senior Lien Bonds held by or for the account of the LACMTA or by any person controlling, controlled by or under common control with the LACMTA, unless such First Tier Senior Lien Bonds are pledged to secure a debt to an unrelated party, in which case such First Tier Senior Lien Bonds shall, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such First Tier Senior Lien Bonds are pledged.

"*Paired Obligations*" means any indebtedness or portion of indebtedness designated as Paired Obligations in the Supplemental Agreement or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the LACMTA for the terms of such indebtedness.

"*Participants*" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"*Paying Agent*" or "*Paying Agents*" means, with respect to the First Tier Senior Lien Bonds or any Series of First Tier Senior Lien Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Agreement or a resolution of the LACMTA as the place where such First Tier Senior Lien Bonds are payable. The Paying Agent for the Series 2017 Bonds will be the Trustee.

"*Pledged Revenues*" means the Pledged Tax less the administrative fee deducted by the Department of Tax and Fee Administration. Pledged Revenues will also include such additional sources of revenue, if any, pledged to pay the First Tier Senior Lien Bonds as may be set forth in a Supplemental Agreement.

"*Pledged Tax*" means the Proposition A Sales Tax (a) less the Local Allocation; (b) plus such amounts, if any, of the Local Allocation as any city entitled to such amount has authorized to be pledged to secure the First Tier Senior Lien Bonds. The portion of the Local Allocation to be included as Pledged Tax under clause (b) will not be included until a certified copy of the city's ordinance, resolution or other official action authorizing the pledge and setting forth in terms of such pledge has been filed with the Trustee and certain legal opinions with respect thereto have also been filed with the Trustee.

"*Proposition A Commercial Paper Notes*" means the Los Angeles County Transportation Commission Second Subordinate Sales Tax Revenue Commercial Paper Notes, Series A, issued in accordance with the Subordinate Agreement and the First Supplemental Subordinate Agreement.

"*Proposition A Sales Tax*" means the 1/2 of 1% retail transactions and use tax reposed by Ordinance No. 16 and approved by the electors of the County at an election held November 4, 1980.

"*Rating Category*" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rebate Fund*" means the Series 2017 Rebate Fund established pursuant to the Thirty-Eighth Supplemental Agreement.

"*Rebate Requirement*" means the Rebate Requirement, as defined in the Tax Certificate.

"*Record Date*" means a Regular Record Date or a Special Record Date.

"*Registrar*" for the Series 2017 Bonds means the Trustee.

"*Regular Record Date*" means, with respect to the Series 2017 Bonds, for a July 1 payment, the immediately preceding June 15 and, for a January 1 payment, the immediately preceding December 15.

"*Reimbursement Agreement*" means any reimbursement agreement, credit agreement, line of credit agreement, standby bond purchase agreement or other agreement, by and between a Credit Provider or Liquidity Provider, as applicable, and the LACMTA.

"*Reserve Fund*" means the trust account of that name established pursuant to the Agreement.

"*Reserve Fund Insurance Policy*" or "*Reserve Policy*" means an insurance policy provided by a bond insurer or a letter of credit deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy will be rated, at the time such policy is delivered, in one of the two highest Rating Categories by both Moody's and S&P.

"*Reserve Fund Requirement*" means, for the First Tier Senior Lien Bonds, the sum of the Initial Bonds Reserve Requirement and Maximum Annual Debt Service on any Outstanding First Tier Senior Lien Bonds issued subsequently to the Initial Bonds; for purposes of the Reserve Fund Requirement. Maximum Annual Debt Service on Variable Rate Indebtedness will not, after the issuance of such Variable Rate Indebtedness, be required to be adjusted because of the fluctuations in the interest rate on such Variable Rate Indebtedness; the Reserve Fund Requirement is subject to the limitation that the Reserve Fund Requirement will never exceed an amount which would, in the opinion of Bond Counsel, be determined to be a reasonably required reserve fund within the meaning of the Code and the rulings issued by the United States Department of the Treasury. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement, any Reserve Fund Insurance Policy deposited with the Trustee will be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.

"*Reserve Insurer*" means the provider of a Reserve Fund Insurance Policy.

"*Revenue Fund*" means the fund by that name created by the Agreement.

"*Second Supplemental Agreement*" means the Second Supplemental Trust Agreement dated as of May 1, 1987 between the LACMTA and the Trustee.

"*Second Tier Obligations*" means obligations payable from Pledged Revenues on a subordinated basis to the Series 2017 Bonds, and meeting the conditions set forth in the Twelfth Supplemental Agreement.

"*Series*" means First Tier Senior Lien Bonds issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

"*Series 2017-A Bonds*" means the $471,395,000 original principal amount of First Tier Senior Lien Bonds issued under the Agreement and the Thirty-Eighth Supplemental Agreement and designated as "Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2017-A (Green Bonds)."

"*Series 2017-A Commercial Paper Notes Retirement Fund*" means the fund of that name established pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017-A Construction Account*" means the account of that name established pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017-B Bonds*" means the $85,455,000 original principal amount of First Tier Senior Lien Bonds issued under the Agreement and the Thirty-Eighth Supplemental Agreement and designated as "Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2017-B."

"*Series 2017 Bond Interest Subaccount*" means the subaccount of that name established within the Bond Interest Account of the Debt Service Fund pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017 Bond Principal Subaccount*" means the subaccount of that name established within the Bond Principal Account of the Debt Service Fund pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017 Bonds*" means, collectively, the Series 2017-A Bonds and the Series 2017-B Bonds.

"*Series 2017 Costs of Issuance Fund*" means the fund of that name established pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017 Rebate Fund*" means the fund of that name established pursuant to the Thirty-Eighth Supplemental Agreement.

"*Series 2017 Reserve Account*" means the account of that name established in the Reserve Fund pursuant to the Thirty-Eighth Supplemental Agreement.

"*Sixth Supplemental Agreement*" means the Sixth Supplemental Trust Agreement, dated as of January 1, 1991 between the LACMTA and the Trustee.

"*S&P*" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, its successors and assigns, and, if S&P Global Ratings for any reason no longer performs the function of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the LACMTA.

"*Special Record Date*" means the date and time established by the Trustee for determination of which Owner will be entitled to receive overdue interest on the Series 2017 Bonds pursuant to the Thirty-Eighth Supplemental Agreement.

"*State*" means the State of California.

"*Subordinate Agreement*" means the Subordinate Trust Agreement dated as of January 1, 1991 between the LACMTA and the Subordinate Trustee, as amended and supplemented from time to time.

"*Subordinate Lien Obligation Fund*" means the fund by that name created by the Agreement.

"*Subordinate Trustee*" means U.S. Bank, N.A., and any successor thereto as trustee under the Subordinate Agreement.

"*Supplemental Agreement*" means any supplemental trust agreement then in full force and effect which has been duly approved by resolution of the LACMTA and signed by the LACMTA and the Trustee and providing for the issuance of a Series or multiple Series of First Tier Senior Lien Bonds, amending and/or supplementing the Agreement or amending and/or supplementing another Supplemental Agreement.

"*Tax Certificate*" means the Tax Compliance Certificate as executed and delivered by the LACMTA in connection with the Series 2017 Bonds, as the same may be amended or supplemented in accordance with its terms

"*Tender Indebtedness*" means any indebtedness or portions of indebtedness a feature of which is an option, on the part of the holders of such indebtedness, or an obligation, under the terms of such indebtedness, to tender all or a portion of such indebtedness to the LACMTA, the Trustee, the Paying Agent or other fiduciary or agent for payment or purchase and requiring that such indebtedness or portions of indebtedness be purchased if properly presented.

