**NEW ISSUE-BOOK-ENTRY-ONLY**

DAC Bond®

**RATINGS: S&P: "AA"**
**Fitch: "AA"**
**(See "RATINGS" herein)**

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Series 2020-A Green Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Series 2020-A Green Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2020-A Green Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2020-A Green Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.*

Metro

Climate Bond Certified

# $1,356,095,000
# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
## Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds)

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

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds) (the "Series 2020-A Green Bonds"). The Series 2020-A Green Bonds are limited obligations of LACMTA payable solely from and secured by a lien on and pledge of the "Junior Subordinate Pledged Revenues," and by other amounts held by the Trustee under the Trust Agreement (defined herein), on parity with any other Junior Subordinate Bonds and Junior Subordinate Parity Obligations that may be issued in the future as described herein. The lien on and the pledge of Junior Subordinate Pledged Revenues that secures the Series 2020-A Green Bonds is subordinate to the lien on Pledged Revenues securing Senior Obligations and Subordinate Obligations heretofore and hereafter issued or incurred by LACMTA. Pledged Revenues essentially consist of 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 15% thereof paid to local jurisdictions and certain administrative fees. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS" and "MEASURE R SALES TAX AND COLLECTIONS" herein.

LACMTA will use the proceeds of the Series 2020-A Green Bonds, together with other available funds, to: (a) repay and retire its obligations under the TIFIA Loan Agreements described herein; (b) finance the project costs in an amount equal to the aggregate undrawn amounts under such TIFIA Loan Agreements; and (c) pay the costs of issuance of the Series 2020-A Green Bonds. See "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

The Series 2020-A Green Bonds will be issued in denominations of $5,000 and integral multiples thereof. The Series 2020-A Green 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 2020-A Green Bonds. Individual purchases and sales of the Series 2020-A Green Bonds may be made in book-entry form only. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM." The Series 2020-A Green Bonds will mature in the principal amounts and will bear interest at the rates set forth on the inside front cover. LACMTA will pay interest on the Series 2020-A Green Bonds on each June 1 and December 1, commencing on December 1, 2020.

Certain of the Series 2020-A Green Bonds are subject to optional redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES 2020-A GREEN BONDS—Redemption."

**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 Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement, is pledged to the payment of the principal of or interest on the Series 2020-A Green Bonds. Other than Junior Subordinate Pledged Revenues and such other amounts held by the Trustee under the Trust 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 2020-A Green Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2020-A Green Bonds.**

**Purchasers of the Series 2020-A Green Bonds will be deemed to have consented to certain amendments to the existing Amended and Restated Trust Agreement, dated as of February 1, 2014, relating to the Junior Subordinate Bonds. Such amendments are reflected in the description of the terms of the Senior Trust Agreement (defined herein) in this Official Statement.**

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 2020-A Green 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.

LACMTA is offering the Series 2020-A Green Bonds when, as and if it issues the Series 2020-A Green Bonds. The issuance of the Series 2020-A Green Bonds is subject to the approval as to their validity by Norton Rose Fulbright US 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. Certain legal matters will be passed upon for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe, LLP. LACMTA anticipates that the Series 2020-A Green Bonds will be available for delivery through the book-entry facilities of DTC on or about August 27, 2020.

**Wells Fargo Securities**

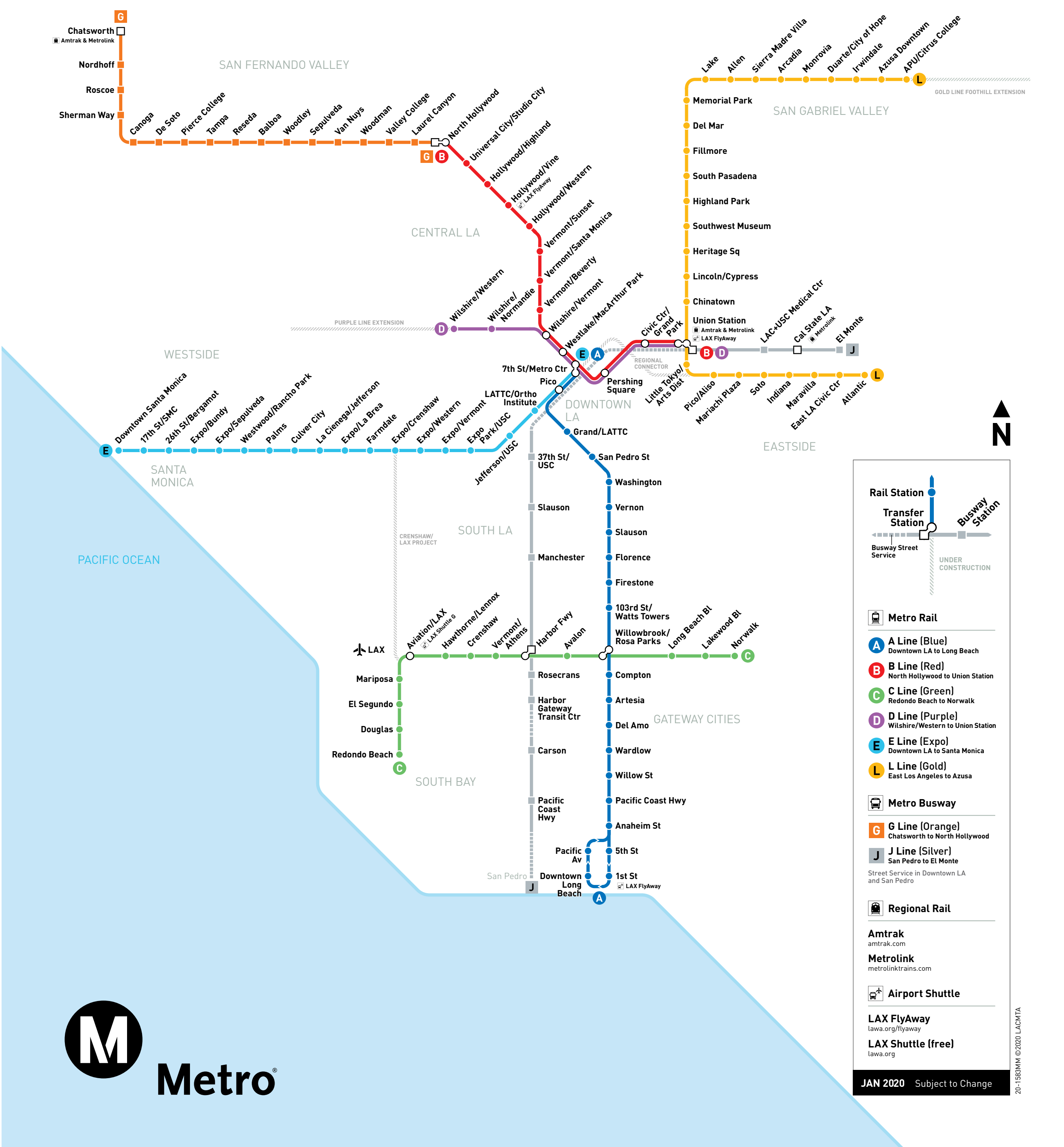
**BofA Securities** **Barclays** **Citigroup**

**Loop Capital Markets** **Ramirez & Co., Inc.**

Date of Official Statement: August 11, 2020

# Metro Rail & Busway

metro.net



## MATURITY SCHEDULE[*]

## $1,356,095,000
## LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
## MEASURE R JUNIOR SUBORDINATE SALES TAX REVENUE REFUNDING BONDS, SERIES 2020-A (GREEN BONDS)

### Series 2020-A-1 Green Bonds

| Maturity Date (June 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP[†] No. (54466H) |
|---|---|---|---|---|---|
| 2023 | $ 28,475,000 | 5.000% | 0.090% | 113.537% | JE7 |
| 2024 | 46,870,000 | 5.000 | 0.140 | 118.224 | JF4 |
| 2025 | 65,215,000 | 5.000 | 0.200 | 122.733 | JG2 |
| 2026 | 80,475,000 | 5.000 | 0.340 | 126.562 | JH0 |
| 2027 | 84,505,000 | 5.000 | 0.480 | 130.033 | JJ6 |
| 2028 | 97,510,000 | 5.000 | 0.600 | 133.316 | JK3 |
| 2029 | 102,375,000 | 5.000 | 0.690 | 136.579 | JL1 |
| 2030 | 107,495,000 | 5.000 | 0.770 | 139.701 | JM9 |
| 2031 | 87,870,000 | 5.000 | 0.860[C] | 138.680[C] | JU1 |
| 2032 | 93,520,000 | 5.000 | 0.930[C] | 137.892[C] | JV9 |
| 2033 | 74,445,000 | 5.000 | 1.010[C] | 136.998[C] | JW7 |
| 2034 | 80,670,000 | 5.000 | 1.060[C] | 136.442[C] | JX5 |
| 2035 | 36,065,000 | 4.000 | 1.180[C] | 125.926[C] | JP2 |
| 2035 | 50,000,000 | 5.000 | 1.080[C] | 136.221[C] | JN7 |
| 2036 | 40,005,000 | 4.000 | 1.200[C] | 125.716[C] | JR8 |
| 2036 | 50,000,000 | 5.000 | 1.100[C] | 136.000[C] | JQ0 |
| 2037 | 30,600,000 | 4.000 | 1.240[C] | 125.298[C] | JT4 |
| 2037 | 50,000,000 | 5.000 | 1.140[C] | 135.559[C] | JS6 |

### Series 2020-A-2 Green Bonds

| Maturity Date (June 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP[†] No. (54466H) |
|---|---|---|---|---|---|
| 2031 | $25,000,000 | 5.000% | 0.890% | 142.085% | KA3 |
| 2032 | 25,000,000 | 5.000 | 1.000 | 144.277 | KB1 |

### Series 2020-A-3 Green Bonds

| Maturity Date (June 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP[†] No. (54466H) |
|---|---|---|---|---|---|
| 2033 | $50,000,000 | 5.000% | 0.850%[CC] | 127.210%[CC] | JY3 |
| 2034 | 50,000,000 | 5.000 | 0.880[CC] | 126.984[CC] | JZ0 |

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[*] The Series 2020-A Green Bonds have been further divided into three subseries, designated as the Series 2020-A-1 Green Bonds, the Series 2020-A-2 Green Bonds and the Series 2020-A-3 Green Bonds. The subseries designations reflect the differing redemption provisions. See "DESCRIPTION OF THE SERIES 2020-A GREEN BONDS—Redemption."

[†] CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with LACMTA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2020-A Green Bonds. LACMTA does not take any responsibility for the accuracy of the CUSIP numbers provided herein.

[C] Yield and priced to call at par, on June 1, 2030.

[CC] Yield and priced to call at par, on June 1, 2027.

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**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**Board Members**

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

Montague DeRose and Associates, LLC
Westlake Village, California

**BOND COUNSEL**

Norton Rose Fulbright US LLP
Los Angeles, California

**DISCLOSURE COUNSEL**

Nixon Peabody LLP

**TRUSTEE**

U.S. Bank National Association
Los Angeles, California

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 2020-A Green 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 2020-A Green 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 2020-A Green 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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 2020-A Green 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 2020-A Green Bonds, including the merits and risks involved. The Series 2020-A Green Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Agreement or the Senior Trust 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 2020-A Green Bonds or the accuracy or completeness of this Official Statement. The Series 2020-A Green 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.

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**(continued)**

# OFFICIAL STATEMENT

**$1,356,095,000**
**LOS ANGELES COUNTY METROPOLITAN**
**TRANSPORTATION AUTHORITY**
**Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds,**
**Series 2020-A (Green Bonds)**

## 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 $1,356,095,000 aggregate principal amount of its Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds) (the "Series 2020-A Green Bonds"). 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 2020-A Green Bonds. LACMTA is only offering the Series 2020-A Green 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 D—SUMMARY OF LEGAL DOCUMENTS."

### 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 District and the Commission, including the Commission's responsibility for planning, engineering and constructing a county-wide rail transit system. LACMTA is 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. Pursuant to such authorization, on July 24, 2008, LACMTA adopted its Ordinance No. 08-01, the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the California State Board of Equalization (the "Measure R Ordinance"), which provides for the levy of a Countywide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the "Measure R Sales Tax." The functions of the State Board of Equalization are now performed by the California Department of Tax and Fee Administration ("CDTFA").

At an election held on November 4, 2008, more than two-thirds of the electors of the County voting on the issue approved the Measure R Sales Tax. Collection of the Measure R Sales Tax commenced on July 1, 2009 and terminates on June 30, 2039. For more information regarding the Measure R Sales Tax, see "MEASURE R SALES TAX AND COLLECTIONS—The Measure R 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 2020-A Green Bonds are limited obligations of LACMTA payable from

Junior Subordinate Pledged Revenues, which consist primarily of the Pledged Tax Revenues remaining after payment of certain other obligations that are senior to the Series 2020-A Green Bonds as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS." For certain economic and demographic data about the County, see "APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION."

**Purpose of the Series 2020-A Green Bonds**

LACMTA will use the proceeds of the Series 2020-A Green Bonds, together with other available funds, to: (a) repay and retire its obligations under the TIFIA Loan Agreements described under "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance"; (b) finance the project costs in an amount equal to the aggregate undrawn amounts under the TIFIA Loan Agreements; and (c) pay the costs of issuance of the Series 2020-A Green Bonds. For a more detailed description of LACMTA's proposed use of the proceeds from the issuance of the Series 2020-A Green Bonds, see "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

**Description of the Series 2020-A Green Bonds**

The Series 2020-A Green Bonds are limited obligations of LACMTA and will be secured on a junior subordinate basis under and payable from the Measure R Sales Tax flow of funds, as set forth in the Second Amended and Restated Trust Agreement, to be dated as of August 1, 2020 (the "Senior Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee thereunder (the "Senior Trustee"). The Series 2020-A Green Bonds will be issued pursuant to, and secured under, the Junior Subordinate Trust Agreement, to be dated as of August 1, 2020 (the "Junior Subordinate Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee thereunder (the "Trustee"), and the First Supplemental Junior Subordinate Trust Agreement, to be dated as of August 1, 2020 (the "First Supplemental Agreement," and together with the Junior Subordinate Trust Agreement, the "Trust Agreement"), by and between LACMTA and the Trustee.

The Series 2020-A Green Bonds will be issued in registered form, in denominations of $5,000 or any integral multiple thereof. The Series 2020-A Green Bonds will be dated their initial date of delivery and will mature on the dates and in the principal amounts 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 2020-A Green 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 2020-A Green Bonds. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM."

The Series 2020-A Green Bonds have been further divided into three subseries, designated as the Series 2020-A-1 Green Bonds, the Series 2020-A-2 Green Bonds and the Series 2020-A-3 Green Bonds. The subseries designations reflect the differing redemption provisions. See "DESCRIPTION OF THE SERIES 2020-A GREEN BONDS—Redemption."

**Security and Sources of Payment for the Series 2020-A Green Bonds**

The Series 2020-A Green Bonds are limited obligations of LACMTA payable from and secured by a lien on and pledge of the "Junior Subordinate Pledged Revenues." Junior Subordinate Pledged Revenues consist of all Pledged Tax Revenues deposited or required to be deposited in the Junior Subordinate Obligation Fund established under the Senior Trust Agreement and transferred by the Senior Trustee to the

Trustee for deposit in the Junior Subordinate Revenue Fund. Pledged Tax Revenues are deposited in the Junior Subordinate Obligations Fund only after making all deposits and payments due on the Senior Obligations, Subordinate Obligations, and Senior Fees and Expenses under the Senior Trust Agreement. Junior Subordinate Pledged Revenues also include any "Swap Revenues," which generally are regularly-scheduled amounts (but not termination payments) owed or paid to LACMTA by any counterparty to any interest rate swaps or other similar agreements in connection with the Junior Subordinate Bonds (defined below) (there are no such interest rate swaps or agreements at this time). "Pledged Tax Revenues" are the amounts collected on account of the Measure R Sales Tax, less any refunds and the administrative fee paid to CDTFA in connection with the collection and disbursement of the Measure R Sales Tax, and less 15% thereof which constitutes the Local Return allocated to local jurisdictions within the County pursuant to the Measure R Ordinance. See "MEASURE R SALES TAX AND COLLECTIONS." See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS" for complete definitions of the terms described in this paragraph, and related terms.

The Series 2020-A Green Bonds are payable and secured by a lien on and pledge of Junior Subordinate Pledged Revenues and on parity with other Junior Subordinate Obligations (defined below) heretofore or hereinafter issued or incurred by LACMTA as described herein. In addition, the Series 2020-A Green Bonds are secured by all other amounts held by the Trustee under the Trust Agreement (except for amounts held in certain funds established under the Trust Agreement). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS" and "MEASURE R SALES TAX AND COLLECTIONS."

The Series 2020-A Green Bonds and all other Junior Subordinate Obligations are secured by a lien and charge on Junior Subordinate Pledged Revenues, which is subordinate to the liens and charges on Pledged Revenues that secure Senior Obligations, Subordinate Obligations and Senior Fees and Expenses under the Senior Trust Agreement.

The Senior Trust Agreement provides, as security for the payment of all amounts owing on the Junior Subordinate Obligations, an irrevocable pledge, on a subordinate basis to the pledges securing the Senior Obligations and the Subordinate Obligations, of all Pledged Revenues. Such pledge shall be irrevocable until all of the Junior Subordinate Obligations and amounts owed in connection with the Junior Subordinate Obligations are no longer Outstanding.

**Measure R Sales Tax Obligations**

The Senior Trust Agreement contemplates that LACMTA may issue three priority levels of obligations secured by a pledge of the Pledged Revenues.

Pursuant to the Senior Trust Agreement, LACMTA may issue bonds ("Senior Bonds") and incur debt and other obligations payable on parity with the Senior Bonds (the "Senior Parity Obligations," and together with the Senior Bonds, the "Senior Obligations") payable and secured by a senior lien on Pledged Revenues. LACMTA may also incur debt and other obligations (the "Subordinate Obligations") which are payable from and secured by a lien and charge on Pledged Revenues which is subordinate to the lien and charge on Pledged Revenues that secures the Senior Obligations and senior to the lien and charge on Pledged Revenues that secures the Junior Subordinate Obligations. Lastly, LACMTA may issue bonds (the "Junior Subordinate Bonds") and incur debt and other obligations payable on a parity with Junior Subordinate Bonds (the "Junior Subordinate Parity Obligations") which are secured by a lien and charge on Pledged Revenues that is subordinate to the liens and charges on Pledged Revenues that secure Senior Obligations, the Subordinate Obligations, and the Senior Fees and Expenses. The Series 2020-A Green Bonds, the existing Junior Subordinate Obligations and all future Junior Subordinate Bonds and Junior Subordinate Parity Obligations are collectively referred to herein as the "Junior Subordinate Obligations."

The Series 2020-A Green Bonds are Junior Subordinate Bonds and are payable from Junior Subordinate Pledged Revenues on a parity with all other Junior Subordinate Obligations heretofore and hereafter issued or incurred by LACMTA. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations."

As of July 1, 2020, LACMTA had (i) Senior Obligations (consisting solely of Senior Bonds) outstanding in the aggregate principal amount of $1,044,670,000; (ii) Subordinate Obligations outstanding in the aggregate principal amount of $106,022,743 with the ability to borrow up to a total of $300,000,000 outstanding at any single time under the existing agreements pursuant to which the Subordinate Obligations are issued as described under "MEASURE R SALES TAX OBLIGATIONS—Subordinate Obligations"; and (iii) Junior Subordinate Obligations outstanding in the aggregate principal amount of $1,149,634,287 (consisting of amounts borrowed under the Primary TIFIA Loan Agreements and including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the loan documents, all of which will be repaid with the proceeds of the Series 2020-A Green Bonds and other available funds), with the ability to borrow an additional $124,805,709 under the Primary TIFIA Loan Agreements. The Primary TIFIA Loan Agreements will be terminated upon the issuance of the Series 2020-A Green Bonds. Other than the additional debt tests described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations," the Senior Trust Agreement does not restrict the amount of Senior Obligations that can be outstanding. The Senior Trust Agreement does not restrict the amount of Subordinate Obligations or Junior Subordinate Obligations that may be outstanding, although there are restrictions under the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations" and "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS."

In addition, LACMTA has incurred other obligations which are secured by the Measure R Sales Tax revenues that remain after the payment of Senior Obligations, Subordinate Obligations, Senior Fees and Expenses and Junior Subordinate Obligations. As of July 1, 2020, LACMTA had other obligations outstanding in the aggregate principal amount of $608,185,999 (consisting of LACMTA's obligation to repay amounts borrowed by the Crenshaw Project Corporation under the Secondary TIFIA Loan Agreement and including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the loan documents, all of which will be repaid with the proceeds of the Series 2020-A Green Bonds and other available funds.) The Secondary TIFIA Loan Agreement will be terminated upon the issuance of the Series 2020-A Green Bonds. See "MEASURE R SALES TAX OBLIGATIONS" and "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

LACMTA may issue and/or incur additional Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations upon the satisfaction of certain additional bonds tests. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations." The Short Range Financial Forecast assumes the issuance and/or incurrence of approximately $2.7 billion in additional Senior Obligations and/or Subordinate Obligations from Fiscal Year 2021 through Fiscal Year 2030. The Short Range Financial Forecast is a planning tool 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 Measure R Sales Tax revenues available to fund the projects in the Short Range Financial Forecast. For further discussion of the Short Range Financial Forecast, see "FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning" in APPENDIX A.

**The Series 2020-A Green Bonds Are Limited Obligations of LACMTA Only**

Neither the faith and credit nor the taxing power of the County, the State of California (the "State") or any political subdivision or public agency thereof, other than LACMTA to the extent of the Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement as described herein, is pledged to the payment of the principal of or interest on the Series 2020-A Green Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2020-A Green Bonds.

The Series 2020-A Green Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a lien on and pledge of the Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement as described herein. Other than Junior Subordinate Pledged Revenues and such other amounts held by the Trustee under the Trust Agreement as described herein, 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 2020-A Green Bonds.

**No Reserve Fund for the Series 2020-A Green Bonds**

The Series 2020-A Green Bonds will not be secured by a debt service reserve fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—The Series 2020-A Green Bonds Are Not Secured by Any Debt Service Reserve Fund."

**Continuing Disclosure**

In connection with the issuance of the Series 2020-A Green Bonds, for purposes of assisting the Underwriters (as defined under "UNDERWRITING") 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 F—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

**Impact of Global COVID-19 Outbreak**

As a part of the State's response to the global outbreak of a novel coronavirus, COVID-19, the Governor of the State (the "Governor") declared a state of emergency in the State on March 4, 2020.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020, the President of the United States declared a national state of emergency.

On March 12, 2020, the Governor issued Executive Order N-25-20, requiring CDTFA, which administers sales and use taxes in the State, to use its administrative powers where appropriate to provide extensions for filing, payment, audits, billing, notices, assessments, claims for refund, and relief from subsequent penalties and interest to individuals and businesses impacted by complying with a state or local public health official's imposition or recommendation of social distancing measures related to COVID-19. On March 30, 2020, the Governor issued Executive Order N-40-20, which provided a three-month extension for tax returns and tax payments for all businesses filing a return for less than $1,000,000 in taxes. Such extension remains effective through the reporting of taxes or fees due or the payment of taxes that are due on or before July 31, 2020. This Order also extends the statute of limitations to file a claim for refund for taxes and fees administered by CDTFA, and it extends the timeframe to file for appeal with CDTFA.

On April 2, 2020, the Governor announced a one-year reprieve on the payment of sales and use taxes for small businesses allowing them to request to defer payment on up to $50,000 of sales and use tax liability.

The State, the City of Los Angeles, and the County imposed significant restrictions on economic and other activity within the County beginning in March 2020. While some of those restrictions have been lifted, some have been reimposed. It is unknown when and whether restrictions will continue to be eased or will be reinstated or enhanced.

The economic shut-down caused by the COVID-19 pandemic and related government restrictions on activity materially reduced spending and sales tax revenues collected in the County in the fourth quarter of Fiscal Year 2020. Furthermore, government restrictions and possible future restrictions may affect the collection and administration of sales taxes in the State. Some of the negative impacts that LACMTA has identified include:

- LACMTA expects declines and delays in sales tax revenues in Fiscal Year 2021 due to required business shutdowns and the impact of COVID-19 on the economy, but LACMTA does not know the full fiscal impact that COVID-19 will have on its sales tax revenues. Based on unaudited Fiscal Year 2020 numbers, LACMTA expects Pledged Tax Revenues to be $710.2 million as compared to $719.8 million in Fiscal Year 2019.

- As a result of the Governor's executive orders, LACMTA currently expects that the amounts of prepayments and transfers of sales tax revenues from CDTFA will decline and be delayed. Since the Governor's executive order only covers businesses that have sales tax liabilities below specified thresholds, LACMTA has received and expects it will continue to receive some amounts of monthly prepayments and transfers of sales tax revenues from CDTFA but is unable to predict what those amounts will be.

- LACMTA currently believes that despite the negative impacts of COVID-19 on collection of sales tax revenues in the County, there will be sufficient sales tax revenues to pay debt service on all of LACMTA's outstanding sales tax revenue bonds, including the Series 2020-A Green Bonds.

- LACMTA has several major transit projects under construction throughout the County. There is currently no impact on the ability to continue construction on these major projects.

Because the full fiscal impact of COVID-19 cannot be predicted with any degree of certainty, LACMTA is planning for the future using financial scenarios that it has prepared, in April 2020, based on estimates. Given the ongoing uncertainty, LACMTA management may revise the scenarios in the future. LACMTA used a "bottoms up" approach and estimated impacts on sales tax revenues from major economic sectors. Percentage declines in sales tax revenues were estimated for the major economic sectors based on the information collected and assumptions about how safer-at-home orders, non-essential business closures and other economic changes would impact each respective major economic sector. These scenarios are not based on any actual economic data but represent efforts to estimate the economic impact without the benefit of any prior historical precedents. LACMTA's scenarios all assume economic contraction in the last two quarters of Fiscal Year 2020 and the first quarter of Fiscal Year 2021 and gradual recovery from the second quarter through the end of the fourth quarter of Fiscal Year 2021. These scenarios assume Measure R Sales Tax revenue for Fiscal Year 2021 to be between 2.1% (low-loss) and 8.1% (high-loss) lower than Measure R Sales Tax revenues shown in the 2019 Financial Statements. LACMTA's scenarios also include significant reductions in farebox revenues, toll revenues and other system-generated revenues.

The Measure R Sales Tax receipts received in June 2020 were 14.4% lower than those received in June 2019. Receipts in June 2020 represent sales activity for the month of April along with prior period adjustments performed by the CDTFA. Measure R Sales Tax receipts received during the Fiscal Year ending June 30, 2020 were $835.5 million and were 3.5% lower than those received during the Fiscal Year ending June 30, 2019. LACMTA is working with CDTFA to monitor the impact of Executive Order N-40-20, but the number of tax returns and payments delayed under this order has yet to be determined.

In addition, ridership on LACMTA's bus and rail systems has declined as a result of COVID-19. Weekday ridership of 550,000 for the week ending July 10, 2020 was down 52.0% compared to the corresponding period in 2019. However, this figure represents an 83.3% increase in average weekday ridership from early April 2020. The Series 2020-A Green Bonds are limited obligations of LACMTA payable from Pledged Revenues, which consist primarily of proceeds of the Measure R Sales Tax, and are not payable from farebox revenues from ridership or other revenues of LACMTA.

LACMTA anticipates receiving a total of $870 million in funding under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act for Fiscal Year 2020 and Fiscal Year 2021 to partially offset losses in sales tax revenues and other operational and capital costs. Management is also taking various actions to prioritize and reduce costs in addition to seeking other federal and State funding as it becomes available. LACMTA continues to mitigate the risks of all its patrons and employees through the use of personal protective equipment and strengthened cleaning regimes on all vehicles, stations, and terminals.

The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics or vaccinations; (vi) the impact of the outbreak on the local, national or global economy; and (vii) the impact of the outbreak and actions taken in response to the outbreak on LACMTA's revenues, expenses and financial condition.

**Consent to Amendments**

Purchasers of the Series 2020-A Green Bonds will be deemed to have consented to certain amendments to the existing Amended and Restated Trust Agreement, dated February 1, 2014, relating to the Junior Subordinate Bonds. Such amendments are reflected in the description of the terms of the Senior Trust Agreement (defined herein) in this Official Statement.

**Additional Information**

Brief descriptions of the Series 2020-A Green Bonds, the Senior Trust Agreement, the Trust 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 and the purchasers or Owners of any of the Series 2020-A Green Bonds. LACMTA maintains a website, an investor relations page through a third-party, and social media accounts, the information of 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 2020-A Green Bonds.

Copies of the Senior Trust Agreement and the Trust 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 REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS

### Use of Proceeds; Plan of Refunding and Finance

***Use of Proceeds.*** LACMTA will use the proceeds of the Series 2020-A Green Bonds, together with other available funds to be released from funds and accounts related to the TIFIA Loan Agreements, to: (a) repay and retire its obligations under the TIFIA Loan Agreements described below; (b) finance project costs in an amount equal to the aggregate undrawn amounts under such Primary TIFIA Loan Agreements; and (c) pay the costs of issuance of the Series 2020-A Green Bonds.

***Plan of Refunding and Finance***. LACMTA will apply a portion of the proceeds of the Series 2020-A Green Bonds, together with other available funds, to repay on the date of issuance of the Series 2020-A Green Bonds its obligations under all of the following: (a) the loan agreement, dated as of December 20, 2016, between LACMTA and the United States Department of Transportation (the "TIFIA Lender") for the Westside Purple Line Extension Section 2 Project; (b) the loan agreement, dated as of May 21, 2014, between LACMTA and the TIFIA Lender for the Westside Purple Line Extension Section 1 Project; (c) the loan agreement, dated as of February 20, 2014, between LACMTA and the TIFIA Lender for the Regional Connector Transit Corridor Project; and (d) the loan agreement, dated as of September 28, 2012, as amended, between the Crenshaw Project Corporation and the TIFIA Lender, and the related Direct Agreement, dated as of September 28, 2012, as amended, between LACMTA and the TIFIA Lender, and the related Funding Agreement, dated as of September 28, 2012, as amended, between LACMTA and the Crenshaw Project Corporation, all for the Crenshaw/LAX Transit Corridor Project. The loan agreements identified in clauses (a) through (c) of the preceding sentence are Junior Subordinate Obligations and are referred to herein as the "Primary TIFIA Loan Agreements". The loan agreement identified in clause (d) above is referred to herein as the "Secondary TIFIA Loan Agreement" and is payable from Measure R Sales Tax revenues on a basis junior and subordinate to the Junior Subordinate Obligations.

The Primary TIFIA Loan Agreements and the Secondary TIFIA Loan Agreement are collectively referred to herein as the "TIFIA Loan Agreements." The TIFIA Loan Agreements will be terminated upon the issuance of the Series 2020-A Green Bonds and the Series 2020-A Green Bonds will become the only then outstanding Junior Subordinate Obligations.

The projects to be refinanced with the proceeds of the Series 2020-A Green Bonds consist of improvements to LACMTA's rail transit system, including: (a) the Crenshaw/LAX Transit Corridor Project, including connections between the existing Metro Green Line and Exposition Line corridors; (b) the Westside Purple Line Extension Section 1 Project; (c) the Westside Purple Line Extension Section 2 Project; and (d) the Regional Connector Transit Corridor Project. See "CLIMATE BOND CERTIFICATION OF THE SERIES 2020-A GREEN BONDS." "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects." The projects to be financed with proceeds of the 2020-A Green Bonds are improvements related to the Westside Purple Line Extension Section 1 Project and the Regional Connector Transit Corridor Project.

LACMTA and TIFIA have agreed on a payoff amount for the TIFIA Loan Agreements and, at the time of delivery of the 2020-A Green Bonds, LACMTA will cause the Trustee to wire funds in such amount to the TIFIA Lender to retire the TIFIA Loan Agreements. LACMTA does not expect the TIFIA Lender to confirm receipt of the prepayment until a day or more after the delivery of the Series 2020-A Green Bonds; however, TIFIA has consented to the termination of the TIFIA Loan Agreements pursuant to an acknowledgement agreement. The TIFIA Lender's consent to the issuance of the Series 2020-A Green Bonds has not been requested nor is such consent required in connection with a retirement of all of the TIFIA Loan Agreements.

**Estimated Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2020-A Green Bonds.

| | Series 2020-A Green Bonds |
|---|---|
| **Sources** | |
| Principal Amount | $1,356,095,000.00 |
| Original Issue Bond Premium | 442,909,727.05 |
| Other Available Moneys[1] | 98,231,171.15 |
| Total Sources | $1,897,235,898.20 |
| **Uses** | |
| Repayment of TIFIA Loan Agreements | $1,769,773,507.65 |
| Deposit to Construction Fund[2] | 124,805,708.69 |
| Costs of Issuance[3] | 2,656,681.86 |
| Total Uses | $1,897,235,898.20 |

[1] Includes funds released from debt service accounts, including debt service reserve funds, for the TIFIA Loan Agreements.

[2] Monies deposited into the Construction Fund will be used for costs related to the Westside Purple Line Extension Section 1 Project and the Regional Connector Transit Corridor Project.

[3] Includes underwriters' discount, legal fees, rating agency fees, municipal advisor fees, printer costs, and other costs of issuance.

## CLIMATE BOND CERTIFICATION OF THE SERIES 2020-A GREEN BONDS

*The information set forth under this caption "CLIMATE BOND CERTIFICATION OF THE SERIES 2020-A GREEN BONDS" concerning (1) the Climate Bonds Initiative, an international non-profit organization, and the process for obtaining Climate Bond Certification, and (2) First Environment, Inc. ("First Environment") in its role as a verifier with respect to 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 Underwriters. Additional information relating to the Climate Bonds Initiative, the Climate Bonds Standard 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 Trust Agreement, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the Series 2020-A Green Bonds is entitled to any additional security other than as provided in the Trust Agreement. LACMTA has no continuing legal obligation to maintain the Climate Bond Certification of the Series 2020-A Green Bonds.*

LACMTA has requested and the Climate Bonds Standard Board has approved the labeling of the Series 2020-A Green Bonds as "Climate Bond Certified." The certification of the Series 2020-A Green

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 2020-A Green Bonds or any projects financed or refinanced with the proceeds of the Series 2020-A Green 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 2020-A Green Bonds as Climate Bonds by the Climate Bonds Initiative is addressed solely to the board of directors of LACMTA, is not a recommendation to any person to purchase, hold or sell the Series 2020-A Green Bonds, and does not address the market price or suitability of the Series 2020-A Green 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 2020-A Green 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 2020-A Green 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 LACMTA's website at https://www.metro.net/projects/ecsd/, which is not incorporated by reference.

LACMTA'S Revised Framework for Green Bonds dated July 2, 2020 contains the environmental objectives of LACMTA 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 2020-A Green Bonds described under "PLAN OF REFUNDING AND FINANCE APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance" herein were evaluated by LACMTA's Treasury Department, with assistance from the Environmental Compliance & Sustainability Department, and determined to support LACMTA's sustainability goals 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 2020-A Green 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 2020-A Green Bonds were expected to be used on eligible projects pursuant to the Low Carbon Land Transport Sector-Specific Criteria (Version 1.0) as well as the requirements of the Climate Bonds Standard Version 3.0.

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 2020-A Green 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 within one year of the Series 2020-A Green Bonds' issuance; however, LACMTA does not intend to conduct any other periodic post-issuance assurance. LACMTA will provide to the Climate Bonds Initiative an annual statement with respect to the Series 2020-A Green 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 2020-A Green Bonds regarding the projects financed by proceeds of the Series 2020-A Green 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 2020-A Green 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 Measure R Sales Tax revenues, or the Series 2020-A Green 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 Measure R Sales Tax Revenues**

The Series 2020-A Green Bonds are limited obligations of LACMTA payable solely from and secured by a lien on and pledge of Junior Subordinate Pledged Revenues, consisting primarily of certain revenues of the Measure R Sales Tax after payment of all Senior Obligations, Subordinate Obligations and

Senior Fees and Expenses, and other amounts that are held by the Trustee under the Trust Agreement. The level of Measure R 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 Measure R Sales Tax revenues received by LACMTA declined. Measure R Sales Tax revenues increased in Fiscal Years 2011 through 2019.

Measure R Sales Tax revenues have been and will likely continue to be affected by COVID-19. LACMTA has experienced declines and delays in Measure R Sales Tax revenues in Fiscal Year 2020 and expects declines and delays in Measure R Sales Tax revenues in Fiscal Year 2021 due to the required business shutdowns and the impact of COVID-19 on economy. See “INTRODUCTION—Impact of Global COVID-19 Outbreak.” Additionally, Measure R Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series 2020-A Green Bonds.

To project future Measure R 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, CDTFA does not provide LACMTA with any forecast of Measure R Sales Tax revenues for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Measure R Sales Tax revenues. In addition, the County is located in a seismically active region. A major earthquake, pandemic, epidemic or other natural disaster could adversely affect the economy of the County and the amount of Measure R Sales Tax revenues. Future significant declines in the amount of Measure R Sales Tax revenues could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 2020-A Green Bonds. See “MEASURE R SALES TAX AND COLLECTIONS—Historical Measure R Sales Tax Collections.” Also see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.” Also see “INTRODUCTION—Impact of Global COVID-19 Outbreak.”

**California State Legislature or Electorate or Federal Law May Change Items Subject to Measure R Sales Tax**

With limited exceptions, the Measure R Sales Tax is imposed on the same transactions and items subject to the general sales tax levied throughout the State. In the past, the California State Legislature and the California State electorate have made changes to the transactions and items subject to the State’s general sales tax and, therefore, the Measure R 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 Measure R 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 Measure R Sales Tax are imposed. Such a change could either increase or decrease Measure R Sales Tax revenues depending on the nature of the change. See “MEASURE R SALES TAX AND COLLECTIONS.”

Federal law may also cause transactions and items to be excluded from the State’s general sales tax, and, therefore, the Measure R 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 and must be used for airport-related purposes. The FAA definition of local sales tax includes the Measure R Sales Tax, as well as the Proposition C Sales Tax and the Measure M Sales Tax (see "MEASURE R SALES TAX AND COLLECTIONS—The Measure R Sales Tax" for descriptions of these sales taxes). While LACMTA cannot be certain of the overall impact that the FAA Policy will have on Measure R Sales Tax revenues, it does not expect that Measure R Sales Tax revenues will be reduced as a result of the FAA Policy since the amount of revenues that LACMTA expends on airport-related purposes exceeds the amount of local taxes, including Measure R Sales Tax revenues, it derives from aviation fuel. However, LACMTA cannot guarantee that Measure R Sales Tax revenues will not be adversely affected by the FAA Policy. The FAA Policy is illustrative of federal laws that may affect which transactions and items are subject to the State's general sales tax.

**Increases in Sales Tax Rate May Cause Declines in Measure R 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 Measure R Sales Tax revenues. Several increases in sales tax rates have occurred in recent years.