"*Third Supplemental Agreement*" means the Third Supplemental Trust Agreement dated as of May 1, 1988 between the LACMTA and the Trustee.

"*Thirty-Eighth Supplemental Agreement*" means the Thirty-Eighth Supplemental Trust Agreement dated as of October 1, 2017, between the LACMTA and the Trustee.

"*Thirty-Seventh Supplemental Agreement*" means the Thirty-Seventh Supplemental Trust Agreement dated as of March 1, 2016, between the LACMTA and the Trustee.

"*Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor to BNY Western Trust Company, as successor in interest to Wells Fargo Bank, N.A., as successor by merger to First Interstate Bank of California, as trustee under the Agreement, and its successors.

"Twelfth Supplemental Agreement" means the Twelfth Supplemental Trust Agreement dated as of September 1, 1993, between the LACMTA and the Trustee

"*Variable Rate Indebtedness*" means any portion of indebtedness the interest rate on which is not established at the time of incurrence of such indebtedness and has not at some subsequent date been established at a single numerical rate for the entire term of the indebtedness. First Tier Senior Lien Bonds and Second Tier Obligations which are issued as commercial paper will be deemed to be both Balloon Indebtedness and Variable Rate Indebtedness.

TRUST AGREEMENT

The following is a summary of certain provisions of the Agreement. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Agreement.

Grant to Secure the First Tier Senior Lien Bonds; Pledge of Pledged Revenues

To secure the payment of the First Tier Senior Lien Bonds and the performance and observance by the LACMTA of all the covenants, agreements and conditions expressed or implied in the Agreement and in the First Tier Senior Lien Bonds, the LACMTA, pursuant to the Agreement, pledges and assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the LACMTA in and to (a) the Pledged Revenues, and (b) all moneys and securities held from time to time by the Trustee under the Agreement for the equal and proportionate benefit and security of all First Tier Senior Lien Bonds; except that such grant for the benefit and security of all First Tier Senior Lien Bonds does not extend to any funds held by the Trustee for the payment of specific First Tier Senior Lien Bonds which are deemed to have been paid or to any funds deposited with the Trustee specifically to be held in escrow or otherwise to provide additional security or an additional source of payment for specified First Tier Senior Lien Bonds or a specified Series of First Tier Senior Lien Bonds.

The Agreement states that the First Tier Senior Lien Bonds authorized and issued under the Agreement will be secured by a lien on and pledge of Pledged Revenues, and the LACMTA represents that it has not previously created any charge or lien on the Pledged Revenues and covenants that, until all the First Tier Senior Lien Bonds issued under the Agreement and the interest thereon have been paid or are deemed to have been paid, it will not grant any prior or, except as provided in the Agreement, any parity pledge of the Pledged Revenues or create or permit to be created any charge or lien on the Pledged Revenues ranking prior to the charge or lien of the First Tier Senior Lien Bonds (including First Tier Senior Lien Bonds issued after the Initial Bonds). The LACMTA is permitted to encumber the Pledged Revenues with a pledge ranking junior and subordinate to the charge or lien of the First Tier Senior Lien Bonds.

The LACMTA covenants that it will not take any action which will impair or adversely affect the Pledged Revenues or impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the holders of the First Tier Senior Lien Bonds. The LACMTA covenants that it will not issue any other obligations, except upon the condition and in the manner provided in the Agreement, payable from the Pledged Revenues on a parity with the First Tier Senior Lien Bonds, which term includes Additional First Tier Senior Lien Bonds and debt hereafter incurred under the Agreement, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien held by the holders of the First Tier Senior Lien Bonds, including any Additional First Tier Senior Lien Bonds issued hereafter, upon the Pledged Revenues or any part thereof. The LACMTA agrees that it will be unconditionally and irrevocably obligated, so long as any of the First Tier Senior Lien Bonds are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the LACMTA to receive the Pledged Revenues at the same rates as provided by law at the time of execution of the Agreement and to pay from the Pledged Revenues the principal of and interest on the First Tier Senior Lien Bonds and to make the other payments provided for in the Agreement.

Payment of Principal and Interest

The LACMTA covenants and agrees that it will duly and punctually pay or cause to be paid from and to the extent of the Pledged Revenues the principal of, premium, if any, and interest on every First Tier Senior Lien Bond at the place and on the dates specified and that it will faithfully do and perform all covenants and agreements contained in the Agreement and in the First Tier Senior Lien Bonds. The LACMTA may, in its discretion, provide funds other than Pledged Revenues to the Trustee to be used to pay principal of, premium, if any, and interest on the First Tier Senior Lien Bonds, but is under no obligation to do so.

Subordinated Obligations

The LACMTA may incur obligations on a subordinated basis and such obligations may be secured by and payable from the Pledged Revenues; provided that such other obligations contain an express statement that such obligations are junior and subordinate in all respects to the First Tier Senior Lien Bonds issued under the Agreement as to liens on and source and security for payment from the Pledged Revenues.

Funds and Accounts

The Agreement creates the Revenue Fund, the Debt Service Fund containing a Bond Interest Account and a Bond Principal Account, the Reserve Fund and the Subordinate Lien Obligation Fund. Provision is also made for a Construction Fund which is created and funded under the terms of the First Supplemental Agreement. The Second Supplemental Agreement amended the Agreement to provide subaccounts within the Bond Interest Account and the Bond Principal Account. Such subaccounts were created within each such account, one for the Initial Bonds and one for each subsequent Series of First Tier Senior Lien Bonds.

The Agreement provides that the moneys in each of such funds and accounts, with the exception of the Construction Fund which may be held in whole or part by the LACMTA, will be held by the Trustee in trust and applied as hereinafter provided with regard to each such fund and account and, pending such application, will be subject to a lien and charge in favor of the holders of the First Tier Senior Lien Bonds for the further security of such holders until paid out or transferred as provided in the Agreement.

Revenue Fund; Flow of Pledged Revenues. The Trustee is required under the Agreement, on each day that Pledged Revenues are deposited into the Revenue Fund, to withdraw from the Revenue Fund an amount sufficient, with any other funds, if any, provided to the Trustee and previously used in such month to make such deposits, to make the deposits described in clauses (a) to (d) below and deposit such sum so withdrawn to the credit of the following accounts:

(a) to the credit of the Bond Interest Account an amount equal to the Aggregate Accrued Interest for the current calendar month less any Excess Deposit made with respect to the last preceding calendar month plus any Deficiency existing on the first day of such calendar month plus any amount of interest which has become due and has not been paid and for which there are insufficient funds in the Bond Interest Account or another special account to be used to make such payment and the amounts so deposited will be credited to the subaccounts within the Bond Interest Account on the basis of the portion of such deposit for the Bond Interest Account attributable to the Series of First Tier Senior Lien Bonds for which such subaccount was credited;

(b) to the credit of the Bond Principal Account the Aggregate Accrued Principal for the current calendar month plus any Accrued Premium and any Deficiency existing on the first day of such calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Bond Principal Account or another special account to make such payment and the amounts so deposited will be credited to the subaccounts within the Bond Principal Account on the basis of the portion of such deposit for the Bond Principal Account attributable to the Series of First Tier Senior Lien Bonds for which such subaccount was credited;

(c) to the credit of the Reserve Fund such portion of the balance, if any, remaining after making the deposits described in clauses (a) and (b) above needed to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for the First Tier Senior Lien Bonds, or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund; provided, however, that so long as any Reserve Fund Insurance Policy will be in effect and the Reserve Insurer will not be in default of its obligations thereunder, the Trustee will withdraw from the Reserve Fund an amount sufficient to pay the Reserve Insurer the greater of (i) the minimum amount required to be paid in accordance with the provisions of such Reserve Fund Insurance Policy and any related agreements between the LACMTA and the Reserve Insurer, or (ii) the amount necessary to reinstate the amount available to be drawn under such Reserve Fund Insurance Policy in order to meet the Reserve Fund Requirement; and

(d) if the LACMTA has incurred debt on a subordinate basis, to the credit of the Subordinate Lien Obligation Fund in such amounts and at such times as will be needed to provide for payment of such obligations in accordance with the terms of a Supplemental Agreement or Supplemental Agreements relating to such subordinated debt.