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) to improve transportation and ease traffic congestion. The Measure M Sales Tax is a new one-half cent sales tax that started 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. Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and Measure M Sales Tax revenues are separate from Measure R Sales Tax revenues and do not secure the Junior Subordinate Obligations, including the Series 2020-A Green Bonds, or the Senior Obligations, or the Subordinate Obligations.

On March 7, 2017, County voters approved a ¼ of 1% sales tax increase known as the Measure H Sales Tax for Homeless Services and Prevention to fund programs to assist the County's homeless population. The Measure H Sales Tax went into effect in October, 2017 and such tax expires in 2027. See "MEASURE R SALES TAX AND COLLECTIONS—The Measure R Sales Tax" for further discussion of Measure H and other current sales taxes in the County.

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.

**Increased Internet Use May Reduce Measure R Sales Tax Revenues**

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure R Sales Tax revenues. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State are generally subject to the retail transactions and use tax imposed by Measure R. 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.

Further, the Supreme Court of the United States (the "Supreme Court") decided a case on June 21, 2018 (South Dakota v. Wayfair Inc., *et al*) concerning out of jurisdiction collection of sales taxes. The Supreme Court ruled that state and local governments have the authority to require out-of-state vendors with no local physical presence in a state to collect and remit sales taxes to state and local governments. Since April 1, 2019, retailers located outside of California have been required to register with CDTFA, collect the California use tax, and pay the tax to CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state, with exceptions for retailers with California sales below certain volume and dollar amount thresholds. Effective October 1, 2019, marketplace facilitators (such as Internet shopping websites) are treated as retailers for purposes of determining whether such thresholds are met, and marketplace facilitators are required to collect and remit sales and use tax on the sale of tangible personal property sold through their marketplace for delivery to California customers if they meet certain volume and dollar amount thresholds. LACMTA believes that some Internet transactions currently avoid taxation and in the future may continue to avoid taxation, and this potentially reduces the amount of Measure R Sales Tax revenues.

**No Acceleration of the Series 2020-A Green Bonds**

In the event of a default by LACMTA, the Trust Agreement does not contain a provision allowing for the acceleration of the principal of and interest due on the Series 2020-A Green Bonds. In the event of a default by LACMTA, each Owner of the Series 2020-A Green Bonds will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Trust Agreement. See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS."

The Senior Trust Agreement permits the accelerated payment of Senior Bonds or Subordinate Obligations that are purchased with moneys obtained under a Liquidity Facility or related reimbursement obligations pursuant to term-out provisions of any such Liquidity Facility. Such term-out provisions might substantially reduce the amount of Junior Subordinate Pledged Revenues available to pay debt service on the Series 2020-A Green Bonds and other Junior Subordinate Obligations. There currently are no Senior Bonds or Subordinate Obligations outstanding that are supported by a Liquidity Facility.

**Series 2020-A Green Bonds Subordinate to Senior Obligations and Subordinate Obligations**

The pledge of and lien on Pledged Revenues securing the Series 2020-A Green Bonds and other Junior Subordinate Obligations is subordinate to the pledge and lien securing the Senior Obligations, Subordinate Obligations, and Senior Fees and Expenses as established under the Senior Trust Agreement. In addition, under the Senior Trust Agreement, the Senior Trustee is required to make monthly deposits from Pledged Revenues into funds and accounts created under the Senior Trust Agreement equal to a portion of future principal and interest payments due on the Senior Obligations and Subordinate Obligations, as well as deposits to any senior obligation reserve fund (there is not presently any such reserve fund) and deposits to the Senior Fees and Expenses Fund as established under the Senior Trust Agreement before the Senior Trustee may deposit remaining Pledged Revenues into the Junior Subordinate Obligations Fund established under the Senior Trust Agreement. The Senior Trustee shall transfer amounts deposited in the Junior Subordinate Obligations Fund to the Trustee where such amounts shall constitute Junior Subordinate Pledge Revenues under the Trust Agreement to be applied to pay principal of or interest on the Series 2020-A Green Bonds and other Junior Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Flow of Funds."

**No Reserve Fund for the Series 2020-A Green Bonds**

The Series 2020-A Green Bonds will not be secured by a debt service reserve fund.

**Additional Senior Bonds, Subordinate Obligations and Subordinate Junior Obligations**

LACMTA expects to issue and/or incur additional debt secured by Measure R Sales Tax revenues, including additional Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations. The Short Range Financial Forecast assumes the issuance and/or incurrence of approximately $2.7 billion in additional Senior Obligations and/or Subordinate Obligations from Fiscal Year 2021 through Fiscal Year 2030. The Short Range Financial Forecast is a planning tool 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 Measure R Sales Tax revenues available to fund the projects in the Short Range Financial Forecast. For further discussion of the Short Range Financial Forecast, see "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning." LACMTA has several major transit projects under construction and has future plans for additional major capital projects. LACMTA may ultimately issue and/or incur additional Senior Bonds, Subordinate Obligations and Junior Subordinate Obligations 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, LACMTA is likely to undertake additional capital projects in the future, and may issue and/or incur additional Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations to finance these projects.

Other than the additional debt tests described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations," the Senior Trust Agreement does not restrict the amount of Senior Obligations that can be outstanding. In addition, apart from covenants in certain existing bank loan agreements, the Trust Agreement does not restrict the amount of Subordinate Obligations that may be outstanding, although there are certain restrictions under the Trust Agreement as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations—Limitations on the Issuance of Senior and Parity Debt."

As a result, LACMTA may issue additional Senior Obligations and Subordinate Obligations that could reduce the amount of available Pledged Tax Revenues for payment of the Series 2020-A Green Bonds and other Junior Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations" and "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS."

**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 2020-A Green Bonds.

If the Pledged Tax Revenues constitute "special revenues" under the Bankruptcy Code, then Pledged Tax Revenues (and Junior Subordinate Pledged Revenues) collected before and after the date of the bankruptcy filing should be subject to the lien of the Senior Trust 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 Measure R Sales Tax was levied to finance the general purposes of LACMTA rather than specific projects, then the Pledged Tax Revenues would not be special revenues. No assurance can be given that a court would hold that the Pledged Tax Revenues constitute special revenues or that the Series 2020-A Green Bonds are of a type protected by the "special revenues" provisions of the Bankruptcy Code. If a bankruptcy court were to determine that the Pledged Tax Revenues were not "special revenues," then Pledged Tax Revenues collected after the commencement of the bankruptcy case would likely not be subject to the lien of the Senior Trust Agreement or the Junior Subordinate Trust Agreement. If a bankruptcy court were to so hold, the owners of the Series 2020-A Green Bonds would no longer be entitled to any special priority to the Pledged Tax Revenues and could be treated as general unsecured creditors of LACMTA without a lien as to the Pledged Tax Revenues or Junior Subordinate Pledged Revenues.

If the revenues pledged under the Senior Trust 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 Pledged 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 Pledged Tax Revenues are determined to be derived from a project or system, LACMTA may be able to use Pledged Tax Revenues to pay necessary operating expenses, before the remaining Pledged Tax Revenues are turned over to the Senior Trustee or the Trustee to pay amounts owed to the holders of the Series 2020-A Green Bonds.

If LACMTA files for relief under Chapter 9, the parties (including the Senior Trustee, the Trustee and the holders of the Series 2020-A Green 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 Senior Trustee and the Trustee from making payments to the holders of the Series 2020-A Green Bonds from funds in the Senior Trustee's or the Trustee's possession. In addition, the procedure pursuant to which the Pledged Tax Revenues are paid directly to the Senior Trustee by CDTFA may no longer be enforceable, and LACMTA may be able to require that the Pledged Tax Revenues be paid directly to it by CDTFA.

If LACMTA has possession of Pledged Tax Revenues (whether collected before or after commencement of the bankruptcy case) and if LACMTA does not voluntarily pay such moneys to the Senior Trustee, it is not entirely clear what procedures the Senior Trustee, the Trustee, or the holders of the Series 2020-A Green Bonds would have to follow to attempt to obtain possession of such Pledged 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 Trust Agreement, including its obligations to pay principal of and interest on the Series 2020-A Green Bonds, are limited obligations and are payable solely from the Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement. Accordingly, if LACMTA filed for relief under Chapter 9, the owners of the Series 2020-A Green Bonds may not have any recourse to any assets or revenues of LACMTA other than the Pledged Revenues, Junior Subordinate Pledged Revenues and other amounts.

In the event of a 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 and the Junior Subordinate Pledged Revenues), which lien could have priority over the lien of the Senior Trust Agreement and the Trust Agreement, as long as the bankruptcy court determines that the rights of the owners of the Series

2020-A Green Bonds will be adequately protected. LACMTA may also be able to cause some of the Pledged Revenues or Junior Subordinate Pledged Revenues to be released to it, free and clear of lien of the Senior Trust Agreement and the Trust Agreement, as long as the bankruptcy court determines that the rights of the Senior Trustee or the Trustee, as applicable, and the owners of the Series 2020 A Green 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 2020-A Green 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 Senior Trust Agreement or the Trust Agreement and the Series 2020-A Green Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted in its 2019 Financial Statements (as defined under "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, 2019"), 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 2020-A Green 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 a 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 2020-A Green 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 2020 A Green Bonds. There may be other possible effects of a bankruptcy of LACMTA that could result in delays or reductions in payments on the Series 2020-A Green Bonds, or result in losses to the holders of the Series 2020-A Green Bonds. Regardless of any specific adverse determinations in a LACMTA bankruptcy proceeding, the fact of a LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2020-A Green Bonds.

**Liability for CalPERS Retirement Funding**

LACMTA participates in CalPERS, and is a member of the Southern California Regional Rail Authority ("Metrolink"), a joint powers authority that participates in CalPERS. Participants in CalPERS may terminate their participation, and CalPERS may, following notice and cure periods, terminate participants that fail to make required contributions or provide required information or no longer exist. California law provides that a terminated agency is liable to CalPERS for any deficit in funding for earned benefits, plus interest and collection costs, and that CalPERS will have a lien on assets of the terminated participant, subject only to a prior lien for wages, for such deficit, interest and costs. Similar provisions impose liability and liens on members of joint powers authorities for the retirement obligations of the joint powers authority. As of June 30, 2019, LACMTA's net pension liability with respect to the CalPERs administered plan in which LACMTA participates was approximately $154 million according to LACMTA's audited financial statements (see APPENDIX B) and as of June 30, 2019, Metrolink's net pension liability was approximately $11 million, according to Metrolink's audited financial statements. While LACMTA expects to make its required contributions to CalPERS and to strive to ensure that no funding deficit exists in the event of the termination or dissolution of Metrolink or any other joint powers authority of which it becomes a member (or if a funding deficit does exist, to make alternate arrangements to address it), it is possible that a lien could be placed on all of LACMTA's assets, including the Measure R Sales Tax Revenues, in the amount of any funding deficit, plus interest and collection costs, and any such lien on Measure R Sales Tax Revenues would be senior to that securing the Series 2020-A Green Bonds. Also see "—Impact of Bankruptcy of LACMTA."

### Voter Initiatives and California State Legislative Action May Impair Measure R Sales Tax

Voters have the right to place measures before the electorate in the County or the State and the California State Legislature may take actions to limit the collection and use of the Measure R Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 2020-A Green Bonds. See "MEASURE R SALES TAX AND COLLECTIONS—Initiatives and Changes to Measure R Sales Tax."

## DESCRIPTION OF THE SERIES 2020-A GREEN BONDS

### General

The Series 2020-A Green Bonds are limited obligations of LACMTA and will be issued and secured as Junior Subordinate Bonds.

The Series 2020-A Green Bonds will bear interest at the rates and mature in the principal amounts and on the dates shown on the inside cover of this Official Statement. LACMTA will pay interest on each June 1 and December 1, beginning December 1, 2020. Interest on the Series 2020-A Green Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2020-A Green Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. Upon initial issuance, the Series 2020-A Green Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2020-A Green Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2020-A Green Bonds will be evidenced by book-entry as described in "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM." Purchasers will not receive certificated Series 2020-A Green Bonds. So long as Cede & Co. is the registered owner of the Series 2020-A Green Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners of the Series 2020-A Green Bonds.

So long as Cede & Co. is the registered owner of the Series 2020-A Green Bonds, principal of and interest on the Series 2020-A Green 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 2020-A Green Bonds cease to be held by DTC or by a successor securities depository, the principal of the Series 2020-A Green Bonds will be payable at maturity upon presentation and surrender of the Series 2020-A Green Bonds at the corporate trust office or agency of the Trustee, and interest on the Series 2020-A Green Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series 2020-A Green Bonds as of the Record Date; provided, that Owners of $1,000,000 or more in aggregate principal amount of Series 2020-A Green 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**

***Series 2020-A-1 Green Bonds***. The Series 2020-A-1 Green Bonds maturing on or before June 1, 2030 are not subject to optional redemption. The Series 2020-A-1 Green Bonds maturing on and after June 1, 2031 are subject to redemption at the option of LACMTA, in whole or in part, in Authorized Denominations, on any date on or after June 1, 2030 from any moneys that may be provided for such purpose, at a redemption price of 100% of the principal amount of such Series 2020-A-1 Green Bonds so redeemed, together with accrued interest, if any, to the redemption date, without premium.

***Series 2020-A-2 Green Bonds***. The Series 2020-A-2 Green Bonds are not subject to optional redemption prior to maturity.

***Series 2020-A-3 Green Bonds.*** The Series 2020-A-3 Bonds maturing on June 1, 2033 and June 1, 2034 are subject to redemption at the option of LACMTA, in whole or in part, in Authorized Denominations, on any date on or after June 1, 2027 from any moneys that may be provided for such purpose, at a redemption price of 100% of the principal amount of such Series 2020-A-3 Green Bonds so redeemed, together with accrued interest, if any, to the redemption date, without premium.

The Series 2020-A-1 Green Bonds and the Series 2020-A-3 Green Bonds are referred to herein as the "Callable Series 2020-A Green Bonds."

***Selection of Series 2020-A Green Bonds for Redemption.*** The Callable Series 2020-A Green Bonds are subject to redemption in such order of maturity date and interest rate as LACMTA may direct and by lot, selected in such manner as the Trustee shall deem appropriate within a maturity and interest rate, provided that for so long as the book-entry system is being used, the interests of the Participants in the particular Callable Series 2020-A Green Bonds or portions thereof to be redeemed within a maturity and interest rate shall be selected by lot by the Securities Depository in such manner as the Securities Depository and the Participants may determine.

***Notice of Redemption.*** Each notice of redemption will be mailed by the Trustee, not less than 20 nor more than 90 days prior to the redemption date, to each Holder and the Repository. Notice of redemption to the Holders, the Repository and the applicable Notice Parties will be given by first-class mail. Each notice of redemption will state the date of such notice, the date of issue of the applicable Callable Series 2020-A Green Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Callable Series 2020-A Green Bonds of such maturity, if any, to be redeemed and, in the case of Callable Series 2020-A Green Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Callable Series 2020-A Green Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Callable Series 2020-A Green Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Callable Series 2020-A

Green Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither LACMTA nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Callable Series 2020-A Green Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither LACMTA nor the Trustee will be liable for any inaccuracy in such CUSIP numbers.

With respect to any notice of optional redemption, unless, upon the giving of such notice, such Callable Series 2020-A Green Bonds are deemed to have been paid within the meaning of the Trust Agreement, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of and interest on such Callable Series 2020-A Green Bonds to be redeemed, and that if such amounts are not so received, said notice will be of no force and effect and LACMTA will not be required to redeem such Callable Series 2020-A Green Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders of the applicable Callable Series 2020-A Green Bonds to the effect that such amounts were not so received and such redemption was not made.

Failure by the Trustee to give notice to any Notice Party or the Repository or failure of any Holder, any Notice Party or the Repository to receive notice or any defect in any such notice will not affect the sufficiency or validity of the proceedings for redemption.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS

### Security for the Series 2020-A Green Bonds

The Series 2020-A Green Bonds are limited obligations of LACMTA payable from and secured by a lien on and pledge of the "Junior Subordinate Pledged Revenues." Junior Subordinate Pledged Revenues consist of all Pledged Tax Revenues deposited or required to be deposited in the Junior Subordinate Obligations Fund established under the Senior Trust Agreement and transferred by the Senior Trustee to the Trustee for deposit in the Junior Subordinate Revenue Fund. Pledged Tax Revenues are deposited in the Junior Subordinate Obligations Fund only after making all deposits and payments due on the Senior Obligations, Subordinate Obligations, and Senior Fees and Expenses under the Senior Trust Agreement. Junior Subordinate Pledged Revenues also include any "Swap Revenues," which generally are regularly-scheduled amounts (but not termination payments) owed or paid to LACMTA by any counterparty to any interest rate swaps or other similar agreements relating to Junior Subordinate Obligations (there are no such interest rate swaps or agreements at this time). "Pledged Tax Revenues" are the amounts collected on account of the Measure R Sales Tax, less any refunds and the administrative fee paid to CDTFA in connection with the collection and disbursement of the Measure R Sales Tax, and less 15% thereof which constitutes the Local Return allocated to local jurisdictions within the County pursuant to the Measure R Ordinance. See "MEASURE R SALES TAX AND COLLECTIONS." See "MEASURE R SALES TAX AND COLLECTIONS." See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS" for complete definitions of the terms described in this paragraph, and related terms.

In addition, the Series 2020-A Green Bonds are secured by all other amounts held by the Trustee under the Trust Agreement (except for amounts held in certain funds established under the Trust Agreement). See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS." The Trust Agreement provides that Junior Subordinate Pledged Revenues also include any additional sources of revenue that are hereafter pledged to pay the Junior Subordinate Bonds and Junior Subordinate Parity Obligations under a subsequent supplement to the Trust Agreement. Junior Subordinate Pledged Revenues do not include any Measure R Sales Tax revenues that are released by the Senior Trustee to LACMTA after making all required monthly deposits to the Interest Fund, the Principal Fund, any Reserve Fund, the Subordinate Obligations Fund, the Senior Fees and Expenses Fund and the Junior Subordinate Obligations Fund.

LACMTA is not obligated to make payments of principal of and interest on the Series 2020-A Green Bonds from any other source of funds.

The Series 2020-A Green Bonds and all other Junior Subordinate Obligations are secured by a lien and charge on Junior Subordinate Pledged Revenues, which is subordinate to the liens and charges on Pledged Revenues that secure Senior Obligations, the Subordinate Obligations and the Senior Fees and Expenses under the Senior Trust Agreement.

The Senior Trust Agreement provides, as security for the payment of all amounts owing on the Junior Subordinate Obligations, an irrevocable pledge, on a subordinate basis to the pledges securing the Senior Obligations and the Subordinate Obligations, of all Pledged Revenues. Such pledge shall be irrevocable until all of the Junior Subordinate Obligations and amounts owed in connection with the Junior Subordinate Obligations are no longer Outstanding.

**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 Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement, is pledged to the payment of the principal of or interest on the Series 2020-A Green Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2020-A Green Bonds.**

**The Series 2020-A Green Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a lien on and pledge of the Junior Subordinate Pledged Revenues and certain other amounts held by the Trustee under the Trust Agreement. Other than Junior Subordinate Pledged Revenues and such other amounts held by the Trustee under the Trust 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 2020-A Green Bonds.**

**Issuance of Additional Measure R Sales Tax Obligations**

Pursuant to the Senior Trust Agreement, LACMTA has covenanted and agreed not to issue or incur any obligations that would have a lien on Pledged Revenues senior to the Senior Bonds or any Senior Parity Debt. LACMTA is authorized to issue and incur Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations under the Senior Trust Agreement, the Subordinate Trust Agreement and the Trust Agreement, respectively. LACMTA also has incurred obligations that are payable from the Measure R Sales Tax revenues on a basis subordinate to the Junior Subordinate Obligations, and may incur additional obligations in the future.

***Senior Obligations***. Under the Senior Trust Agreement, LACMTA may issue Senior Bonds and incur Senior Parity Obligations, which are secured by a senior lien and charge on Pledged Revenues. As of July 1, 2020, LACMTA had approximately $1.0 billion aggregate principal amount of Senior Bonds outstanding. For a description of the Senior Bonds currently outstanding, see "MEASURE R SALES TAX OBLIGATIONS—Senior Obligations." LACMTA does not presently have any Senior Parity Obligations outstanding.

Under the Senior Trust Agreement, LACMTA is permitted to issue additional Senior Bonds and incur Senior Parity Obligations upon satisfying certain conditions, including the delivery of a certificate prepared by a Consultant showing that the amount of Pledged Revenues (excluding Swap Revenues as defined in the Senior Trust Agreement) collected during any 12 consecutive calendar months specified by LACMTA within the most recent 18 calendar months immediately preceding the date on which such additional Series of Senior Bonds or Senior Parity Obligations will become Outstanding will have been at least equal to 2.5 times Maximum Annual Debt Service on all Series of Senior Bonds and Senior Parity Obligations then Outstanding and the additional Series of Senior Bonds or Senior Parity Obligations then proposed to be issued.

LACMTA has also covenanted and agreed that, at the time of issuance of any Series of Senior Bonds or Senior Parity Obligations to finance projects in any expenditure allocation category, the portion of projected Measure R Sales Tax revenues attributable to such category in each year, as determined by LACMTA, divided by the sum of (i) the Assumed Debt Service attributable to such Senior Bonds or Senior Parity Obligations plus (ii) the Assumed Debt Service attributable to all other Outstanding Senior Bonds or Senior Parity Obligations, the proceeds of which are attributable to such category, plus (iii) the debt service (calculated in the same manner as Assumed Debt Service) on any outstanding Subordinate Obligations and Junior Subordinate Obligations, the proceeds of which are attributable to such category, in each year, as calculated by the Authority, will not be less than 110%.

Refunding Senior Bonds and Senior Parity Obligations may be issued or incurred by LACMTA without compliance with the provisions of the Senior Trust Agreement summarized in the preceding paragraph if certain conditions are met.

This test is not for the benefit of the Junior Subordinate Bondholders and could be amended or waived without their consent. The Junior Subordinate Bondholders should not rely on this test. Coverage tests under the Trust Agreement are described below under "– Junior Subordinate Obligations" and "Limitations on the Issuance of Senior and Parity Debt."

See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS" for further discussion of the requirements to issue additional Senior Obligations under the Senior Trust Agreement.

***Subordinate Obligations.*** Under the Senior Trust Agreement, LACMTA may issue Subordinate Obligations which are secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Senior Obligations and senior to the lien and charge on Pledged Revenues that secures the Junior Subordinate Obligations. As of July 1, 2020, LACMTA had approximately $106 million aggregate principal amount of Subordinate Obligations outstanding, with the ability to borrow up to a total of $300,000,000 outstanding at any single time under the agreements pursuant to which the Subordinate Obligations are issued. For a description of the Subordinate Obligations currently outstanding, see "MEASURE R SALES TAX OBLIGATIONS—Subordinate Obligations."

In addition to the requirements set forth in the Senior Trust Agreement, under the Subordinate Trust Agreement and the Measure R Subordinate Revolving Credit Agreements and the Bondholder's Agreement (each defined below), LACMTA is permitted to incur additional Subordinate Obligations upon satisfying certain conditions. Such obligations could be in excess of the $300,000,000 that is currently available under the Measure R Subordinate Revolving Credit Agreements and the Bondholder's Agreement. The terms in each of those agreements are subject to modification, amendment or termination. Owners of the Series 2020-A Green Bonds cannot rely on the provisions in the Subordinate Revolving Credit Agreements or the Bondholder's Agreement.

***Junior Subordinate Obligations***. Under the Trust Agreement, LACMTA may issue Junior Subordinate Obligations which are secured by a lien and charge on Junior Subordinate Pledged Revenues, consisting of remaining Pledged Revenues deposited in the Junior Subordinate Obligations Fund established under the Senior Trust Agreement after making all deposits and payment due on the Senior Obligations, the Subordinate Obligations and the obligations to pay Senior Fees and Expenses under the Trust Agreement.

As of July 1, 2020, LACMTA had Junior Subordinate Obligations outstanding in the aggregate principal amount of $1,149,634,287 (consisting of amounts borrowed under the Primary TIFIA Loan Agreements and including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the loan documents, all of which will be repaid with the proceeds of the Series 2020-A Green Bonds and other available funds), with the ability to borrow an additional $124,805,709 under the Primary TIFIA Loan Agreements. The Primary TIFIA Loan Agreements will be terminated at the time of issuance of the Series 2020-A Green Bonds.

LACMTA is permitted to incur additional Junior Subordinate Obligations upon satisfying certain conditions under the Trust Agreement, including delivery of a certificate prepared by a Consultant showing that the amount of Junior Subordinate Pledged Revenues (excluding Swap Revenues as defined in the Trust Agreement ) collected during any 12 consecutive calendar months specified by LACMTA within the most recent 18 calendar months immediately preceding the date on which such additional Series of Junior Subordinate Obligations will become Outstanding shall have been at least equal to 1.50 times Maximum Annual Debt Service on all Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations then Outstanding and the additional Junior Subordinate Obligations then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based. See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS" for further discussion of the requirements to issue additional Junior Subordinate Obligations.

Refunding Junior Subordinate Obligations may be issued or incurred by LACMTA without compliance with the provisions of the Trust Agreement summarized in the preceding paragraph if certain conditions are met.

***Limitations on the Issuance of Senior and Parity Debt***. Under the Trust Agreement, LACMTA may only issue additional Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations upon satisfying certain conditions including delivery of a certificate prepared by a Consultant showing that the amount of Pledged Revenues collected during any 12 consecutive calendar months specified by LACMTA within the most recent 18 calendar months immediately preceding the date on which such additional Senior Obligations, Subordinate Obligations or Junior Subordinate Obligations will become outstanding shall have been at least equal to 1.00 times Maximum Annual Debt Service on all Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations then outstanding and the additional Senior Obligations, Subordinate Obligations or Junior Subordinate Obligations then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based. Maximum Annual Debt Service shall be calculated (i) for Senior Obligations and Subordinate Obligations, as provided in the Senior Trust Agreement, and (ii) for Junior Subordinate Obligations, as provided in the Trust Agreement.

Notwithstanding the foregoing, Senior Obligations, Subordinate Obligations or Junior Subordinate Obligations issued or incurred to refund other Senior Obligations, Subordinate Obligations, Junior Subordinate Bonds or Junior Subordinate Obligations may be issued or incurred without compliance with the provisions of the Trust Agreement summarized in the preceding paragraph if certain conditions are met. See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS."

***Compliance with Allocation and Expenditure Requirements of the Ordinance.*** Additionally, under the Trust Agreement LACMTA has also covenanted and agreed that at the time of issuance or incurrence of any Senior Obligation, Subordinate Obligations and Junior Subordinate Obligations to finance projects in any expenditure allocation category, the portion of projected Measure R Sales Tax revenues attributable to such category in each year, as determined by LACMTA, divided by the Assumed Debt Service attributable to such Senior Obligation, Subordinate Obligations or Junior Subordinate Obligations and all other outstanding Senior Obligation, Subordinate Obligations and Junior Subordinate Obligations, the proceeds of which are attributable to such category, in each year, as calculated by LACMTA, shall not be less than 110%.

***Other Obligations***. In addition, LACMTA has incurred other obligations which are secured by the Measure R Sales Tax revenues that remain after the payment of Senior Obligations, Subordinate Obligations, Senior Fees and Expenses and Junior Subordinate Obligations. As of July 1, 2020, LACMTA had other obligations outstanding in the aggregate principal amount of $608,185,999 (consisting of LACMTA's obligation to repay amounts borrowed by the Crenshaw Project Corporation under the Secondary TIFIA Loan Agreement and including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the loan documents, all of which will be repaid with the proceeds of the Series 2020-A Green Bonds and other available funds). The Secondary TIFIA Loan Agreements will be terminated at the time of issuance of the Series 2020-A Green Bonds. LACMTA may incur other obligations secured by Measure R Sales Tax revenues on a basis subordinate to the Junior Subordinate Obligations.

**Flow of Funds under Senior Trust Agreement**

As long as any Senior Bonds and Senior Parity Obligations, Subordinate Obligations, obligations payable from the Senior Fees and Expenses Fund established under the Senior Trust Agreement (the "Senior Fees and Expenses"), Junior Subordinate Obligations and all other amounts payable under the Senior Trust Agreement remain unpaid pursuant to the Senior Trust Agreement, LACMTA has pledged the Pledged Tax Revenues to the Senior Trustee and will cause the CDTFA to transmit the same directly to the Senior Trustee. The Pledged Tax Revenues will be received and held in trust by the Senior Trustee for the benefit of the Holders of the Senior Bonds, the Senior Parity Obligations, the Subordinate Obligations and Junior Subordinate Obligations. The Senior Trustee will forthwith deposit all Pledged Tax Revenues in the Revenue Fund established by the Senior Trust Agreement (the "Revenue Fund"), maintained and held in trust by the Senior Trustee, when and as such Pledged Tax Revenues are received by the Trustee. See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS." Investment income on amounts held by the Senior Trustee (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a supplement to the Senior Trust Agreement) will also be deposited in the Revenue Fund.

So long as any Senior Bonds remain outstanding and Senior Parity Obligations, Subordinate Obligations, Junior Subordinate Obligations and all other amounts payable under the Senior Trust Agreement remain unpaid, following receipt and deposit of the Pledged Tax Revenues in the Revenue Fund in each month, the Senior Trustee is required to set aside such Pledged Tax Revenues in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority) and further provided that set asides or transfers required with respect to outstanding Senior Parity Obligations will be made on a parity basis each month, as provided in the Senior Trust Agreement.

***First - Interest Fund (Senior Obligations)***. The Senior Trustee will make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Senior Bonds constituting Current Interest Bonds (except the Senior Bonds constituting Variable Rate Indebtedness which is governed by (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Senior Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), plus (b) the aggregate amount of interest to accrue during that month on Outstanding Senior Bonds constituting Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified by LACMTA, or if LACMTA has not specified an interest rate, at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the date of deposit plus 100 basis points; subject to such adjustments as are provided pursuant to the provisions of the Senior Trust Agreement.

***Second - Principal Fund; Sinking Accounts (Senior Obligations)***. The Senior Trustee will make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation (as defined in the Senior Trust Agreement) becoming due and payable on the Outstanding Senior Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Senior Serial Bonds of all Series having annual maturity dates within the next 12 months, plus (c) one-sixth of the aggregate of the Senior Term Bond Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Senior Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Senior Term Bond Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Senior Term Bonds of all Series for which Sinking Accounts will have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if LACMTA certifies to the Senior Trustee that any principal payments due on or prior to January 1, 2036 are expected to be refunded on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded, except for amounts in any month to pay principal payments becoming due and payable in such month.

No deposit need be made into the Principal Fund so long as there is in such fund (a) moneys sufficient to pay the Bond Obligation of all Senior Serial Bonds then Outstanding and maturing by their terms within the next 12 months, plus (b) the aggregate of all Senior Term Bond Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Senior Term Bonds during such 12-month period; provided that if LACMTA certifies to the Senior Trustee that any principal payments in the following 12-month period are expected to be paid from amounts on deposit in a reserve fund with respect to any Senior Bonds that would be in excess of the Reserve Requirement applicable to such reserve fund upon such payment, no deposit need be made into the Principal Fund with respect to such principal payments.

***Third - Reserve Funds (Senior Obligations)***. If LACMTA provides by a supplement to the Senior Trust Agreement, the Senior Trustee will make deposits to any of the reserve funds with respect to any Senior Bonds. As of the date of this Official Statement, LACMTA has not established any reserve fund with respect to any outstanding Senior Obligations.

***Fourth - Subordinate Obligations Fund***. As long as any Subordinate Obligations remain unpaid, any Pledged Revenues remaining in the Revenue Fund after the deposits described in First, Second and Third above have been made will be transferred on the same Business Day to the Subordinate Obligations Fund. After the Trustee has made any deposit or payment of Pledged Revenues as in the current month required by the instrument or instruments creating the Subordinate Obligations, the Senior Trustee will transfer any remaining Pledged Revenues back to the Revenue Fund.

***Fifth - Fees and Expenses Fund***. At the direction of LACMTA, after the deposits described in First, Second, Third and Fourth above have been made, the Senior Trustee will deposit as soon as practicable in each month in the Fees and Expenses Fund (a) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Senior Obligations) owing in such month or the following month by LACMTA in connection with the Senior Obligations and (b) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by LACMTA in connection with Subordinate Obligations.

***Sixth - Junior Subordinate Obligations Fund***. As long as any Junior Subordinate Obligations remain unpaid, any Pledged Revenues remaining in the Revenue Fund after the deposits or payments described in First, Second, Third, Fourth, and Fifth above have been made will be transferred on the same Business Day to the Junior Subordinate Obligations Fund. After the Senior Trustee has made any deposit or payment of Pledged Revenues as in the current month required by the instrument or instruments creating Junior Subordinate Obligations, the Trustee will transfer any remaining Pledged Revenues back to the Revenue Fund.

***Seventh – Swap Termination Payments.*** The Senior Trustee shall pay any Swap Termination Payments then due and payable to the applicable counterparty.

The Senior Trust Agreement provides that any Pledged Revenues remaining in the Revenue Fund after the foregoing deposits described in First, Second, Third, Fourth, Fifth, Sixth and Seventh above, will be transferred to LACMTA on the same Business Day or as soon as practicable thereafter, except as otherwise provided in a supplement to the Senior Trust Agreement or as LACMTA may otherwise direct in writing (such direction shall not be inconsistent with any other provision of the Senior Trust Agreement) to be used by LACMTA or transferred as directed by LACMTA in writing for any lawful purpose and after such transfer to LACMTA will be released from the lien of the Senior Trust Agreement and will no longer constitute "Pledged Revenues" under the Senior Trust Agreement.

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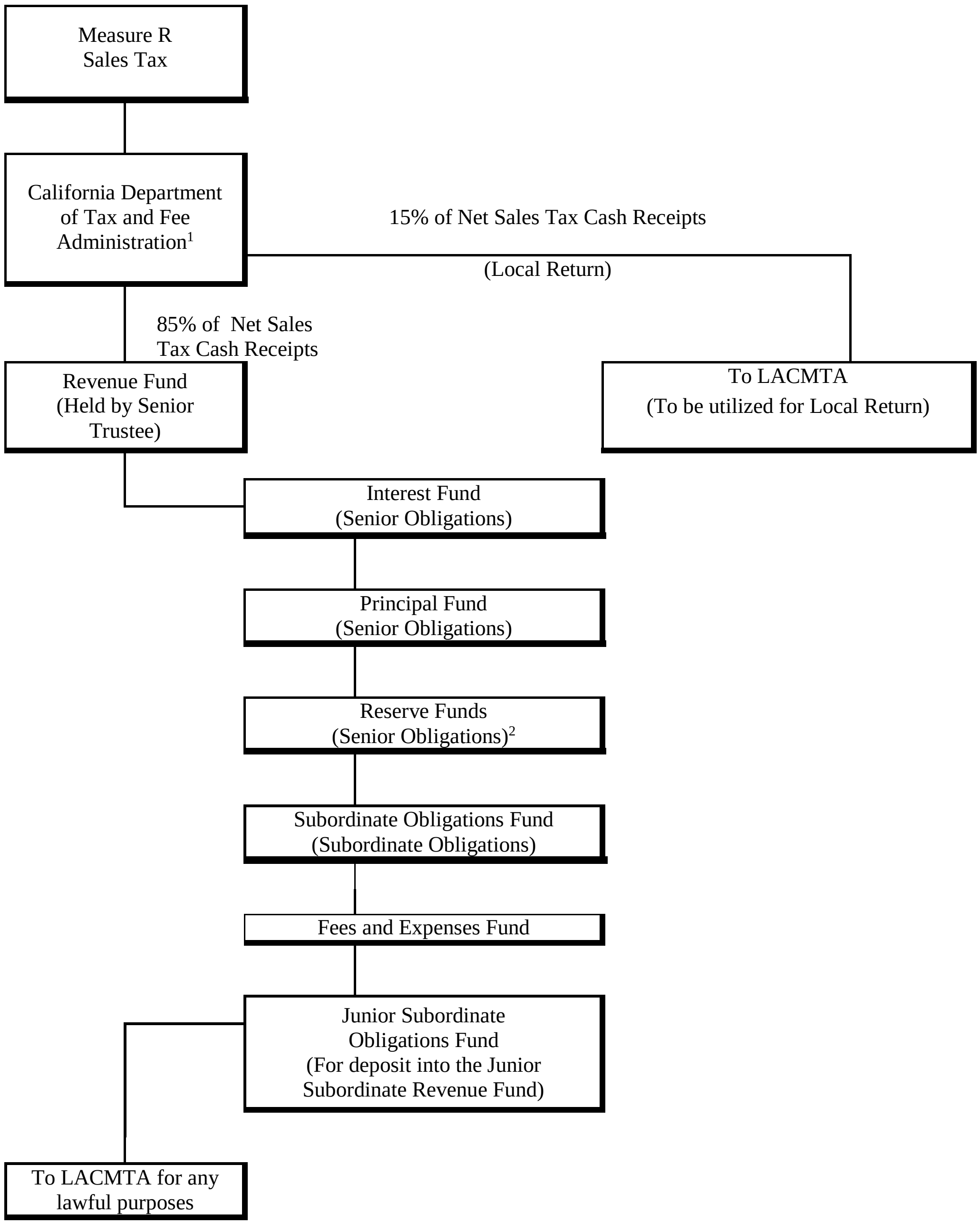
The following table provides a graphic presentation of the flow of funds for Measure R Sales Tax cash receipts under the Senior Trust Agreement as of the date of issuance of the Series 2020-A Green Bonds.

**TABLE 1**
**Measure R Sales Tax**
**Flow of Funds**

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1 Amounts transferred by CDTFA to the Trustee and LACMTA are net of any refunds and administrative fees paid to CDTFA.
2 No Reserve Fund was established for the currently outstanding Senior Bonds.

**Flow of Funds under Junior Subordinate Trust Agreement**

So long as any Junior Subordinate Bonds are outstanding and Junior Subordinate Obligations remain unpaid, following receipt of Junior Subordinate Pledged Revenues, the Trustee is required to set aside the moneys in the Junior Subordinate Revenue Fund in the following respective funds in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Junior Subordinate Pledged Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits specified in paragraphs First and Second below the Trustee may set aside or transfer amounts with respect to any outstanding Junior Subordinate Obligations as provided in the proceedings for such Junior Subordinate Obligations delivered to the Trustee; provided further that payments on Interest Rate Swap Agreements that are payable on a parity with the Junior Subordinate Bonds shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements.

***First - Interest Fund (Junior Subordinate Obligations)***. The Trustee will make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Junior Subordinate Bonds constituting Current Interest Bonds (except the Junior Subordinate Bonds constituting Variable Rate Indebtedness which is governed by (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Junior Subordinate Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), plus (b) the aggregate amount of interest to accrue during that month on Outstanding Junior Subordinate Bonds constituting Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified by LACMTA, or if LACMTA has not specified an interest rate, at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the date of deposit plus 100 basis points; subject to such adjustments as are provided pursuant to the provisions of the Trust Agreement.

***Second - Principal Fund; Sinking Accounts (Junior Subordinate Obligations)***. The Trustee will make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Junior Subordinate Bond Obligation becoming due and payable on the Outstanding Junior Subordinate Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Junior Subordinate Bond Obligation becoming due and payable on the Outstanding Junior Subordinate Serial Bonds of all Series having annual maturity dates within the next 12 months, plus (c) one-sixth of the aggregate of the Junior Subordinate Term Bond Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Junior Subordinate Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Junior Subordinate Term Bond Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Junior Subordinate Term Bonds of all Series for which Sinking Accounts will have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if LACMTA certifies to the Trustee that any principal payments due on or prior to January 1, 2039 are expected to be refunded on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded, except for amounts in any month to pay principal payments becoming due and payable in such month.

No deposit need be made into the Principal Fund so long as there will be in such fund (a) moneys sufficient to pay the Junior Subordinate Bond Obligation of all Junior Subordinate Serial Bonds then Outstanding and maturing by their terms within the next 12 months, plus (b) the aggregate of all Junior Subordinate Term Bond Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Junior Subordinate Term Bonds during such 12-month period; provided that if LACMTA certifies to the Junior Subordinate Trustee that any principal payments in the following 12-month period are expected to be paid from amounts on deposit in a reserve fund with respect to Junior Subordinate Bonds that would be in excess of the Reserve Requirement applicable to such reserve fund upon such payment, no deposit need be made into the Principal Fund with respect to such principal payments.

***Third - Reserve Fund***. Upon the occurrence of any deficiency in any reserve fund, the Trustee shall make such deposit to such reserve fund as is required, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable reserve requirement. No reserve fund has been established for the Series 2020-A Green Bonds.

The Trust Agreement provides that any Junior Subordinate Pledged Revenues remaining in the Junior Subordinate Revenue Fund after the foregoing deposits described in First, Second, and Third above, will be transferred to LACMTA on the same Business Day or as soon as practicable thereafter, except as otherwise provided in a supplement to the Supplemental Trust Agreement or as LACMTA may otherwise direct in writing (such direction shall not be inconsistent with any other provision of the Trust Agreement) to be used by LACMTA or transferred as directed by LACMTA in writing for any lawful purpose and after such transfer to LACMTA will be released from the lien of the Trust Agreement and will no longer constitute "Junior Subordinate Pledged Revenues" under the Trust Agreement.

### The Series 2020-A Green Bonds Are Not Secured by Any Debt Service Reserve Fund

No debt service reserve fund will be established under the Trust Agreement for the Series 2020-A Green Bonds.

## MEASURE R SALES TAX AND COLLECTIONS

### The Measure R 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 Transactions and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.), upon authorization by two-thirds of the electors voting on the issue. In accordance with the LACMTA Act, on July 24, 2008, LACMTA adopted the Measure R Ordinance which authorizes a retail transactions and use tax for public transit purposes. The Measure R Ordinance was submitted to the electors of the County in the form of Measure R ("Measure R") and approved at an election held on November 4, 2008 by more than two-thirds of the voters. The Measure R Ordinance imposes a tax, effective July 1, 2009, of 1/2 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 of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions. The retail transactions and use tax imposed by the Measure R Ordinance and approved by the voters with the passage of Measure R is referred to in this Official Statement as the "Measure R Sales Tax." As approved by the voters, the Measure R Sales Tax is limited to 30 years in duration and terminates on June 30, 2039.

Collection of the Measure R Sales Tax is administered by CDTFA, which imposes a charge for administration. Such charge is based on the actual costs incurred by CDTFA in connection with the administration of the collection of the Measure R Sales Tax. In accordance with the Measure R Ordinance, LACMTA is required to allocate the proceeds of the Measure R Sales Tax as follows:

**TABLE 2**
**Allocation of Measure R Sales Tax**

| Uses | Percentage |
|---|---|
| New Rail and/or Bus Rapid Transit Capital Projects | 35% |
| Metrolink Capital Improvement Projects within the County (operations, maintenance and expansion) | 3 |
| Metro Rail Capital—System Improvements, Rail Yards and Rail Cars | 2 |
| Carpool Lanes, Highways, Goods Movement, Grade Separations and Soundwalls | 20 |
| Rail Operations (new transit project operations and maintenance) | 5 |
| Bus Operations (County-wide bus service operations, maintenance and expansion) | 20 |
| Local Return (allocated to incorporated cities within the County and to the County for the incorporated areas thereof on a per capita basis); Major Street Resurfacing, Rehabilitation and Reconstruction; Pothole Repair; Left Turn Signals; Bikeways; Pedestrian Improvements; Streetscapes; Signal Synchronization; and Transit | 15 |
| Total | 100%[1] |

[1] Up to 1.5% of the Measure R Sales Tax revenues received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Measure R Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Flow of Funds" above.

Source: LACMTA

CDTFA, after deducting the costs of administering the Measure R Sales Tax and disbursing the Local Return to LACMTA, has agreed to remit directly on a monthly basis the remaining Measure R Sales Tax revenues to the Trustee. Any Pledged Tax Revenues remaining after the Senior Trustee makes the required monthly deposits to the Interest Fund, the Principal Fund, any Reserve Fund, the Subordinate Obligations Fund, the Fees and Expenses Fund and the Junior Subordinate Obligations Fund under the Senior Trust Agreement and after the Trustee makes the required monthly deposits to the Interest Fund, the Principal Fund and any Reserve Fund under the Trust Agreement are released to LACMTA to be used by LACMTA for any lawful purposes (subject to the allocation requirements set forth in the Measure R Ordinance). The Series 2020-A Green Bonds do not have a lien on and are not secured by any Pledged Tax Revenues or Junior Subordinate Pledged Revenues that are released by the Senior Trustee or the Trustee to LACMTA after making such monthly deposits under the Trust Agreement.

The amount retained by CDTFA from collections of Measure R Sales Tax is based on the total local entity cost reflected in the annual budget of the State, and includes direct, shared and central agency costs incurred by CDTFA. The amount retained by CDTFA is adjusted to account for the difference between CDTFA's recovered costs and its actual costs during the prior two Fiscal Years. For Fiscal Years 2016 through 2020, CDTFA's fee for administering the Measure R Sales Tax was as follows:

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**TABLE 3**
**Fee For Administering the Measure R Sales Tax**

| Fiscal Year Ended (June 30) | Fee ($'s in millions) | Percentage of Measure R Sales Tax Revenues |
|---|---|---|
| 2016 | $9.2 | 1.2% |
| 2017 | 9.2 | 1.2 |
| 2018 | 9.0 | 1.1 |
| 2019 | 8.9 | 1.0 |
| 2020 | 9.3 | 1.1 |

CDTFA has advised LACMTA that its fee for Fiscal Year 2021 is estimated to be $7.4 million. LACMTA assumes that the CDTFA fee may increase incrementally each year. CDTFA can change the fee at its discretion in the future.

Under the Trust Agreement, LACMTA covenants that (a) it has duly levied the Measure R Sales tax; and (b) it will not suffer or permit any change, modification or alteration to be made to the LACMTA Act that would materially and adversely affect the rights of the Owners of the Series 2020-A Green Bonds.

Under the LACMTA Act, the State 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 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, the State is not precluded from limiting or altering rights if and when adequate provision has been made by law for the protection of the bondholders or those entering into contracts with LACMTA. Further, such pledge and agreement does not preclude the State from changing the transactions and items subject to the statewide general sales tax and concurrently thereby altering the amount of Measure R Sales Tax collected. See "RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Measure R Sales Tax."

The 30-year ½ of 1% Measure R Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State (currently 7.25%), the ½ of 1% sales tax imposed by LACMTA pursuant to Ordinance No. 16 of the Commission known as "Proposition A" (such sales tax is referred to herein as the "Proposition A Sales Tax"), 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 ½ of 1% (increasing to 1% upon the expiration of the Measure R Sales Tax) sales tax approved by County voters in November 2016 to fund LACMTA transportation projects and operations known as the "Measure M Sales Tax," the 10-year ¼ of 1% sales tax approved by County voters in March 2017 to fund programs to assist the County's homeless population known as "Measure H Sales Tax," and the taxes that apply only within certain cities in the County. The cities of Avalon, Commerce, Downey, El Monte, Inglewood, La Puente, 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 Arcadia, Burbank, Covina, Cudahy, Culver City, Glendale, Glendora, Hawthorne, Huntington Park, Lawndale, Pasadena, and Pomona, in the County have each enacted a sales tax of ¾ of 1% applicable to transactions within their respective city limits. The cities of Compton, Long Beach, Lynwood, Pico Rivera, Santa Fe Springs Santa Monica, and South Gate, in the County have enacted a sales tax of 1% applicable to transactions within the city's limits. The combined various sales taxes described above results in (a) transactions within the County, and outside the cities of Arcadia, Avalon, Burbank, Commerce, Compton, Covina, Cudahy, Culver City, Downey, El Monte, Glendale, Glendora, Hawthorne, Huntington Park, Inglewood, La Puente, Lawndale, Long Beach, Lynwood, Pasadena, Pico Rivera, Pomona, San Fernando, Santa Monica, South El Monte, and South Gate, currently being taxed at an effective rate of 9.50%, (b) transactions within the cities of Avalon, Commerce, Downey, El Monte, Inglewood, La Puente, San Fernando, and South El Monte currently being taxed at an effective rate of 10.00%, (c) transactions within the cities of Arcadia, Burbank, Compton, Covina, Cudahy, Culver City, Glendale, Glendora, Hawthorne, Huntington Park, Lawndale, Long Beach, Lynwood, Pasadena, Pico Rivera, Pomona, Santa Monica, and South Gate currently being taxed at an effective rate of 10.25%, and (d) transactions within the city of Santa Fe Springs currently being taxed at an effective rate of 10.50% (the Measure H Sales Tax does not apply to transactions in Compton, Long Beach, Lynwood, Pico Rivera, Santa Monica and South Gate because in those cities the sales tax is already at the maximum allowed by law). These tax rates and the items subject to the Measure R Sales Tax are subject to change. See "RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Measure R Sales Tax" and "—Increases in Sales Tax Rate May Cause Declines in Measure R Sales Tax Revenues." See also "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT."

**Initiatives and Changes to Measure R Sales Tax**

***Proposition 218***. In 1996, the voters of the State 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 Measure R Sales Tax.

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**Historical Measure R Sales Tax Collections**

The following table presents, among other things, collections of net Measure R Sales Tax revenues and corresponding Pledged Revenues for the Fiscal Years ended June 30, 2010 through June 30, 2019.

**TABLE 4**
**Historic Net Measure R Sales Tax Revenues, Pledged Tax Revenues, Senior Obligations and Subordinate Obligations Debt Service and Junior Subordinate Pledged Revenues**
**(dollars in millions)**

| Fiscal Year Ended June 30 | Net Measure R Sales Tax Revenues[1] | Annual Percentage Change | Pledged Tax Revenues[2] | Senior Obligations and Subordinate Obligations Debt Service[3] | Junior Subordinate Pledged Revenues |
|---|---|---|---|---|---|
| 2010 | $551.5 | – | $468.8 | – | $468.8 |
| 2011 | 598.6 | 8.54% | 508.8 | $20.8 | 488.0 |
| 2012 | 645.0 | 7.75 | 548.3 | 53.7 | 494.6 |
| 2013 | 684.9 | 6.19 | 582.1 | 53.7 | 528.4 |
| 2014 | 714.2 | 4.28 | 607.1 | 53.7 | 553.4 |
| 2015 | 745.9 | 4.44 | 634.0 | 53.7 | 580.3 |
| 2016 | 765.0 | 2.56 | 650.2 | 54.3 | 595.9 |
| 2017 | 787.9 | 2.99 | 669.7 | 80.9 | 588.8 |
| 2018 | 836.7 | 6.19 | 711.2 | 92.9 | 618.3 |
| 2019 | 846.8 | 1.21 | 719.8 | 93.5 | 626.3 |

[1] Reflects Measure R Sales Tax revenues, reported according to accrual basis accounting, as presented in LACMTA's audited financial statements, less the administrative fee paid to CDTFA, but before the Local Return. Rounded to the closest $100,000.
[2] Reflects Measure R Sales Tax revenues, reported according to accrual basis accounting, as presented in LACMTA's audited financial statements, less the administrative fee paid to the CDTFA and the Local Return. Rounded to the closest $100,000.
[3] No Subsidy Payments (as defined herein) received with respect to the Series 2010-A Bonds are included in calculating the Senior Obligations debt service. See "MEASURE R SALES TAX OBLIGATIONS—Senior Obligations" below. Reflects actual debt service paid on Senior Bonds and actual debt service on Subordinate Obligations paid on then-current drawn amounts.
Source: LACMTA

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The following table sets forth the amount of Measure R Sales Tax receipts received for the most recent nine quarters and the changes in such amounts from the corresponding period in the prior year.

**TABLE 5**
**Quarterly Actual Measure R Sales Tax Receipts Information**[1]
**(values are cash basis)**

| Quarter Ended | Quarterly Receipts ($ millions) | Change from Same Period of Prior Year | Rolling 12 Months Receipts ($ millions) | Change from Same Period of Prior Year |
|---|---|---|---|---|
| June 30, 2020[2] | $160.6 | (20.6)% | $835.5 | (3.5)% |
| March 31, 2020 | 232.8 | 3.9 | 877.2 | 2.8 |
| December 31, 2019 | 222.3 | 3.5 | 868.5 | 3.9 |
| September 30, 2019 | 219.8 | (2.3) | 860.9 | 4.2 |
| June 30, 2019 | 202.3 | 6.7 | 866.2 | 7.8 |
| March 31, 2019 | 224.1 | 8.6 | 853.4 | 6.3 |
| December 31, 2018 | 214.8 | 4.5 | 835.7 | 4.8 |
| September 30, 2018[3] | 225.1 | 11.4[3] | 826.4 | 4.8 |
| June 30, 2018 | 189.5 | 0.4[3] | 803.4 | 3.1 |

[1] Unaudited; reported according to cash basis accounting.
[2] Receipts for the quarter ending June 30, 2020 are lower due to the impacts of the COVID-19 pandemic. See "INTRODUCTION—Impact of Global COVID-19 Outbreak."
[3] Receipts received in the quarter ending September 30, 2018 include $37 million in Fiscal Year 2018 receipts delayed due to CDTFA's implementation of a new revenue system in May 2018.
Source: LACMTA

Historically, the Measure R Sales Tax receipts, on a cash basis for a quarterly period, were determined by Measure R 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 quarter ending March 31, 2018, receipts generally represented sales activity occurring in November 2017, December 2017 and January 2018. In May 2018, CDTFA implemented a new Centralized Revenue Opportunity System which changed the allocation schedule and resulted in tax distributions to local governments being accelerated. Measure R Sales Tax receipts, on a cash basis for a quarterly period, are determined by Measure R Sales Tax revenues generated by sales activity generally occurring in the previous quarter, less any amount previously advanced, plus an advance for the first month of the next quarter. For example, for the quarter ending June 30, 2020, reported according to cash basis accounting, Measure R Sales Tax receipts were approximately $160.6 million, which receipts generally represented sales activity occurring in January, February, and March 2020, less the advances previously received for those quarterly sales, plus an advance for April sales (received in June).

Measure R Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Measure R Sales Tax receipts 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, CDTFA does not provide LACMTA with any forecast of Measure R Sales Tax receipts for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Measure R Sales Tax receipts. See "RISK FACTORS—Economic Factors May Cause Declines in Measure R Sales Tax Revenues" above. Also see "INTRODUCTION—Impact of Global COVID-19 Outbreak."

## MEASURE R SALES TAX OBLIGATIONS

### General

LACMTA has three priority levels of obligations secured by the Measure R Sales Tax: its Senior Bonds, its Subordinate Obligations and its Junior Subordinate Obligations. In addition, LACMTA has incurred other obligations which are secured by the Measure R Sales Tax that remain after the payment of Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations (including Junior Subordinate Bonds). See "—Other Obligations" below.

### Debt Service Coverage

The following table presents historical Pledged Tax Revenues and debt service coverage ratios for the Fiscal Years ended June 30, 2011 through June 30, 2019.

**TABLE 6**
**Measure R Pledged Tax Revenues and Combined Debt Service Coverage (dollars in millions)[1]**

| Fiscal Year | Pledged Tax Revenues[2] | Senior Bonds Debt Service[3] | Subordinate Obligations Debt Service[4] | Junior Subordinate Obligations Debt Service | Combined Senior, Subordinate, and Junior Subordinate Obligations Annual Debt Service Coverage Ratio | Measure R Sales Tax Revenues Remaining After Payment of Senior Bonds |
|---|---|---|---|---|---|---|
| 2011 | $508.8 | $20.8 | – | – | 24.5x | $488.0 |
| 2012 | 548.3 | 53.7 | – | – | 10.2 | 494.6 |
| 2013 | 582.1 | 53.7 | – | – | 10.8 | 528.4 |
| 2014 | 607.1 | 53.7 | – | – | 11.3 | 553.4 |
| 2015 | 634.0 | 53.7 | – | – | 11.8 | 580.3 |
| 2016 | 650.2 | 53.6 | 0.7 | – | 12.0 | 595.9 |
| 2017 | 669.7 | 79.6 | 1.3 | – | 8.3 | 588.8 |
| 2018 | 711.2 | 91.9 | 1.0 | – | 7.7 | 618.3 |
| 2019 | 719.8 | 91.9 | 1.6 | – | 7.7 | 626.3 |

1 Dollars rounded to the closest $100,000.
2 85% of Net Measure R Sales Tax revenue (less administrative fee and Local Return). See Table 4 above.
3 No Subsidy Payments (as defined herein) received with respect to the Series 2010-A Bonds are included in calculating the Senior Bonds debt service. See "—Senior Obligations" below.
4 Actual Subordinate Obligations debt service paid on then current drawn amounts.
Source: LACMTA

LACMTA may issue and/or incur additional Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations upon the satisfaction of certain additional bonds tests. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations." The Short Range Financial Forecast assumes the issuance and/or incurrence of approximately $2.7 billion in additional Senior Obligations and/or Subordinate Obligations from Fiscal Year 2021 through Fiscal Year 2030. See "RISK FACTORS—Additional Senior Bonds, Subordinate Obligations and Junior Subordinate Obligations."

**Senior Obligations**

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 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 July 1, 2020, LACMTA had (i) $573,950,000 aggregate principal amount of the Series 2010 Measure R Senior Bonds outstanding and (ii) $470,720,000 aggregate principal amounts of the 2016-A Measure R Senior Bonds outstanding, both of which are fixed rate bonds. As of the date of this Official Statement, LACMTA has no Senior Parity Obligations outstanding.

LACMTA designated the Series 2010-A Bonds as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. LACMTA receives a cash subsidy from the United States Treasury expected to be equal to 35% of the interest payable on the Series 2010-A Bonds (the "Subsidy Payments"). Due to federal funding reductions that began in Fiscal Year 2013, the Subsidy Payments received by LACMTA over the last five Fiscal Years have only been approximately 33% of the interest payable on the Series 2010-A Bonds. LACMTA has not undertaken or made any covenant for the benefit of the holders of the Series 2010-A Bonds to comply with any conditions to receive the Subsidy Payments or to maintain its right to retain or receive Subsidy Payments in respect of the Series 2010-A Bonds. The Subsidy Payments are not part of Pledged Revenues and have not otherwise been pledged by LACMTA to the payment of debt service on the Series 2010-A Bonds. LACMTA does not use any of the Subsidy Payments to pay debt service on the Series 2010-A Bonds (or any other Senior Bonds). LACMTA is obligated to make all payments of principal of and interest on the Series 2010-A Bonds from Pledged Revenues whether or not it receives the Subsidy Payments.

LACMTA may issue additional Senior Bonds and other Senior Obligations upon the satisfaction of certain conditions contained in the Senior Trust Agreement and the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations." The Short Range Financial Forecast assumes the issuance and/or incurrence of approximately $2.7 billion in additional Senior Obligations and/or Subordinate Obligations from Fiscal Year 2021 through Fiscal Year 2030. The Short Range Financial Forecast is a planning tool 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 Measure R Sales Tax revenues available to fund the projects in the Short Range Financial Forecast. For further discussion of the Short Range Financial Forecast, see "FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning" in APPENDIX A.

**Subordinate Obligations**

On May 28, 2015, LACMTA received authorization to establish a short-term borrowing program (the "Short-Term Borrowing Program") secured by the Measure R Sales Tax and in an aggregate principal amount not to exceed $300,000,000. The obligations issued under the Short-Term Borrowing program are Subordinate Obligations and are payable from the Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds but senior to the Junior Subordinate Obligations, including the Series 2020-A Green Bonds.

Under the Short-Term Borrowing Program, LACMTA may 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 Series 2020-A Green Bonds. As of July 1, 2020, LACMTA had approximately $65.2 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 $100,000,000, 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 $50,000,000, 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** | Bank of the West | State Street Public Lending Corporation |
| **Principal Amount** | $50,000,000[1] | $100,000,000[2] |
| **Expiration Date** | November 20, 2020[3] | November 20, 2020[3] |

[1] As of July 1, 2020, $50,000,000.00 aggregate principal amount of Bank of the West Measure R Revolving Obligations were outstanding.

[2] As of July 1, 2020, $15,212,743.45 aggregate principal amount of State Street 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, under the Short-Term Borrowing Program, 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 until November 2020, 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, subject to the terms of such bond purchase agreement. 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 Senior Bonds, on a parity basis with the Measure R Subordinate Revolving Obligations, and on a senior basis to the Junior Subordinate Obligations, including the Series 2020-A Green Bonds. As of July 1, 2020, LACMTA had $40.8 million 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 applicable documents, the principal of all Measure R Subordinate Series C Bonds outstanding are due and payable in twelve equal quarterly installments commencing in February 2021 and ending in November 2023.

Additional Subordinate Obligations may be entered into, and the existing Subordinate Obligations may be amended or replaced. The payment terms and provisions of such agreements related to Subordinate Obligations may impact Junior Subordinate Obligation Holders, including the Holders of the Series 2020-A Green Bonds. Apart from the provisions described above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations—Limitations on the Issuance of Senior and Parity Debt," the provisions of the Junior Trust Agreement do not restrict the terms or amount of Subordinate Obligations.

**Outstanding Junior Subordinate Obligations**

In addition to the outstanding Senior Obligations and Subordinate Obligations described above, LACMTA has entered into the Primary TIFIA Loan Agreements. See "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

As of July 1, 2020, LACMTA had drawn $1,198,194,291 in proceeds across the Primary TIFIA Loan Agreements and had $1,149,634,287 currently outstanding (including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the Primary TIFIA Loan Agreements). As of July 1, 2020, LACMTA had $124,805,709 in undrawn amounts under certain of the Primary TIFIA Loan Agreements. Upon issuance of the Series 2020-A Green Bonds all of the Primary TIFIA Loan Agreements will be repaid in full and the agreements terminated. See "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

**Other Obligations**

In addition to the Primary TIFIA Loan Agreements described above, LACMTA has entered into the Secondary TIFIA Loan Agreement, which is payable from Measure R Sales Tax revenues on a basis subordinate to the Junior Subordinate Obligations. As of July 1, 2020, LACMTA had drawn all $545,900,000 in proceeds under the Secondary TIFIA Loan Agreement and had $608,185,999 currently outstanding (including accrued interest that has been added to the outstanding principal amount in accordance with the terms of the Secondary TIFIA Loan Agreement).

Upon issuance of the Series 2020-A Green Bonds, the Secondary TIFIA Loan Agreement will be repaid in full and the agreement terminated. See "PLAN OF REFUNDING AND FINANCE AND APPLICATION OF THE SERIES 2020-A GREEN BOND PROCEEDS—Use of Proceeds; Plan of Refunding and Finance."

**Policy Limits on Additional Debt**

Besides the limitation of the additional bonds test noted under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations," the Board has adopted a debt policy that set limits on the amount of debt secured by the Measure R Sales Tax that can be issued.

This debt policy is reviewed periodically, and sets limits on debt service as a percentage of the use of sales tax revenues for certain allocations of expenditures as set forth in the Measure R Ordinance, which levied the tax. These limits are intended to ensure that LACMTA will be able to continue providing essential operational services while planning for replacement, rehabilitation and expansion of capital investments. Under the current debt policy, payment of debt service with Measure R Sales Taxes is subject to the following limitations: only 87% of the Measure R 35% (new rail and/or bus rapid transit capital projects) category may be used to pay debt service; only 60% of the Measure R 20% (carpool lanes, highways, goods movement, grade separations and soundwall projects) category may be used to pay debt service; only 87% of the Measure R 2% (Metro rail capital) category may be used to pay debt service; and only 87% of the Measure R 3% (Metrolink capital improvement projects) category may be used to pay debt service. These limits in combination with the Capital Plan and multi-year planning documents ensure that LACMTA will be able to continue providing essential operational services while planning for replacement, rehabilitation, and expansion of LACMTA's capital investments.

Under its current debt policy, debt service on LACMTA obligations is limited to 47% of the Measure R Sales Tax revenues, which would require a minimum of 1.8 times annual coverage of debt service. The Board may, in its discretion, modify the debt policy to allow the issuance of a greater amount of debt secured by the Measure R Sales Tax in the future.

Notwithstanding the Board adopted debt policy, 100% of Measure R Sales Taxes remaining after the payment of administrative fees to CDTFA and the distribution of the Local Return are pledged to the payment of the principal and interest on the Measure R Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations.

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## COMBINED DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA's Senior Bonds, Subordinate Obligations and the Series 2020-A Green Bonds. This table reflects repayment of the TIFIA Loan Agreements from the proceeds of the Series 2020-A Green Bonds.

**TABLE 7**
**Los Angeles County Metropolitan Transportation Authority**
**Combined Measure R Debt Service Schedule[1]**

| Bond Years Ending June 30 | Currently Outstanding Senior Bonds Debt Service[2] | Subordinate Obligations Debt Service[3] | Series 2020-A Green Bonds Debt Service | | | Combined Total Debt Service |
|---|---|---|---|---|---|---|
| | | | Principal | Interest | Total Debt Service | |
| 2021 | $ 91,895,412 | $ 20,944,164 | $ – | $ 50,795,071 | $ 50,795,071 | $ 163,634,647 |
| 2022 | 91,592,236 | 20,944,164 | – | 66,738,050 | 66,738,050 | 179,274,450 |
| 2023 | 91,257,377 | 20,944,164 | 28,475,000 | 66,738,050 | 95,213,050 | 207,414,591 |
| 2024 | 90,900,003 | 20,944,164 | 46,870,000 | 65,314,300 | 112,184,300 | 224,028,467 |
| 2025 | 90,517,737 | 20,944,164 | 65,215,000 | 62,970,800 | 128,185,800 | 239,647,701 |
| 2026 | 90,102,666 | 20,944,164 | 80,475,000 | 59,710,050 | 140,185,050 | 251,231,880 |
| 2027 | 89,628,277 | 20,944,164 | 84,505,000 | 55,686,300 | 140,191,300 | 250,763,741 |
| 2028 | 89,133,657 | 20,944,164 | 97,510,000 | 51,461,050 | 148,971,050 | 259,048,871 |
| 2029 | 88,624,296 | 20,944,164 | 102,375,000 | 46,585,550 | 148,960,550 | 258,529,010 |
| 2030 | 88,090,152 | 20,944,164 | 107,495,000 | 41,466,800 | 148,961,800 | 257,996,116 |
| 2031 | 87,536,467 | 20,944,164 | 112,870,000 | 36,092,050 | 148,962,050 | 257,442,681 |
| 2032 | 86,967,946 | 20,944,164 | 118,520,000 | 30,448,550 | 148,968,550 | 256,880,660 |
| 2033 | 86,371,047 | 20,944,164 | 124,445,000 | 24,522,550 | 148,967,550 | 256,282,761 |
| 2034 | 85,758,188 | 20,944,164 | 130,670,000 | 18,300,300 | 148,970,300 | 255,672,652 |
| 2035 | 85,118,075 | 20,944,164 | 86,065,000 | 11,766,800 | 97,831,800 | 203,894,039 |
| 2036 | 84,456,591 | 20,944,164 | 90,005,000 | 7,824,200 | 97,829,200 | 203,229,955 |
| 2037 | 83,770,405 | 20,944,164 | 80,600,000 | 3,724,000 | 84,324,000 | 189,038,569 |
| 2038 | 83,057,650 | 20,944,164 | – | – | – | 104,001,814 |
| 2039 | 82,316,171 | 20,944,164 | – | – | – | 103,260,335 |
| Total | $1,667,094,350 | $397,939,119 | $1,356,095,000 | $700,144,471 | $2,056,239,471 | $4,121,272,940 |

[1] Totals may not add due to rounding.

[2] No Subsidy Payments received with respect to the Series 2010-A Bonds are included in calculating the Senior Bonds Debt Service. See "MEASURE R SALES TAX OBLIGATIONS—Outstanding Measure R Sales Tax Obligations—Senior Obligations."

[3] Reflects debt service on $300 Million Subordinate Obligations amortized in equal installments at 3% until the expiration of the Measure R Sales tax in 2039.

Sources: LACMTA and Montague DeRose & Associates, LLC

Based on Pledged Revenues derived from the unaudited Fiscal Year 2020 Measure R Sales Tax Receipts reflected above in Table 5, debt service coverage on combined Senior Obligations, Subordinate Obligations, and Junior Subordinate Obligations after issuance of the Series 2020-A Green Bonds is expected to range from 2.74 to 4.34 times.

## LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, against LACMTA in any way questioning or affecting the validity of the Series 2020-A Green Bonds, the imposition and collection of the Measure R Sales Tax or the pledge of the Pledged Revenues or Junior Subordinate Pledged

Revenues. See "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION."

## LEGAL MATTERS

The validity of the Series 2020-A Green Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to LACMTA. The proposed form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX E. 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, LLP. The aforementioned entities undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

## TAX MATTERS

### Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to LACMTA, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by LACMTA with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Series 2020-A Green Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Series 2020-A Green Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2020-A Green Bonds is not included in the gross income of the owners of the Series 2020-A Green Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Series 2020-A Green Bonds to be included in gross income retroactive to the date of issuance of the Series 2020-A Green Bonds.

In the further opinion of Bond Counsel, interest on the Series 2020-A Green Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Series 2020-A Green Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate or other documents pertaining to the Series 2020-A Green Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Series 2020-A Green Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the Series 2020-A Green Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of LACMTA described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Series 2020-A Green Bonds is commenced, under current procedures the IRS is likely to treat LACMTA as the "taxpayer," and the owners of the Series 2020-A Green Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Series 2020-A Green Bonds, LACMTA may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Series 2020-A Green Bonds could adversely affect the value and liquidity of the Series 2020-A Green Bonds during the pendency of the examination, regardless of its ultimate outcome.

**Tax Accounting Treatment of Series 2020-A Green Bond Premium**

To the extent a purchaser acquires a Series 2020-A Green Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation.

Bond Counsel is not opining on the accounting for or consequence to a Series 2020-A Green Bond purchaser of bond premium. Accordingly, persons considering the purchase of Series 2020-A Green Bonds with bond premium should consult with their own tax advisors with respect to the determination of bond premium on such Series 2020-A Green Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Series 2020-A Green Bonds.

**Information Reporting and Backup Withholding**

Interest paid on the Series 2020-A Green Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2020-A Green Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

**State Tax Exemption**

In the further opinion of Bond Counsel, interest on the Series 2020-A Green Bonds is exempt from personal income taxes imposed by the State of California.

### Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Series 2020-A Green Bonds of the exclusion of the interest on the Series 2020-A Green Bonds from gross income for federal income tax purposes or of the exemption of interest on the Series 2020-A Green Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2020-A Green Bonds. Prospective purchasers of the Series 2020-A Green Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the Series 2020-A Green Bonds is included in APPENDIX E hereto.

## MUNICIPAL ADVISOR

LACMTA has retained Montague DeRose & Associates, LLC, as Municipal Advisor (the "Municipal Advisor") for the sale of the Series 2020-A Green 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, 2019 and the Management's Discussion and Analysis and certain supplementary information, and the Independent Auditors' Report of Crowe LLP, independent accountants, dated December 19, 2019 (collectively, the "2019 Financial Statements") are included as "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019." The 2019 Financial Statements, included in this Official Statement, have been audited by Crowe LLP, independent accountants, as stated in their Report appearing in APPENDIX B. LACMTA has not requested, nor has Crowe LLP given, Crowe LLP's consent to the inclusion in APPENDIX B of its Report on such 2019 Financial Statements. In addition, Crowe LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

## CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

Certain economic and demographic information about the County is included in "APPENDIX C—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.

## CONTINUING DISCLOSURE

At the time of issuance of the Series 2020-A Green 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 Owners and Beneficial Owners of the Series 2020-A Green 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 F—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 also become aware that the Trustee did not file a notice with respect to a defeasance that occurred in 2018 until 24 days after the defeasance occurred. Lastly, LACMTA has become aware that in a few instances, notices of changes in ratings on some of its bonds were not filed in a timely manner. LACMTA has made corrective filings regarding these ratings changes.

## UNDERWRITING

The Series 2020-A Green Bonds will be purchased by Wells Fargo Bank, N.A. and the other underwriters identified on the cover of this Official Statement (the "Underwriters") at a price of $1,797,154,560.29 which amount represents the principal amount of the Series 2020-A Green Bonds of $1,356,095,000.00 plus an original issue premium of $442,909,727.05, and less an underwriters' discount of $1,850,166.76 subject to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2020-A Green Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2020-A Green 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 Underwriters may offer and sell the Series 2020-A Green 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 Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their affiliates have, from time to time, performed and may in the future perform, various investment banking services for LACMTA, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of LACMTA.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), the senior underwriter of the Series 2020-A Green Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2020-A Green Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020-A Green Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2020-A Green Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

BofA Securities, Inc., an underwriter of the Series 2020-A Green Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020-A Green Bonds.

Citigroup Global Markets Inc. is providing the following language for inclusion in the Offering Statement.

Citigroup Global Markets Inc., an underwriter of the Series 2020-A Green Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

## RATINGS

S&P Global Ratings ("S&P") has assigned a rating of "AA" (negative outlook) and Fitch Ratings, Inc. ("Fitch") has assigned a rating of "AA" (stable outlook) to the Series 2020-A Green Bonds. 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: S&P, 55 Water Street, New York, New York 10041 and Fitch, One State Street Plaza, New York, New York 10004. 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 2020-A Green Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2020-A Green Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2020-A Green 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, Montague DeRose & Associates, LLC, 2801 Townsgate Road, Suite 221; Westlake Village, California 91361, Telephone: (805) 496-2211. 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 2020-A Green 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 2020-A Green Bonds should be aware that the following discussion of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") is intended as general information only. The Series 2020-A Green Bonds are limited obligations of LACMTA payable from Junior Subordinate Pledged Revenues, which consist primarily of proceeds of the Measure R Sales Tax after payment of Senior Bonds, Subordinate Obligations and Senior Fees and Expenses. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS."***

### Establishment; Jurisdiction

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 325,000 passengers per weekday on buses and nearly 112,000 passengers on rail for the quarter ended June 30, 2020. 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. LACMTA 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, 2008, the voters of the County approved the Measure R Sales Tax pursuant to the Measure R Ordinance. The Measure R Sales Tax is in addition to a ½ of 1 percent sales tax imposed by LACMTA beginning in 1980 known as "Proposition A Sales Tax" and a ½ of 1 percent sales tax imposed by LACMTA beginning in 1990 known as "Proposition C Sales Tax" and a ½ of 1 percent sales tax imposed by LACMTA beginning in 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 and reelected in 2017. 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.

***Hilda L. Solis, First Vice-Chair***. 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.

***Ara Najarian, Second Vice-Chair***. Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009, 2013 and 2017; 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.

***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 the Los Angeles 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 and reelected in March 2017 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.

***James T. Butts, Jr***. Mr. Butts was elected as Mayor of the City of Inglewood on January 11, 2011 and reelected in November 2014 and November 2018. 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.

***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 2011 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.

***Sheila Kuehl***. 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.

***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.

***John Bulinksi, Ex-Officio Member***. Mr. Bulinski is the District Director of the California Department of Transportation (Caltrans) for District 7 encompassing Los Angeles and Ventura counties. He oversees transportation systems in a dynamic region that boasts 25 percent of California's population, an annual construction program of more than $2 billion, and some of the most innovative solutions to moving people and goods through southern California. Prior to this position he was the District Director for Caltrans District 8 covering Riverside and San Bernardino Counties. He received his Bachelor of Science degree in Environmental Resource Engineering from Humboldt State University and is a California State Registered Professional Engineer.

**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. 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.

The information about ridership provided below does not reflect the full impact of COVID-19 and surrounding events, which have caused LACMTA to experience declines in ridership on its bus and rail systems. For further discussion, see "INTRODUCTION—Impact of Global COVID-19 Outbreak" in the front part of this Official Statement.

### 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 approximately 2,300 buses. LACMTA's bus system covers over 160 routes and serves approximately 14,000 bus stops, including two premium bus rapid transit dedicated busways. System-wide, LACMTA buses provide approximately 6.4 million revenue service hours annually with an average of approximately 310,000 boardings per weekday on a system-wide basis for the fiscal quarter ended June 30, 2020 and total boardings of 25.9 million for the fiscal quarter ended June 30, 2020, including Orange Line busway ridership. In addition, LACMTA contracts with outside service providers, with an average of approximately 15,000 boardings per weekday for the fiscal quarter ended June 30, 2020 and total boardings of 1.3 million for the fiscal quarter ended June 30, 2020. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. As of July 1, 2020, the average age of LACMTA's bus fleet was approximately 8.60 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. Today, 25 Metro Rapid corridors are 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 18-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 18 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/ExpressLanes System**

The ExpressLanes Program is a cooperative effort between Caltrans and LACMTA, and was originally 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 Express Lanes and provided the choice for drivers of single occupant vehicles to pay to travel in a high occupancy lane, based on dynamic congestion pricing. The general purpose lanes on these highways are not tolled. Current funding is provided by toll revenues generated by the Express Lanes. This program also includes improvements to the transit service along the freeways, and has funded transit facility and roadway improvements and provided funding to enhance system connectivity. In early 2017, the LACMTA Board approved a plan to convert additional existing HOV lanes to ExpressLanes in phases over the next 30 years.

**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 98 miles and serves 93 stations, with weekday estimated ridership of approximately 112,000 for the fiscal quarter ended June 30, 2020.

***Metro Blue Line (A 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 1.6 million for the fiscal quarter ended June 30, 2020.

***Metro Green Line (C 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 810,000 for the fiscal quarter ended June 30, 2020.

***Metro Gold Line (L 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 the intersection of Pomona Boulevard and Atlantic Boulevard 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 1.3 million for the fiscal quarter ended June 30, 2020.

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

***Exposition Line (E Line)***. The Exposition Line is an approximately 13.1 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 added seven stations to the Exposition Line. Estimated ridership for the Exposition Line was more than 1.3 million for the fiscal quarter ended June 30, 2020.

***Metro Red Line (B Line) and Metro Purple Line (D 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 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 sources.

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. Estimated ridership for the entire Metro Red and Purple Lines was approximately 4.2 million for the fiscal quarter ended June 30, 2020.