Any Pledged Revenues remaining after making the deposits described in clauses (a) through (d), above will, pursuant to the Sixth Supplemental Agreement, immediately be transferred to the trustee for the Proposition A Commercial Paper Notes. Any amounts remaining after the payment of debt service on the Proposition A Commercial Paper Notes will be transferred to the LACMTA and will no longer be considered Pledged Revenues.

If, by the twenty-fifth day of any month, the Trustee has not received revenues from the Department of Tax and Fee Administration in amounts necessary to make the deposits required by clauses (a), (b) and (c) above, the Trustee will immediately notify the LACMTA.

If the Pledged Revenues are at any time insufficient to make the deposits required by the Agreement, or at any time, the LACMTA may, at its election, deposit with the Trustee funds from any available sources with the direction that such funds be deposited into the funds and accounts or specified funds and accounts held by the Trustee. If the Pledged Revenues and any other funds provided by the

LACMTA, are in any month insufficient to make the full deposits required by clause (a) or clause (b), the Trustee will credit the respective subaccount on a pro rata basis.

Debt Service Fund. In addition to the amounts deposited into the Bond Interest Account and Bond Principal Account, as described above, the Trustee may accept and deposit into the Debt Service Fund other amounts from the LACMTA or from other sources to be used for regularly scheduled principal and interest payments or for the redemption of First Tier Senior Lien Bonds. There will be withdrawn from the Bond Interest Account and the Bond Principal Account from time to time and set aside or deposited with the Paying Agent sufficient money for paying the interest on the First Tier Senior Lien Bonds and the principal of and premium on the First Tier Senior Lien Bonds as the same will fall due, or if such interest, principal or premium is paid by or through a form of credit enhancement provided for the First Tier Senior Lien Bonds, amounts in the Bond Interest Account and Bond Principal Account may, if so provided by a Supplemental Agreement, be used to reimburse such amounts to the party providing the credit support. Moneys in the subaccounts within the Bond Interest Account or the Bond Principal Account will, when withdrawn as provided above, be used to pay interest, principal or premium, as the case may be, on the Series of First Tier Senior Lien Bonds for which the subaccount was created.

Reserve Fund. Moneys held in the Reserve Fund will be used for the purpose of paying principal and interest on the First Tier Senior Lien Bonds if the amounts in the bond Interest Account or Bond Principal Account are insufficient for such payments. On or about July 1 of each year, the Trustee will value the Reserve Fund; provided that no valuation will be required in any year in which all investments in the Reserve Fund have an expected weighted average life of less than five years. At any time when the Trustee is required to value the Reserve Fund, all investments which have expected weighted average lives of less than 10 years will be valued at amortized cost and all other investments will be valued at the then current market value. If, on any valuation of the Reserve Fund, the value of the Reserve Fund will exceed the Reserve Fund Requirement for the First Tier Senior Lien Bonds, such excess will be withdrawn and transferred to the LACMTA to be used for any lawful purpose. In addition, at such time as any Series of First Tier Senior Lien Bonds will be paid in full or will be deemed to have been paid in full, the Trustee will value the Reserve Fund, and if the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement for the First Tier Senior Lien Bonds, such excess will be withdrawn and transferred to the LACMTA to be used for any lawful purpose. Except as otherwise provided in the following paragraph, if, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for the First Tier Senior Lien Bonds, the Trustee will make deposits into the Reserve Fund from and to the extent of Pledged Revenues as provided under the caption "—Funds and Accounts—Revenue Fund; Flow of Pledged Revenues" in clause (c) above until the Reserve Fund Requirement for the First Tier Senior Lien Bonds is restored.

Notwithstanding the last sentence of the immediately preceding paragraph, if a Reserve Fund Insurance Policy has been deposited to the Reserve Fund, the Authority agrees that, if, at the time of valuation of the Reserve Fund, the entity providing such Reserve Fund Insurance Policy is not rated in one of the three highest Rating Categories by Moody's and S&P, deposits will be made into the Reserve Fund from and to the extent of Pledged Revenues (after deposits to the Bond Interest Account and the Bond Principal Account have been made), at such times and in such amounts as directed by the Authority, until (but in no event later than thirty-six (36) months following such valuation date) the lesser of (i) an amount equal to the face value of such Reserve Fund Insurance Policy or (ii) the amount necessary for the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement has been deposited to the Reserve Fund.

See "INTRODUCTION—Proposed Amendments to Trust Agreement" in the front of this Official Statement and "APPENDIX I—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

Investments

Moneys held by the Trustee in the funds and accounts created under the Agreement are to be invested and reinvested as directed by the LACMTA, subject to the investment restrictions imposed upon the LACMTA by the laws of the State and provided that moneys in Debt Service Fund and the Reserve Fund will be invested solely in Government Obligations of the type described in provision (a) or (b) of the definition thereof, or in obligations, of any agency or instrumentality of the United States of America backed by the full faith and credit of the United States of America. The Agreement was amended by the Third Supplemental Agreement to recognize a provision added to the California Government Code which expands the permissible investments, for trustee-held funds. As a result, those funds which may be invested subject only to the investment restrictions imposed by the laws of the State may be invested in any investment which the LACMTA deems to be prudent.

Defeasance

First Tier Senior Lien Bonds or portions thereof which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Agreement except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all First Tier Senior Lien Bonds have been paid in full or are deemed to have been paid in full, and all other sums payable by the LACMTA under the Agreement, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Pledged Revenues will cease, and thereupon the Trustee will cancel, discharge and release the Agreement and will assign and deliver to the LACMTA any property and revenues at the time subject to the Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or a Paying Agent for the payment of the principal of, premium, if any, and interest on the First Tier Senior Lien Bonds.

A First Tier Senior Lien Bond will be deemed to be paid when (a) payment of the principal, interest and premium, if any, either (i) have been made or caused to be made in accordance with the terms of the First Tier Senior Lien Bonds and the Agreement, or (ii) have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment; moneys sufficient to make such payment and/or Government Obligations of the type described in provisions (a) or (b) of the definition thereof, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; (b) all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agents have been paid or provision made for the payment thereof; and (c) if the deposit is made under the provision described in (a)(ii), then certain opinions of counsel will have been delivered to the Trustee and proper notice of redemption of such First Tier Senior Lien Bonds will have been given or, in the event such First Tier Senior Lien Bonds are not to be redeemed within the next succeeding 60 days, the LACMTA will have given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the First Tier Senior Lien Bonds that the deposit has been made and that such First Tier Senior Lien Bonds are deemed to have been paid.

Events of Default and Remedies

Events of Default. Each of the following events is defined in the Agreement to constitute an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the First Tier Senior Lien Bonds when the same become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the First Tier Senior Lien Bonds when such interest becomes due and payable;

(c) a failure to pay the purchase price of any First Tier Senior Lien Bond when such purchase price is due and payable upon an optional or mandatory tender date as provided in the First Tier Senior Lien Bond;

(d) a failure by the LACMTA to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) above) contained in the First Tier Senior Lien Bonds or in the Agreement, which failure continues for a period of 60 days after written notice has been given to the LACMTA as provided in the Agreement, unless an extension of such period has been granted as provided in the Agreement; provided, however, that such an extension will be deemed to have been granted if corrective action is initiated by the LACMTA within such period and is being diligently pursued;

(e) any proceeding will be instituted by or with the consent of the LACMTA, for the purpose of effecting a composition between the LACMTA and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from Pledged Revenues;

(f) a default on the part of the LACMTA in payment of the principal of or interest on any obligation for the repayment of borrowed money and such default will continue for a period of 30 days or any default on the part of the LACMTA with respect to a debt obligation which results in an acceleration of the principal and accrued interest of such debt and, in either case, the principal amount of such debt will be at least equal to 3.5% of the Proposition A Sales Tax revenues for the most recent complete Fiscal Year; provided that a payment default as described in this clause (f) will not be an Event of Default if the LACMTA, in good faith, commences proceedings to contest the existence of such default or required payment and sufficient moneys are escrowed or a bond provided to secure for the full payment of the amount claimed to be owed;

(g) the use of amounts from the Reserve Fund to pay principal and/or interest on the First Tier Senior Lien Bonds and the failure to restore the amount on deposit in the Reserve Fund to the Reserve Fund Requirement for the First Tier Senior Lien Bonds within one year from the date of such withdrawal;

(h) there will be a failure on the part of the Department of Tax and Fee Administration (or any successor to the functions of the Department of Tax and Fee Administration) to collect the Proposition A Sales Tax or to pay the Pledged Tax to the Trustee or the LACMTA, or the LACMTA diverts or attempts to divert the Pledged Tax for any use prior to the deposit of the Pledged Tax into the funds and accounts held by the Trustee or there is created a lien on or a charge against the Pledged Revenues or the funds and accounts held by the Trustee under the Agreement for the benefit of all the First Tier Senior Lien Bonds which is prior to, or, except to the extent permitted by the Agreement, on a parity with that granted to secure the First Tier Senior Lien Bonds; or

(i) the occurrence of any other Event of Default as is provided in a Supplemental Agreement.

Acceleration; Other Remedies. Upon the occurrence and continuance of an Event of Default, the Trustee may, at any time, and the Trustee will, upon the written request of holders of 25% or more of the principal amount of First Tier Senior Lien Bonds then Outstanding and subject to acceleration, declare the First Tier Senior Lien Bonds which are subject to acceleration to be immediately due and payable. All First Tier Senior Lien Bonds Outstanding under the Agreement will be subject to acceleration unless, under the terms of the Supplemental Agreement providing for such issuance of such First Tier Senior Lien Bonds, a specific Series is, for a specified period, which may include the entire term of such Series, secured by a separate source and not subject to acceleration during such period. If, however, after the principal of the First Tier Senior Lien Bonds which are subject to acceleration will have been declared to be due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered, there is deposited with the Trustee a sum sufficient to pay all matured installments of interest and the principal of any and all First Tier Senior Lien Bonds which will have become due otherwise than by reason of such declaration and such amount as will be sufficient to compensate and reimburse the Trustee, and all Events of Default, other than nonpayment of the principal of First Tier Senior Lien Bonds which will have become due by such declaration, will have been remedied, then the Trustee may, and at the request of the holders of a majority in principal amount of First Tier Senior Lien Bonds outstanding will, waive the Event of Default and rescind or annul the acceleration and its consequences.

Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the principal amount of the First Tier Senior Lien Bonds then outstanding and receipt of indemnity to its satisfaction will:

(a) by mandamus, or other suit, action or proceeding at law or equity, enforce all rights of the First Tier Senior Lien Bondholders, and require the LACMTA to cancel out any agreements with or for the benefit of the First Tier Senior Lien Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Agreement; provided that any such remedy may be taken only to the extent under the applicable provisions of the Agreement;

(b) bring suit upon the First Tier Senior Lien Bonds;

(c) commence an action or suit in equity to require the LACMTA to account as if it were the trustee of an express trust for the First Tier Senior Lien Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the First Tier Senior Lien Bondholders.

First Tier Senior Lien Bondholders' Right To Direct Proceedings. The holders of a majority in principal amount of the First Tier Senior Lien Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement to be taken in connection with the enforcement of the terms of the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided that such direction will not be otherwise than in accordance with the provisions of law and the Agreement and that the Trustee will first have been indemnified and provided security to the extent satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on First Tier Senior Lien Bondholders' Right To Institute Proceedings. No First Tier Senior Lien Bondholder will have any right to institute any suit, action or proceeding for the execution of any trust or power under the Agreement, or any other remedy, unless (a) such First Tier Senior Lien Bondholder or First Tier Senior Lien Bondholders have given the Trustee written notice of an Event of Default; (b) the holders of 25% or more of the principal amount of the First Tier Senior Lien

Bonds then Outstanding will have made written request of the Trustee so to do and will have afforded the Trustee a reasonable opportunity to proceed to institute the same; (c) there also will have been offered to the Trustee security and indemnity satisfactory to the Trustee; and (d) the Trustee will not have complied with such request within a reasonable time.

Rights and Duties of the Trustee; Other Agents

Under the Agreement, if an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Agreement and no others and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Agreement.

The Agreement states that the Trustee will not be liable for any error of judgment made in good faith by an officer of the Trustee unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from First Tier Senior Lien Bondholders or the LACMTA in the manner provided in the Agreement; and no provision of the Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, unless such right is restricted by a Supplemental Agreement, refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee may not require indemnity as a condition to declaring the principal of and interest on the First Tier Senior Lien Bonds to be due immediately.

The LACMTA or the Trustee may from time to time appoint other agents to perform duties and obligations under the Agreement or a Supplemental Agreement, which agents may include, but not be limited to, tender agents, remarketing agents and authenticating agents all as provided by a Supplemental Agreement or resolution of the LACMTA.

Replacement of Trustee

The Trustee may resign by notifying the LACMTA in writing at least 60 days prior to the proposed effective date of the resignation. The holders of a majority in principal amount of the First Tier Senior Lien Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the LACMTA's consent. The LACMTA may remove the Trustee by notice in writing delivered to the Trustee 60 days prior to the proposed removal date, if (a) the Trustee fails to comply with the eligibility requirements for the Trustee as set forth in the Agreement which include the requirement that the Trustee have a combined capital and surplus of at least $100,000,000; (b) the Trustee is adjudged a bankrupt or an insolvent; (c) a receiver or other public officer takes charge of the Trustee or its property; (d) the Trustee otherwise becomes incapable of acting; or (e) the LACMTA determines that the Trustee's services are no longer satisfactory to the LACMTA; provided, however, that the LACMTA will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing.

The Agreement states that no resignation or removal of the Trustee will be effective until a new Trustee has taken office.