***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 538 miles and 61 stations and is primarily geared toward providing commuter rail service from outlying communities to downtown Los Angeles. 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, 2019.” 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, 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. Measure R Sales Tax revenues are available to pay operating expenses only after debt service on the Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations and certain other amounts are paid. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN 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—Additional Senior Bonds, Subordinate Obligations and Subordinate Junior Obligations” 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 Long Range Transportation Plan, which has a 40-year vision and a financial forecast component, most recently updated for the Board in October, 2017 (as updated, the “LRTP Financial Forecast”), and the Short Range Financial Forecast, a fifteen-year plan last updated for the Board in November 2019 and guiding capital investment through 2034. 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, and are amended as needed to reflect ongoing changes to project costs, revenue and expense projections, and actual financial results. Annually, LACMTA’s Office of Management and Budget reviews the active projects called for in the LRTP Financial Forecast and the Short Range Financial Forecast, 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 LRTP Financial Forecast 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 (as determined in the 2009 LRTP), and incorporates both the Measure R and Measure M “Expenditure Plans,” which identify the projects and programs to be pursued, and the amount and timing of sales tax expenditures. The 2009 LRTP is being updated and a new Long Range Transportation Plan is expected to be adopted in 2020.

The Short Range Financial Forecast is a fifteen-year component of the LRTP Financial Forecast and reflects LACMTA’s financial plan for operations and capital investments into the transit system and identifies a funding strategy from future transportation revenues. The Short Range Financial Forecast includes a financial baseline that addresses LACMTA's current and known future operations, maintenance and capital financial commitment under a set of growth assumptions.

The LRTP Financial Forecast and the Short Range Financial Forecast are the guiding policies behind funding decisions on subsequent transportation projects and programs in the County and guide the programming of funds in the federally-mandated transportation improvement program ("TIP"). The TIP includes a listing of all transportation-related projects that require federal funding or other approval by the federal transportation agencies of USDOT. The TIP also lists non-federal, "regionally significant" projects for informational and air quality modeling purposes. Major capital projects and programs that are identified in the LRTP Financial Forecast and Short Range Financial Forecast have priority for future programming of funds, subject to the funding restrictions in the Expenditure Plans and Board-adopted funding policies. 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 Short Range Financial Forecast, and the subsequent updated financial forecasts include projections of debt financing by LACMTA composed of a combination of Proposition A, Proposition C, Measure R and Measure M secured debt. The Short Range Financial Forecast updates the assumptions about debt issuance and assumes approximately $12.4 billion in new long-term debt financing from Fiscal Year 2021 through Fiscal Year 2030, not including the TIFIA Loan Agreements described under "—Transit Projects" below, capital grant receipt revenue debt, or toll revenue debt. The Short Range Financial Forecast assumes the funding of approximately $924.5 million, $1.6 billion, $2.7 billion, and $7.2 billion through the issuance of additional Proposition A First Tier Senior Lien Bonds, Proposition C Senior Bonds, Measure R Senior Bonds, and Measure M Senior Bonds respectively, from Fiscal Year 2021 through Fiscal Year 2030.

The Long Range Transportation Plan, the LRTP Financial Forecast and the Short Range Financial Forecast are planning tools 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 Financial Forecast and the Short Range Financial Forecast.

**Transit Projects**

LACMTA has several major transit projects in planning and under construction: the Crenshaw/LAX Transit Project, the Regional Connector, the Westside Purple Line Extension and the Goldline Foothill 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 $2.15 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 revenues. LACMTA has drawn the full amount of such TIFIA loan.

***Regional Connector Transit Corridor Project***. 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 $1.82 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 July 1, 2020, LACMTA has drawn down $141.9 million of the TIFIA loan proceeds. The remaining project costs are expected to be paid from federal, State and local sources (other than Measure R 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 is being constructed in three sections.

Section 1 of the Purple Line Extension is currently under construction and extends the existing Metro Purple Line by 3.92 miles beginning at the Wilshire/Western Station to the City of Beverly Hills and adds three stations, including Wilshire/La Brea, Wilshire/Fairfax and 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 July 1, 2020, LACMTA had drawn down $749.3 million of such TIFIA loan proceeds. The remaining project costs for Section 1 are expected to be paid from Measure R Sales Tax revenues, State sources and other local sources (other than Measure R Sales Tax Revenues).

Section 2 of the Purple Line Extension is currently under construction and extends the Metro Purple Line by 2.59 miles beginning at the future Section 1 Wilshire/La Cienega Station to Century City and adds two new stations, including Wilshire/Rodeo and the Phase 2 terminus at Century City/Constellation. The total budget for Section 2 of the Purple Line Extension is $2.28 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. LACMTA has drawn the full amount of such TIFIA loan. 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 currently under construction and extends the Metro Purple Line by 2.56 miles beginning at the future Section 2 Century City/Constellation Station to the Westwood VA Hospital and adds two new stations, including Westwood/UCLA and the Phase 3 terminus at Westwood/VA Hospital. The budget for Section 3 of the Purple Line Extension is $2.75 billion, excluding finance charges and unallocated contingency. LACMTA has been awarded a $1.3 billion federal grant and the remaining funds are expected to be paid from Measure R and M Sales Tax revenues, other Federal sources, State sources, and other local sources (other than Measure R and M Sales Tax revenues).

***Gold Line Foothill Extension.*** The Metro Gold Line Phase 2B Project proposed extending the Metro Gold Line light rail system east from Azusa to Claremont, and potentially extending the line to Montclair. However, the project is now expected to build out to an interim terminus at Pomona. LACMTA is working with the Gold Line Foothill Extension Construction Authority ("GLFECA"), an independent transportation planning and construction agency created in 1999 and tasked with designing and constructing the line. Once built, LACMTA will operate it in conjunction with existing LACMTA rail services. The total project budget for the phase 1 extension to Claremont is $1.4 billion. Project costs are expected to be paid primarily from Measure M Sales Tax Revenues and State sources. LACMTA staff is working with the GLFECA to seek funding to extend the project to Claremont. LACMTA will also coordinate with the GLFECA and San Bernardino County to support their development of an option to Montclair.

## LABOR RELATIONS

### General

As of July 1, 2020, LACMTA had approximately 9,957 employees, of which approximately 84% 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 United Transportation Union) (“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 July 1, 2020 and the current expiration dates of the labor agreements. In July 2017, LACMTA signed five new contracts with its 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 |
|---|---|---|
| Sheet Metal, Air, Rail and Transportation Division | 4,029 | 06/30/22 |
| Amalgamated Transit Union | 2,423 | 06/30/22 |
| Transportation Communications Union | 911 | 06/30/22 |
| Am. Fed. of State, County and Municipal Employees | 807 | 06/30/22 |
| Teamsters Union | 145 | 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, 2019.”

### 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. 74 and No. 75, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" respectively, 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, 2019."

## OUTSTANDING DEBT

### General

In addition to obligations issued by LACMTA that are secured by Measure R Sales Tax, LACMTA has issued debt secured by the Proposition A Sales Tax, the Proposition C 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 providing for the issuance such debt. The Series 2020-A Green Bonds are secured by and payable from the Measure R Sales Tax, and are not secured by or payable from the Proposition A Sales Tax, the Proposition C Sales Tax or any other revenues of LACMTA. See "FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning" above. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS" in the front part of this Official Statement for a discussion of obligations secured by the Measure R Sales Tax.

### Debt and Interest Rate Swap Policies

In March 2018, 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 A Sales Tax Obligations

***General***. Obligations of LACMTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds, commercial paper notes and other agreements. LACMTA has three priority levels of obligations for Proposition A Sales Tax revenues: its First Tier Senior Lien Bonds, its Second Tier Obligations (there are no Second Tier Obligations outstanding) and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes). LACMTA has incurred other obligations which are secured by certain "remaining" Proposition A Sales Tax cash receipts.

***Proposition A First Tier Senior Lien Bonds***. LACMTA had the following Proposition A First Tier Senior Lien Bonds outstanding as of July 1, 2020. The Proposition A First Tier Senior Lien Bonds are payable from, and secured by a prior first lien on, Proposition A Sales Tax revenue.

**Los Angeles County Metropolitan Transportation Authority**
**Proposition A First Tier Senior Sales Tax Revenue Bonds**
**(Outstanding as of July 1, 2020)**

| Proposition A First Tier Senior Sales Tax Revenue Bonds | Outstanding Principal Amount |
|---|---|
| Senior Sales Tax Revenue Refunding Bonds, Series 2019-A | $ 49,740,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2018-A | 12,390,000 |
| Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) | 471,395,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2017-B | 85,455,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2016-A | 131,575,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2015-A | 20,415,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2014-A | 104,465,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2013-A | 40,700,000 |
| Senior Sales Tax Revenue Refunding Bonds, Series 2012-A | 40,255,000 |
| Total | $956,390,000 |

Source: LACMTA.

***Proposition A Second Tier Obligations***. There are no Proposition A Second Tier Obligations outstanding, nor are any additional Second Tier Obligations currently expected to be issued.

***Proposition A Third Tier Obligations***. LACMTA is authorized to issue and have outstanding, at any one time, up to $350,000,000 aggregate principal amount of its Proposition A commercial paper notes (the "Proposition A Commercial Paper Notes"). As of July 1, 2020, $102,500,000 aggregate principal amount of Proposition A Commercial Paper Notes were outstanding. The Proposition A Commercial Paper Notes are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. 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 supported by a letter of credit (the "Proposition A CP Letter of Credit") issued by Barclays Bank PLC. LACMTA's reimbursement obligations with respect to the Proposition A CP Letter 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 Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. The following table sets forth certain terms of the Proposition A CP Letter of Credit.

**Proposition A CP Letter of Credit**

| Letter of Credit Provider | Amount of Letter of Credit | Issuance Date | Expiration Date |
|---|---|---|---|
| Barclays Bank PLC | $199,999,988[1] | April 25, 2019 | April 22, 2022 |

[1] Supports $183,694,000 of principal and $16,305,988 of interest.
Source: LACMTA

The Proposition A Commercial Paper Notes and the reimbursement obligations with respect to the Proposition A CP Letter of Credit constitute "Proposition A Third Tier Obligations," and are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations described above.

**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.

***Proposition C Senior Sales Tax Revenue Bonds***. LACMTA had the following Senior Bonds outstanding as of July 1, 2020, all of which are fixed rate bonds:

**Los Angeles County Metropolitan Transportation Authority**
**Proposition C Senior Sales Tax Revenue Bonds**
**(Outstanding as of July 1, 2020)**

| Senior Bonds | Outstanding Principal Amount |
|---|---|
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2020-A | $28,265,000 |
| Sales Tax Revenue Bonds, Senior Bonds, Series 2019-A (Green Bonds) | 418,575,000 |
| Sales Tax Revenue Bonds, Senior Bonds, Series 2019-B | 126,425,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2019-C | 42,370,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A | 54,650,000 |
| Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A | 424,805,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A | 67,610,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A | 61,180,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A | 48,635,000 |
| Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B | 262,335,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C | 36,470,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A | 14,635,000 |
| Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B | 63,740,000 |
| Total | $1,649,695,000 |

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, the Board of Directors of LACMTA authorized the issuance of the Proposition C Subordinate Lien Obligations (in the form of bonds, commercial paper notes and other obligations) that may be outstanding, at any one time, in a principal amount not to exceed $150,000,000. The Proposition C Subordinate Lien Obligations 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. LACMTA is currently authorized to issue, from time to time, and have outstanding, at any one time, up to $150,000,000 in aggregate principal amount of Proposition C Subordinate Lien Obligations in the form of Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the "Proposition C Revolving Obligations"). As of July 1, 2020, LACMTA had $67,000,000 in aggregate principal amount of the Proposition C Revolving Obligations outstanding. LACMTA expects to issue additional Proposition C Revolving Obligations in the future.

All Proposition C Revolving Obligations issued by LACMTA are purchased by 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 table sets forth certain terms of the Proposition C Revolving Obligations.

**Proposition C Revolving Obligations**

| | |
|---|---|
| **Revolving Obligations Bank** | Wells Fargo Bank, National Association |
| **Principal Amount** | $150,000,000 |
| **Expiration/Maturity Date** | April 24, 2022[1] |

[1] Can be converted to a term loan payable in equal quarterly installments beginning nine months after the Expiration/Maturity Date and ending five years after the Expiration/Maturity Date if specified conditions are satisfied.

### Other Obligations

***General Revenue Bonds***. As of July 1, 2020, 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 $5,250,000 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 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 certain Proposition A Sales Tax secured 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.

### 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, 2019."

**Investment Balances**

As of June 30, 2020 (based on unaudited financial information), LACMTA had approximately $949.5 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. LACMTA had approximately $2.31 billion in additional non-discretionary trust accounts, primarily for pension and OPEB.

Additionally, as of June 30, 2020, LACMTA had approximately $1.76 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, 2020** |
|---|---|
| Local Agency Investment Fund | 6% |
| Bank Deposits | 5 |
| Subtotal* | 11% |
| Managed Investments | |
| U.S. Treasuries | 29 |
| Federal Agencies | 18 |
| Corporate Notes | 15 |
| Commercial Paper | 1 |
| Municipal securities | 3 |
| Money Market Funds | 16 |
| Asset Backed Securities | 4 |
| Medium Term Notes | 2 |
| Subtotal Managed Investments* | 89% |
| Total Cash and Investments* | 100% |

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

As of June 30, 2020 the liquid reserve of the discretionary accounts, which totaled approximately $653.1 million in market value, was managed internally by LACMTA and had an average maturity of 15 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

Moneys released to LACMTA pursuant to the Trust Agreement, including moneys in the discretionary/operating accounts, do not secure the Series 2020-A Green Bonds and LACMTA is not obligated to use such amounts to pay debt service on the Series 2020-A Green Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN 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, 2019."

## LITIGATION

### 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. To the knowledge of LACMTA, none of such pending claims will materially and adversely affect LACMTA's ability to pay the principal of and interest on any of its debt obligations.

## CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013

In 2012, the State Legislature adopted and the Governor signed into law the Public Employees' Pension Reform Act of 2013, Cal. Gov't Code §7522, et seq. ("PEPRA"), which limits pension benefits and increases the retirement age for public employees, requires public employees hired after December 31, 2012 to pay for half of their pension costs, and stops abusive pension practices. Following enactment of PEPRA, several unions representing public transit employees in the State (including employees of LACMTA) asserted to the U.S. Department of Labor ("USDOL") that PEPRA was inconsistent with collective bargaining rights that are protected under Section 13(c) of the Federal Transit Act. Section 13(c) requires the preservation of employees' bargained for rights and continuation of these rights. Before a local government agency receives federal funds for a particular transit system, USDOL must certify that employees' bargained for rights are preserved and their collective bargaining rights continue.

Soon after PEPRA's passage, USDOL refused to certify federal grants to California transit agencies, including LACMTA, based on union objections that PEPRA violated Section 13(c) protections. On behalf of two affected transit agencies, the State successfully challenged USDOL's decisions under the Administrative Procedure Act in federal court in 2013, and the court remanded the matter to USDOL for reconsideration. The State had enacted a temporary suspension of PEPRA while the litigation was in process. The temporary suspension allowed federal funds to flow during that period but ended on December 30, 2014 with the court's ruling. In 2015, USDOL on remand again refused to certify the Federal Transportation Administration ("FTA") grants at issue. Again the State sought relief in federal court. Meanwhile, USDOL began certifying the FTA grants to LACMTA later in 2015 subject to new certification provisions requiring grantees to restore pre-PEPRA pension benefits or refund the amount of the grants received since January 1, 2015 in the event USDOL's decisions were ultimately upheld by the court.

On January 24, 2018, the court resolved the dispute in favor of the State and enjoined USDOL from relying on PEPRA to deny transit funding to the two transit agencies whose federal grants were at issue in the litigation. However, the court declined the State's request to enjoin USDOL from using PEPRA to deny Section 13(c) certification to *any other* California transit agency grantee. On March 8, 2019, USDOL represented to the court in a joint status report that it fully intends to comply with the court's order.

In April 2019, a union representing LACMTA employees objected to certification of a $2.5 million grant on the basis that PEPRA precludes LACMTA from continuing collective bargaining rights as required by Section 13(c). In light of the court's decisions, USDOL reexamined its earlier determinations denying certification of FTA grants to LACMTA because of PEPRA's impact on transit employees. Based on that reexamination, USDOL concluded on June 14, 2019 that PEPRA does not present a bar to certification under Section 13(c).

On August 22, 2019, the union whose objections were rejected by USDOL brought an action against USDOL in the U.S. District Court, District of Columbia, contending that the issuance of grant certifications to California transit agencies, over the union's objections is contrary to law and in excess of USDOL's statutory authority because PEPRA diminishes the collective bargaining rights of California transit employees. The State intervened and asked the court to transfer the case to the U.S. District Court for the Eastern District of California, where the prior proceedings concerning USDOL's authority to issue grant certifications in light of PEPRA have taken place. The court granted the State's motion and transferred the case to the Eastern District of California where it is currently pending trial.

FTA grants are a significant source of funding for LACMTA. LACMTA expects to apply for an additional $1.8 billion of FTA grants through December 2020 which includes CARES Act funding. Assuming the court in the Eastern District of California reaffirms and adheres to its earlier determination that the application of PEPRA to transit employee pension plans does not preclude certification of FTA grants under Section 13(c), LACMTA expects to receive these grants. However, it is possible, though unlikely, that USDOL and/or the court may reverse their most recent determinations, in which case LACMTA may have to potentially delay or cancel projects or use alternate funding sources for projects, possibly including additional Senior Bonds or Senior Parity Debt. Senior Bonds and Senior Parity Debt may be issued only if the additional bonds tests described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Issuance of Additional Measure R Sales Tax Obligations—*Senior Obligations*" are satisfied.

LACMTA's collection of Measure R Sales Tax revenues to pay debt service on the Senior Bonds, including the Series 2020-A Green Bonds, is not affected by the receipt of FTA grants.

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# APPENDIX B

## LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Los Angeles County
Metropolitan Transportation Authority
California

FY19

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019


Metro

Los Angeles County Metropolitan
Transportation Authority
Los Angeles, California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## For the Fiscal Year Ended June 30, 2019

Metro

Prepared by the
Accounting Department

Nalini Ahuja, Chief Financial Officer
Jesse Soto, Controller

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Metro

## LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## For the Fiscal Year Ended June 30, 2019

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## LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
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# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
### For the Fiscal Year Ended June 30, 2019

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Metro

Los Angeles County Metropolitan Transportation Authority

# INTRODUCTORY SECTION

Metro

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

December 17, 2019

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, 2019 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 auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe 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, 2019, 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, 2019. 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 16 to 36, 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 about 377 million bus and rail boardings a year within its 1,807-square-mile service area.

LACMTA's financial reports include the activities of 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). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY20 Budget - LACMTA starts the financial cycle by reviewing current year budget variances (both revenue and expense) in order to gauge past performance and anticipated future funding demands. The annual budget process begins with the Planning Parameters presented to the board in January or February. The parameters include estimated revenue and expense growth assumptions, service levels, construction project cash flows and funding availability based on information available at the time the Board Report is composed. Extensive public outreach efforts are conducted from February through May to obtain feedback from LA County taxpayers on the Budget followed by a public hearing in May with Board Adoption targeted for May each year.

The $7.2 billion FY20 adopted budget is $600 million or 9.1% more than the FY19 budget.

FY20 continues to be an exciting time to plan Metro Bus and Rail Service. Metro staff, Service Councils, and other stakeholders continue their partnership to complete the NextGen Bus study. Although NextGen's focus is on Bus service, Rail service will be studied to integrate an effective Bus/Rail interface plan that removes service duplication around the rail alignments.

Metro's annual budget continues to provide the necessary resources to maintain the transit system in a state of good repair. In FY20, $492 million is allocated to maintain Metro's bus, rail, critical information systems, and peripheral transit infrastructure.

Thanks to the passage of Measure M in Fall 2016, the total budget for transportation infrastructure expansion has increased by 39%, or $712 million, in just four years. The long-term funding provided by Measure M is vital to Metro's ongoing efforts to transform the transportation network in Los Angeles County by focusing on capital improvements in transit, highways, and regional rail.

Transit expansion projects account for $2.06 billion of the total budget, which represents an increase of $376 million over the prior year. This amount includes funding for significant progress in planning, design and construction activities for the Westside Purple Line Extension, such as the advancement of tunneling and station construction. The highway program continues to progress as a variety of projects enter construction phases. At completion, Caltrans assumes responsibility for operations and maintenance. In total, the highway program has remained flat over FY19, for a total budget of $230 million planned for FY20.

Metro's regional rail program consists of operating and capital support of the Metrolink commuter rail system, plus Metro-managed regional rail capital expansion, development, construction, and corridor studies.

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, commuter rail services, ADA paratransit, Metrolink, Access Services, 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 10.2 million residents and a workforce of nearly 5 million people in 88 cities spread across 4,084 square miles. Los Angeles County is home to dozens of mature and growing industry clusters and is plentiful with skilled employees. A diverse economy made up of a broad range of industries from tourism to technology, food manufacturing to fashion. It has excelled in creating and attracting a diverse workforce with a wide range of skills-set to meet the demands of world-class companies located throughout the County. The current prosperity enjoyed by the county, on aggregate, and the long-awaited real income gains are emblematic of the trends taking place across the state. This expansion will be on the back of robust employment increases in key service sectors such as health care and professional and business services, which will drive an additional increase in roughly 60,000 jobs per year.

In 2018, real Gross Domestic Product (GDP) in the County grew at 2.8%, an increase from the prior year when the economy grew by 2.4%. LAEDC projects 3.0% growth in real county product for 2019 and 2.7% growth in 2020, roughly keeping pace with the state economy and exceeding national growth.

Although strong real personal income growth is expected, averaging 2.6% in 2019 and 2.1% in 2020, it will lag behind that of the state as a whole due to the relative higher unemployment rate and greater degree of labor market slack.

Los Angeles is at the vanguard of California's housing shortage emergency. Indeed, over 57 percent of renter households in the Los Angeles metropolitan area - which includes Orange County - are considered rent burdened, that is, they spend one-third or more of their income on rental costs. To the extent that a household is burdened with basic rental costs, less money is available to save, invest, consume or otherwise contribute to the economy, while also further burdening public social services and programs.

Though its causes transcend the economic, homelessness, especially working homelessness, is, in large part, a result of housing unaffordability in the region. In a multi-jurisdictional effort to battle homelessness, the County of Los Angeles has committed $3.5 billion through Measure H, and the City of Los Angeles has similarly pledged $1.2 billion through Proposition HHH.

The key to a long-term solution to homelessness will not only be affordable housing and permanent supportive housing but housing that is affordable, that is saturating the housing stock to the point of bringing rents and home prices to reasonable levels.

Los Angeles has begun to rise to its challenge in terms of permitting of housing units, significantly outpacing the state and the region - indeed permitting is only marginally behind pre-recession highs - but affordability remains elusive and housing construction will have to continue to rise markedly to make up the housing gap that has opened up over years of suppressed development. LAEDC forecasts roughly 23,000 new units permitted in 2019, and 24,000 in 2020, an upward trend that will have to continue if home prices, which are projected to average nearly $650,000 in 2020, are to decline to more attainable levels.

Fortunately, transit-oriented development has already reached the City of Los Angeles through the voter-approved Measure M, passed in 2016 and made effective September 2017. Based on data from June 2018, the City had 112 Transit Oriented Communities (TOC) project applications, with the potential of yielding 5,571 new housing units. Of these, over 1,100 are designated as affordable units. Developments outside the urban core, such as the 19000 Centennial development near the Tejon Pass, might be essential ingredients to the housing affordability solution, but there are concerns about these more remote developments being too far from gainful employment, as well as cultural and recreational amenities (thus increasing GHG and other noxious emissions from mobile sources), and too exposed to natural disaster. The City of Los Angeles - the largest but still only one of 88 cities - has also embarked on a comprehensive revision of the zoning code that has largely not changed since 1946.

Also as urgent as the housing crisis is in both the state and county, concerns over traffic congestion and gridlock have taken on new urgency in the context of the Super Bowl in 2022, the World Cup in 2026 and the 2028 Olympic Games, and worsening traffic congestion continues to be a drag on productivity and, above a certain threshold, economic growth, in addition to a source of personal stress. Metro's massive transit expansion plans are the County's most visible effort to relieve some congestion across the region, and the LA Metro CEO proposed (January 2019) to study a congestion fee during peak automobile traffic hours along with new subsidies for rail and bus fares.

In assessing the economic trajectory of Los Angeles, it is important to appreciate and account for the preferences of the culturally diverse Millennial generation that calls Los Angeles home.

According to the Brookings Institute, the population of Los Angeles County is over one-quarter Millennial, more than half of whom are Hispanic.

Going forward, Los Angeles County will have to contend with challenging attributes that have also made it one of the most unique metropolitan areas in the world: a strong historical emphasis on vast sprawls of single-family dwellings; a mosaic of cities with diverse populations and priorities; and a car culture that until recently eschewed extensive investment in alternative mobility solutions. These obstacles and the solutions proposed to overcome them will have lasting ramifications within and across the 88 cities and over 100 unincorporated areas. The collective decisions made in the next few years on critical policy issues, such as housing affordability and transportation, will be decisive to the longer-term economic trajectory of the county and region.

Los Angeles County will continue its shift from production industries like manufacturing and logistics to service based ones, with major growth in professional business service, health care and hospitality. Major investment in transit will continue to support strong economic growth, although failure to increase density along transit routes heavily limits the potential positive impacts. Failure to meaningfully address the housing and homeless crises will put a damper on what is otherwise likely to be strong output and wage growth.

**Long-term Financial Planning**

Long-term financial planning is accomplished in two stages at LACMTA: (1) the Long Range Transportation Plan (LRTP) and (2) the Short Range Transportation Plan (SRTP). The LRTP is a 25-40 year plan that is updated approximately every five years; the LRTP financing forecast is updated annually and presented to the Board to show how funds are being programmed, and provide a financing outlook and risk assessment. 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 LRTP and the SRTP use the most recent Adopted Annual Budget as the baseline for the period covered in those plans. These Plans (LRTP/SRTP) rely upon a magnitude of assumptions that may differ from the Annual Budgets adopted by the Board each year. The Annual Budget represents the legal authority for spending Metro dollars.

**Relevant Financial Policies**

The Board retains 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.

In addition to the Policy and Metro Debt Policy, the Board has adopted a Cost Management Policy that identifies uniform procedures to follow in the event of a Measure R or Measure M capital project cost increase, a Fiscal Responsibility Policy that accounts for interest incurred and allocates the cost to Measure R capital projects, and a LRTP Priorities Policy that identifies criteria to prioritize capital project if there is limited funding for all Metro projects. These additional policies help Metro manage financial risks related to projects costs, debt, and variability of funding.

**Major Initiatives**

**NextGen Bus Study**

The NextGen Bus Study is still under development. Until that study is completed, the FY20 budget has a Revenue Service Hours (RSH) plan to provide Bus and Rail service that reflects current scheduled service and is relatively transparent to riders. This plan entails a surgical reallocation of service based on FY19 "on-street reality", adheres to the Board adopted Transit Service Policy (TSP), and does not interfere with the NextGen initiative.

**Congestion Relief Pricing**

Since the County's population is expected to grow from 10 million today to 11 million by 2028, we must consider more innovative solutions. Thus, with the "Re-Imagine LA County" study, we will evaluate the feasibility of imposing fees for Transportation Networking Company trips as a way to reduce demand for road trips. Eliminating street congestion will require new incentives to reduce single-occupancy vehicle trips and to expand transit.

SEED School of Los Angeles

This is the County's first transportation infrastructure school and it is designed for two purposes. First, it aims to develop skills for people in the transportation industry so that future leaders are well-equipped to deal with future challenges. Second, the program provides career education for LA County youth so that they may realize meaningful career opportunities.

**Women and Girls Governing Council (WGGC)**

In September 2017, Metro's CEO directed staff to establish the WGGC to explore how Metro policies, programs, and service impact the lives of women and girls in LA County. The outcomes sought are: a gender-balanced workforce; faster change; and a comprehensive strategy to deal with the causes of gender inequality in transportation. WGGC will also seek to ensure that service changes address needs of both men and women.

**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, 2018. 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**

I 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. I would like to acknowledge the Board and our CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, I want to thank our independent auditors, Crowe LLP, for their efforts throughout this audit engagement.

Respectfully submitted,

Nalini Ahuja
Chief Financial Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Los Angeles County**

**Metropolitan Transportation Authority**

**California**

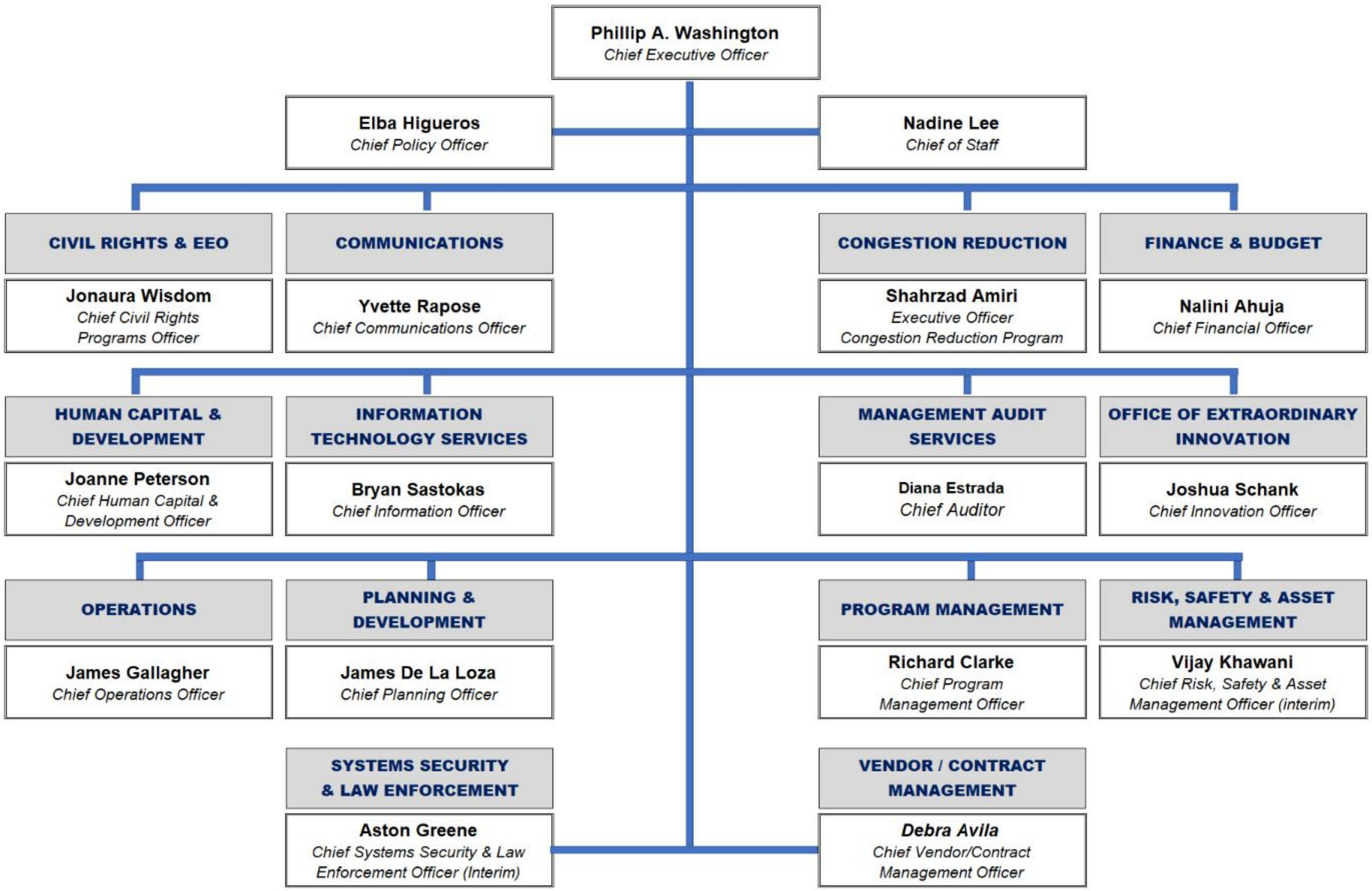
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2018**

Christopher P. Morrill

Executive Director/CEO

# Los Angeles County Metropolitan Transportation Authority
# Management Organizational Chart



Los Angeles County Metropolitan Transportation Authority

## BOARD OF DIRECTORS
## (Updated as of July 2019)

James Butts
Chair
Mayor, City of Inglewood

Eric Garcetti
First Vice Chair
Mayor, City of Los Angeles

Hilda L. Solis
Second Vice Chair
First Supervisorial District

Sheila Kuehl
Los Angeles County Supervisor
Third Supervisorial District

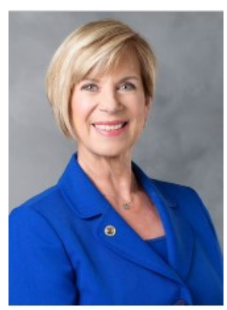
Kathryn Barger
Los Angeles County Supervisor
Fifth Supervisorial District

Mike Bonin
Council Member,
City of Los Angeles

Jacquelyn Dupont-Walker
City of Los Angles Appointee

John Fasana
Mayor Pro Tem, City of Duarte

Robert Garcia
Mayor, City of Long Beach



Janice Hahn
Los Angeles County Supervisor
Fourth Supervisorial District

Paul Krekorian
Council Member, City of Los Angeles

Ara Najarian
Council Member, City of Glendale

Mark Ridley-Thomas
Los Angeles County Supervisor
Second Supervisorial District

John Bulinski
District 7 Director,
California Department of Transportation

## Los Angeles County Metropolitan Transportation Authority

## List of Board Appointed Officials

**Phillip A. Washington**
Chief Executive Officer

**Michele Jackson**
Board Secretary

**Karen Gorman**
Inspector General - Chief Ethics Officer

**Charles Safer**
Assistant County Counsel

## Executive Staff

Nadine Lee
Chief of Staff

Yvette Rapose
Chief Communications Officer

Nalini Ahuja
Chief Financial Officer

Richard Clarke
Chief Program Management Officer

Bryan Sastokas
Chief Information Technology Officer

Vijay Khawani
Chief Risk, Safety & Asset Management Officer (Interim)

Diana Estrada
Chief Auditor

Jonaura Wisdom
Chief Civil Rights Programs Officer

James Gallagher
Chief Operations Officer

Debra Avila
Chief Vendor/Contract Management Officer

Elba Higueros
Chief Policy Officer

Joanne Peterson
Chief Human Capital and Development Officer

James De La Loza
Chief Planning Officer

Aston Greene
Chief Systems Security & Law Enforcement Officer (Interim)

Joshua L Schank
Chief Innovation Officer

Sharhzad Amiri
Executive Officer - Congestion Reduction Programs

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Metro

Los Angeles County Metropolitan Transportation Authority

# FINANCIAL SECTION

**Crowe LLP**
Independent Member Crowe Global

# 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 fiscal year ended June 30, 2019, 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 73%, 74%, and 56% 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

(Continued)

### *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, 2019, and the respective changes in its financial position, and where applicable, cash flows thereof for the fiscal 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, the schedule of changes in net pension liability and related ratios - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, schedule of contributions - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, the schedule of changes in net pension liability and related ratios - Employee Retirement Income Plans, the schedule of contributions to Employee Retirement Income Plans, the schedule of changes in net OPEB liability and related ratios, schedule of investments returns – OPEB Plan, schedule of contributions – OPEB Plan, and the budgetary comparison information for the general fund, Proposition A fund, Proposition C fund, Measure R fund, Measure M fund, Transportation Development Act fund and State Transit Assistance fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

(Continued)

*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 introductory section, combining and individual fund financial statements and schedules, budgetary comparison information - Service Authority for Freeway Emergencies fund and other special revenue funds, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 17, 2019, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 LLP

Crowe LLP

Los Angeles, California
December 17, 2019

## Los Angeles County Metropolitan Transportation Authority
## Management's Discussion and Analysis (Unaudited)
## For the Fiscal Year Ended June 30, 2019

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, 2019. This discussion and analysis is 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 1-7 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, 2019 by $10,599,794. Of this amount, a negative amount of $1,476,500 is reported as unrestricted net position.

- Business-type activities net position for the current year increased by $585,185, or 8.29% mainly due to an increase in capital assets funded by federal grants and local funding mostly attributed to major rail construction projects on the Westside Subway and the Crenshaw/LAX Transit Corridor, and the purchase of light rail vehicles for the EXPO/Blue Line and additional 40' CNG buses.

- The increase in the governmental activities net position of $251,501, or 9.30% was mainly due to a net increase in Measure M funds due to the excess of sales tax revenue over expenditures and transfers out to fund capital expenditures.

- At the close of fiscal year 2019, LACMTA's governmental funds reported combined fund balances totaling $2,177,474, an increase of $223,603 compared to the prior year. Of this amount, $1,929,506 was restricted, $36,217 was committed, $10,943 was assigned, and $200,787 was unassigned and available for spending at LACMTA's discretion.

- At the end of fiscal year 2019, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance for the General fund was $247,947 or approximately 169.32% of total General fund expenditures.

- During fiscal year 2019, long-term debt increased by $466,753, or 7.70%, compared to the previous fiscal year. This was mainly due to the issuance of new Proposition C bonds and drawdowns on the Transportation Infrastructure Finance and Innovation (TIFIA) loans that partially financed ongoing major rail construction projects in fiscal year 2019, including the Crenshaw/LAX Transit Corridor, the Regional Connector, and the Westside Purple Line Extension Section 1.

## 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 37 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 38-39 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 are presented as 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 47-51.

### 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 40-41 and 44-45.

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 43 and 46 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 147-153, for the nonmajor funds on page 157, and for the aggregate remaining Special Revenue funds on page 158.

**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 (OPEB) Trust fund that are administered by LACMTA. The fiduciary fund statements can be found on pages 52 - 53.

**Notes to the 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 55-133.

**Other Information**

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information, other supplementary information, and statistical information beginning on page 135.

## Government-wide Financial Analysis

### Statement of Net Position

LACMTA's net position at June 30, 2019 increased by $836,686, or 8.57%, when compared to June 30, 2018. The increase in net position was mostly due to increase in capital assets funded by local, state and federal grants mostly related to major rail construction projects on the Regional Connector, Crenshaw/LAX Transit Corridor, and Westside Subway Extension Sections 1 and 2, the purchase of new light rail vehicles and 40' CNG buses, and the bus and rail mid-life program. Additionally, governmental funds increased mainly due to a net increase in Measure M funds resulting from the excess of sales tax revenue over expenditures and transfers provided for capital project expenditures in fiscal year 2019.