Amendments

Without the Consent of First Tier Senior Lien Bondholders. The LACMTA may, without the consent of or notice to the First Tier Senior Lien Bondholders, execute and deliver Supplemental Agreements as follows:

(a) to provide for the issuance of a Series or multiple Series of First Tier Senior Lien Bonds under the provisions of the Agreement and to set forth the terms of such First Tier Senior Lien Bonds and the special provisions which will apply to such First Tier Senior Lien Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement or any Supplemental Agreement;

(c) to add to the covenants and agreements of the LACMTA in the Agreement or any Supplemental Agreement or other covenants and agreements, or to surrender any right or power reserved or conferred upon the LACMTA, and which will not adversely affect the interests of the First Tier Senior Lien Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the LACMTA provided pursuant to the Agreement or otherwise to add additional security for the First Tier Senior Lien Bondholders;

(e) to evidence any change made in the terms of any Series of First Tier Senior Lien Bonds if such changes are authorized by the Supplemental Agreement at the time the Series of First Tier Senior Lien Bonds is issued and such change is made in accordance with the terms of such Supplemental Agreement;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Agreement or any Supplemental Agreement in any other respect which in the judgment of the LACMTA, as concurred in by the Trustee, is not materially adverse to the First Tier Senior Lien Bondholders;

(h) to provide for uncertificated First Tier Senior Lien Bonds or for the issuance of coupons and bearer First Tier Senior Lien Bonds or First Tier Senior Lien Bonds registered only as to principal;

(i) to qualify the First Tier Senior Lien Bonds or a Series of First Tier Senior Lien Bonds for a rating or ratings by Fitch, Moody's and/or S&P; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of bond counsel, to prevent the federal income taxation of the interest on the First Tier Senior Lien Bonds.

Before the LACMTA will, without First Tier Senior Lien Bondholder consent, execute any Supplemental Agreement subsequent to the First Supplemental Agreement, there will be delivered to the LACMTA an opinion of bond counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the LACMTA in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on First Tier Senior Lien Bonds which are then unpaid and for which there has been delivered an opinion of bond counsel to the effect that interest in such First Tier Senior Lien Bonds is exempt from federal income taxation.

In addition to the foregoing provisions, if at any time when the reimbursement agreement relating to the Proposition A Commercial Paper Notes is in effect, the LACMTA will request that the Trustee execute a Supplemental Agreement, and such Supplemental Agreement provides for the deposit of Pledged Revenues into the Subordinate Lien Obligation Fund to be used to pay subordinate obligations, the Trustee will execute and deliver such Supplemental Agreement only if it has first received a written statement of an Authorized Authority Representative certifying that, after the issuance of such subordinated obligations, the ratio of Pledged Revenues to Projected Maximum Total Annual Debt Service (as defined in such reimbursement agreement) will be in compliance with the provisions of such reimbursement agreement and a written statement of the agent bank under such reimbursement agreement that it has reviewed the information on which the LACMTA has relied in making such certificate and finds it to be satisfactory.

With the Consent of First Tier Senior Lien Bondholders. Except for amendments described above or amendments affecting less than all Series of First Tier Senior Lien Bonds as described in the following paragraph, the holders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding will have the right to consent to and approve the execution of any Supplemental Agreement deemed necessary or desirable by the LACMTA for the purposes of modifying, altering, amending, supplementing or rescinding, any of the terms or provisions contained in the Agreement or a Supplemental Agreement; provided, however, that, unless approved in writing by the holders of all the First Tier Senior Lien Bonds then Outstanding or unless such change affects less than all Series of First Tier Senior Lien Bonds and the following paragraph is applicable, no amendment may (a) change the times, amounts of currency of payment of the principal of or interest on any Outstanding First Tier Senior Lien Bonds; (b) reduce the principal amount or redemption price of any Outstanding First Tier Senior Lien Bonds or the rate of interest thereon; and no amendment will, unless approved in writing by the holders of all the First Tier Senior Lien Bonds then Outstanding, permit or be construed as permitting; (c) the creation of a lien except as expressly permitted by the Agreement as originally executed upon or pledge of the Pledged Revenues created by the Agreement, ranking prior to or on a parity with the claim created by the Agreement; (d) except with respect to additional security which may be provided for a particular Series of First Tier Senior Lien Bonds, a preference or priority of any Senior Lien Bond or First Tier Senior Lien Bonds over any other Senior Lien Bond or First Tier Senior Lien Bonds; or (e) a reduction in the aggregate principal amount of First Tier Senior Lien Bonds the consent of the First Tier Senior Lien Bondholders of which is required for any such Supplemental Agreement.

The LACMTA may, from time to time and at any time, execute a Supplemental Agreement which amends the provisions of an earlier Supplemental Agreement under which a Series or multiple Series of First Tier Senior Lien Bonds were issued. If such Supplemental Agreement is executed for one of the purposes set forth under the caption "Without the Consent of First Tier Senior Lien Bondholders," no notice to or consent of the First Tier Senior Lien Bondholders will be required. If such Supplemental Agreement contains provisions which affect the rights and interests of less than all Series of First Tier Senior Lien Bonds Outstanding, then the holders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds of all Series which are affected by such changes will have the right from time to time to consent to and approve the execution of any Supplemental Agreement deemed necessary or desirable by the LACMTA for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular any of the terms or provisions contained in such Supplemental Agreement and affecting only the First Tier Senior Lien Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the First Tier Senior Lien Bonds of all the affected Series, no amendment may (a) change the times, amounts or currency of payment of the principal of or interest on any outstanding First Tier Senior Lien Bonds of such Series; or (b) reduce the principal amount or redemption price of any outstanding First Tier Senior Lien Bonds of such Series or the rate of interest thereon.

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THIRTY-EIGHTH SUPPLEMENTAL TRUST AGREEMENT

The following is a summary of certain provisions of the Thirty-Eighth Supplemental Agreement. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Thirty-Eighth Supplemental Agreement.

Terms of the Series 2017 Bonds

The Thirty-Eighth Supplemental Agreement sets forth the terms of the Series 2017 Bonds, most of which terms are described earlier in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2017 BONDS."

Rebate Fund

The LACMTA agrees that it will instruct the Trustee to establish and maintain a Rebate Fund which fund will be established for the purpose of complying with certain provisions of the Code which require that the LACMTA pay to the United States of America the excess, if any, of the amounts earned on certain funds held with respect to the Series 2017 Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2017 Bonds. Such excess is to be deposited into the Rebate Fund and periodically paid to the United States of America. The Rebate Fund to be held by the Trustee under the terms of the Thirty-Eighth Supplemental Agreement will be held in trust to the extent required to satisfy the Rebate Requirement, for the account of the LACMTA, and will not be pledged as security for nor be available to make payment on the Series 2017 Bonds.

Separate Funds and Accounts

The Thirty-Eighth Supplemental Agreement creates, among other funds and accounts, the Series 2017 Bond Interest Subaccount of the Bond Interest Account of the Debt Service Fund, the Series 2017 Bond Principal Subaccount of the Bond Principal Account of the Debt Service Fund, the Series 2017 Costs of Issuance Fund, the Series 2017 Reserve Account in the Reserve Fund, the Series 2017-A Commercial Paper Notes Retirement Fund and the Series 2017-A Construction Account.

Tax Covenants

In order to maintain the exclusion from gross income of the interest on the Series 2017 Bonds for federal income tax purposes, the LACMTA will make all calculations relating to any rebate of excess investment earnings on the proceeds of the Series 2017 Bonds due to the federal government of the United States in a reasonable and prudent fashion and will segregate and set aside the lawfully available amounts such calculations indicate may be required to be paid to the federal government of the United States, and otherwise will at all times do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of the Code.

Additional Event of Default

The LACMTA agrees to comply with the Tax Certificate. The Trustee, by acceptance of its duties under the Thirty-Eighth Supplemental Agreement, agrees to comply with any instructions received from the LACMTA which the LACMTA indicates must be followed in order to comply with the Tax Certificate. The failure of the LACMTA to comply with the Tax Certificate or certain provisions of the Thirty-Eighth Supplemental Agreement relating to tax covenants is determined to be an Event of Default under the Thirty-Eighth Supplemental Agreement.

APPENDIX F
PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Los Angeles County Metropolitan
Transportation Authority
Los Angeles, California

$471,395,000 Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2017-A (Green Bonds)	$85,455,000 Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2017-B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles County Metropolitan Transportation Authority (the "Authority") in connection with the issuance by the Authority of (a) $471,395,000 aggregate principal amount of its Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) (the "Series 2017-A Bonds"), and (b) $85,455,000 aggregate principal amount of its Los Angeles County Metropolitan Transportation Authority Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds," and together with the Series 2017-A Bonds, the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to the Los Angeles County Transportation Commission Revenue Bond Act, Section 130500, et seq., of the California Public Utilities Code (the "Authority Act"), the Trust Agreement, dated as of July 1, 1986, as amended (the "Trust Agreement"), by and between the Authority, as successor to the Los Angeles County Transportation Commission, and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor to BNY Western Trust Company, as successor in interest to Wells Fargo Bank, N.A., as successor by merger to First Interstate Bank of California, as trustee (the "Trustee"), and the Thirty-Eighth Supplemental Trust Agreement, dated as of October 1, 2017 (the "Thirty-Eighth Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between the Authority and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

In connection with the issuance of the Series 2017 Bonds and the opinions set forth below, we have examined: (a) a copy of the Authority Act; (b) copies of the proceedings of the Board of Directors of the Authority with respect to the issuance of the Series 2017 Bonds; (c) an executed copy of the Trust Agreement; (d) an executed copy of the Thirty-Eighth Supplemental Agreement; (e) an executed copy of the Escrow Agreement, dated October 31, 2017, by and between the Authority, the Trustee and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"); (f) certifications of the Authority, the Trustee, the Escrow Agent, the winning bidders for the Series 2017 Bonds, and others; (g) an executed copy of the Authority's Tax Compliance Certificate, dated the date hereof, relating to the Series 2017 Bonds (the "Tax Certificate"); (h) opinions of the Los Angeles County Counsel and counsel to the Trustee and the Escrow Agent; (i) an executed copy of the verification report, dated the date hereof, by Causey Demgen & Moore P.C.; and (j) such other documents, opinions and matters as we deemed relevant and necessary in rendering this opinion letter.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Authority, the security provided therefor, as contained in the Series 2017 Bonds and the Agreement, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against entities such as the Authority in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2017 Bonds or the Agreement. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated October 12, 2017, or any other offering material relating to the Series 2017 Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2017 Bonds constitute the valid and binding limited obligations of the Authority secured by a first lien on and pledge of and are payable from the Pledged Revenues and certain funds and accounts held by the Trustee under the Agreement.

2. The Agreement has been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Series 2017 Bonds, of the Pledged Revenues and certain funds and accounts held by the Trustee under the Agreement, subject to the provisions of the Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or public agency thereof, other than the Authority to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2017 Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

5. Under existing laws, interest on the Series 2017 Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Agreement and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2017 Bonds to be included in gross income retroactive to the date of issue of the Series 2017 Bonds. Although we are of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion letter.

Respectfully submitted,

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APPENDIX G
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Los Angeles County Metropolitan Transportation Authority (the "Authority") in connection with the issuance of its $471,395,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) (the "Series 2017-A Bonds") and its $85,455,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds", and collectively with the Series 2017-A Bonds, the "Series 2017 Bonds") pursuant to the terms of the Agreement (as defined herein). The Authority covenants and agrees as follows:

Section 1. Definitions.

"*Agreement*" means, collectively, the Trust Agreement, dated as of July 1, 1986, as amended and supplemented, by and between the Authority (as successor to the Los Angeles County Transportation Commission) and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A., as successor to BNY Western Trust Company, as successor in interest to Wells Fargo Bank, N.A., successor by merger to First Interstate Bank of California), as trustee (the "*Trustee*"), and the Thirty-Eighth Supplemental Trust Agreement, dated as of October 1, 2017, by and between the Authority and the Trustee.

"*Annual Information*" means the information specified in Section 4 hereof.

"*EMMA System*" means the MSRB's Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission for the purposes referred to in Rule 15c2-12.

"*Holder*" means any registered owner of Series 2017 Bonds and any beneficial owner of Series 2017 Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

"*Listed Events*" means any of the events listed in Section 5 hereof.

"*MSRB*" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"*Official Statement*" means the Official Statement, dated October 12, 2017, prepared and distributed in connection with the issuance of the Series 2017 Bonds.

"*Rule 15c2-12*" means Rule 15c2-12, as amended through the date of this Certificate, as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

Section 2. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority pursuant to Rule 15c2-12 for the benefit of the Holders of the Series 2017 Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

Section 3. Provision of Annual Information.

(a) The Authority shall, not later than 195 days following the end of each Fiscal Year of the Authority (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2017, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, the Annual Information relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Information and later than the date required above for the filing of the Annual Information if they are not available by that date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Authority does not provide the Annual Information to the MSRB by the time specified above, the Authority shall instead file a notice to the MSRB through the EMMA System stating that the Annual Information has not been timely completed and, if known, stating the date by which the Authority expects to file the Annual Information.

Section 4. Content of Annual Information. The Annual Information shall contain or incorporate by reference the following:

(a) The audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as in effect from time to time and as applied to governmental units. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed pursuant to Section 3(a) hereof, the Annual Information shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information when they become available.

(b) Updated historical information of the type set forth in "TABLE 4—Historic Net Proposition A Sales Tax Revenues, Local Allocations and Pledged Revenues" of the Official Statement; and

(c) Updated information of the type set forth in "TABLE 9—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule First Tier Senior Lien Series 2017 Bonds" of the Official Statement, but only the information in the columns entitled "Principal," "Interest" and "Total Debt Service" under the headings "Series 2017-A Bonds Debt Service" and "Series 2017-B Bonds Debt Service" and in the column entitled "Combined Total Debt Service First Tier Senior Lien Bonds" and only to the extent the information in these columns has changed.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Series 2017 Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series 2017 Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the Authority.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under 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 governmental 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.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds;

2. Modifications to rights of the Owners of the Series 2017 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2017 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2017 Bonds pursuant to the Agreement.

Section 6. Remedies. If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 4 or 5 hereof may be brought only by the Holders of 25% in aggregate principal amount of the Series 2017 Bonds at the time outstanding. A failure by the Authority to comply with the provisions of this Certificate shall not constitute an Event of Default under the Agreement.

Section 7. Parties in Interest. This Certificate is executed and delivered solely for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 8. Amendment. Without the consent of any Holders of Series 2017 Bonds, the Authority at any time and from time to time may enter into any amendments or changes to this Certificate for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 or any authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Authority and the assumption by any such successor of the covenants of the Authority hereunder;

(d) to add to the covenants of the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the Authority; or

(e) to modify the contents, presentation and format of the Annual Information from time to time as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (i) the certificate, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Series 2017 Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances; and (ii) the amendment or change does not materially impair the interests of Holders, as determined either by a party unaffiliated with the Authority (such as bond counsel), or by the vote or consent of Holders of a majority in outstanding principal amount of the Series 2017 Bonds on or prior to the time of such amendment or change.

Section 9. Termination of Obligation. This Certificate shall remain in full force and effect until such time as all principal of and interest on the Series 2017 Bonds shall have been paid in full or legally defeased pursuant to the Agreement. Upon any such legal defeasance, the Authority shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Series 2017 Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 10. Governing Law. THIS CERTIFICATE SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Certificate this __ day of October, 2017.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

By: ______________________________

Name: ____________________________

Title: ____________________________

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APPENDIX H
BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. Further, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of such information or the content of such material contained on DTC's websites as described under "—General," including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The beneficial owners of the Series 2017 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER LACMTA NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2017 BONDS UNDER THE AGREEMENT, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE SERIES 2017 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2017 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 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 Bond certificate will be issued for each maturity of the Series 2017-A Bonds and the Series 2017-B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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, as amended. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 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 Series 2017 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 the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 Series 2017 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 Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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.