The following table is a summary of the Statement of Net Position as of June 30, 2019 and 2018:

**Los Angeles County Metropolitan Transportation Authority**
**Summary Statement of Net Position**

| | Business-type Activities | | Governmental Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current & other assets | $ 2,285,372 | $ 2,182,939 | $ 2,570,118 | $ 2,347,917 | $ 4,855,490 | $ 4,530,856 |
| Capital assets | 14,947,111 | 13,859,626 | 749,417 | 749,457 | 15,696,528 | 14,609,083 |
| Total assets | 17,232,483 | 16,042,565 | 3,319,535 | 3,097,374 | 20,552,018 | 19,139,939 |
| Deferred outflows of resources | 223,197 | 232,147 | — | — | 223,197 | 232,147 |
| Total assets and deferred outflows of resources | 17,455,680 | 16,274,712 | 3,319,535 | 3,097,374 | 20,775,215 | 19,372,086 |
| Long-term liabilities | 8,794,426 | 8,334,713 | — | — | 8,794,426 | 8,334,713 |
| Other liabilities | 647,491 | 561,878 | 363,159 | 392,499 | 1,010,650 | 954,377 |
| Total liabilities | 9,441,917 | 8,896,591 | 363,159 | 392,499 | 9,805,076 | 9,289,090 |
| Deferred inflows of resources | 370,345 | 319,888 | — | — | 370,345 | 319,888 |
| Total liabilities and deferred inflows of resources | 9,812,262 | 9,216,479 | 363,159 | 392,499 | 10,175,421 | 9,608,978 |
| Net investment in capital assets | 8,899,216 | 8,328,321 | 749,417 | 749,457 | 9,648,633 | 9,077,778 |
| Restricted for: | | | | | | |
| Debt service | 523,844 | 536,936 | — | — | 523,844 | 536,936 |
| Proposition A ordinance projects | — | — | 138,291 | 127,125 | 138,291 | 127,125 |
| Proposition C ordinance projects | — | — | 279,909 | 178,945 | 279,909 | 178,945 |
| Measure R ordinance projects | — | — | 335,378 | 414,565 | 335,378 | 414,565 |
| Measure M ordinance projects | — | — | 678,681 | 429,568 | 678,681 | 429,568 |
| TDA and STA projects | — | — | 298,063 | 302,434 | 298,063 | 302,434 |
| Other nonmajor governmental projects | — | — | 173,495 | 146,676 | 173,495 | 146,676 |
| Unrestricted (deficit) | (1,779,642) | (1,807,024) | 303,142 | 356,105 | (1,476,500) | (1,450,919) |
| Total net position | $ 7,643,418 | $ 7,058,233 | $ 2,956,376 | $ 2,704,875 | $10,599,794 | $ 9,763,108 |

The increase in current and other assets of $102,433, or 4.69%, in the business-type activities was primarily due to the increase in cash and investment from the unused proceeds of Proposition C bonds issued and as the debt service reserve funds are accumulated as required for the TIFIA bonds.

The increase in capital assets of $1,087,485, or 7.85%, in the business-type activities was mainly due to ongoing major rail construction projects on the Crenshaw/LAX Transit Corridor, Westside Subway Extension Sections 1-3, the Regional Connector, and the Goldline Foothill Extension Phase 2B, in addition to the procurement of light rail vehicles for the EXPO/Blue Line, the purchase of 40' CNG buses, and the bus and rail midlife overhaul, as well as the on-going construction activities for the Metro Blue Line track and system refurbishment and resignaling rehabilitation, the Airport Metro Connector, and the Division 20 Portal Widening and Turnback Facility projects. Major capital projects are described in more detail on pages 28-32.

The increase in long-term liabilities of $459,713 or 5.52% in the business-type activities was principally due to the increase in long-term debt from the issuance of Proposition C bonds and drawdowns from the TIFIA loans that partially funded ongoing rail capital project expenditures in fiscal year 2019.

The increase in other liabilities of $85,613, or 15.24%, in the business-type activities was mainly due to the increase in accounts payable and accrued expenses due to the timing of payments to vendors at year end.

The significant increase in the deferred inflows of resources of $50,457, or 15.24% was mostly attributed to the refunding of Proposition C bonds in fiscal year 2019 and to the increase in the difference between expected and actual earnings from investments related to pension plans.

The increase in current and other assets of $222,201, or 9.46%, in the governmental activities was mainly due to the increase in cash and investments in Measure M funds resulting from a transfers to the Enterprise Fund being lower than sales tax revenues in fiscal year 2019.

## Statement of Activities

The following table is a summary of the Statement of Activities for the years ended June 30, 2019 and 2018:

**Summary Statement of Activities**

| | Business-type Activities | | Governmental Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 368,954 | $ 404,415 | $ 18,014 | $ 18,269 | $ 386,968 | $ 422,684 |
| Operating grants and contributions | 328,867 | 327,664 | 138,544 | 83,838 | 467,411 | 411,502 |
| Capital grants and contributions | 426,935 | 664,403 | — | — | 426,935 | 664,403 |
| General revenues: | | | | | | |
| Sales tax | — | — | 3,992,725 | 3,931,132 | 3,992,725 | 3,931,132 |
| Investment income | 23,376 | 12,385 | 38,842 | 21,533 | 62,218 | 33,918 |
| Net appreciation (decline) in fair value of | (2,360) | 2,057 | 15,157 | (5,891) | 12,797 | (3,834) |
| Gain on disposition of capital assets | 183 | — | — | 970 | 183 | 970 |
| Miscellaneous | 15,123 | 13,024 | 70,114 | 52,883 | 85,237 | 65,907 |
| Total program revenues | 1,161,078 | 1,423,948 | 4,273,396 | 4,102,734 | 5,434,474 | 5,526,682 |
| Program expenses: | | | | | | |
| Bus and rail operations | 2,607,757 | 2,363,719 | — | — | 2,607,757 | 2,363,719 |
| Union station operations | 13,933 | 8,400 | — | — | 13,933 | 8,400 |
| Toll operations | 43,134 | 31,905 | — | — | 43,134 | 31,905 |
| Transit operators programs | — | — | 379,911 | 345,473 | 379,911 | 345,473 |
| Local cities programs | — | — | 711,855 | 749,990 | 711,855 | 749,990 |
| Congestion relief operations | — | — | 42,475 | 41,407 | 42,475 | 41,407 |
| Highway projects | — | — | 301,038 | 220,443 | 301,038 | 220,443 |
| Regional multimodal capital programs | — | — | 100,676 | 104,298 | 100,676 | 104,298 |
| Paratransit programs | — | — | 108,560 | 114,027 | 108,560 | 114,027 |
| Other transportation subsidies | — | — | 127,427 | 118,119 | 127,427 | 118,119 |
| General government | — | — | 161,022 | 142,462 | 161,022 | 142,462 |
| Total program expenses | 2,664,824 | 2,404,024 | 1,932,964 | 1,836,219 | 4,597,788 | 4,240,243 |
| Increase (decrease) in net position before transfers | (1,503,746) | (980,076) | 2,340,432 | 2,266,515 | 836,686 | 1,286,439 |
| Transfers | 2,088,931 | 1,767,897 | (2,088,931) | (1,767,897) | — | — |
| Increase in net position | 585,185 | 787,821 | 251,501 | 498,618 | 836,686 | 1,286,439 |
| Net position - beginning of year | 7,058,233 | 6,270,412 | 2,704,875 | 2,206,257 | 9,763,108 | 8,476,669 |
| Net position – end of year | $7,643,418 | $7,058,233 | $2,956,376 | $2,704,875 | $10,599,794 | $9,763,108 |

Business-type activities recovered from operating revenues 19.89% of total operating expenses, excluding depreciation, compared to 23.30% 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.

Capital grants and contributions in the business-type activities decreased by $237,468 or 35.74% from the previous fiscal year. The decrease was mainly due to the decrease in federal grants mostly for major rail constructions on the Westside Subway Extension and the Regional Connector because of decreased activities or partial funding by sales tax revenues.

Operating grants and contributions in the governmental activities increased by $54,706, or 65.25%, compared to the previous year, due to the increase in state funding mostly attributed to the planning activities related to highway projects, and the system-wide connectivity projects.

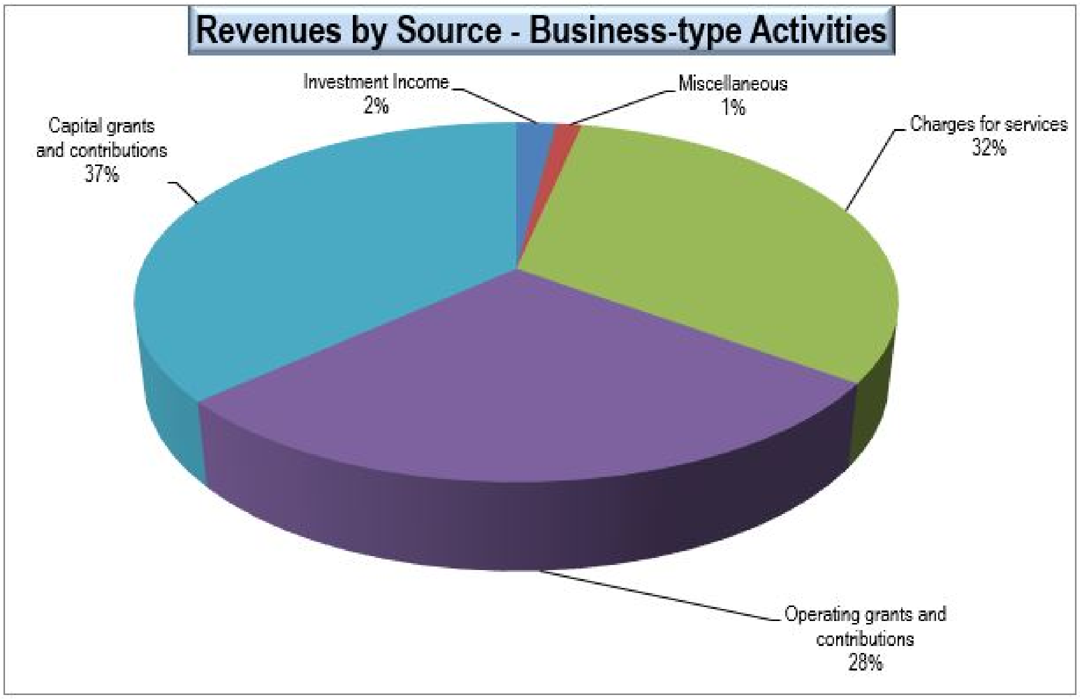
Most of the governmental program expenses relate to subsidies for countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies totaled $1,561,397, reflecting an increase of $41,623 or 2.74% over the prior year, and they represented the largest governmental expenditures. Subsidies are pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic systems, street and road maintenance, and other transit related improvement projects.

The transit operators program increased by $34,438 or 9.97%, mainly due to the increase in subsidies related to the new SB1 supplemental and State of Good Repair formula grants, in addition to an increase in subsidies provided by Prop A discretionary funds.

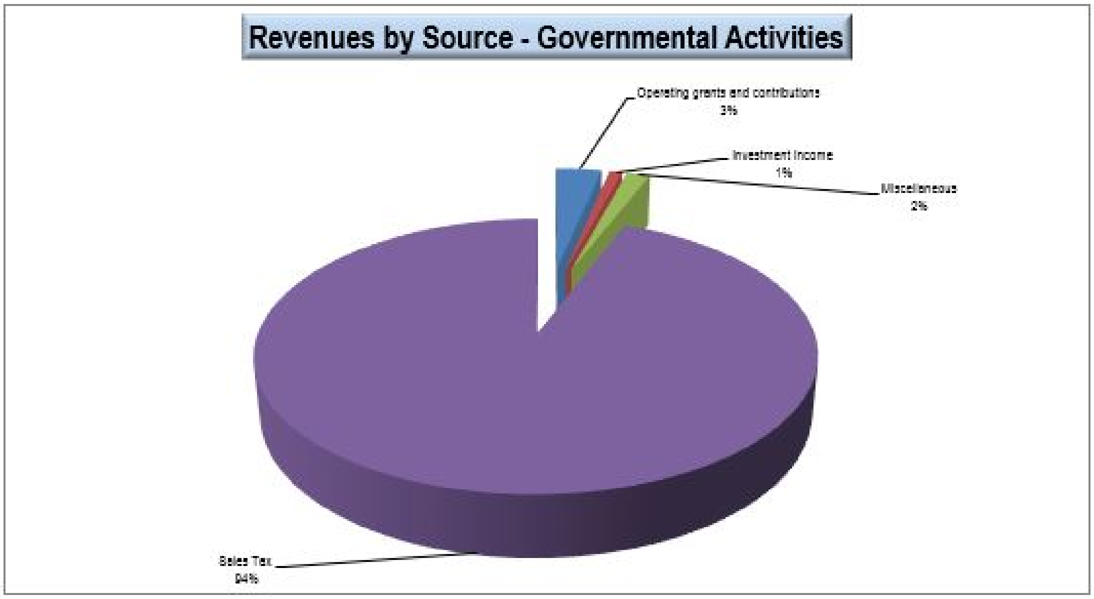
Highway project expenses in the governmental activities increased by $80,595, or 36.56%, compared to the previous year. The increase was mainly attributed to highway planning projects including expenditures related to the ACE grade separation Phase 2, Soundwall Package 11, the I-5 South 605 to Orange County Valley View Avenue Interchange projects.

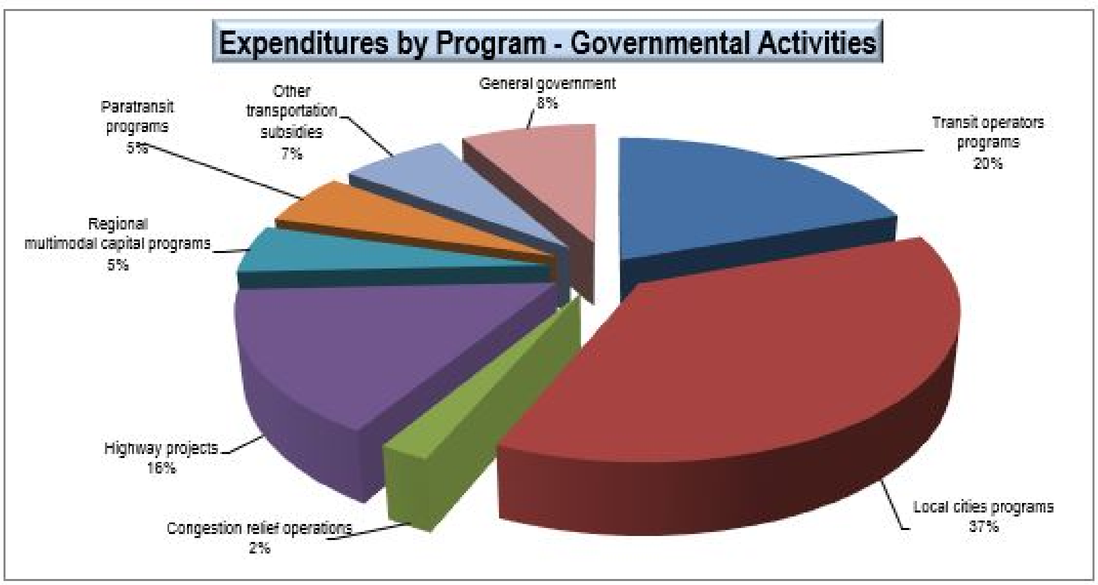
General government projects increased by $18,560 or 13.03% mainly due to the increase in state grants that partially funded system-wide connectivity projects.

Below is a graphical depiction of the components of business-type revenues for the fiscal year ended June 30, 2019.



Below are graphical depictions of the components of governmental revenues and expenditures for the fiscal year ended June 30, 2019.



## 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 net increase of $585,185 or 8.29% in net position was primarily due to the increase in capital assets that were funded by federal and local grants mostly attributed to major rail construction projects on the Westside Subway Extension Sections 1 and 2, the Crenshaw/LAX Transit Corridor, and the purchase of EXPO Blue Line LRV and 40' CNG buses.

### 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 $200,787 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $2,177,474 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $80,901 mainly because expenditures were higher than the billings for eligible projects expenditures and because of lower miscellaneous income from the sale of low carbon fuel standard credits. Of the $273,657 fund balance, $72,849 is restricted, committed, or assigned for future expenditures.

The Proposition A fund balance increased by $11,166 mainly due to lower operating subsidies to the Enterprise fund for bus and rail operations and maintenance, and meeting debt service requirements. The total fund balance of $138,291 was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance increased by $100,964 mainly due to lower operating subsidies provided to the Enterprise Fund for its bus and rail operations, transfers from Prop A Discretionary Bus (95%x40%) and changes in funding source previously billed to Proposition C funds for various capital projects. Proposition C ordinance restricts the use of the fund balance of $279,909.

The Measure R fund balance decreased by $79,187 mainly due to the increase in funding of capital expenditures for the Westside Subway Extension and Sections 1 and 2. The restricted fund balance of $335,378 will be used to fund future programs eligible under the Measure R ordinance.

The Measure M fund balance increased by $249,113 mainly due to lower expenditures incurred for planning activities and lower transfers for capital expenditures than the sales tax revenues generated during the year. The restricted fund balance of $678,681 will be used to fund future programs eligible under the Measure M ordinance.

The Transportation Development Act (TDA) of 1971 provides two funding sources, namely the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA).

The TDA Local Transportation fund balance increased by $21,187 mainly due to an increase in revenues from sales tax and investment income and lower subsidies for claims filed by jurisdictions. The fund balance of $218,192 is restricted under the provisions of the Transportation Development Act.

The State Transit Assistance fund balance decreased by $25,558 mainly due to an increase in transfers out to the Enterprise fund mostly for bus and rail operations and maintenance which were partly funded by the new SB1 allocations. Transportation subsidies also increased due to increased claims from jurisdictions for SB1 and STA funding. The fund balance of $79,871 is restricted under the provisions of the Transportation Development Act and the Senate Bill 1 (SB1).

**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 1.65% of LACMTA's total governmental fund revenues, while expenditures represent 7.58% of total governmental fund expenditures.

The original budget decreased by $6,135 mainly due to the revision in the final budget with an increase in expenditures for its planning and administrative projects.

**Revenues**

The main sources for the General fund are lease and rental income from LACMTA's owned properties, the sale of low carbon fuel credits , and other general revenues. Total actual revenues were lower than budget by $14,086 mainly due to lower billings to Federal, State, and Local funding sources for its projects, and lower sales of Carbon Fuel Standard (LCFS) credits.

**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 $107,860 compared to final budget was mainly due to lower spending in transit planning and other programming activities, lower transportation subsidy payments, and lower expenditures related to governmental and oversight activities.

The favorable variance in the Other Financing Sources and Uses of Funds of $61,434 compared to budget was mainly due to the combined effect of a higher than expected transfers from the Prop A, Prop C, and TDA funds representing sales tax administration fees and lower than budgeted capital expenditures funded mostly associated with the building renovation plan for Gateway Center and Metro Orange Line in-road warning light.

### Capital Assets Administration

As of June 30, 2019, LACMTA had $15,696,528 invested in capital assets, net of accumulated depreciation, as shown below, a 7.44% increase from the previous fiscal year.

**Los Angeles County Metropolitan Transportation Authority**
**Capital Assets (Net of accumulated depreciation)**

| | Business-type Activities | | Governmental Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | $ 1,550,403 | $ 1,462,085 | $ 749,417 | $ 749,457 | $ 2,299,820 | $ 2,211,542 |
| Buildings | 5,795,855 | 6,093,801 | — | — | 5,795,855 | 6,093,801 |
| Equipment | 66,898 | 69,771 | — | — | 66,898 | 69,771 |
| Vehicles | 1,381,207 | 1,289,244 | — | — | 1,381,207 | 1,289,244 |
| Construction | 6,152,748 | 4,944,725 | — | — | 6,152,748 | 4,944,725 |
| Total Capital | $ 14,947,111 | $ 13,859,626 | $ 749,417 | $ 749,457 | $ 15,696,528 | $ 14,609,083 |

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

***Gold Line Foothill Extension Project***

The Metro Gold Line 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 Gold line Foothill extension is being built in two segments, Segment 2A and 2B.

The first segment, Segment 2A was budgeted at $741 million and extended from the Sierra Madre Villa Station in Pasadena to the City of Azusa. Segment 2A provided 6 new stations and approximately 11.1 miles, including additional 5 miles of freight rail track relocations and improvements. The first segment, Segment 2A, commenced revenue operation in March 2016.

Segment 2B will extend from Azusa to the City of Montclair and will be constructed in two phases. Phase I is currently budgeted at $1.532 billion for the construction of approximately 70% of the 12.3-mile project alignment. The remaining 30% shall be constructed as additional funds are identified. Phase 2B has 6 new passenger stations (4 as part of the base contract and 2 for the Montclair option when funding is secured) and includes improvements to existing bridges and roadways, retaining walls, sound walls, and associated parking facilities. As of June 30, 2019, $53.5 million has been expended. The expected substantial completion for the Segment 2B base contract is early 2025.

***Regional Connector Transit Corridor Project***

The Regional Connector Transit Corridor Project (Project) has approved budgets totaling $1.81 billion. This Project has received a Full-Funding Grant Agreement (FFGA) from the FTA and a Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT) to construct the 1.9-mile dual track, underground light rail line. The Project includes three new stations, at the intersections of 1st Street/Central Ave., 2nd Street/Broadway, and 2nd Street/Hope. The Project will connect the existing Blue and Exposition Light Rail Lines to the existing Gold Light Rail Line. The Project Budget includes environmental planning, preliminary engineering, final design, management and administration, real estate acquisitions, light rail vehicle acquisitions, construction phases, testing and start-up, finance costs, and concurrent non-FFGA activities. As of June 30, 2019, $1.155 billion has been expended. The expected revenue operation for the Regional Connector is anticipated in summer/fall 2022.

***Crenshaw/LAX Transit Project***

The Crenshaw/LAX Transit Project (Project) has an approved LOP budget of $2.1 billion. The Project covers the design and construction of a new 8.5-mile double-track light rail line, including eight new stations, the procurement of a minimum of 22 light rail vehicles, and 49% of the cost of the construction of the Division 16 Southwestern Yard (SWY) full-service operations and maintenance facility. The Project has received a TIFIA Loan Agreement from USDOT. The Project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Line 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 as part of the Airport Metro Connector project. The expected revenue operation for the Project is 2020. As of June 30, 2019, $1.9 billion has been expended.

***Westside Purple Line Extension Project***

The Westside Purple Line Extension Project is an $8.4 billion project that will extend the existing Purple Line by approximately 9.1 miles beginning at the Wilshire/Western Station to Westwood/VA Hospital Station. The project consists of three Sections as described below:

- The Westside Purple Line Extension Section 1 Project (Project) has an approved LOP budget of $2.8 billion. The Project will extend 3.9 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire and La Cienega Boulevards. The Project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and procurement of 34 heavy rail vehicles. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, a Joint Venture for tunneling, stations, track work, systems, 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 is substantially complete. This Project has received a FFGA from the FTA and a TIFIA Loan Agreement from the USDOT. The Project is expected to begin revenue operation in November 2023. As of June 30, 2019, $1.7 billion has been expended.

- The Westside Purple Line Extension Section 2 Project (Project) has an approved LOP budget of $2.4 billion. The Project will extend 2.6 miles from the future Wilshire/La Cienega Station to Century City/Constellation station. The Project has received a FFGA from the FTA and a TIFIA Loan Agreement from the USDOT. The Project includes two underground stations and procurement of 20 heavy rail vehicles. The Design/Build Contract of $1.4 billion was awarded in April 2017 to Tutor Perini/O&G, a Joint Venture for the tunneling, stations, track work, systems, and systems integration. The Project is expected to begin revenue operation in August 2025. As of June 30, 2019, $818 million has been expended.

- The Westside Purple Line Extension Section 3 Project (Project) has an approved LOP budget of $3.2 billion. The Project will extend 2.6 miles from the future Century City/Constellation Station to a terminus station at the Westwood/VA Hospital Station. The Project includes two underground stations and procurement of 16 heavy rail vehicles. Two Design/Build contracts with a combined value of $1.8 billion have been issued; the first to Frontier-Kemper Constructors, Inc./Tutor Perini, a joint venture for tunnels, and the second to Tutor Perini/O&G, a joint venture for stations, track work, systems, and systems integration testing. The Project is anticipated to receive a FFGA from the FTA in the first quarter of calendar year 2020. The Project is expected to begin revenue operation in March 2027. As of June 30, 2019, $176 million has been expended.

***Light Rail Vehicle Acquisition Project***

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved LOP 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 extensions and delivery was completed on April 2017. A portion of the Option 1 of the contract of 28 LRVs will be used on the Crenshaw/LAX 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. As of June 30, 2019, a total of one hundred eighty-one (181) new P3010 LRVs have been conditionally accepted and placed into revenue service; forty-six (46) at Gold line Foothill Extension line and one hundred thirty-five (135) at the Blue, EXPO and Green lines. As of June 30, 2019, $708 million has been expended.

***Bus Acquisition Project***

LACMTA executed contracts for 4 bus procurements in FY18 in addition to 1 bus procurement executed in FY17. These contracts authorized the replacement of up to 1,000 transit buses. The configurations of these buses are 40' CNG, 60' CNG, 40' battery electric, and 60' battery electric. The electric buses are the first Zero Emission Vehicles delivered under LACMTA's ambitious plan to convert the entire bus operation to zero emission by 2030. The combined LOP budget for all contracts is $784 million. As of June 30, 2019, $81 million has been expended.

- For the 40' CNG buses, the contract was awarded to El Dorado National-California, Inc. for a base order of 295 buses. The pilot bus was delivered to LACMTA in June 2018. Delivery of the production buses began in March 2019. In September 2019, LACMTA's Board approved the exercise of the contract modification option to procure 259 40' CNG buses. With the option exercised, delivery of buses is scheduled to be complete in FY21. The current approved LOP budget is $421 million.

- For the 60' CNG buses, the contract was awarded to New Flyer of America Inc. for a base order of 65 buses. The pilot bus was delivered to LACMTA in February 2018. Delivery of the production buses began in September 2019. In September 2019, LACMTA's Board approved the exercise of the contract modification option to purchase 70 60' CNG articulated buses. With the option exercised, delivery of buses is scheduled to be complete in FY21. The current approved LOP budget is $149 million.

- For the 40' Battery Electric buses, the contract was awarded to BYD Coach & Bus, LLC (BYD) for a base order of 60 buses. The buses will be utilized to electrify the Silver Line. Full electrification is scheduled for operation in 2021. In September 2019, LACMTA's Board approved the exercise of the contract modification to purchase 40 40' zero emission buses. The current approved LOP Budget is $129 million.

- For the 60' Battery Electric buses, two contracts were awarded: One to New Flyer of America for a base order of 40 buses and another to BYD Coach & Bus, LLC (BYD) for 5 buses. The buses will be utilized to electrify the Orange Line. Full electrification is scheduled for operation in 2020. The first New Flyer pilot bus arrived in July 2019. The current approved LOP Budget is $85 million.

Additional information on capital assets can be found on page 83.

**Long-term Debt Administration**

As of June 30, 2019, LACMTA had a total of $6,528,056 in long-term debt outstanding. Of this amount, $4,937,926 related to bonds secured by sales tax revenues, $88,910 was secured by farebox and other general revenues, and $176,036 related to lease/leaseback obligations. The remaining balance consisted of notes payable of $594,799 and commercial paper notes and other debt as shown below:

**Los Angeles County Metropolitan Transportation Authority**
**Long-term Debt**
(Amounts expressed in thousands)

| | Business-type Activities | | Governmental Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Sales tax revenue bonds and refunding bonds | $ 4,937,926 | $ 4,497,327 | $ — | $ — | $ 4,937,926 | $ 4,497,327 |
| Lease/lease to service obligations | 176,036 | 238,344 | — | — | 176,036 | 238,344 |
| General revenue refunding | 88,910 | 97,610 | — | — | 88,910 | 97,610 |
| Notes payable | 594,799 | 580,664 | — | — | 594,799 | 580,664 |
| Commercial paper and revolving lines of credit | 211,023 | 178,232 | — | — | 211,023 | 178,232 |
| Total long-term debt | 6,008,694 | 5,592,177 | — | — | 6,008,694 | 5,592,177 |
| Unamortized bond premium | 519,445 | 469,218 | — | — | 519,445 | 469,218 |
| Unamortized bond discount | (83) | (92) | — | — | (83) | (92) |
| Total long-term debt, net | $ 6,528,056 | $ 6,061,303 | $ — | $ — | $ 6,528,056 | $ 6,061,303 |

Long-term debt increased by $466,753 over fiscal year 2018 mainly due to the increase in sales tax revenue bonds and sales tax revenue refunding bonds, TIFIA loans, and short-term borrowings from Measure R revolving lines, offset by the decrease in lease/leaseback obligations due to lease terminations, the net decrease due to bond refundings, annual debt repayments, and bond premium amortizations.

During fiscal year 2019, LACMTA issued Proposition C Senior Sales Tax Revenue Bonds, Series 2019-A (Green Bonds), and Series 2019-B with aggregate principal amounts of $418,575 and $126,425, respectively, to finance current capital expenditures and to repay short-term borrowings from Proposition C sales tax revenue commercial paper notes and revolving obligations with outstanding principal balance totaling $98,885.

LACMTA also issued sales tax revenue and refunding bonds Proposition A Series 2019-A with a principal amount of $57,745, and Proposition C Series 2019-C with a principal amount of $47,830, which proceeds, including bond premiums and together with available funds from the refunded bonds' trust accounts, were used to refund and defease Proposition A Series 2009-

A bonds with an outstanding principal balance of $104,605, and Proposition C 2009-E bonds with an outstanding principal balance of $72,585. The refundings generated a total of $22,378 in net present value of net cash flow savings over 8 years and resulted in $18,048 of excess of net carrying value over total reacquisition price that is reported under Deferred Inflow of Resources in the business-type activities of the government-wide financial statements and amortized over the shorter of the life of the refunded or the refunding bonds.

In fiscal year 2019, drawdowns from approved TIFIA loans totaled $168,073 for the design and construction of the Regional Connector Transit Corridor, and Westside Purple Line Extension Sections 1 and 2 projects, while interest accretion totaled $34,416, resulting in an increase of both TIFIA notes payable and TIFIA bonds at fiscal year ended June 30, 2019.

The short-term borrowings from Measure R revolving lines temporarily used to finance immediate cash flow requirements for Measure R capital project expenditures increased by $40,600 in fiscal year 2019. Proposition A and C commercial paper notes with an aggregate principal amount of $98,885 issued at the beginning of the fiscal year, were subsequently paid off from bond proceeds issued before the end of the fiscal year. Proposition A and C commercial paper notes decreased due to the net repayment of outstanding principal owed at the beginning of the fiscal year.

## Bond Ratings

LACMTA's bonds are rated by Standard & Poor's, Moody's, Fitch, and Kroll. As of June 30, 2019, the ratings are as follows:

| Bond Issue Type | Standard & Poor's | Moody's | Fitch | Kroll (1) |
|---|---|---|---|---|
| Proposition A First Tier Senior Lien Bonds | AAA | Aa1 | NR | AAA |
| Proposition C Senior Sales Tax Revenue Bonds | AAA | Aa2 | AA+ | NR |
| Measure R Sales Tax Revenue Bonds | AAA | Aa1 | NR | NR |
| General Revenue Bonds | AA+ | Aa2 | NR | NR |

*(1) Kroll Bond Rating Agency rates the Proposition A Sales Tax Revenue Refunding Bonds, Series 2018 only.*

Additional information on LACMTA's long-term debt can be found on pages 115 to 129.

**Economic Factors and Next Year's Budget**

The $7.2 billion budget for FY20 is balanced and aligns resources in a fiscally responsible manner to achieve the five goals established by Vision 2028, Metro's comprehensive strategic plan:

- Provide high-quality mobility options that enable people to spend less time traveling
- Deliver outstanding trip experiences for all users of the transportation system
- Enhance communities and lives through mobility and access to opportunity
- Transform Los Angeles County through regional collaboration and national leadership
- Provide responsive, accountable, and trustworthy governance within the LA Metro organization

The budget assumes the following major revenue sources and expenditures:

***REVENUE SOURCES***

- Sales tax and Transportation Development Act (TDA) revenues are expected to grow at 3.4% over the FY19 budget based on historical sales tax growth cycles, nationally recognized forecasting sources and Metro's own experience.
- State Transit Assistance (STA) and Senate Bill 1 (SB1) revenues for bus/rail operations and capital in FY20 are expected to be $245.9 million regionwide, representing a 35.0% increase over the FY19 budget based on State Controllers' Office (SCO) estimates.
- Fare revenues are expected to decline 6% from FY19 budget levels at $284.5 million, reflecting ridership projections and a nationwide trend of downward public transit ridership patterns.
- ExpressLanes toll revenues are expected to come in at $58.4 million in FY20, a 7.0% decline from the FY19 budget, primarily related to reduced lane violation revenues as drivers become more aware of ExpressLanes rules and pricing.
- Advertising revenues of $25.6 million are expected in FY20, which is 3.6% above the annual budget.
- Other revenues including bike program revenues, park and ride revenues, lease revenues, vending revenues, film revenues, county buy down, auto registration fees, transit court fees, CNG credits, investment income and other miscellaneous revenues are expected to increase 2.5% from FY19, at $71.2 million in FY20.
- Grant reimbursements, bond proceeds, sales tax carryover, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns are in line with planned Transit Infrastructure and State of Good Repair expenditure activities and expected to total $2.6 billion in FY20, a 18.9% increase from the FY19 budget.

***EXPENDITURES***

- The FY20 budget for Bus service is proposed at 7,019,376 Revenue Service Hour (RSH), reflecting a 4,770 increase in scheduled service from the FY19 scheduling base, less than one percent. A portion of this increase will be for deployment of special service to meet ridership demand for events such as USC games, Dodger Express, etc. Bus bridges are also required to support the completion of the New Blue rehabilitation project, Crenshaw construction work, and other service needs that arise. FY20 is also a Leap Year; therefore, an allowance must be made for an additional day of revenue service. The biggest offset is an adjustment of 75,000 RSH that is dedicated to the surgical trip reallocations for unused capacity. No more than one trip per hour will be reduced from each line, headways will not exceed 15 minutes, and there will be no planned line cancellations.
- Although NextGen's focus is on Bus service, Rail service is closely related and will be taken into consideration to develop an integrated Bus/Rail interface that removes service duplication around Rail alignments and on-street Bus lines. Rail service is proposed at 1,134,953 Revenue Vehicle Service hours (RVSH), reflecting a 68,278 adjustment or 5.7 percent in scheduled service. Adjustments and proposed redeployment include weekend morning peak time adjustments on all rail lines to start at 10 am instead of 8 am. Other adjustments consist of peak headway changes (6 & 7 minutes to 8 minutes) on the Blue Line, Gold Line, and Expo Line, as well as implementing off-peak vehicle deployments (3 vehicles to 2 vehicles) on the Blue Line, Gold Line, and Expo Line. These vehicle deployments are in-line with systemwide deployment standards defined in Transit Service Policy.
- The Consumer Price Index (CPI), as measured by the Bureau of Labor Statistics, is projected to increase 2.28% over FY19 for the Los Angeles area. CPI is a measure of the average change over time in the prices paid by urban customers for a market basket of consumer goods and services.
- The FY20 budget continues major funding for the big three Measure R and M transit construction projects: Crenshaw/LAX, Regional Connector, and Purple Line Extension (Sections 1, 2, 3 and Division 20).
- The FY20 budget includes a decrease of 66 Represented Full Time Equivalents (FTES) to reflect service level assumptions and SGR project phase along with an additional 45 Non-Represented FTEs to address Measure M and Measure R planning and construction efforts, provide funding oversight and to enhance the customer experience by pursuing pilot programs and improving Metro facilities.
- Wage and salary increases and health and welfare benefits for represented employees are based on the third year terms of the respective Board-adopted contracts. A planned salary increase (merit-based) of 4% for non-represented employees is in line with represented employees.

For details of LACMTA's FY20 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 by visiting LACMTA's website at www.metro.net.

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Net Position**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | Business-type Activities | Governmental Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents - unrestricted | $ 79,662 | $ 1,044,380 | $ 1,124,042 |
| Cash and cash equivalents - restricted | 805,038 | — | 805,038 |
| Investments - unrestricted | 255,338 | 607,848 | 863,186 |
| Investments - restricted | 335,168 | — | 335,168 |
| Receivables, net | 615,396 | 868,922 | 1,484,318 |
| Internal balances | (48,947) | 48,947 | — |
| Inventories | 60,664 | — | 60,664 |
| Prepaid and other current assets | 7,017 | 21 | 7,038 |
| Lease accounts | 176,036 | — | 176,036 |
| Capital assets: | | | |
| Land and construction in progress | 7,703,151 | 749,417 | 8,452,568 |
| Other capital assets, net of depreciation | 7,243,960 | — | 7,243,960 |
| TOTAL ASSETS | 17,232,483 | 3,319,535 | 20,552,018 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows related to pension | 190,073 | — | 190,073 |
| Deferred outflows related to OPEB | 28,687 | — | 28,687 |
| Deferred outflows related to ARO | 4,437 | — | 4,437 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 223,197 | — | 223,197 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 517,870 | 344,141 | 862,011 |
| Accrued interest payable | 76,950 | — | 76,950 |
| Pollution remediation obligation | 14,847 | — | 14,847 |
| Unearned revenues | 20,862 | 18,203 | 39,065 |
| Other liabilities | 16,962 | 815 | 17,777 |
| Long-term liabilities: | | | |
| Due within 1 year | 469,910 | — | 469,910 |
| Due in more than 1 year | 8,324,516 | — | 8,324,516 |
| TOTAL LIABILITIES | 9,441,917 | 363,159 | 9,805,076 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows on debt refunding | 23,768 | — | 23,768 |
| Deferred inflows related to pension | 26,905 | — | 26,905 |
| Deferred inflows related to OPEB | 319,672 | — | 319,672 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 370,345 | — | 370,345 |
| **NET POSITION** | | | |
| Net investment in capital assets | 8,899,216 | 749,417 | 9,648,633 |
| Restricted for: | | | |
| Debt service | 523,844 | — | 523,844 |
| Proposition A ordinance projects | — | 138,291 | 138,291 |
| Proposition C ordinance projects | — | 279,909 | 279,909 |
| Measure R ordinance projects | — | 335,378 | 335,378 |
| Measure M ordinance projects | — | 678,681 | 678,681 |
| TDA and STA projects | — | 298,063 | 298,063 |
| Other nonmajor governmental projects | — | 173,495 | 173,495 |
| Unrestricted (deficit) | (1,779,642) | 303,142 | (1,476,500) |
| TOTAL NET POSITION | $ 7,643,418 | $ 2,956,376 | $ 10,599,794 |

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

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**Los Angeles County Metropolitan Transportation Authority**
**Statement of Activities**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions |
|---|---|---|---|
| Functions/Programs | | | |
| Business-type activities: | | | |
| Bus and rail operations | $ 2,607,757 | $ 291,185 | $ 328,867 |
| Union Station operations | 13,933 | 13,546 | — |
| Toll operations | 43,134 | 64,223 | — |
| Total business-type activities | 2,664,824 | 368,954 | 328,867 |
| Governmental activities: | | | |
| Transit operators programs | 379,911 | — | — |
| Local cities programs | 711,855 | — | — |
| Congestion relief operations | 42,475 | — | — |
| Highway projects | 301,038 | — | 4,644 |
| Regional multimodal capital programs | 100,676 | — | 6,398 |
| Paratransit programs | 108,560 | — | — |
| Other transportation subsidies | 127,427 | — | — |
| General government | 161,022 | 18,014 | 127,502 |
| Total governmental activities | 1,932,964 | 18,014 | 138,544 |
| Total | $ 4,597,788 | $ 386,968 | $ 467,411 |

General revenues:
Sales tax
Investment income
Net appreciation (decline) in fair value of investments
Gain on disposition of capital assets
Miscellaneous
Total general revenues
Transfers
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.