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. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2017 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2017 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to LACMTA 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 the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 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

LACMTA or the Trustee, on the payable 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 Trustee or LACMTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of LACMTA or the Trustee, 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 Series 2017 Bonds at any time by giving reasonable notice to LACMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2017 Bonds are required to be printed and delivered.

LACMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2017 Bonds will be printed and delivered to DTC.

The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but neither LACMTA nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2017 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

In the event that the book-entry-only system is discontinued, payments of principal of and interest on the Series 2017 Bonds and payment of the maturity amount of the Series 2017 Bonds will be payable as described herein under the caption "DESCRIPTION OF THE SERIES 2017 BONDS—General."

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APPENDIX I
PROPOSED AMENDMENTS TO TRUST AGREEMENT

Pursuant to the Thirty-Seventh Supplemental Trust Agreement, dated as of March 1, 2016, by and between LACMTA and the Trustee, certain amendments were made to the Trust Agreement (the "Proposed Amendments"). The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding have consented to such Proposed Amendments (the "Amendment Effective Date"). ***By the purchase and acceptance of the Series 2017 Bonds, the Bondholders and Beneficial Owners of the Series 2017 Bonds will be deemed to have consented to the Proposed Amendments.*** *Any Bondholders and Beneficial Owners of First Tier Senior Lien Bonds issued on and after March 10, 2017 (including the Series 2017 Bonds) will be deemed to have consented to and will be subject to the Proposed Amendments, but only after the Bondholders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding have consented to the Proposed Amendments. On the date of issuance of the Series 2017 Bonds, approximately 56% of the Bondholders of the then-Outstanding First Tier Senior Lien Bonds will have consented to the Proposed Amendments. At this time there can be no assurance that the Proposed Amendments will become effective within any definite time frame.*

The Proposed Amendments are set forth in this Appendix I. Additions to the Trust Agreement are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

Article I – Definitions; Interpretation.

The following definitions are to be amended or added to read as follows:

(a) The definition of "Amendment Effective Date":

"Amendment Effective Date" shall mean the date the amendments to this Agreement set forth in Article VII of the Thirty-Seventh Supplemental Trust Agreement, dated as of March 1, 2016, by and between the Authority and the Trustee, become effective.

(b) The definition of "Debt Service Reserve Fund":

"Debt Service Reserve Fund" shall mean a special fund created by the Authority pursuant to a Supplemental Agreement in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of this Indenture and as specified in any Supplemental Indenture. The Reserve Fund shall be a Debt Service Reserve Fund.

(c) The definition of "Debt Service Reserve Fund Requirement":

"Debt Service Reserve Fund Requirement" shall have the meaning set forth in a Supplemental Agreement pursuant to which a Debt Service Reserve Fund (other than the Reserve Fund) is created.

(d) The definition of "Reserve Fund Insurance Policy":

"Reserve Fund Insurance Policy" shall mean an insurance policy provided by a bond insurer or a letter of credit, deposited in the Reserve Fund **or such other Debt Service Reserve**

Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy shall be rated, at the time such policy **or letter of credit** is delivered, in one of the two highest Rating Categories by both Moody's and S&P.

(e) The definition of "Reserve Fund Participating Bonds:

"Reserve Fund Participating Bonds" shall mean the Bonds originally issued prior to March 10, 2016, any Bonds originally issued between March 10, 2016 and the Amendment Effective Date (unless otherwise released from participating in the Reserve Fund as provided below), and all other Bonds the Authority has elected to have participate in the Reserve Fund.

On and after the Amendment Effective Date, the Authority may elect that one or more series of the Bonds originally issued between March 10, 2016 and the Amendment Effective Date shall no longer constitute Reserve Fund Participating Bonds and shall no longer be secured by the Reserve Fund. The Bonds originally issued prior to March 10, 2016 shall always constitute Reserve Fund Participating Bonds and under no circumstances shall the Bonds originally issued prior to March 10, 2016 be released from participating in the Reserve Fund. At such time as the Authority elects that any Bonds issued between March 10, 2016 and the Amendment Effective Date shall no longer constitute Reserve Fund Participating Bonds, such Bonds shall no longer be secured by or have a lien on the Reserve Fund. Prior to releasing any Bonds from participating in the Reserve Fund, the Authority shall provide:

(a) Written notice to the Trustee, the Bondholders of the applicable Bonds being released from the Reserve Fund, the Bondholders of the Bonds that will remain as Reserve Fund Participating Bonds after the release date, and the Rating Agencies then rating the Reserve Fund Participating Bonds that it has elected to release the applicable Bonds from participating in the Reserve Fund and that such Bonds will no longer constitute Reserve Fund Participating Bonds or be secured by or have a lien on the Reserve Fund.

(b) Directions to the Trustee to (i) calculate the Reserve Requirement on the applicable release date, and (ii) if the amounts on deposit in the Reserve Fund are greater than the Reserve Requirement on the applicable release date, transfer such excess to the Debt Service Fund or such other fund or account as directed by the Authority; and

(c) An opinion of Bond Counsel to the Trustee to the effect that the release of the applicable Bonds from the Reserve Fund and from the pledge and lien on the Reserve Fund will not, in and of itself, cause the interest on any of the Bonds to be included in the gross income of the Bondholders of such Bonds for purposes of federal income taxes.

(f) The definition of "Reserve Fund Requirement":

"Reserve Fund Requirement" shall mean the sum of the Initial Bonds Reserve Requirement and Maximum Annual Debt Service on any Outstanding **Reserve Fund Participating** Bonds issued subsequently to the Initial Bonds; for purposes of the Reserve Fund Requirement, Maximum Annual Debt Service on Variable Rate Indebtedness shall not, after the issuance of such Variable Rate Indebtedness, be required to be adjusted because of the fluctuations in the interest rate on such Variable Rate Indebtedness; the Reserve Fund Requirement is subject to the limitation that the Reserve Fund Requirement shall never exceed an amount which would, in the opinion of Bond Counsel, be determined to be a reasonably required reserve fund within the meaning of the Code and the rulings issued by the United States Department of the Treasury. ~~For purposes of determining the Reserve Fund Requirement, the Bonds issued under the terms of the Second Supplemental Trust Agreement and designated as Sales Tax Revenue Refunding Bonds Series 1987-A shall not be deemed to be Outstanding prior to July 2, 1987, and the Bonds issued under the terms of the Third Supplemental Trust Agreement and designated as Sales Tax Revenue Refunding Bonds Series 1988-A shall not be deemed to be Outstanding prior to July 2, 1988.~~ Subject to the last paragraph of Section 4.06, for purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement, any Reserve Fund Insurance Policy deposited with the Trustee shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.

Section 2.09

(a) Clause (b) of the fourth paragraph of Section 2.09(b):

(b) an original executed counterpart or a copy, certified by an Authorized Authority Representative, of the Supplemental Agreement providing for the issuance of such Series of Bonds and setting forth the terms of such Bonds and, among other matters, the amount, if any, to be deposited to the credit of the Reserve Fund **or such other Debt Service Reserve Fund** to increase the amount therein to an amount equal to the Reserve Fund Requirement **or the Debt Service Reserve Fund Requirement, as applicable**, the amount, if any, of Bond proceeds to be deposited to the credit of the Bond Interest Account as Capitalized Interest;

(b) Clause (3) of the sixth paragraph of Section 2.09(b):

(3) deposit to the credit of the Reserve Fund **or such other Debt Service Reserve Fund**, the amount, if any, provided in the Supplemental Agreement; and

Section 4.05

Clause (c) of the fourth paragraph of Section 4.05:

(c) to the credit of the Reserve Fund **or such other Debt Service Reserve Fund** such portion of the balance, if any, remaining after the making of the deposits described in clauses (a) and (b) above to increase the amount on deposit in the Reserve Fund **and such other Debt Service Reserve Funds** to an amount equal to the Reserve Fund Requirement **and the applicable Debt Service Reserve Fund Requirement, respectively,** or if the entire balance is less than the amount necessary, then the entire balance shall be deposited into the Reserve Fund **and the Debt Service Reserve Funds on a pro-rata basis with respect to the Outstanding principal amounts of the applicable Bonds secured by the Reserve Fund and the other Debt Service Reserve Funds**; provided, however, that so long as any Reserve Fund Insurance Policy shall be in effect and the Reserve Insurer shall not be in default of its obligations thereunder, the Trustee shall withdraw from the Reserve Fund **or the Debt Service Reserve Funds, as applicable**, an amount sufficient to pay the Reserve Insurer the greater of (i) the minimum amount required to be paid in accordance with the provisions of such Reserve Fund Insurance

Policy and any related agreements between the Authority and the Reserve Insurer or (ii) the amount necessary to reinstate the amount available to be drawn under such Reserve Fund Insurance Policy in order to meet the Reserve Fund Requirement;

Section 4.06

The second paragraph of Section 4.06:

Moneys held in the Reserve Fund shall be used for the purpose of paying principal **of** and interest on the **Reserve Fund Participating** Bonds if the amounts in the accounts mentioned in clauses (a) and (b) of Section 4.05 or either of such accounts shall on any date be insufficient to pay in full the interest or principal or interest and principal due on such date. On or about July 1 of each year, commencing July 1, 1987, the Trustee shall value the Reserve Fund, provided that no valuation shall be required in any year in which all investments in the Reserve Fund have an expected weighted average life of less than 5 years. At any time when the Trustee is required to value the Reserve Fund, all investments which have expected weighted average lives of less than 10 years shall be valued at amortized cost and all other investments shall be valued at the then-current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund shall exceed the Reserve Fund Requirement, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any Series of **Reserve Fund Participating** Bonds shall be paid in full or shall be deemed to have been paid in full, the Trustee shall value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such Series of **Reserve Fund Participating** Bonds is paid in full, or deemed to have been paid in full, exceeds the Reserve Fund Requirement, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. Except as otherwise provided in the following paragraph, if, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement, deposits shall be made into the Reserve Fund from and to the extent of Pledged Revenues as provided in Section 4.05(c) (after deposits provided in Sections 4.05(a) and (b)) until the Reserve Fund Requirement is restored.

Section 4.10

Section 4.10. **Creation of Debt Service Reserve Fund;** Additional Funds and Accounts. **Notwithstanding Section 2.09, instead of making or causing a deposit to be made to the Reserve Fund, the Authority may, at the time of issuance of any Series of Bonds, provide by Supplemental Agreement for the creation of a Debt Service Reserve Fund as additional security for such Series of Bonds, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Debt Service Reserve Fund, or provide that such Series of Bonds participate in a Debt Service Reserve Fund previously created for an Outstanding Series of Bonds. Any Debt Service Reserve Fund established under a Supplemental Agreement shall be funded, at the time of issuance of such Series of Bonds or over such other period of time as set forth in a Supplemental Agreement, in an amount equal to the Debt Service Reserve Fund Requirement with respect to such Debt Service Reserve Fund. The Authority shall, by such Supplemental Agreement, provide for the manner of funding and replenishing of such Debt Service Reserve Fund and shall establish such other terms with respect to such Debt Service Reserve Fund as the Authority may deem to be appropriate, including providing a Reserve Fund Insurance Policy in lieu thereof.**

Notwithstanding either Section 2.09 hereof or this Section, at the time of issuance of any Series of Bonds, the Authority may provide pursuant to a Supplemental Agreement

that neither a deposit to the Reserve Fund nor to a Debt Service Reserve Fund shall be required and that such Series of Bonds shall not be secured by the Reserve Fund or a Debt Service Reserve Fund.

In addition, the Authority may, by Supplemental Agreement, create additional funds and accounts under this Agreement and for such purposes as the Authority deems appropriate, including separate funds available only for specified Bonds or Series of Bonds; however, the Pledged Revenues shall, in all events, first be used to make the deposits set forth in Section 4.05(a), (b) and (c) before any amounts of Pledged Revenues are used to fund any other funds or accounts.

Article VI

Moneys held by the Trustee in the funds and accounts created under this Agreement shall be invested and reinvested as directed by the Authority, subject to the restrictions set forth in this Article VI and in any Supplemental Agreement and subject to the investment restrictions imposed upon the Authority by the laws of the State. The Authority shall direct such investments by written certificate of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative, provided that, prior to any investment of funds in the Local Agency Investment Fund, the Trustee shall receive documentation satisfactory to it, and the Authority shall enter into an agreement with the Trustee and satisfactory to the Trustee, regarding the manner of investment of such funds in such Local Agency Investment Fund. The Trustee shall be under no obligation to invest moneys held under this Agreement if the Authority fails to direct the investment of such moneys as required by this Section, and the Trustee shall be under no obligation to determine or inquire into the legality of any investment made at the direction of the Authority. Moneys on deposit in the Debt Service Fund, ~~and~~ the Reserve Fund **and any other Debt Service Reserve Fund** shall be invested solely in (a) Government Obligations of the type described in subdivision (i) or (ii) of the definition thereof and (b) obligations of any agency or instrumentality of the United States of America backed by the full faith and credit of the United States of America. The maturities of investments in the Bond Interest Account and the Bond Principal Account shall not extend beyond the time when funds will be needed therefrom to make payment on the Bonds. Investments in the Debt Service Fund, ~~and~~ the Reserve Fund **and any other Debt Service Reserve Fund** shall be sold or otherwise converted to cash by the Trustee as needed to make payment of principal and interest on the **applicable** Bonds, and the Trustee shall have no liability for the selection and liquidation of such investments or for any losses which may be incurred as a result thereof. Investments in the Construction Fund shall be sold or otherwise converted to cash by the Trustee at the direction of the Authority. The Authority shall direct such sales or conversions of investments in the Construction Fund by written certificate of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative.

Investments of moneys in any such fund or account shall be deemed at all times to be a part of such fund or account, and the interest accruing thereon and any profit realized from such investment shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account; provided, however, that any interest accruing on the investment of moneys in the Reserve Fund and any profit realized from the investments in the Reserve Fund shall, if and to the extent such earnings or profits would cause the amount in the Reserve Fund to exceed the Reserve Fund Requirement, be paid to the Authority for use for any lawful purpose**; provided, further, that any interest accruing on the investment of moneys in a Debt Service Reserve Fund and any profit realized from the investments in a Debt Service**

Reserve Fund shall, if and to the extent such earnings or profits would cause the amount in such Debt Service Reserve Fund to exceed the applicable Debt Service Reserve Fund Requirement, be paid to the Authority for use for any lawful purpose.

Section 8.01

Paragraph (g) of Section 8.01:

(g) the use of amounts from the Reserve Fund **or such other Debt Service Reserve Fund** to pay principal **of** and/or interest on the **applicable Series of** Bonds and the failure to restore the amount on deposit in the Reserve Fund **or such Debt Service Reserve Fund** to the Reserve Fund Requirements **or the applicable Debt Service Reserve Fund Requirement, as the case may be,** within one year from the date of such withdrawal.

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