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net position: Business-type Activities | Governmental Activities | Total |
|---|---|---|---|
| $ 426,935 | $ (1,560,770) | $ — | $ (1,560,770) |
| — | (387) | — | (387) |
| — | 21,089 | — | 21,089 |
| 426,935 | (1,540,068) | — | (1,540,068) |
| — | — | (379,911) | (379,911) |
| — | — | (711,855) | (711,855) |
| — | — | (42,475) | (42,475) |
| — | — | (296,394) | (296,394) |
| — | — | (94,278) | (94,278) |
| — | — | (108,560) | (108,560) |
| — | — | (127,427) | (127,427) |
| — | — | (15,506) | (15,506) |
| — | — | (1,776,406) | (1,776,406) |
| $ 426,935 | (1,540,068) | (1,776,406) | (3,316,474) |
| | — | 3,992,725 | 3,992,725 |
| | 23,376 | 38,842 | 62,218 |
| | (2,360) | 15,157 | 12,797 |
| | 183 | — | 183 |
| | 15,123 | 70,114 | 85,237 |
| | 36,322 | 4,116,838 | 4,153,160 |
| | 2,088,931 | (2,088,931) | — |
| | 585,185 | 251,501 | 836,686 |
| | 7,058,233 | 2,704,875 | 9,763,108 |
| | $ 7,643,418 | $ 2,956,376 | $ 10,599,794 |

**Los Angeles County Metropolitan Transportation Authority**
**Balance Sheet**
**Governmental Funds**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | | Major | |
|---|---|---|---|
| | | Special | |
| | **General Fund** | **Proposition A** | **Proposition C** |
| **ASSETS** | | | |
| Cash and cash equivalents – unrestricted | $ 49,669 | $ 18,199 | $ 130,283 |
| Investments – unrestricted | 108,856 | 11,109 | 79,529 |
| Receivables: | | | |
| Sales tax | — | 163,064 | 163,063 |
| Accounts | 5,091 | — | — |
| Interest | 705 | 72 | 515 |
| Intergovernmental | 11,129 | — | 31,028 |
| Notes | 6,000 | — | — |
| Due from other funds | 158,361 | — | 4 |
| Prepaid and other assets | 21 | — | — |
| **TOTAL ASSETS** | $ 339,832 | $ 192,444 | $ 404,422 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | $ 25,447 | $ 54,153 | $ 96,790 |
| Due to other funds | 19,948 | — | — |
| Unearned revenues | 16,192 | — | — |
| Other liabilities | 815 | — | — |
| **TOTAL LIABILITIES** | 62,402 | 54,153 | 96,790 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred revenues | 3,773 | — | 27,723 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 3,773 | — | 27,723 |
| **FUND BALANCES** | | | |
| Nonspendable | 21 | — | — |
| Restricted | 25,689 | 138,291 | 279,909 |
| Committed | 36,217 | — | — |
| Assigned | 10,943 | — | — |
| Unassigned | 200,787 | — | — |
| **TOTAL FUND BALANCES** | 273,657 | 138,291 | 279,909 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 339,832 | $ 192,444 | $ 404,422 |

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

| Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|
| Revenue Funds | | | | | |
| Measure R | Measure M | TDA | STA | Other Governmental Funds | Total Governmental Funds |
| $ 173,387 | $ 343,676 | $ 198,933 | $ 51,400 | $ 78,833 | $ 1,044,380 |
| 105,828 | 209,777 | — | — | 92,749 | 607,848 |
| 162,913 | 160,359 | 81,024 | 52,070 | — | 782,493 |
| — | — | — | — | — | 5,091 |
| 1,275 | 1,358 | 1,108 | 439 | 355 | 5,827 |
| 18,242 | — | — | — | 9,112 | 69,511 |
| — | — | — | — | — | 6,000 |
| 4 | — | — | — | 14,916 | 173,285 |
| — | — | — | — | — | 21 |
| $ 461,649 | $ 715,170 | $ 281,065 | $ 103,909 | $ 195,965 | $ 2,694,456 |
| $ 126,271 | 36,489 | $ 2,828 | $ 611 | $ 1,552 | $ 344,141 |
| — | — | 60,045 | 23,427 | 20,918 | 124,338 |
| — | — | — | — | — | 16,192 |
| — | — | — | — | — | 815 |
| 126,271 | 36,489 | 62,873 | 24,038 | 22,470 | 485,486 |
| — | — | — | — | — | 31,496 |
| — | — | — | — | — | 31,496 |
| — | — | — | — | — | 21 |
| 335,378 | 678,681 | 218,192 | 79,871 | 173,495 | 1,929,506 |
| — | — | — | — | — | 36,217 |
| — | — | — | — | — | 10,943 |
| — | — | — | — | — | 200,787 |
| 335,378 | 678,681 | 218,192 | 79,871 | 173,495 | 2,177,474 |
| $ 461,649 | $ 715,170 | $ 281,065 | $ 103,909 | $ 195,965 | $ 2,694,456 |

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**Los Angeles County Metropolitan Transportation Authority**
**Reconciliation of the Balance Sheet**
**to the Statement of Net Position – Governmental Activities**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | |
|---|---|
| Fund balances – total governmental funds (page 41) | $ 2,177,474 |
| Government capital assets are not financial resources and, therefore, are not reported in the funds. | 749,417 |
| 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. | 31,496 |
| Governmental funds report revenue only to the extent that increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. This is the amount of revenue pertaining to future period. | (2,011) |
| Net position of governmental activities (page 37) | $ 2,956,376 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Governmental Funds**
**For the Fiscal Year Ended June 30, 2019**
**(Amount expressed in thousands)**

| | | Special | Major |
|---|---|---|---|
| | **General Fund** | **Proposition A** | **Proposition C** |
| **REVENUES** | | | |
| Sales tax | $ — | $ 846,548 | $ 846,546 |
| Intergovernmental | 20,036 | — | 8,993 |
| Investment income | 6,643 | 388 | 2,449 |
| Net appreciation in fair value of investments | 4,224 | 403 | 1,405 |
| Lease and rental | 14,649 | — | — |
| Licenses and fines | 822 | — | — |
| Other | 23,814 | 3,308 | — |
| **TOTAL REVENUES** | 70,188 | 850,647 | 859,393 |
| **EXPENDITURES** | | | |
| Current | | | |
| Administration and other transportation projects | 121,449 | — | 79,091 |
| Transportation subsidies | 24,984 | 328,897 | 493,992 |
| **TOTAL EXPENDITURES** | 146,433 | 328,897 | 573,083 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (76,245) | 521,750 | 286,310 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 94,605 | — | 118,897 |
| Transfers out | (99,261) | (510,584) | (304,243) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (4,656) | (510,584) | (185,346) |
| **NET CHANGE IN FUND BALANCES** | (80,901) | 11,166 | 100,964 |
| Fund balances – beginning of year | 354,558 | 127,125 | 178,945 |
| **FUND BALANCES – END OF YEAR** | $ 273,657 | $ 138,291 | $ 279,909 |

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

| Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|
| Revenue | | Funds | | | |
| Measure R | Measure M | TDA | STA | Other Governmental Funds | Total Governmental Funds |
| $ 846,793 | $ 836,173 | $ 420,793 | $ 195,872 | $ — | $ 3,992,725 |
| 22,138 | — | — | — | 65,807 | 116,974 |
| 8,896 | 10,160 | 4,445 | 2,126 | 3,735 | 38,842 |
| 3,972 | 4,706 | — | — | 447 | 15,157 |
| — | — | — | — | — | 14,649 |
| — | — | — | — | 39,207 | 40,029 |
| — | — | — | — | — | 27,122 |
| 881,799 | 851,039 | 425,238 | 197,998 | 109,196 | 4,245,498 |
| 144,929 | 20,682 | — | — | 5,416 | 371,567 |
| 344,913 | 198,481 | 137,549 | 30,104 | 2,477 | 1,561,397 |
| 489,842 | 219,163 | 137,549 | 30,104 | 7,893 | 1,932,964 |
| 391,957 | 631,876 | 287,689 | 167,894 | 101,303 | 2,312,534 |
| 4,720 | — | — | — | — | 218,222 |
| (475,864) | (382,763) | (266,502) | (193,452) | (74,484) | (2,307,153) |
| (471,144) | (382,763) | (266,502) | (193,452) | (74,484) | (2,088,931) |
| (79,187) | 249,113 | 21,187 | (25,558) | 26,819 | 223,603 |
| 414,565 | 429,568 | 197,005 | 105,429 | 146,676 | 1,953,871 |
| $ 335,378 | $ 678,681 | $ 218,192 | $ 79,871 | $ 173,495 | $ 2,177,474 |

**Los Angeles County Metropolitan Transportation Authority**
**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, 2019**
**(Amounts expressed in thousands)**

| | |
|---|---|
| Net change in fund balances – total governmental funds (page 45) | $ 223,603 |
| 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. | 31,496 |
| Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not available in the current period. | (3,598) |
| Change in net position of governmental activities (page 39) | $ 251,501 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Net Position**
**Proprietary Fund – Enterprise Fund**
**June 30, 2019**
**(Amounts expressed in thousands)**

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents - unrestricted | $ 79,662 |
| Cash and cash equivalents - restricted | 174,906 |
| Investments - unrestricted | 255,338 |
| Investments - restricted | 90,330 |
| Receivables, net | 603,034 |
| Inventories | 60,664 |
| Prepaid and other current assets | 7,017 |
| Total current assets | 1,270,951 |
| Noncurrent assets: | |
| Cash and cash equivalents - restricted | 630,132 |
| Investments - restricted | 244,838 |
| Notes receivable | 12,362 |
| Lease accounts | 176,036 |
| Capital assets: | |
| Land and construction in progress | 7,703,151 |
| Other capital assets, net of depreciation | 7,243,960 |
| Total noncurrent assets | 16,010,479 |
| Total assets | 17,281,430 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pension | 190,073 |
| Deferred outflows related to OPEB | 28,687 |
| Deferred outflows related to ARO | 4,437 |
| Total deferred outflows of resources | 223,197 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 17,504,627 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Net Position (Continued)**
**Proprietary Fund – Enterprise Fund**
**June 30, 2019**
**(Amounts expressed in thousands)**

## LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

| | |
|---|---|
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | $ 517,870 |
| Accrued interest payable | 76,950 |
| Due to other funds | 48,947 |
| Claims payable | 78,709 |
| Compensated absences payable | 86,873 |
| Asset retirement obligations | 2,029 |
| Bonds and notes payable | 302,299 |
| Other current liabilities | 16,962 |
| Total current liabilities | 1,130,639 |
| Noncurrent liabilities: | |
| Claims payable | 294,151 |
| Compensated absences payable | 25,300 |
| Net pension liability | 534,955 |
| Net OPEB liability | 1,241,945 |
| Asset retirement obligations | 2,408 |
| Pollution remediation obligation | 14,847 |
| Bonds and notes payable | 6,225,757 |
| Unearned revenues | 20,862 |
| Total noncurrent liabilities | 8,360,225 |
| Total liabilities | 9,490,864 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows on debt refunding | 23,768 |
| Deferred inflows related to pension | 26,905 |
| Deferred inflows related to OPEB | 319,672 |
| Total deferred inflows of resources | 370,345 |
| **NET POSITION** | |
| Net investment in capital assets | 8,899,216 |
| Restricted for debt service | 523,844 |
| Unrestricted (deficit) | (1,779,642) |
| Total net position | $ 7,643,418 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Revenues, Expenses, and Changes in Net Position**
**Proprietary Fund – Enterprise Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Passenger fares | $ 265,289 |
| Auxiliary transportation | 25,896 |
| Lease and rental | 13,546 |
| Toll revenues | 64,223 |
| Total operating revenues | 368,954 |
| **OPERATING EXPENSES** | |
| Salaries and wages | 706,074 |
| Fringe benefits | 400,094 |
| Professional and technical services | 378,205 |
| Material and supplies | 113,206 |
| Casualty and liability | 46,561 |
| Fuel, lubricants, and propulsion power | 85,186 |
| Purchased transportation | 53,825 |
| Depreciation | 614,593 |
| Other | 71,809 |
| Total operating expenses | 2,469,553 |
| **OPERATING LOSS** | (2,100,599) |
| **NON-OPERATING REVENUES (EXPENSES)** | |
| Local grants | 9,563 |
| Federal grants | 319,304 |
| Investment income | 23,376 |
| Net decline in fair value of investments | (2,360) |
| Interest expense | (195,271) |
| Gain on disposition of capital assets | 183 |
| Other revenue | 15,123 |
| Total net non-operating revenues | 169,918 |
| **LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS** | (1,930,681) |
| **CAPITAL GRANTS AND CONTRIBUTIONS** | |
| Local grants | 18,894 |
| State grants | 73,863 |
| Federal grants | 334,178 |
| Total capital grants and contributions | 426,935 |
| **TRANSFERS** | |
| Transfers in | 2,168,238 |
| Transfers out | (79,307) |
| Total transfers | 2,088,931 |
| **CHANGE IN NET POSITION** | 585,185 |
| Net position – beginning of year | 7,058,233 |
| **NET POSITION – END OF YEAR** | $ 7,643,418 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Cash Flows**
**Proprietary Fund – Enterprise Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ | 387,949 |
| Payments to suppliers | | (602,592) |
| Payments to employees and benefit payments | | (1,115,070) |
| Net cash used for operating activities | | (1,329,713) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| Operating transfers from other funds | | 1,174,190 |
| Federal operating grants received | | 279,983 |
| State and local operating grants received | | 14,243 |
| Net cash flows from non-capital financing activities | | 1,468,416 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of debt | | 953,484 |
| Proceeds from disposition of capital assets | | 238 |
| Federal capital grants received for capital projects | | 313,834 |
| State and local capital grants received for capital projects | | 51,147 |
| Transfer from other funds for capital project reimbursements | | 1,035,780 |
| Payments for bonds and notes payable | | (392,051) |
| Acquisition and construction of capital assets | | (1,722,052) |
| Interest paid | | (204,744) |
| Net cash flows from capital and related financing activities | | 35,636 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sales and maturity of investments | | 20,464,622 |
| Purchase of investments | | (20,252,338) |
| Investment earnings | | 23,203 |
| Net cash flows from investing activities | | 235,487 |
| Net increase in cash and cash equivalents | | 409,826 |
| Cash and cash equivalents – beginning of year | | 474,874 |
| **CASH AND CASH EQUIVALENTS – END OF YEAR** | $ | 884,700 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Cash Flows (Continued)**
**Proprietary Fund – Enterprise Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | | |
|---|---|---|
| **Reconciliation of operating loss to net cash used for operating activities** | | |
| Operating loss | $ | (2,100,599) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation expense | | 614,593 |
| Other non-operating revenue | | 15,123 |
| Decrease in deferred outflows related to pension | | 11,403 |
| Decrease in deferred outflows related to other post employment benefit plan | | 1,984 |
| Decrease in receivables | | 3,467 |
| Decrease in prepaid and other current assets | | 1,047 |
| Decrease in inventories | | 1,656 |
| Increase in accounts payable and accrued liabilities | | 100,813 |
| Increase in pollution remediation obligation | | 3,713 |
| Increase in compensated absences payable | | 5,631 |
| Increase in claims payable | | 40,941 |
| Increase in accrued payroll liabilities | | 3,155 |
| Decrease in net pension liability | | (37,660) |
| Decrease in net OPEB liability | | (20,389) |
| Decrease in other current liabilities | | (1,970) |
| Increase in unearned revenues | | 405 |
| Increase in deferred inflows related to pension | | 18,674 |
| Increase in deferred inflows related to other post employment benefit plan | | 8,300 |
| Total adjustments | | 770,886 |
| Net cash used for operating activities | $ | (1,329,713) |
| | | |
| **Non-cash investing, capital and financing activities** | | |
| Capital assets included in accounts payable and accrued liabilities | $ | 288,469 |
| Capital grants and contributions included in intergovernmental receivable | $ | 286,684 |
| Proceeds from bond refunding placed in escrow | $ | 121,674 |
| Bond premium/discount amortization | $ | 66,787 |
| Interest accretion on loans payable | $ | 34,415 |
| Interest accretion on lease/leaseback obligations | $ | 7,726 |
| Net decline in fair value of investments | $ | 2,360 |
| Gain on disposition of capital assets | $ | 183 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Fiduciary Net Position - Employee Retirement and OPEB Trust Funds**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 9,049 |
| Investments: | | |
| Bonds | | 226,499 |
| Domestic stocks | | 218,386 |
| Non-domestic stocks | | 8,530 |
| Pooled investments | | 1,538,015 |
| Receivables: | | |
| Member contributions | | 1,819 |
| Securities sold | | 913 |
| Interest and dividends | | 1,914 |
| Prepaid items and other assets | | 39 |
| Total assets | | 2,005,164 |
| **LIABILITIES** | | |
| Accounts payable and other liabilities | | 1,909 |
| Securities purchased | | 3,960 |
| Total liabilities | | 5,869 |
| **NET POSITION RESTRICTED FOR PENSIONS AND OPEB** | | |
| Held in trust for pension and OPEB benefits | $ | 1,999,295 |

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

**Los Angeles County Metropolitan Transportation Authority**
**Statement of Changes in Fiduciary Net Position - Employee Retirement and OPEB Trust Funds**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | | |
|---|---|---|
| **ADDITIONS** | | |
| Contributions: | | |
| Employer | $ | 91,709 |
| Member | | 35,026 |
| Total contributions | | 126,735 |
| From investing activities: | | |
| Net appreciation in fair value of investments | | 97,500 |
| Investment income | | 34,042 |
| Investment expense | | (5,905) |
| Other income | | 386 |
| Total investing activities | | 126,023 |
| Total additions | | 252,758 |
| **DEDUCTIONS** | | |
| Retiree benefits | | 121,132 |
| Administrative expenses | | 2,174 |
| Total deductions | | 123,306 |
| Net increase in net position | | 129,452 |
| Net position - beginning of year | | 1,869,843 |
| **NET POSITION - END OF YEAR** | $ | 1,999,295 |

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

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## Los Angeles County Metropolitan Transportation Authority
## Notes to the Financial Statements
## June 30, 2019

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

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

### INDEX

## 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 Services 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 7$^{th}$ 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.

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.

***Measure M*** - The "Los Angeles County Traffic Improvement Plan" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective July 1, 2017. Measure M is an ordinance authorizing an additional 1/2 of 1% sales tax approved by the voters of Los Angeles County on November 8, 2016 and which continued the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Revenues will be allocated as follows: 1) 16% for local returns; 2) 35% for Metro rail capital - new rail; 3) 1% for Metrolink capital improvements; 4) 17% for highway construction; 5) 25% for rail and bus operations; 6) 2% for state of good repair; 7) 2% for ADA paratransit; and 8) 2% for active transportation program.

***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.

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:

***Employees' 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 from the acquisition 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. State receivables involve funding for construction of various highways in partnership with the California Department of Transportation. 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.

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

Additional detailed information on LACMTA's Employees' Retirement Plans can be found on pages 88-100.

**Other Postemployment Benefits Trust Fund**

On February 22, 2007, the MTA 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 to Non-contract employees and employees represented by AFSCME and the Teamsters, and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. Generally, eligibility for coverage is based on employee's service and age.

For financial reporting purposes, the net OPEB liability is measured by the OPEB Trust's total OPEB liability at the close of the last fiscal year and rolled forward from information based on actuarial reports dated no more than twenty-four months prior to the current fiscal year end. LACMTA's funding policy is to contribute the direct "pay-as-you-go" cost as determined by required premium/claim payments and union healthcare trust contractual contributions, plus $5,000. Assets are held in trust separately from the LACMTA and may be used only for the payment of benefits to the members.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan (s) and additions to/deductions from the fiduciary net position have been determined on the same basis they are reported to the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Long-term Obligations**

In the government-wide and Proprietary 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 financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

**Deferred Outflows/Inflows of Resources Related to 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 Related to OPEB**

Deferred outflows and deferred inflows of resources represent the unamortized portion of (1) the difference between expected and actual experience, (2) the changes in assumptions, and (3) the difference between expected and actual earnings on OPEB Plan investments.

Net OPEB expense is recognized for the service costs, interest costs, administrative expenses, and expected investment return actuarially determined as of the measurement date. Employer contributions to the OPEB Plan subsequent to the measurement date but before the end of the current fiscal year are recorded as deferred outflows of resources in the current fiscal year.

The difference between expected and actual experience, and the changes in assumptions are amortized over the average future working life expectancy.

**Deferred Outflows of Resources related to Asset Retirement Obligations (ARO)**

Deferred outflows of resources related to Asset Retirement obligation represents the present value of expected future outlays associated with the retirement of a tangible capital asset when a legal obligation is incurred and is reasonably estimable initially required by GASB Statement No. 83. This present value of future obligation will be evaluated annually to determine whether the effects of one or more factors are expected to significantly change the estimate of the asset retirement outlays.

**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 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 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 Revenues**

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 inflow 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

In the Government-wide and Proprietary 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.

### Other Revenues

Other revenues in the governmental funds include proceeds from the sale of Low Carbon Fuel Standard (LCFS) credits, sale of surplus land, CNG tax credits, and other miscellaneous revenues.

### 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:

> ***Nonspendable fund balances*** include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Prepayments and inventories in the governmental funds are included in the nonspendable fund balances.
>
> ***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 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 the corresponding deferred outflows of resources for AROs. The determination of 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. The requirements of this Statement are effective for reporting period beginning after June 15, 2018. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2019 as presented in Note L.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (a) pension (and other employee benefit) trust funds, (b) investment trust funds, (c) private-purpose trust funds, and (d) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. The requirements of this statement are effective for reporting period beginning after December 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2020, if applicable.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2021.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2019 as presented in Note M. There was no impact on the changes in fund balance or net position as a result of the adoption of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before The End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2019. There was no impact on the changes in fund balance or net position as result of the adoption of this statement.

In August 2018, GASB issue Statement No. 90, *Majority Equity Interest - An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2020, if applicable.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements-often characterized as leases-that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2022.

## II. STEWARDSHIP, COMPLIANCE, 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 committed or assigned fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

As of June 30, 2019, the following are LACMTA's cash and investments:

| | Business-type Activities | Governmental Activities | Total |
|---|---|---|---|
| Cash deposits | $ 46,477 | $ 18,004 | $ 64,481 |
| State/county investment pool | — | 389,887 | 389,887 |
| Debt securities: | | | |
| Medium term notes | 71,111 | 146,521 | 217,632 |
| Mortgage backed securities | — | 25,871 | 25,871 |
| Commercial paper | — | 197,975 | 197,975 |
| Asset backed securities | 34,471 | 12,414 | 46,885 |
| Fixed income: | | | |
| Mutual funds and marketable securities | 930,758 | 198,952 | 1,129,710 |
| U.S. Agencies securities | 79,335 | 383,698 | 463,033 |
| U.S. Treasury obligations | 313,054 | 278,906 | 591,960 |
| Total cash and investments | $ 1,475,206 | $ 1,652,228 | $ 3,127,434 |

| | Business-type Activities | Governmental Activities | Total |
|---|---|---|---|
| **Reported in the Statement of Net Position and Balance Sheet:** | | | |
| Cash and cash equivalents - unrestricted, current | $ 79,662 | $ 1,044,380 | $ 1,124,042 |
| Cash and cash equivalents - restricted, current | 174,906 | — | 174,906 |
| Investments - unrestricted, current | 255,338 | 607,848 | 863,186 |
| Investment - restricted, current | 90,330 | — | 90,330 |
| Cash and cash equivalents - restricted, noncurrent | 630,132 | — | 630,132 |
| Investments - restricted, noncurrent | 244,838 | — | 244,838 |
| Total cash and investments | $ 1,475,206 | $ 1,652,228 | $ 3,127,434 |

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.

As of June 30, 2019, the following are LACMTA's investments set forth by level, within the fair value hierarchy:

| | Business-type Activities | | | Governmental Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| Debt securities: | | | | | | | | | |
| Medium term notes | $ — | $ 71,111 | $ 71,111 | $ — | $ 146,521 | $ 146,521 | $ — | $ 217,632 | $ 217,632 |
| Mortgage backed securities | — | — | — | — | 25,871 | 25,871 | — | 25,871 | 25,871 |
| Commercial paper | — | — | — | — | 197,975 | 197,975 | — | 197,975 | 197,975 |
| Asset backed securities | — | 34,471 | 34,471 | — | 12,414 | 12,414 | — | 46,885 | 46,885 |
| Fixed income: | | | | | | | | | |
| Mutual funds and marketable securities | 33,615 | 897,143 | 930,758 | — | 198,952 | 198,952 | 33,615 | 1,096,095 | 1,129,710 |
| U.S. Agencies securities | — | 79,335 | 79,335 | — | 383,698 | 383,698 | — | 463,033 | 463,033 |
| U.S. Treasury obligations | 313,054 | — | 313,054 | 278,906 | — | 278,906 | 591,960 | — | 591,960 |
| Total | $ 346,669 | $ 1,082,060 | $ 1,428,729 | $ 278,906 | $ 965,431 | $ 1,244,337 | $ 625,575 | $ 2,047,491 | $ 2,673,066 |

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 acquisition 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 March 1, 2018, 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 | Minimum Ratings |
|---|---|---|---|---|
| Bonds issued by LACMTA | 5 years | 100% | 100% | None |
| U.S. Treasury obligations | 5 years | 100% | 100% | None |
| U.S. Unsecured unsubordinated obligations | 5 years | 30% | 10% | AA |
| Local Agency within the State of California | 5 years | 25% | 25% | A1 short term or 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% | 25% | A1 short term or AA long term |
| Bankers acceptance | 180 days | 40% | 10% | A1 + /P1 short term |
| Commercial paper | 270 days | 25% | 10% | A |
| Negotiable certificates of deposit | 5 years | 30% | 10% | None |
| Placement Service Assisted Deposits | 5 years | 30% | 10% | None |
| Repurchase agreements | 90 days | 20% | 20% | None |
| Medium-term notes | 5 years | 30% | 10% | A |
| Pooled funds and mutual funds | Not | 20% | 10% | AAA |
| Asset-backed securities | 5 years | 15% combined with any mortgage-backed securities | 15% | AAA |
| Mortgage-backed securities | 5 years | 15% combined with any asset-backed securities | 15% | AAA |
| Local Agency Investment Fund (LAIF) | Not applicable | Set by LAIF | Set by LAIF | Not applicable |
| Local Government Investment Pool (LGIP) | Not applicable | Set by LGIP | Set by LGIP | Not applicable |

* *The percentage of portfolio authorization is based on market value.*

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

**Cash Deposits**

As of June 30, 2019, LACMTA's carrying amount of cash comprises $976 in cash on hand and $63,505 in checking accounts for a combined total of $64,481. LACMTA's total bank balance was $63,403 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 $130,000. 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 $259,887 as of June 30, 2019. 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 equivalents and Investments**

As of June 30, 2019, LACMTA had the following cash equivalents and investments:

| Investment Type | Total | Weighted Average Duration (in years) per Investment Type | Concentration of Investments | Ratings |
|---|---|---|---|---|
| Asset-backed securities | $ 46,885 | 0.0194 | 1.75% | AAA |
| Commercial paper | 197,975 | 0.0058 | 7.41% | Not Rated |
| Medium term notes | 217,632 | 0.2123 | 8.14% | BBB+ to AAA |
| Mortgage backed securities | 25,871 | 0.0254 | 0.97% | Not Rated |
| Mutual funds and marketable | 1,129,710 | 0.0211 | 42.26% | Not Rated to AAA |
| U.S. Agency securities | 463,033 | 0.1638 | 17.32% | Not Rated to AAA |
| U.S. Treasury obligations | 591,960 | 0.1992 | 22.15% | Not Rated to AAA |
| Total | $ 2,673,066 | | 100.00% | |
| Portfolio weighted average duration | | 0.6470 | | |

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

**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:

***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 summarize the fair value of investments that are included in the restricted and unrestricted cash and 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, 2019.

As of June 30, 2019, with the exception of investments that are explicitly guaranteed by the U.S. government, 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:

| | Total | Concentration of Credit Risk |
|---|---|---|
| Federal Home Loan Bank (FHLB) | 247,686 | 10.93% |

***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, 2019, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

## B. Receivables

Receivables as of June 30, 2019, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts related to accounts receivable, are as follows:

| Receivables | Business-type Activities | Governmental Activities | Total |
|---|---|---|---|
| Accounts | $ 10,365 | $ 5,091 | $ 15,456 |
| Interest | 1,434 | 5,827 | 7,261 |
| Intergovernmental | 592,650 | 69,511 | 662,161 |
| Sales Tax | — | 782,493 | 782,493 |
| Notes | 12,362 | 6,000 | 18,362 |
| Leases and other | 35 | — | 35 |
| Gross Receivables | 616,846 | 868,922 | 1,485,768 |
| Less: Allowances for doubtful accounts | (1,450) | — | (1,450) |
| Receivables, net | $ 615,396 | $ 868,922 | $ 1,484,318 |

Receivables as of June 30, 2019 for governmental activities by individual major funds and nonmajor funds are as follows:

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Accounts** | **Interest** | **Intergovernment** | **Sales tax** | **Notes** | **Total** |
| General Fund | $ 5,091 | $ 705 | $ 11,129 | $ — | $ 6,000 | $ 22,925 |
| Prop A | — | 72 | — | 163,064 | — | 163,136 |
| Prop C | — | 515 | 31,028 | 163,063 | — | 194,606 |
| Measure R | — | 1,275 | 18,242 | 162,913 | — | 182,430 |
| Measure M | — | 1,358 | — | 160,359 | — | 161,717 |
| TDA | — | 1,108 | — | 81,024 | — | 82,132 |
| STA | — | 439 | — | 52,070 | — | 52,509 |
| Other Governmental | — | 355 | 9,112 | — | — | 9,467 |
| Total | $ 5,091 | $ 5,827 | $ 69,511 | $ 782,493 | $ 6,000 | $ 868,922 |

## C. Internal Balances

The following is a summary of due to/from other funds at June 30, 2019:

| | Due from other funds | | | | | |
|---|---|---|---|---|---|---|
| **Due to other funds** | **Enterprise Fund** | **General Fund** | **Prop C** | **Measure R** | **Other Governmental** | **Total** |
| General Fund | $ 19,948 | $ — | $ — | $ — | $ — | $ 19,948 |
| TDA | 60,045 | — | — | — | — | 60,045 |
| STA | 23,427 | — | — | — | — | 23,427 |
| Other Governmental | 20,918 | — | — | — | — | 20,918 |
| Enterprise Fund | (124,338) | 158,361 | 4 | 4 | 14,916 | 48,947 |
| Total | $ — | $ 158,361 | $ 4 | $ 4 | $ 14,916 | $ 173,285 |

Internal balances represent receivables from/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered or services rendered. The loans will be repaid when sufficient cash is 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, 2019 were as follows:

| | Transfers In | | | | |
|---|---|---|---|---|---|
| Transfers Out | Enterprise Fund | General Fund | Prop C | Measure R | Grand Total |
| General Fund | $ 92,818 | $ — | $ 1,996 | $ 4,447 | $ 99,261 |
| Prop A | 444,125 | 44,776 | 21,683 | — | 510,584 |
| Prop C | 281,756 | 22,484 | — | 3 | 304,243 |
| Measure M | 353,101 | 3,549 | 25,843 | 270 | 382,763 |
| Measure R | 467,304 | 5,514 | 3,046 | — | 475,864 |
| TDA | 261,198 | 5,267 | 37 | — | 266,502 |
| STA | 193,452 | — | — | — | 193,452 |
| Other Governmental | 74,484 | — | — | — | 74,484 |
| Enterprise Fund | — | 13,015 | 66,292 | — | 79,307 * |
| Grand Total | $ 2,168,238 | $ 94,605 | $ 118,897 | $ 4,720 | $ 2,386,460 |

* *The amounts represent Enterprise Fund's bond proceeds and Metro ExpressLanes revenue reinvestment program funds used to finance major capital program/planning projects.*

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

The transfers from the General fund to the Enterprise fund were for bus and rail operations and maintenance costs, and capital expenditures for the Union Station renovation, facilities improvement, and construction of Regional Connector, Crenshaw/LAX Transit Corridor, Exposition Metro Line, and Mid City Exposition Blvd LRT/Transit Corridor projects. Transfers to the Proposition C fund were funding for debt service payments, freeway service patrol operations, and planning activities on the Regional Bikeways, and the Caltrans highway maintenance projects. The transfers to the Measure R fund were funding for the planning projects related to the Metro Eastside Extension Phase II, Sepulveda Transit Corridor, Green Line Extension, and Fund Transit-Oriented Development (TOD) grant program.

The Proposition A fund transfers to the Enterprise fund were funding mainly for debt service payments, bus and rail operations and maintenance costs, and capital expenditures related to facilities improvement, bus midlife program, systems upgrade, and replacement of non-revenue vehicles and acquisition of rail equipment. Funds transferred to the Proposition C fund represents the excess amount of Prop A 40% based on FY18 Growth Over Inflation (GOI). The transfers to the General fund mostly represented the 5% Prop A administration fees.

The transfers from the Proposition C fund to the Enterprise fund were mainly funding for debt service payments, bus and rail operations and maintenance costs, bikeshare program costs, and capital expenditures mostly related to the procurement and installation of fareboxes, facilities improvement and renovation costs on the Union Station/Patsaouras Plaza and the Willowbrook/Rosa Parks Station. The Proposition C fund transfers to the General fund included the 1.50% Proposition C administration fees and funding for planning activities related to rideshare services.

The transfers from the Measure M fund to the Enterprise fund were mainly to fund bus and rail operations and maintenance costs, the ongoing rail construction projects on the Westside Subway Extension, Goldline Foothil Extension Phase 2B and the Airport Metro Connector, and various bus and rail systems upgrade. Transfers to the General Fund were funding for planning activities related to Metro's Bike Share, and First/Last Mile programs. Funds transferred to the Prop C fund were for payments to Access Services for ADA compliance and fund transfers to the Measure R fund were funding for administration costs related to the Westside Purple Line Extension Section 3 project.

The transfers from the Measure R fund to the Enterprise fund were mainly funding for debt service payments, bus and rail operations and maintenance costs, highway projects on the I-5 North Highway Occupancy Vehicle (HOV) Lanes, and capital expenditures mostly related to the acquisition of light rail vehicles, and construction activities on the Westside Purple Line Extensions, and the Division 20 Portal Widening Turnback projects. Fund transfers to the General fund were mostly for planning activities on the rail-to-rail projects and the Zero Emission (Electric) Transit Bus program, and the transfers to the Proposition C fund were subsidies for the I-5 North Highway Occupancy Vehicle (HOV) Lanes program.

Most of the TDA fund transfers to the Enterprise fund were funding for bus and rail operations and maintenance costs, and capital expenditures for bus midlife program, systems and equipment upgrade, and facilities improvement. The TDA fund transfers to the General fund represents administration fees for planning activities allocable for the Los Angeles County and the Southern California Association of Governments.
The transfers from the STA fund to the Enterprise fund were mostly funding for bus and rail operations and maintenance costs.

The transfers from the Other Governmental funds to the Enterprise fund were funding for bus and rail operations and maintenance costs.

The transfers from the Enterprise fund to the General Fund were funding for subsidies under the Metro ExpressLanes Fund's Incremental Transit Service and Net Toll Revenue Reinvestment programs. Transfers to the Proposition C Fund included funding for the planning activities related to regional surface transportation improvement and local transit systems management programs.

## D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,462,085 | $ 88,318 | $ — | $ 1,550,403 |
| Construction in progress | 4,944,725 | 1,494,332 | (286,309) | 6,152,748 |
| Total capital assets, not being depreciated | 6,406,810 | 1,582,650 | (286,309) | 7,703,151 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 11,091,335 | 97,118 | — | 11,188,453 |
| Equipment | 388,089 | 29,692 | (14,502) | 403,279 |
| Vehicles | 2,957,309 | 278,983 | (50,122) | 3,186,170 |
| Total capital assets, being depreciated | 14,436,733 | 405,793 | (64,624) | 14,777,902 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,997,534) | (395,064) | — | (5,392,598) |
| Equipment | (318,318) | (32,542) | 14,479 | (336,381) |
| Vehicles | (1,668,065) | (186,987) | 50,089 | (1,804,963) |
| Total accumulated depreciation | (6,983,917) | (614,593) | 64,568 | (7,533,942) |
| Total capital assets, being depreciated, net | 7,452,816 | (208,800) | (56) | 7,243,960 |
| Business-type activities capital assets | 13,859,626 | 1,373,850 | (286,365) | 14,947,111 |
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 749,457 | — | (40) | 749,417 |
| Governmental Activities capital assets | 749,457 | — | (40) | 749,417 |
| Total capital assets | $ 14,609,083 | $1,373,850 | $ (286,405) | $ 15,696,528 |

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

| | |
|---|---|
| **Business-type Activities** | |
| Bus and rail operations | $ 608,610 |
| Union Station operations | 2,221 |
| Toll operations | 3,762 |
| Total depreciation expense – Business-type | $ 614,593 |

## E. Long-Term Liabilities

As discussed in more detail in Notes F, G, I, J, L, and M, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2019.

| Business-type activities | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| Long-term debt | $ 6,061,303 | $ 1,117,297 | $ (650,544) | $ 6,528,056 | $ 302,299 |
| Claims payable | 331,919 | 119,650 | (78,709) | 372,860 | 78,709 |
| Compensated absences payable | 106,542 | 93,518 | (87,887) | 112,173 | 86,873 |
| Net pension liability | 572,615 | 269,797 | (307,457) | 534,955 | — |
| Net OPEB liability | 1,262,334 | 131,257 | (151,646) | 1,241,945 | — |
| Asset retirement obligations | — | 4,437 | — | 4,437 | 2,029 |
| Total Business-type Activities | $ 8,334,713 | $ 1,735,956 | $ (1,276,243) | $ 8,794,426 | $ 469,910 |

## 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, 2019 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.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $8,000 per occurrence. LACMTA has acquired outside insurance coverage for losses of $300,000 in excess of self-insurance retentions.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately $12.3 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, 2019, a designated investment has been set aside in the amount of $125,636 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2019, a designated investment has been set aside in the amount of $247,224 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, 2019 and 2018:

| | Property and Casualty | | Workers' Compensation | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Unpaid claims and claim adjustment reserves - beginning of year | $ 111,907 | $ 103,974 | $ 220,012 | $ 206,967 | $331,919 | $310,941 |
| Provisions for insured events | 37,652 | 37,209 | 65,715 | 60,280 | 103,367 | 97,489 |
| Interest income | 5,481 | (1) | 10,802 | (32) | 16,283 | (33) |
| Total incurred claims and claims adjustment expense | 155,040 | 141,182 | 296,529 | 267,215 | 451,569 | 408,397 |
| Payment attributable to insured events | (29,404) | (29,275) | (49,305) | (47,203) | (78,709) | (76,478) |
| Total unpaid claims and claim adjustment reserves – end of year | $ 125,636 | $ 111,907 | $ 247,224 | $ 220,012 | $372,860 | $331,919 |

As of June 30, 2019, $78,709 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, 2019:

| | Balance July 1, 2018 | Earned | Used | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| Union Employees: | | | | | |
| Vacation leave | $ 32,910 | $ 33,633 | $ (32,679) | $ 33,864 | $ 32,678 |
| Sick leave | 37,202 | 18,881 | (17,201) | 38,882 | 17,198 |
| TOWP | 10,642 | 13,164 | (11,998) | 11,808 | 11,623 |
| Sub-total | 80,754 | 65,678 | (61,878) | 84,554 | 61,499 |
| Non-Union Employees: | | | | | |
| Vacation leave | 327 | (54) | — | 273 | — |
| Sick leave | 1,959 | 222 | (100) | 2,081 | 100 |
| TOWP | 23,502 | 27,672 | (25,909) | 25,265 | 25,274 |
| Sub-total | 25,788 | 27,840 | (26,009) | 27,619 | 25,374 |
| Total | $ 106,542 | $ 93,518 | $ (87,887) | $ 112,173 | $ 86,873 |

As of June 30, 2019, $86,873 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 Plans

### 457 Deferred Compensation Plan

LACMTA has a deferred compensation plan 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 this plan, employees may contribute up to the lesser of $19,000 (not in thousands) or 100% of their earnings, in calendar year 2019. 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, 2019, and employees eligible for retirement within three years can avail of the "catch-up provision" totaling $38,000 (not in thousands).

The plan is managed by a third-party plan administrator and trustee. 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, age 59-1/2, death, or unforeseeable emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does 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 does not match employees' contributions to the deferred compensation plan. As of June 30, 2019, the deferred compensation plans had assets stated at fair value of $399,726.

**401(k) Savings Plan**

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to the lesser of $19,000 (not in thousands) or 100% of their earnings in calendar year 2019. 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, 2019.

The 401(k) Savings Plan is managed by a third-party plan administrator, 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 unforeseen emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does 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 does not match employees' contributions to the 401(k) savings plan. As of June 30, 2019, the 401(k) savings plan had assets at fair value totaling $524,468.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $38,000 ($50,000 if age 50 or older), or $63,000 if an employee falls within the catch up provision. Employees who are enrolled in the 457 "three-year catch-up plan" and less than 50 years of age, may defer a total of $56,000. Employees may contribute $38,000 to the 457 Deferred Compensation Plan, plus $19,000 to 401(k).

**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) - Miscellaneous Plan**

**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 were covered based on the CalPERS actuarial valuation report dated June 30, 2017:

| | |
|---|---|
| Active employees | 2,218 |
| Inactive employees | 610 |
| Terminated employees | 694 |
| Retired employees and beneficiaries | 1,040 |
| **Total** | 4,562 |

**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 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 2019, the contribution rate was 14.98% of covered payroll and contributions totaled $37,859. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.75% of covered-employee payroll which is 50% of the total normal cost of 12.50%. Employer and Classic Members mandatory contributions are paid by PTSC.

**Net Pension Liability**

The Plan's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled forward to determine the June 30, 2018 total pension liability.

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

The June 30, 2018 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 | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service |
| Mortality rate table (1) | Derived using CalPERS' membership data for all Funds |
| Post-retirement benefit increases | Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter |

*(1) Mortality table used was developed based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using scale BB published by the Society of Actuaries*

All other actuarial assumptions used in the June 30, 2017 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.

**Changes of Assumptions**

The inflation rate was reduced from 2.75% to 2.50% from the prior measurement date.

**Discount Rate**

The Plan used the long-term actuarially determined discount rate of 7.15% to measure the total pension liability on the assumption that employer and employees will make their required contributions as scheduled in all future years the projected cash flows used in the determination of the discount rate. The "GASB Crossover Testing Report" conducted by CaLPERS actuary team concluded that it was not necessary to incorporate the use of the municipal bond rate in the calculation of the discount rate as the plan did not run out of assets using the actuarially assumed discount rate of 7.15%. The discount rate of 7.15% used for the June 30, 2017 measurement date is not calculated net 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. 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.

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 Allocation | Real Return Years 1 - 10 (1) | Real Return Years 11+ (2) |
|---|---|---|---|
| Global equity | 50.00% | 4.80% | 5.98% |
| Fixed income | 28.00% | 1.00% | 2.62% |
| Inflation assets | — | 0.77% | 1.81% |
| Private equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | — | (0.92)% |

*(1) An expected inflation rate of 2.50% was used for this period*
*(2) An expected inflation rate of 2.92% was used for this period*

### Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| **Balance at June 30, 2017** | $ 750,263 | $ 596,676 | $ 153,587 |
| **Changes for the year** | | | |
| Service cost | 31,824 | — | 31,824 |
| Interest on the total pension liability | 54,095 | — | 54,095 |
| Changes of assumptions | (6,608) | — | (6,608) |
| Difference between expected and actual experience | 8,733 | — | 8,733 |
| Net plan resource movement | — | (2) | 2 |
| Contribution - employer | — | 22,857 | (22,857) |
| Contribution - employee | — | 15,831 | (15,831) |
| Net investment income | — | 51,170 | (51,170) |
| Benefit payments, including refunds | (23,450) | (23,450) | — |
| Administrative expense | — | (930) | 930 |
| Other miscellaneous income | — | (1,766) | 1,766 |
| **Net changes during 2017-18** | 64,594 | 63,710 | 884 |
| **Balance at June 30, 2018** | $ 814,857 | $ 660,386 | $ 154,471 |

No significant changes between the measurement date at June 30, 2018 and the reporting date at June 30, 2019 were known to management to have significant effect on the net pension liability.

### 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 7.15%, and the changes of 1 percentage-point lower (6.15%) and 1 percentage-point higher (8.15%):

| | Discount Rate -1% 6.15% | Current Discount Rate 7.15% | Discount Rate +1% 8.15% |
|---|---|---|---|
| Plan's net pension liability | $ 262,888 | $ 154,471 | $ 64,047 |

### Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued audited 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, 2019, the plan recognized pension expense of $38,770. 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, 2018:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ 23,145 | $ (6,674) |
| Differences between expected and actual experiences | 11,621 | — |
| Net differences between projected and actual earnings on pension plan investments | 289 | — |
| Employer contributions for fiscal year 2019 | 37,859 | — |
| Total | $ 72,914 | $ (6,674) |

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2018, totaling $37,859, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2019.

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 | |
|---|---|---|
| 2020 | $ | 17,548 |
| 2021 | | 12,475 |
| 2022 | | (256) |
| 2023 | | (1,386) |
| 2023 | | — |
| Total | $ | 28,381 |

### Expected Average Remaining Service Lifetime (EARSL)

For the measurement period ending June 30, 2018, the EARSL for the plan is 4.46 years which was calculated by dividing the total service years of 20,355 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 4,562 (amount not in thousands) which represents the total number of participants (active, inactive, and retired). The remaining service life times is equal to zero for inactive employees and retirees. Also, total future service reflects the probability of decrements resulting from events other than receiving a cash refund.

## LACMTA Administered Pension Plans

### Plans Description

LACMTA established and administers five single-employer defined benefit plans, referring 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), 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 retirement plan to pay for its benefit payments and other liabilities.

An annual audited stand-alone financial report for the Plans 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 active employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2017, and January 1, 2018 for ATU:

| | SMART-TD | TCU | ATU | NC | AFSCME | Total |
|---|---|---|---|---|---|---|
| Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits | 2,559 | 501 | 1,268 | 1,116 | 186 | 5,630 |
| Active employees accruing benefits under CalPERS | n/a | n/a | n/a | 190 | 38 | 228 |
| Active employees: | | | | | | |
| Vested | 1,567 | 309 | 1,072 | 25 | 16 | 2,989 |
| Non-vested | 1,984 | 440 | 1,068 | — | — | 3,492 |
| **Total** | **6,110** | **1,250** | **3,408** | **1,331** | **240** | **12,339** |

**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 uses the Entry Age Normal Method.

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 FY19 were actuarially determined by the funding valuation reports dated December 31, 2017 for the SMART-TD, TCU, AFSCME,and NC retirement plans, and January 1, 2018 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 6.58% , TCU plan is 4.92%, and SMART-TD is 9.57%. LACMTA's required contributions for the ATU Plan were 17.82% of covered payroll. For SMART-TD, TCU, AFSCME, Non-Contract, and ATU the required contributions were determined to be $21,079, $7,753, $1,038, $3,369, and $29,783, respectively. LACMTA's actual contributions for all SMART-TD, TCU, AFSCME, NC, and ATU were $21,079, $7,753, $1,038, $3,369, and $29,783, respectively, are paid through the Internal Service Fund.

**Net Pension Liability**

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2017 based on the actuarial experience study for the period from January 1, 2014 to December 31, 2017.

The ATU pension plan net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 based on the results of an actuarial experience study for the period from January 1, 2014 to December 31, 2017.

All Plans projected total pension liabilities were rolled forward to the June 30, 2018 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, 2018 as applicable to the plans:

| | SMART-TD/TCU/AFSCME/NC | ATU |
|---|---|---|
| Actuarial cost method | Entry age normal | Entry age normal |
| Actuarial assumptions: | | |
| Discount rate | 7.00% | 7.00% |
| Inflation | 3.00% | 2.50% |
| Salary growth rate | Varies by age | 2.25% - 12.00% based on age (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 Rates | RP-2014 Blue Collar with generationally projected improvements using scale MP-2017 | 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, 2018, there were no change in assumptions.

## 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, 2016 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:

| | Long-term Expected Real Rate of Return | | Target Asset Allocation |
|---|---|---|---|
| Asset Class | TCU/AFSCME/ SMART-TD/NC | ATU | All Plans |
| Domestic equities | 5.00% | 7.13% | 39.00% |
| International equities | 5.60% | 11.57% | 23.00% |
| Fixed income | 0.90% | 3.03% | 29.00% |
| Real Estate | 3.40% | 6.95% | 5.00% |
| Alternative investments | 3.80% | 5.75% | 3.00% |
| Cash equivalents | 0.30% | 2.20% | 1.00% |

## 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, 2017 to June 30, 2018.

| | SMART-TD | TCU | AFSCME | NC | ATU | Total |
|---|---|---|---|---|---|---|
| **Total pension liability – beginning of year** | $ 814,317 | $ 171,877 | $ 70,178 | $ 159,490 | $ 582,087 | $ 1,797,949 |
| Service cost | 19,276 | 4,876 | 125 | 246 | 16,081 | 40,604 |
| Interest | 56,845 | 12,112 | 4,690 | 10,770 | 40,835 | 125,252 |
| Difference between expected and actual experience | 5,459 | 2,503 | 429 | (883) | 3,642 | 11,150 |
| Changes in assumptions | (4,794) | 506 | (1,568) | (4,604) | 10,906 | 446 |
| Benefit payments paid from trust | (42,177) | (6,979) | (8,527) | (12,774) | (29,220) | (99,677) |
| Transfer (benefit payments originally paid by other plans) | (1,620) | (586) | 1,813 | 799 | (406) | — |
| Net change in total pension liability | 32,989 | 12,432 | (3,038) | (6,446) | 41,838 | 77,775 |
| Total pension liability – end of year | 847,306 | 184,309 | 67,140 | 153,044 | 623,925 | 1,875,724 |
| | | | | | | |
| Fiduciary net position – beginning of year | 602,034 | 127,651 | 58,520 | 122,180 | 468,536 | 1,378,921 |
| Contributions - LACMTA | 21,467 | 6,218 | 1,378 | 4,195 | 27,157 | 60,415 |
| Contributions - Employees | 18,715 | 2,880 | — | — | 10,159 | 31,754 |
| Net investment income | 54,762 | 11,810 | 5,206 | 10,941 | 42,711 | 125,430 |
| Benefit payments | (42,177) | (6,979) | (8,527) | (12,774) | (29,220) | (99,677) |
| Administrative expenses | (434) | (280) | (254) | (275) | (360) | (1,603) |
| Transfers (benefit payments originally paid by other plans) | (1,620) | (586) | 1,813 | 799 | (406) | — |
| **Net change in fiduciary net position** | 50,713 | 13,063 | (384) | 2,886 | 50,041 | 116,319 |
| **Fiduciary net position – end of year** | 652,747 | 140,714 | 58,136 | 125,066 | 518,577 | 1,495,240 |
| **Net pension liability – end of year** | $ 194,559 | $ 43,595 | $ 9,004 | $ 27,978 | $ 105,348 | $ 380,484 |

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, 2019.

### 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 a percentage-point lower or a percentage-point higher than the current rate:

| Plans' Net Pension Liability | Discount Rate -1% 6.00% | Current Discount Rate 7.00% | Discount Rate +1% 8.00% |
|---|---|---|---|
| SMART-TD | $ 281,687 | $ 194,559 | $ 121,457 |
| TCU | 61,729 | 43,595 | 28,406 |
| AFSCME | 14,121 | 9,004 | 4,599 |
| NC | 40,422 | 27,978 | 17,223 |
| ATU | 172,364 | 105,348 | 48,346 |

### Pension Plans Fiduciary Net Position

Detailed information about the Plans' fiduciary net position is available in the separately issued audited 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, and Deferred Inflows of Resources Related to Pension

For reporting fiscal year ended June 30, 2019, LACMTA recognized pension expense of $44,742, 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.

| Aggregate Pension Expenses by Plan | Amount |
|---|---|
| SMART-TD | $ 19,801 |
| TCU | 6,777 |
| AFSCME | (362) |
| Non-contract | (3,296) |
| ATU | 21,822 |
| Total | $ 44,742 |

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, 2019:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| **SMART-TD** | | |
| Changes of assumptions | $ 6,754 | $ (3,748) |
| Differences between expected and actual experiences | 13,367 | (1,496) |
| Net differences between projected and actual earnings on investments | — | (6,004) |
| Employer contributions for fiscal year 2019 | 21,080 | — |
| Total | $ 41,201 | $ (11,248) |
| **TCU** | | |
| Changes of assumptions | $ 2,526 | $ — |
| Differences between expected and actual experiences | 5,621 | (402) |
| Net differences between projected and actual earnings on investments | — | (1,462) |
| Employer contributions for fiscal year 2019 | 7,752 | — |
| Total | $ 15,899 | $ (1,864) |
| **AFSCME** | | |
| Changes of assumptions | $ — | $ — |
| Differences between expected and actual experiences | — | — |
| Net differences between projected and actual earnings on investments | — | (403) |
| Employer contributions for fiscal year 2019 | 1,038 | — |
| Total | $ 1,038 | $ (403) |
| **NC** | | |
| Changes of assumptions | $ — | $ — |
| Differences between expected and actual experiences | — | — |
| Net differences between projected and actual earnings on investments | — | (763) |
| Employer contributions for fiscal year 2019 | 3,369 | — |
| Total | $ 3,369 | $ (763) |
| **ATU** | | |
| Changes of assumptions | $ 20,458 | $ — |
| Differences between expected and actual experiences | 5,411 | (1,110) |
| Net differences between projected and actual earnings on investments | — | (4,843) |
| Employer contributions for fiscal year 2019 | 29,783 | — |
| Total | $ 55,652 | $ (5,953) |
| **TOTAL MTA** | | |
| Changes of assumptions | $ 29,738 | $ (3,748) |
| Differences between expected and actual experiences | 24,399 | (3,008) |
| Net differences between projected and actual earnings on investments | — | (13,475) |
| Employer contributions for fiscal year 2019 | 63,022 | — |
| Total | $ 117,159 | $ (20,231) |

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2018 totaling $63,022, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2020.

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 remaining 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, 2018 | Deferred Outflows (Inflows) | | | | | |
|---|---|---|---|---|---|---|
| | SMART-TD | TCU | AFSCME | NC | ATU | Total |
| 2020 | $ 13,655 | $ 3,295 | $ 702 | $ 1,477 | $ 13,594 | $ 32,723 |
| 2021 | 4,893 | 1,856 | 2 | 36 | 5,758 | 12,545 |
| 2022 | (7,209) | (103) | (846) | (1,743) | (3,327) | (13,228) |
| 2023 | (2,466) | 540 | (261) | (533) | 449 | (2,271) |
| 2024 | — | 587 | — | — | 2,221 | 2,808 |
| 2025 | — | 108 | — | — | 1,221 | 1,329 |
| Total | $ 8,873 | $ 6,283 | $ (403) | $ (763) | $ 19,916 | $ 33,906 |

### Payable/Receivable to the Pension Plan

At June 30, 2019, the pension plans reported a net receivable of $1,160 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2019.

### Aggregate Amounts

For FY19, LACMTA recognized amounts related to pensions across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS as follows:

| | Deferred Inflow | Deferred Outflow | Net Pension Liability | Expenses |
|---|---|---|---|---|
| CalPERS | $ (6,674) | $ 72,914 | $ 154,471 | $ 38,770 |
| LACMTA Plans | (20,231) | 117,159 | 380,484 | 44,742 |
| | $ (26,905) | $ 190,073 | $ 534,955 | $ 83,512 |

## J. Other Postemployment Benefits (OPEB)

### Plan Description

#### *Plan Administration*

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. The benefits, coverage levels, employee contributions and employer contributions are either governed/amended by the policies established by the LACMTA's Board, collective bargaining agreements, or the Union Health and Welfare Trusts. Generally, eligibility for coverage is based on the employee's service and age.

As of January 1, 2019, plan membership consisted of the following (not in thousands):

| | |
|---|---|
| Actives | 10,321 |
| Retirees Pre-65 | 1,352 |
| Retirees Post-65 | 1,232 |
| Total | 12,905 |

***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.

The statement of fiduciary net position and statement of changes in fiduciary net position of the OPEB Plan is presented in the Other Supplementary Information on page 159. 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

***Benefits Provided***

LACMTA pays for a portion of eligible retirees' medical, dental, and vision plan premiums for groups covered under the LACMTA and Union plans. Employees who meet the eligibility requirements receive benefits for themselves and their dependents.

**Funding Policy (Contributions)**

***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. Dollar amounts are not in thousands.

***LACMTA Contribution***

LACMTA's funding policy is to contribute the direct "pay-as you go" costs as determined by premium/claim payments and union healthcare trust contractual contributions, plus $5,000 annually. LACMTA actual contributions are funded through the Internal Service Fund.

## Changes in Net OPEB Liability and Related Ratios

The Plan's Net OPEB Liability was measured as of June 30, 2018. The total OPEB liability used in the calculation of the Net OPEB Liability was determined by the actuarial valuation as of January 1, 2017 applied to all periods included in the measurement, unless otherwise specified. The actuarial valuation used in the January 1, 2017 valuation were rolled forward to the June 30, 2018 measurement date.

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB Liability (a) - (b)** |
| **Balance at July 1, 2017** | $ 1,601,274 | $ 338,940 | $ 1,262,334 |
| **Changes for the year** | | | |
| Service cost | 69,912 | — | 69,912 |
| Interest on the total OPEB liability | 61,050 | — | 61,050 |
| Changes of assumptions | (72,824) | — | (72,824) |
| Difference between expected and actual experience | — | — | — |
| Contribution - employer | — | 49,806 | (49,806) |
| Contribution - member | — | — | — |
| Net investment income | — | 29,016 | (29,016) |
| Benefit payments, including refunds of employee contributions | (42,757) | (42,757) | — |
| Administrative expense | — | (295) | 295 |
| **Net changes during 2017-18** | 15,381 | 35,770 | (20,389) |
| **Balance at June 30, 2018** | $ 1,616,655 | $ 374,710 | $ 1,241,945 |

No significant changes between measurement date at June 30, 2018 and the reporting date at June 30, 2019 were known to management to have a significant effect on the net OPEB liability.

The discount rate was increased from 3.70% in 2017 to 4.00% in 2018.

### *Actuarial Assumptions*

| Actuarial Cost Method | Entry Age Normal |
|---|---|
| Discount rate | 4.00% |
| Payroll increases | 3.50%, including inflation |
| Investment rate of return | 7.00%, including inflation |
| Inflation | 2.50% |
| Mortality | RP-2014 Blue Collar Mortality Table with Scale MP-2016 improvements from 2006 |
| Healthcare cost trend rates | Medical Pre 65: 7.71% in 2017 reducing to 4.50% ultimate in 2025 |
| | Medical Post 65: 8.42% in 2017 reducing to 4.50% ultimate in 2025 |
| | Dental and Vision: 4.50% per year |
| | Administrative: 3.00% per year |

The January 1, 2017 valuation was based on the census data provided as of January 1, 2017 and only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in LACMTA's employee population are not considered.

The measurement period for fiscal year ended June 30, 2019 is July 1, 2017 through June 30, 2018. For purposes of calculating the net OPEB liability as of June 30, 2019, the beginning balance of the measurement period, a discount rate of 3.70% was used under the Entry Age Normal cost method.

To project the long-term expected rate of return on the Plan's investments, a building-block method was used to estimate ranges of expected future real rates of return (expected returns, net of the Plan investment expense and inflation) for each major asset class.

The long-term expected rate of return, the long-term market return expectations as well as the expected Plan fund cash flows were taken into account in projecting the long-term expected rate of return. These cash flows were developed assuming that both members and LACMTA will make the projected "pay-as you-go" contributions plus $5,000, on time and as scheduled, in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the long-term (30 plus years, amount stated not in thousands) net of administrative expenses. Expected nominal returns for the long-term were used to calculate the present value of benefits for the Plan.

The table below reflects long-term expected real rates of return by asset class. The projected rates of return were calculated using the capital market assumptions.

| Asset Class | Strategic Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equity | 39.00% | 5.50% |
| International Equity | 26.00% | 5.50% |
| U.S. Fixed Income | 26.00% | 3.00% |
| REITS | 3.50% | 3.90% |
| Private Real Estate | 3.50% | 5.50% |
| Liquidity | 2.00% | 0.75% |

### *Discount rate*

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 4.00%. The development of the discount rate was based on the assumptions that: 1) the required contribution from members and LACMTA will be on time and as scheduled and projected benefit payments assumed to be paid mid-year have been determined based on the closed group of active, retired members and beneficiaries as of June 30, 2018 and 2) the projected investment earnings are based on assumed investment rate of return of 7.00% per annum. Under these assumptions, the assets are projected to be enough to pay plan benefits through 2025. Thereafter, the July 1, 2018 Bond Buyer General Obligation 20-Bond Municipal Bond Index of 3.50% is applied to projected benefit payments.

***Investments***

***Investment policy***

Pursuant to a resolution adopted by LACMTA's Board of Directors, the Chief Executive Officer appointed a three-person Investment Advisory Committee (the "Committee") as trustee of the Plan to oversee the policies and procedures related to the operation and administration of the Plan. The Committee has authority to implement the investment policy and guidelines related to the investment of the Plan's assets. The Committee is composed of the Chief Financial Officer as Chairman, the Treasurer, and the Chief Risk, Safety and Asset Management Officer.

It is the goal and objective of the Committee to achieve long-term growth by maximizing the long-term rate of return on investments and minimizing the risk of loss in fulfilling the Plan's current and long-term obligations. The Plan's assets are managed by investment managers who have to comply with policies and procedures set forth in the investment policy.

To achieve the Trust's investment objectives and to balance between risk and return, the Committee allocated assets into two broad classes called Investment Assets and Liquidity Assets. The Investment Assets will be invested based on the target range in order to achieve an average total annual rate of return that is equal to or greater than the Plan's assumed investment rate of return of 7.00%. The Liquidity Assets will be mainly cash and cash equivalents used to pay for benefits and expenses of the Plan.

The Committee has adopted the following asset allocation as of June 30, 2018:

| | Asset Weightings | |
|---|---|---|
| **Asset Classes** | **Range** | **Target** |
| Domestic Equity | 29% - 49% | 39% |
| International Equity | 16% - 36% | 26% |
| Other Equity/Inflation Hedge | 0% - 17% | 7% |
| Fixed Income | 16% - 36% | 26% |
| Cash Equivalent | 0% - 10% | 2% |

As of June 30, 2018, the OPEB Plan's cash and investments consisted of the following:

| | | |
|---|---|---|
| Common Stock: | | |
| Domestic Securities | $ | 179 |
| Fixed Income: | | |
| U.S Agency Securities | | 21,567 |
| U.S. Treasury Securities | | 14,119 |
| Domestic Corporate Bonds | | 34,282 |
| Foreign Corporate Bonds | | 5,296 |
| Pooled Funds: | | |
| Money Market Funds | | 9,097 |
| Mutual Funds | | 223,889 |
| Non-Real Estate Funds | | 51,964 |
| Real Estate Funds | | 14,562 |
| Total cash and investments | $ | 374,955 |

The Plan categorizes its fair value investments within the fair value hierarchy established by GASB 72, "*Fair Value Measurement and Application*", that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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) as follows:

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.

Investments measured at Net Asset Value (NAV) as a practical expedient for fair value are not categorized within the fair value hierarchy.

U.S. Treasury obligations and domestic securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual and money market funds, 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.

As of June 30, 2018, the following are OPEB Trust's investments set forth by level, within the fair value hierarchy:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Common Stock: | | | |
| Domestic Securities | $ 179 | $ — | $ 179 |
| Fixed Income: | | | |
| U.S. Agency Securities | — | 21,567 | 21,567 |
| U.S. Treasury Securities | 14,119 | — | 14,119 |
| Domestic Corporate Bonds | — | 34,282 | 34,282 |
| Foreign Corporate Bonds | — | 5,296 | 5,296 |
| Pooled Funds: | | | |
| Money Market Funds | — | 9,097 | 9,097 |
| Mutual Funds | — | 223,889 | 223,889 |
| Total | $ 14,298 | $ 294,131 | $ 308,429 |

Investments measured at the net asset value:

| | |
|---|---|
| Pooled funds: | |
| Non-real estate funds | $ 51,964 |
| Real estate funds | 14,562 |
| Total investments measured at net asset value | $ 66,526 |
| | |
| Total investments | $ 374,955 |

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Pooled Funds: | | | | |
| Non-real estate funds | $ 51,964 | — | Monthly | 5 - 45 days *(1)* |
| Real estate funds | 14,562 | — | Quarterly | 90 days |
| Total | $ 66,526 | | | |

*(1) 5 business days for WCM fund and 15 - 45 days for Mondrian fund.*

The fair value of the pooled funds invested in real estate and non-real estate holdings via our limited partnerships (LPs) is based upon the OPEB Trust's proportionate interest in the LP's capital (i.e. NAV). The fair value of the real estate and non-real estate holdings owned by the LPs is based on the estimated fair value of the respective LP's consolidated financial statements.

Non-real estate funds - this type consists of 2 funds which invest in international securities. In regards to the WCM funds, the funds can be redeemed at any time based on the redemption clauses with a minimum distribution threshold set at $100 and a minimum account balance set at $1,000. In regards to the Mondrian fund, there are no redemption restriction in place, and the funds can be redeemed at any time based on the redemption clauses.

Real estate funds - this type consists of a single fund which invests in U.S. commercial and residential real estate. Currently, there are no redemption restrictions in place, and the funds can be redeemed at any time based upon the redemption clauses.

The following table shows the cash equivalents and investments held by the trustee for the benefit of OPEB Trust in accordance with the provisions of the trust agreement as of June 30, 2018:

| Investment Type | | Total | Weighted Average Duration (in years) per Investment Type | Concentration of Investments | Ratings |
|---|---|---|---|---|---|
| Domestic Corporate Bonds | $ | 34,282 | 0.4713 | 9.14% | Not Rated to AAA |
| Domestic Securities | | 179 | 0.0000 | 0.05% | BBB+ |
| Foreign Corporate Bonds | | 5,296 | 0.0718 | 1.41% | BBB- to AAA |
| Money Market Funds | | 9,097 | 0.0000 | 2.43% | Not Rated |
| Mutual Funds | | 223,889 | 0.0000 | 59.71% | Not Rated |
| Non-Real Estate Funds | | 51,964 | 0.0000 | 13.86% | Not Rated |
| Real Estate Funds | | 14,562 | 0.0000 | 3.88% | Not Rated |
| U.S. Agency Securities | | 21,567 | 0.2534 | 5.75% | Not Rated to AAA |
| U.S. Treasury Securities | | 14,119 | 0.3897 | 3.77% | AAA |
| Total | $ | 374,955 | | 100.00% | |
| Portfolio weighted average duration | | | 1.1862 | | |

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

## 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:

### *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 summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. OPEB Plan maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations and maintaining diversified investments using target asset allocation ranges encompassing a long-term perspective.

*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, OPEB Plan maintains investment policies that establish thresholds for holdings of individual securities. OPEB Plan did not have any holdings meeting or exceeding these threshold levels as of June 30, 2018.

As of June 30, 2018, with the exception of investments that are explicitly guaranteed by the U.S. government, OPEB Trust did not have any investments with more than 5% of the total investments under one issuer.

*Custodial Credit Risk*

For deposits, custodial credit risk is the risk that in the event of a bank failure, the OPEB Trust's deposits in the possession of an outside party may not be returned. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2018, there are no deposits at any financial institutions other than the OPEB Trust's custodian.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the OPEB Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured or are not registered in the OPEB Trust's name and held by the counter party. As of June 30, 2018, investments are held by the OPEB Trust's custodian in OPEB Trust's name.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OPEB Trust adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The plan currently maintains the interest rate risk and consistent with its long-term investment horizon.

*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, 2018, there was no exposure to foreign currency risk as all OPEB investments are denominated in U.S. dollar currency.

*Rate of Return*

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plan, as well as the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate for the fiscal year ended June 30, 2019:

| | Discount rate -1% 3.00% | Current Discount Rate 4.00% | Discount Rate +1% 5.00% |
|---|---|---|---|
| Net OPEB Liability | $ 1,505,949 | $ 1,241,945 | $ 1,031,748 |

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the impact of healthcare cost trend sensitivity on the total OPEB liability if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the Trend Rate and net OPEB liability for the fiscal year ended June 30, 2019:

| | 1% Decrease | Current Trend Rates | 1% Increase |
|---|---|---|---|
| Net OPEB Liability | $ 998,763 | $ 1,241,945 | $ 1,555,333 |

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

For reporting fiscal year ended June 30, 2019, LACMTA recognized OPEB expense of $37,717, which represents the change in net OPEB liability during the measurement period, adjusted for employee contribution 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 OPEB 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, 2018:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ — | $ (112,587) |
| Differences between expected and actual experiences | — | (12,881) |
| Net differences between projected and actual earnings on | — | (194,204) |
| Employer contributions for fiscal year 2019 | 28,687 | — |
| Total | $ 28,687 | $ (319,672) |

The deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of June 30, 2018 totaling $28,687, will be recognized as a reduction of the net OPEB liability in fiscal year ending June 30, 2020.

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 average working life expectancy.

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense in future years as follows:

| Measurement Period Ended June 30, 2018 | | Deferred Outflows (Inflows) |
|---|---|---|
| 2020 | $ | (69,583) |
| 2021 | | (69,583) |
| 2022 | | (69,583) |
| 2023 | | (66,638) |
| 2024 | | (40,163) |
| 2025 | | (4,122) |
| Total | $ | (319,672) |

### Payable/Receivable to the Pension Plan

At June 30, 2019, the OPEB plan reported a $1,160 payable to the LACMTA Employees' Retirement Plans for the Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2019.

### 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. 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, 2017.

For the excise tax, the overall value of the benefit was compared with the projected excise tax thresholds in each future year. The key assumptions for determining the excise tax are as follows:

- Plan costs were developed on a two-tier basis (individual and individual plus spouse) for all retirees and assumed to increase with the valuation trend

- The 2020 cost thresholds are assumed to be $10,200 (not in thousands) for individual and $27,500 (not in thousands) for family coverage ($11,850 and $30,950 for non-Medicare retirees)
- 2020 thresholds are adjusted accordingly by the amount that the accumulated 2010-2020 cost increases, observed for the BCBS "standard" plan option under the FEHBP (Federal Employees Health Benefits Program) program, exceeds 55%
- After 2020, the cost thresholds are indexed by CPI (CPI+1% in 2021 only). CPI is assumed to be 2.5% in all future years.

On a blended basis, the excise tax threshold is estimated to be reached in fiscal year 2020 for Non-contract, AFSCME and TCU, 2038 for ATU, and 2030 for UTU. The effect of the excise tax is approximately 2.0% of the liability and assumes that the tax is shared between LACMTA and its participants is the same as the current costs are shared.

## 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, 2018.

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, 2019 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, 2019, LACMTA has an estimated pollution remediation obligation of $14,847 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.

### L. Certain Asset Retirement Obligations

In FY19, LACMTA implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, which 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. Under GASB Statement No. 83, recognition of an ARO is to occur when the liability is incurred and reasonably estimable. LACMTA has incurred an ARO liability with respect to the removal of seventy-six (76) underground storage tanks (USTs) since both of the following obligating events have occurred:

(a) External Obligating Event: LACMTA's 76 USTs are subject to legal requirements associated with their removal as outlined in 40 CFR 280, Subpart G and 23 CCR 2672.
(b) Internal Obligating Event: Although LACMTA's ARO for the 76 USTs is not contamination-related, the placement of these USTs into service represents an internal obligating event.

LACMTA's ARO relates to the removal of the USTs and associated appurtenances in accordance with applicable regulations. Activities associated with the ARO include the following:

(a) Acquisition of UST removal permits
(b) Removal of existing flatwork and associated appurtenances (e.g., piping, electrical connections, sensors, vent lines, etc.)
(c) Excavation of soil and backfill material to expose the USTs and related features
(d) Removal of UST and piping contents
(e) Decontamination, removal and disposal of the UST and piping
(f) Disposal of the USTs, associated appurtenances and debris
(g) Collection and laboratory analysis of confirmation soil samples

(h) Backfilling and resurfacing to match existing grade
(i) UST removal reporting

The 76 USTs range in size from 500 to 30,000 gallons. They are located at 14 separate LACMTA facilities and were installed at various times between 1986 and 2004. Thus, LACMTA's UST population ranges in age from approximately 15-33 years. The estimated remaining service life of LACMTA's USTs is variable with 20 of 76 (13%) beyond their estimated useful life of 30 years, and 58 of 76 USTs have an estimated remaining useful life of 5 years or greater. However, LACMTA is planning to permanently remove all of the existing USTs from service during fiscal year 2020, 2021, and 2022.

Since the costs of retiring these assets have not been recorded prior to the adoption of GASB Statement No. 83, they will in future be recognized over the remaining functional life of each asset. LACMTA's Environmental Compliance and Sustainability Staff developed estimates of the current (FY19) costs for retiring the USTs based on actual direct costs incurred by LACMTA for USTs removed in prior years. The estimates were reviewed by an external environmental consultant who found that LACMTA's estimates represented the most probable costs if these activities were performed in FY19. The table below is a summary of the estimated UST removal costs:

| Fiscal Year | Payment Estimate | |
|---|---|---|
| 2020 | $ | 2,029 |
| 2021 | | 2,358 |
| 2022 | | 50 |
| Total: | $ | 4,437 |

UST costs and related depreciation are reported under buildings and improvement and the associated ARO will be budgeted similar to a capital expenditure, hence, the estimated liabilities have been budgeted through fiscal year 2022.

## M. Long-term Debt

LACMTA's long-term debt activities for the year ended June 30, 2019 are summarized as follows:

| Type of Issue | Balance July 1, 2018 | Additions | | Reductions | Balance June 30, 2019 | Due Within One Year | |
|---|---|---|---|---|---|---|---|
| **Direct borrowings/placements** | | | | | | | |
| TIFIA sales tax revenue junior subordinate bonds | $ 682,477 | $ 188,354 | (1) | $ — | $ 870,831 | $ 51,294 | |
| Notes payable | 580,664 | 14,135 | (2) | — | 594,799 | — | |
| Revolving lines of credit | 65,423 | 70,600 | | (30,000) | 106,023 | — | |
| Total direct borrowings/ | 1,328,564 | 273,089 | | (30,000) | 1,571,653 | 51,294 | |
| **Other debt** | | | | | | | |
| Commercial paper notes | 112,809 | 68,885 | | (76,694) | 105,000 | — | |
| Sales tax revenue and refunding | 3,814,850 | 650,575 | | (398,330) | 4,067,095 | 204,865 | |
| General revenue bonds | 97,610 | — | | (8,700) | 88,910 | 9,295 | |
| Unamortized bond premium (5) | 469,218 | 117,023 | (3) | (66,796) | 519,445 | 47,074 | |
| Unamortized bond discount (5) | (92) | — | (3) | 9 | (83) | (9) | |
| Total other debt | 4,494,395 | 836,483 | | (550,511) | 4,780,367 | 261,225 | |
| **Lease/leaseback to service obligations** | 238,344 | 7,725 | (4) | (70,033) | 176,036 | (10,220) | (5) |
| **Total long-term debt** | $ 6,061,303 | $ 1,117,297 | | $ (650,544) | $ 6,528,056 | $ 302,299 | |

*(1) Includes Transportation Infrastructure Finance and Innovation Act (TIFIA) total loan proceeds of $168,073 and interest accretion totaling $20,281 that partially financed the Regional Connector Transit Corridor, the West Side Purple Line Extension Sections 1 and 2 projects.*

*(2) Additions represent interest accretion to the principal of the TIFIA loan that partially financed the Crenshaw/LAX project.*

*(3) Unamortized bond premium/discount are associated with the issuance of sales tax revenue and refunding bonds and general revenue refunding bonds.*

*(4) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.*

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

## Direct Borrowings/Placements

### Measure R Junior Subordinate Bonds

As of June 30, 2019, outstanding balances of TIFIA Measure R Junior Subordinate bonds are as follow:

| Bond Series | Original Borrowing | Year Issued | Final Maturity | Interest Rates to Maturity | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| 2014A (1) | $ 160,000 | 2014 | 2036 | 3.50% | $ 123,172 | $ 22,195 | $ — | $ 145,367 | $ 25,440 |
| 2014B (1) | 856,000 | 2014 | 2037 | 3.23% | 348,493 | 160,517 | — | 509,010 | 18,469 |
| 2016A (1) | 307,000 | 2017 | 2037 | 2.90% | 210,812 | 5,642 | — | 216,454 | 7,385 |
| | | | | Total | $ 682,477 | $ 188,354 | $ — | $ 870,831 | $ 51,294 |

*(1) Represents Measure R Junior Subordinate Bonds issued to evidence LACMTA's obligation under the TIFIA loan program related to the Regional Connector Transit Corridor, West Side Purple Line Extension Section 1 and 2 projects.*

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 of Measure R Junior Subordinated Bonds 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 a final maturity on June 1, 2036. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balance are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2019, LACMTA has drawn $135,710 of the TIFIA loan.

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 Series 2014B of Measure R Junior Subordinated Bonds 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. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 commencing December 1, 2019. LACMTA has drawn $490,766 of the TIFIA loan as of June 30, 2019.

In December 2016, the USDOT approved a TIFIA loan for the design and construction of the Westside Purple Line Extension Section 2 Project (the Project) in an aggregate principal amount not to exceed $307,000. The USDOT through the Federal Transit Administration (FTA) and LACMTA entered into a FFGA pursuant to which the Project has received a grant in the amount of $1.2 billion. LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Bonds Series 2016A to evidence LACMTA's obligation to repay its obligation 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 2.9% per annum with final maturity on June 1, 2037. Annual principal amounts due are payable on June 1 of each year commencing June 1, 2020 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2019, LACMTA has drawn $207,000 of the TIFIA loan.

In the event of development default as described under the provisions of the TIFIA loan agreements, LACMTA may amend the Construction Schedule to extend the date for substantial completion of the project(s) for a period of up to 60 days or as approved by the TIFIA lender. If a development default, bankruptcy-related event, abandonment of the project by LACMTA, or failure by LACMTA to maintain the project at specified levels of performance should occur, the disbursement of any unused proceeds of the TIFIA loans shall be immediately terminated. For events of default other than those listed above, but described under the provisions of the loan agreements, by written notice to LACMTA, the TIFIA Lender may suspend or terminate all of its obligations related to any undisbursed amounts of the TIFIA loans. Whenever an event of default shall have occurred and be continuing, the TIFIA lender may declare the unpaid principal amount of the TIFIA loans to be immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the Agreements and other TIFIA Loan Documents and initiate collection proceedings solely against pledged revenue or from any other funds made available by LACMTA, in its discretion. The TIFIA lender may suspend or debar LACMTA from further participation in any government program administered by the TIFIA lender and FTA.

Below is the summary of the approved principal amount and undisbursed funds of the TIFIA loans as of June 30, 2019:

| Measure R Junior Subordinate Bonds | Approved Principal Amount | Undisbursed Amount |
|---|---|---|
| 2014A TIFIA Regional Connector | $ 160,000 | $ 24,290 |
| 2014B TIFIA Westside Purple Line Ext Sec 1 | 856,000 | 365,234 |
| 2016A TIFIA Westside Purple Line Ext Sec 2 | 307,000 | 100,000 |
| Total | $ 1,323,000 | $ 489,524 |

## Notes Payable

Notes payable outstanding as of June 30, 2019 consists of the TIFIA loan for the Crenshaw/LAX project as follows:

| Lender | Original Borrowing | Year Issued | Final Maturity | Interest Rates to Maturity | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| TIFIA Loan - CPC | $ 545,900 | 2012 | 2034 | 2.43% | $ 580,664 | $ 14,135 | $ — | $ 594,799 |

In September 2012, LACMTA secured a direct 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 a maturity date of June 1, 2034. As of June 30, 2019, LACMTA has drawn $545,900, the full amount of the TIFIA loan. The outstanding balance of $594,799 includes $48,899 interest accretion through June 30, 2019. Interest on the note is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2020, and principal is due and payable annually on June 1 of each year beginning June 1, 2022.

In the event of default described under the provisions of the TIFIA Loan Agreement, the TIFIA Lender, by written notice to LACMTA, may declare the unpaid principal amount of the TIFIA loan to be immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the Agreement and other TIFIA Loan Document. The TIFIA Lender may suspend or debar LACMTA from further participation in any Government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

**Revolving Lines of Credit and Bond Purchase Agreement**

As of June 30, 2019, outstanding balance of the revolving line of credit consists of the following:

| Series | | Balance June 30, 2019 |
|---|---|---|
| Measure R revolving credit, Series A | $ | 15,213 |
| Measure R revolving credit, Series B | | 50,000 |
| Measure R Series C, Bond purchase agreement | | 40,810 |
| Total | $ | 106,023 |

The table below presents information on the amount of authorized and unused capacity of the revolving lines of credit and bond purchase agreement as of June 30, 2019:

| | Proposition C | | | | | | Measure R | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Authorized Amount | | Unused Capacity | | | Authorized Amount | | Unused Capacity |
| Revolving credit lines | $ | 150,000 | $ | 105,000 | (1) | $ | 150,000 | $ | 84,787 |
| Bond purchase agreement | | — | | — | | | 150,000 | | 109,190 |
| Total | $ | 150,000 | $ | 105,000 | | $ | 300,000 | $ | 193,977 |

*(1) $45,000 used by Alameda Corridor East Construction Authority (ACE), as a conduit loan of LACMTA.*

On April 25, 2019, LACMTA terminated the letter of credit supporting the Proposition C CPN program with Bank of America with a credit capacity of $75,000. The Second Amended and

Restated Revolving Credit Agreement was entered into with Wells Fargo Bank on April 1, 2019 authorizing LACMTA to issue up to $150,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations. Pursuant to the terms of the Proposition C Revolving Credit Agreement, revolving obligations bear interest at variable rates. However, subject to the terms of the Proposition C Revolving Credit Agreement, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in equal quarterly installments following the conversion date.

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.

LACMTA's Board also authorized up to $300,000 of short-term borrowings 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. 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 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 an underwriter, RBC Capital Markets, Inc. 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.

## Other Debt

### Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

Sales tax revenue and refunding bonds outstanding as of June 30, 2019 are as follows:

| Bond Series | Original Borrowing | Year Issued * | Final Maturity * | Interest Rates to Maturity | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| **Proposition A** | | | | | | | | | |
| 2009A | $ 320,945 | 2009 | 2026 | 2.00 to 5.00% | $ 127,355 | $ — | $ (127,355) | $ — | $ — |
| 2011A | 144,000 | 2011 | 2018 | 0.20 to 5.00% | 5,010 | — | (5,010) | — | — |
| 2012A | 68,205 | 2012 | 2021 | 2.00 to 5.00% | 46,810 | — | (3,210) | 43,600 | 1,240 |
| 2013A | 262,195 | 2013 | 2021 | 5.00% | 219,355 | — | (45,530) | 173,825 | 57,960 |
| 2014A | 135,715 | 2014 | 2035 | 3.00 to 5.00% | 124,120 | — | (6,235) | 117,885 | 6,545 |
| 2015A | 26,480 | 2015 | 2035 | 3.00 to 5.00% | 24,310 | — | (1,235) | 23,075 | 1,300 |
| 2016 A | 185,605 | 2016 | 2031 | 2.00 to 5.00% | 163,350 | — | (9,785) | 153,565 | 10,565 |
| 2017A | 471,395 | 2017 | 2042 | 5.00% | 471,395 | — | — | 471,395 | — |
| 2017B | 85,455 | 2017 | 2023 | 5.00% | 85,455 | — | — | 85,455 | — |
| 2018A | 13,890 | 2018 | 2031 | 3.00 to 5.00% | 13,890 | — | — | 13,890 | 665 |
| 2019A | 57,745 | 2019 | 2026 | 5.00% | — | 57,745 | — | 57,745 | |
| | | | | **Sub-total** | 1,281,050 | 57,745 | (198,360) | 1,140,435 | 78,275 |
| **Proposition C** | | | | | | | | | |
| 2009B | 245,825 | 2009 | 2020 | 3.00 to 5.00% | 102,770 | — | (33,035) | 69,735 | 34,250 |
| 2009D | 118,785 | 2009 | 2019 | 1.40 to 5.00% | 28,445 | — | (13,865) | 14,580 | 14,580 |
| 2009E | 118,940 | 2009 | 2029 | 3.25 to 5.00% | 78,960 | — | (78,960) | — | — |
| 2010A | 45,455 | 2010 | 2023 | 3.00 to 5.25% | 37,150 | — | — | 37,150 | — |
| 2012A | 14,635 | 2012 | 2028 | 3.00 to 3.12% | 14,635 | — | — | 14,635 | — |
| 2012B | 74,885 | 2012 | 2025 | 5.00% | 74,885 | — | — | 74,885 | — |
| 2013A | 138,960 | 2013 | 2023 | 2.00 to 5.00% | 90,960 | — | (13,450) | 77,510 | 14,115 |
| 2013B | 313,490 | 2013 | 2038 | 2.00 to 5.00% | 287,745 | — | (8,060) | 279,685 | 8,465 |
| 2013C | 63,785 | 2013 | 2026 | 4.00 to 5.00% | 51,125 | — | (4,650) | 46,475 | 4,880 |
| 2014A | 61,180 | 2014 | 2034 | 5.00% | 61,180 | — | — | 61,180 | — |
| 2016A | 86,570 | 2016 | 2030 | 2.00 to 5.00% | 82,310 | — | (4,665) | 77,645 | 4,895 |
| 2017A | 454,845 | 2017 | 2042 | 4.00 to 5.00% | 454,845 | — | (9,530) | 445,315 | 10,005 |
| 2018A | 54,965 | 2018 | 2022 | 4.00 to 5.00% | 54,965 | — | — | 54,965 | — |
| 2019A | 418,575 | 2019 | 2044 | 5.00% | — | 418,575 | — | 418,575 | — |
| 2019B | 126,425 | 2019 | 2036 | 5.00% | — | 126,425 | — | 126,425 | — |
| 2019C | 47,830 | 2019 | 2029 | 5.00% | — | 47,830 | — | 47,830 | — |
| | | | | **Sub-total** | 1,419,975 | 592,830 | (166,215) | 1,846,590 | 91,190 |
| **Measure R Senior bonds** | | | | | | | | | |
| 2010A | 573,950 | 2010 | 2039 | 4.28 to 5.73% | 573,950 | — | — | 573,950 | — |
| 2010B | 158,460 | 2010 | 2020 | 0.50 to 5.00% | 40,885 | — | (19,965) | 20,920 | 20,920 |
| 2016A | 522,120 | 2016 | 2039 | 3.00 to 5.00% | 498,990 | — | (13,790) | 485,200 | 14,480 |
| | | | | **Sub-total** | 1,113,825 | — | (33,755) | 1,080,070 | 35,400 |
| | | | | **Total** | $ 3,814,850 | $ 650,575 | $ (398,330) | $ 4,067,095 | $ 204,865 |

* *Years stated are calendar year*

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 for Proposition A and Proposition C bonds, and on June 1 for Measure R bonds. Interest is payable semi-annually on January 1 and July 1 for Proposition A and Proposition C bonds, and on December 1 and June 1 for Measure R bonds.

In the event of a default on the Proposition A revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, a default that results in the acceleration of the principal and interest of such debt, the use of funds from the Reserve Fund to pay principal and/or interest on the Bonds without restoring that amount to the Reserve Fund, a failure to collect Proposition A Tax or to pay the pledged tax to the Trustee, or any other event of default provided in a Supplemental Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on the Bonds, in the order of maturity, with applicable interest; (2) payment of unpaid principal of the Bonds, in the order of maturity, with applicable interest. Upon a default event, the Trustee shall upon the written request of holders of 25% of the principal amount of Bonds outstanding and subject to acceleration, declare same to be immediately due and payable.

In the event of a default on the Proposition C revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court assumes control of the Authority or its Pledged Revenues, as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on Senior Bonds and Senior Parity Debt, in the order of maturity, with applicable interest; (2) payment of unpaid principal of Senior Bonds and Senior Parity Debt, in the order of maturity, with applicable interest.

In the event of a default on the Measure R revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court assumes control of the Authority or its Pledged Revenues, as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, in the following order: (1) payment of any expenses necessary to protect the interest of the Bond Holders in declaring the event of default and reasonable fees and expenses of the Trustee; (2) payment of the whole amount of Bond Obligation then due for Senior Bonds; (3) payment of available Pledged Revenues to pay Subordinate Obligations; (4) payment of available Pledged Revenues to pay fees and expenses related to Senior and Subordinate Obligations; (5) payment of available Pledged Revenues to pay Bond Obligation then due for Junior Subordinate Obligations; (7) payment of all other obligations then due and payable. In no event, except as otherwise referenced to the contrary in this Agreement, are the Bonds and Subordinate Obligations subject to acceleration if any event of default occurs.

### 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 refunding bonds outstanding as of June 30, 2019 are as follows:

| Series | Original Borrowing | Year Issued | Final Maturity | Interest Rates to Maturity | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| 2010A Bonds | $ 79,620 | 2010 | 2021 | 3.00% - 5.00 % | $ 32,840 | $ — | $ (8,700) | $ 24,140 | $ 9,295 |
| 2015 Bonds | 64,770 | 2015 | 2027 | 3.00% - 5.00 % | 64,770 | — | — | 64,770 | — |
| Total | | | | | $ 97,610 | $ — | $ (8,700) | $ 88,910 | $ 9,295 |

In the event of a default on the general revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court otherwise assumes control of the Authority or its Pledged Revenues, or any other event of default provided in a Supplemental Agreement as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on the Bonds, in the order of maturity, with applicable interest; (2) payment of unpaid principal of the Bonds, in the order of maturity, with applicable interest. Upon a default event, the Trustee shall upon the written request of holders of 25% of the principal amount of Bonds outstanding and subject to acceleration, declare same to be immediately due and payable.

## Commercial Paper Notes

As of June 30, 2019, outstanding balances and information on the amount of authorized and unused capacity of the commercial paper notes are as follows:

| Series | Balance June 30, 2019 | Authorized Amount | Unused Capacity | |
|---|---|---|---|---|
| Proposition A Commercial Paper, Barclays | $ 55,000 | $ 200,000 | $ 128,694 | (1) |
| Proposition A Commercial Paper, Citibank | 50,000 | 150,000 | 87,770 | (2) |
| Total | $ 105,000 | $ 350,000 | $ 216,464 | |

*(1) Net of accrued interest of $16,306 computed at 12% for 270 days*
*(2) Net of accrued interest of $12,230 computed at 12% for 270 days*

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.

As of June 30, 2019, LACMTA's Proposition A CPN program is authorized to issue up to $350,000 aggregate principal amount of Proposition A CPN, with $350,000 in letters of credit in place. On April 25, 2019, LACMTA entered into a letter of credit with Barclays for $200,000, which expires on April 22, 2022. The existing letter of credit supporting the Proposition A commercial paper program with Citibank will expire on July 31, 2020.

The Proposition A commercial paper programs are supported by direct-pay irrevocable letters of credit issued by Barclays and Citibank. Both 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 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.

## Annual Debt Service Requirement

LACMTA's annual debt service requirement for long-term debt, lease/leaseback obligations, and notes payable as of June 30, 2019 are as follows:

### Business-type Activities

**Direct Borrowings/Placements**

| | TIFIA Measure R Junior Subordinate Bonds | | | TIFIA Notes Payable | | |
|---|---|---|---|---|---|---|
| Year Ending June 30 | Principal (1) | Interest | Total | Principal (2) | Interest | Total |
| 2020 | $ 51,294 | $ 25,635 | $ 76,929 | $ (13,387) | $ 13,387 | $ — |
| 2021 | 31,241 | 26,069 | 57,310 | (59) | 14,759 | 14,700 |
| 2022 | 32,235 | 25,108 | 57,343 | 8,620 | 14,780 | 23,400 |
| 2023 | 33,299 | 24,080 | 57,379 | 8,829 | 14,571 | 23,400 |
| 2024 | 34,366 | 23,049 | 57,415 | 9,024 | 14,376 | 23,400 |
| 2025-2029 | 193,152 | 97,853 | 291,005 | 219,520 | 63,380 | 282,900 |
| 2030-2034 | 258,303 | 63,813 | 322,116 | 362,252 | 29,197 | 391,449 |
| 2035-2039 | 236,941 | 14,926 | 251,867 | — | — | — |
| Total | $ 870,831 | $ 300,533 | $ 1,171,364 | $ 594,799 | $ 164,450 | $ 759,249 |

*(1) Principal amounts include interest accretion on TIFIA Loans, namely Series 2014A, 2014B, and 2016A, that is due and payable beginning June 1, 2020. The principal outstanding of $870,831 includes interest accretion of $37,355 as of June 30, 2019.*
*(2) Principal amounts include interest accretion on TIFIA Note that is due and payable beginning June 1, 2021. The principal outstanding of $594,799 includes interest accretion of $48,899 as of June 30, 2019.*

### Other Debt

**Sales Tax Revenue and Refunding Bonds**

| | Proposition A | | | Proposition C | | | Measure R Senior Bonds | | |
|---|---|---|---|---|---|---|---|---|---|
| Year Ending June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | $ 78,275 | $ 52,948 | $ 131,223 | $ 91,190 | $ 84,601 | $ 175,791 | $ 35,400 | $ 56,498 | $ 91,898 |
| 2021 | 105,770 | 49,205 | 154,975 | 96,820 | 84,763 | 181,583 | 37,120 | 54,775 | 91,895 |
| 2022 | 109,145 | 43,843 | 152,988 | 90,640 | 80,096 | 170,736 | 38,515 | 53,077 | 91,592 |
| 2023 | 86,410 | 38,954 | 125,364 | 95,160 | 75,451 | 170,611 | 40,000 | 51,257 | 91,257 |
| 2024 | 91,135 | 34,515 | 125,650 | 107,585 | 70,336 | 177,921 | 41,580 | 49,320 | 90,900 |
| 2025-2029 | 231,600 | 130,957 | 362,557 | 345,975 | 294,789 | 640,764 | 235,560 | 212,447 | 448,007 |
| 2030-2034 | 155,405 | 87,724 | 243,129 | 330,235 | 212,525 | 542,760 | 291,470 | 143,254 | 434,724 |
| 2035-2039 | 152,320 | 50,438 | 202,758 | 359,380 | 127,119 | 486,499 | 360,425 | 58,294 | 418,719 |
| 2040-2044 | 130,375 | 13,435 | 143,810 | 289,230 | 44,587 | 333,817 | — | — | — |
| 2045-2049 | — | — | — | 40,375 | 1,009 | 41,384 | — | — | — |
| Total | $ 1,140,435 | $ 502,019 | $ 1,642,454 | $ 1,846,590 | $1,075,276 | $2,921,866 | $1,080,070 | $ 678,922 | $1,758,992 |

**General Revenue Refunding Bonds**

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 9,295 | $ 4,078 | $ 13,373 |
| 2021 | 9,595 | 3,632 | 13,227 |
| 2022 | 8,650 | 3,188 | 11,838 |
| 2023 | 9,080 | 2,766 | 11,846 |
| 2024 | 9,495 | 2,335 | 11,830 |
| 2025-2029 | 42,795 | 4,368 | 47,163 |
| Total | $ 88,910 | $ 20,367 | $ 109,277 |

**Lease/leaseback Obligations**

| Year Ending June 30 | Principal (1) | Interest | Total |
|---|---|---|---|
| 2020 | $ (10,220) | $ 10,220 | $ — |
| 2021 | (7,765) | 9,667 | 1,902 |
| 2022 | 17,894 | 6,951 | 24,845 |
| 2023 | 17,394 | 4,798 | 22,192 |
| 2024 | (1,350) | 3,695 | 2,345 |
| 2025-2029 | 112,632 | 24,308 | 136,940 |
| 2030-2034 | 21,707 | — | 21,707 |
| 2035-2039 | 25,744 | — | 25,744 |
| Total | $ 176,036 | $ 59,639 | $ 235,675 |

*(1) Principal amounts include interest accretion due and payable beginning January 1, 2022.*

**Total Debt Service - Business-type Activities**

| | Total Debt Service - Business-type Activities | | |
|---|---|---|---|
| Year Ending June 30 | Total Annual Principal | Debt Service- Interest | Business-Type Activities Total |
| 2020 | $ 241,847 | $ 247,367 | $ 489,214 |
| 2021 | 272,722 | 242,871 | 515,593 |
| 2022 | 305,699 | 227,043 | 532,742 |
| 2023 | 290,172 | 211,877 | 502,049 |
| 2024 | 291,835 | 197,626 | 489,461 |
| 2025-2029 | 1,381,234 | 828,101 | 2,209,335 |
| 2030-2034 | 1,419,372 | 536,513 | 1,955,885 |
| 2035-2039 | 1,134,810 | 250,777 | 1,385,587 |
| 2040-2044 | 419,605 | 58,022 | 477,627 |
| 2045-2049 | 40,375 | 1,009 | 41,384 |
| **Total** | **$ 5,797,671** | **$ 2,801,206** | **$ 8,598,877** |

## 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, and sales tax revenue refunding bonds. These bonds were used to finance the acquisition of revenue vehicles, and construction and renovation of major capital facilities. Farebox revenues are pledged for the payment of the general revenue refunding bonds. LACMTA is subject to 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, 2019:

| Source | Gross Receipts (1) | Allocation Rate | Local Allocations | Pledged Revenue | Total Debt Service (2) | Debt Service Coverage |
|---|---|---|---|---|---|---|
| Prop A | $ 846,548 | 25% | $ 211,637 | $ 634,911 | $ 189,821 | 3.3 |
| Prop C | 846,546 | 20% | 169,309 | 677,237 | 169,860 | 4.0 |
| Measure R | 846,793 | 15% | 127,019 | 719,774 | 93,525 | 7.7 |
| General Revenue bonds | 341,053 | — | — | 341,053 | 13,186 | 25.9 |

*(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) Total Debt Service represents actual principal and interest paid.*

## Significant Changes to Long-Term Bond and Note Obligations

In February 2019, LACMTA issued Proposition C First Tier Senior Sales Tax Revenue Bonds, Series 2019-A (Green Bonds) and Proposition C First Tier Senior Sales Tax Revenue Bonds, Series 2019-B with interest rate of 5%, for an aggregate principal amount of $418,575 and $126,425, respectively. The net proceeds of Series 2019-A bonds, including bond premium of $76,467, and after payment of associated bond issuance costs and underwriter's discount, were used to finance existing Proposition C eligible capital projects, and repay an aggregate total of $98,885 outstanding principal balances of Proposition C Sales Tax Revenue Commercial Paper Notes, and Proposition C Sales Tax Revenue Revolving Obligations. Principal payments are due on July 1 of each year starting July 1, 2024 and interest payments are due semi-annually on January 1 and July 1 of each year commencing on July 1, 2019, with final maturity on July 1, 2044. Additionally, the net proceeds of Series 2019-B bonds, including bond premium of $24,458, after payment of associated bond issuance costs and underwriter's discount, were also used to finance existing Proposition C eligible capital projects. Principal payments are due on July 1 of each year starting July 1, 2032 and interest payments are due semi-annually on January 1 and July 1 of each year commencing on July 1, 2019, with final maturity on July 1, 2036.

In April 2019, LACMTA also issued an aggregate principal amount of $57,745 of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2019-A with interest rate of 5%. The net proceeds, including bond premium together with available funds from accounts related to the refunded bonds, and after payment of associated bond issuance costs and underwriter's discount, were used to refund and defease $104,605 outstanding balance of Proposition A 2009-A Sales Tax Revenue Refunding Bonds. Principal payments are due annually on July 1 of each year starting July 1, 2020 and interest payments are due and payable semi-annually on January 1 and July 1 of each year commencing July 1, 2020 with a final maturity on July 1, 2025. Additionally, in June 2019, LACMTA also issued an aggregate principal amount of $47,830 of Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2019-C with interest rate of 5%. The net proceeds, including bond premium together with available funds from accounts related to the refunded bonds, and after payment of associated bond issuance costs and underwriter's discount, were used to refund and defease $72,585 outstanding balance of Proposition C 2009-E Sales Tax Revenue Refunding Bonds. Principal payments are due annually on July 1 of each year starting July 1, 2020 and interest payments are due and payable semi-annually on January 1 and July 1 of each year commencing January 1, 2020, with a final maturity on July 1, 2029.

The net carrying amount of the refunded Proposition A Series 2009-A, and Proposition C Series 2009-E sales tax revenue refunding bonds exceeded the reacquisition price by $12,387, and $5,661, respectively. The difference between the net carrying amount and the reacquisition price is reported as deferred inflows of resources in the business-type activities of the government-wide financial statements and is amortized over the shorter of the life of the refunded or refunding bonds.

The net cash flow savings that resulted from the refunding are as follows:

| Refunded Debt | Prior Net Cash Flow | Refunded Debt Service | Net Cash Flow Savings | Net Present Value of Net Cash Flow Savings |
|---|---|---|---|---|
| Prop A 2019 A-refunding 2009-A | $ 81,517 | $ 68,937 | $ 12,580 | $ 11,013 |
| Prop C 2019-C refunding 2009-E | 81,607 | 58,697 | 22,910 | 11,365 |
| Total | $ 163,124 | $ 127,634 | $ 35,490 | $ 22,378 |

### *Measure R Junior Subordinate Bonds*

In fiscal year 2019, LACMTA made a total drawdown of $168,073 of TIFIA loan that includes $17,951 for the design and construction of the Regional Connector Transit Corridor, and $150,122 for the Westside Purple Line Extension Section 1 project. Please refer to page 117 to 118 for more details on TIFIA loans.

***Commercial Paper Notes and Revolving Lines of Credit***

During fiscal year 2019, LACMTA issued an aggregate principal amount of $68,885 of new Proposition C Tax-Exempt Commercial Paper Notes to fund the immediate cash flow requirements of current capital project expenditures as follows:

| Series | | Par Amount | Tax Status | Type of CP Notes | Dealer | Letter of Credit Bank |
|---|---|---|---|---|---|---|
| Prop C Series A-TE, Twenty Third Note Subseries | $ | 34,445 | Tax-Exempt | Fixed Rate | RBC Capital | Bank of America, N.A. |
| Prop C Series A-TE, Twenty Third Note Subseries | | 34,440 | Tax-Exempt | Fixed Rate | Citigroup | Bank of America, N.A. |
| Total | $ | 68,885 | | | | |

Additionally, LACMTA made drawdown from the Prop C Sales Tax revolving line of credit of $30,000 to finance existing capital projects that require immediate cash slow in fiscal year 2019. Both draws were repaid in FY19 using the proceeds from Proposition C Bonds Series 2019-A.

LACMTA also made a drawdown from Measure R Sales Tax revolving line of credit of $40,600 to finance existing Measure R capital projects that required immediate cash flow in fiscal year 2019. This amount is included in the outstanding balances of commercial paper notes and revolving lines of credit on page 118.

**N. 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 provided 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, 2019, these lease/leaseback agreements totaled $176,036. 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 early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (AGM, as successor to Financial Security Assurance Inc.) 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 six of the eight affected leases and has entered into collateral posting agreements for one other lease. Issues remain with one of the affected leases and LACMTA continues to discuss potential solutions with the lessor. 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 $7,185 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2019 are as follows:

| Lease | Interest Rate | Balance July 1, 2018 | Additions (1) | Reductions | Balance June 30, 2019 | Due Within One Year (2) |
|---|---|---|---|---|---|---|
| Comerica/CIBC/Northwest Lease | 6.79% - 7.64% | $ 105,203 | $ 3,863 | $ — | $ 109,066 | $ (6,117) |
| First Hawaiian Lease | 6.61% | 63,108 | 3,862 | — | 66,970 | (4,103) |
| Fleet Lease | 6.79% - 7.64% | 70,033 | — | (70,033) | — | — |
| Total | | $ 238,344 | $ 7,725 | $ (70,033) | $ 176,036 | $ (10,220) |

*(1) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.*
*(2) Negative amounts due within one year represent interest accretion to the principal.*

## O. 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 period costs in the statement of revenues of the proprietary and governmental funds.

The carrying value of the land held for lease as of June 30, 2019, 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 84.

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, 2019 totaled $8,630.

Future minimum lease payments for these leases are as follows:

| Year Ending June 30 | Amount |
|---|---|
| 2020 | $ 6,336 |
| 2021 | 6,527 |
| 2022 | 6,722 |
| 2023 | 6,924 |
| 2024 | 7,132 |
| Total | $ 33,641 |

The following is a schedule by years of minimum future rentals to be received on noncancellable operating leases as of June 30, 2019:

| Year Ending June 30 | | Amount |
|---|---|---|
| 2020 | $ | 4,208 |
| 2021 | | 3,760 |
| 2022 | | 3,796 |
| 2023 | | 3,871 |
| 2024 | | 4,008 |
| 2025-2029 | | 19,848 |
| 2030-2034 | | 22,258 |
| 2035-2039 | | 25,650 |
| 2040-2044 | | 29,503 |
| 2044-2049 | | 34,111 |
| 2050-2054 | | 39,152 |
| 2055-2059 | | 30,225 |
| 2060-2064 | | 23,315 |
| 2065-2069 | | 25,708 |
| 2070-2074 | | 28,482 |
| 2075-2079 | | 31,696 |
| 2080-2084 | | 35,423 |
| 2085-2089 | | 39,740 |
| 2090-2094 | | 37,865 |
| 2095-2099 | | 41,933 |
| 2100-2104 | | 48,643 |
| 2105-2109 | | 17,943 |
| Total | $ | 551,138 |

## P. Capital and MOU Commitments

LACMTA uses encumbrances accounting for its governmental funds. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures of monies are encumbered to reserve applicable budget appropriations. Encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. Encumbrance balances for the governmental funds as of June 30, 2019 are as follows:

| Fund | | Total |
|---|---|---|
| General Fund | $ | 87,247 |
| Proposition A | | 46,354 |
| Proposition C | | 330,707 |
| Measure R | | 298,674 |
| Measure M | | 1,368 |
| TDA | | 152,413 |
| STA | | 19,695 |
| Total | $ | 936,458 |

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2019 are as follows:

| | Total Contract | Remaining |
|---|---|---|
| Rail projects | $ 6,744,596 | $ 2,871,247 |
| Bus rapid transit ways | 9,986 | 2,349 |
| Bus acquisition and others | 1,708,237 | 310,456 |
| Total | $ 8,462,819 | $ 3,184,052 |

## Q. 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, 2019, the total outstanding payables and commitments were $1,222 and $74,690, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2018 (most recent data available) is as follows:

| | |
|---|---|
| Total Assets | $ 1,590,112 |
| Deferred outflows of resources | 8,326 |
| Total assets and deferred outflows of resources | 1,598,438 |
| Total liabilities | 225,616 |
| Deferred inflows of resources | 1,401 |
| Total liabilities and deferred inflows of resources | 227,017 |
| Net Position | $ 1,371,421 |
| | |
| Total Revenues | $ 349,338 |
| Total Expenses | 360,380 |
| Decrease in Net Position | $ (11,042) |

Additional detailed financial information is available from the Office of the Chief Financial Officer, SCRRA, 900 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017-4791, or by visiting Metrolink's website at www.metrolinktrains.com.

## R. Litigation and Other Contingencies

### Litigation

Although various claims have been asserted against LACMTA, it is the opinion of LACMTA that none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal 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.

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Los Angeles County Metropolitan Transportation Authority

# REQUIRED SUPPLEMENTARY INFORMATION

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios**
**California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | |
| Service cost | $ 21,905 | $ 23,238 | $ 24,955 | $ 30,120 | $ 31,824 |
| Interest on total pension liability | 37,546 | 41,535 | 45,436 | 49,725 | 54,095 |
| Difference between expected and actual experiences | — | (10,299) | 2,012 | 41,661 | (6,608) |
| Changes of assumptions | — | 7,066 | — | 5,642 | 8,733 |
| Benefit payments, including refunds of employee contributions | (13,399) | (15,729) | (17,554) | (19,962) | (23,450) |
| **Net change in total pension liability** | **46,052** | **45,811** | **54,849** | **107,186** | **64,594** |
| Total pension liability – beginning of year | 496,365 | 542,417 | 588,228 | 643,077 | 750,263 |
| **Total pension liability – end of year** | **542,417** | **588,228** | **643,077** | **750,263** | **814,857** |
| **Plan Fiduciary Net Position** | | | | | |
| Net plan resource movement | — | — | — | — | (2) |
| Contributions - Employer | 13,313 | 14,415 | 17,510 | 20,266 | 22,857 |
| Contributions - Employee | 10,565 | 11,367 | 12,822 | 13,770 | 15,831 |
| Net investment income | 72,179 | 11,202 | 2,850 | 59,678 | 51,170 |
| Benefit payments, including refunds of employee contributions | (13,399) | (15,729) | (17,554) | (19,962) | (23,450) |
| Administrative expense | — | (581) | (310) | (773) | (930) |
| Other miscellaneous income | — | — | — | — | (1,766) |
| **Net change in fiduciary net position** | **82,658** | **20,674** | **15,318** | **72,979** | **63,710** |
| Plan fiduciary net position – beginning of year | 405,047 | 487,705 | 508,379 | 523,697 | 596,676 |
| Plan fiduciary net position – end of year | 487,705 | 508,379 | 523,697 | 596,676 | 660,386 |
| **Plan net pension liability – end of year** | $ 54,712 | $ 79,849 | $ 119,380 | $ 153,587 | $ 154,471 |
| Plan fiduciary net position as a percentage of the total pension liability | 89.91% | 86.43% | 81.44% | 79.53% | 81.04% |
| Covered payroll | $ 145,140 | $ 159,124 | $ 173,744 | $ 192,457 | $ 209,335 |
| Plan net pension liability as a percentage of covered payroll | 37.70% | 50.18% | 68.71% | 79.80% | 73.79% |

**The amounts presented for each reporting fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

**Notes to Schedule:**

This plan is an agent multiple-employer defined benefit pension plan administered by CALPERS.

***Benefit Changes***

The figures presented above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2017 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***

For the period ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%. In 2018, there were no changes in the discount rate.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Contributions**
**California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 25,270 | $ 27,306 | $ 30,333 | $ 32,642 | $ 38,687 |
| Contributions in relation to the actuarially determined contribution | (25,270) | (27,306) | (30,333) | (32,642) | (38,687) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $ 145,140 | $ 159,124 | $ 173,744 | $ 192,457 | $ 209,335 |
| Contributions as a percentage of covered payroll | 17.41% | 17.16% | 17.46% | 16.96% | 18.48% |

**Additional years will be presented as they become available.*

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for FY19 were obtained from the June 30, 2018 actuarial valuation report:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service |
| Payroll growth | 3.00% |
| Investment rate of return | 7.65% net of pension plan investment and administrative expenses; includes inflation |
| Mortality rate table | Derived using CalPERS' membership data . |
| Post retirement benefit increase | Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter |

This plan is an agent multiple-employer defined benefit pension plan administered by CALPERS.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $660,053 | $683,777 | $748,848 | $778,530 | $814,317 |
| Service cost | 19,054 | 19,135 | 19,930 | 18,495 | 19,276 |
| Interest | 46,123 | 47,691 | 52,470 | 54,313 | 56,845 |
| Difference between expected and actual experience | (317) | 19,103 | (3,662) | 5,941 | 5,459 |
| Changes of assumptions | — | 23,116 | — | — | (4,794) |
| Benefit payments paid from trust | (40,145) | (43,015) | (38,001) | (41,735) | (42,177) |
| Transfer of contributions between plans | (991) | (959) | (1,055) | (1,227) | (1,620) |
| Net change in total pension liability | 23,724 | 65,071 | 29,682 | 35,787 | 32,989 |
| Total pension liability – end of year | 683,777 | 748,848 | 778,530 | 814,317 | 847,306 |
| | | | | | |
| Fiduciary net position – beginning of year | 462,402 | 541,017 | 539,161 | 538,204 | 602,034 |
| Contributions - LACMTA | 23,568 | 19,780 | 21,369 | 22,015 | 21,467 |
| Contributions - Employees | 15,920 | 16,528 | 18,490 | 18,148 | 18,715 |
| Net investment income | 80,714 | 6,446 | (1,404) | 67,046 | 54,762 |
| Benefit payments | (40,145) | (43,014) | (38,001) | (41,735) | (42,177) |
| Administrative expenses | (451) | (637) | (356) | (417) | (434) |
| Transfer of contributions between plans | (991) | (959) | (1,055) | (1,227) | (1,620) |
| Net change in fiduciary net position | 78,615 | (1,856) | (957) | 63,830 | 50,713 |
| Fiduciary net position – end of year | 541,017 | 539,161 | 538,204 | 602,034 | 652,747 |
| Net pension liability – end of year | $142,760 | $209,687 | $240,326 | $212,283 | $194,559 |
| | | | | | |
| Funded ratio | 79.12% | 72.00% | 69.13% | 73.93% | 77.04% |
| | | | | | |
| Covered payroll | $173,322 | $187,395 | $193,246 | $192,346 | $198,718 |
| | | | | | |
| Net pension liability as a percentage of covered payroll | 82.37% | 111.90% | 124.36% | 110.37% | 97.91% |

**The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

## Notes to Schedule:

In FY2016, for the SMART-TD plan, which is a single-employer defined benefit 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 for 23 to 29 years.

In FY2017, FY2018, and FY2019, there were no changes in assumptions.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**Transportation Communication Union Plan (TCU)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $128,421 | $136,120 | $151,272 | $159,084 | $171,877 |
| Service cost | 3,342 | 3,622 | 4,317 | 4,502 | 4,876 |
| Interest | 9,020 | 9,615 | 10,672 | 11,215 | 12,112 |
| Difference between expected and actual experience | 1,246 | 1,559 | (786) | 3,944 | 2,503 |
| Changes of assumptions | — | 5,213 | — | — | 506 |
| Benefit payments paid from trust | (5,787) | (4,716) | (6,268) | (6,689) | (6,979) |
| Transfer of contributions between plans | (122) | (141) | (123) | (179) | (586) |
| Net change in total pension liability | 7,699 | 15,152 | 7,812 | 12,793 | 12,432 |
| Total pension liability – end of year | 136,120 | 151,272 | 159,084 | 171,877 | 184,309 |
| Fiduciary net position – beginning of year | 90,413 | 107,551 | 110,820 | 111,931 | 127,651 |
| Contributions - LACMTA | 5,466 | 4,741 | 5,615 | 5,955 | 6,218 |
| Contributions - Employees | 1,769 | 2,300 | 2,557 | 2,751 | 2,880 |
| Net investment income | 16,005 | 1,294 | (347) | 14,090 | 11,810 |
| Benefit payments | (5,787) | (4,716) | (6,268) | (6,689) | (6,979) |
| Administrative expenses | (193) | (209) | (323) | (208) | (280) |
| Transfer of contributions between plans | (122) | (141) | (123) | (179) | (586) |
| Net change in fiduciary net position | 17,138 | 3,269 | 1,111 | 15,720 | 13,063 |
| Fiduciary net position – end of year | 107,551 | 110,820 | 111,931 | 127,651 | 140,714 |
| Net pension liability – end of year | $ 28,569 | $ 40,452 | $ 47,153 | $ 44,226 | $ 43,595 |
| Funded ratio | 79.01% | 73.26% | 70.36% | 74.27% | 76.35% |
| Covered payroll | $ 28,978 | $ 34,512 | $ 37,014 | $ 39,764 | $ 42,497 |
| Net pension liability as a percentage of covered payroll | 98.59% | 117.21% | 127.39% | 111.22% | 102.58% |

**The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

## Notes to Schedule:

In FY2016, for the TCU plan, which is a single-employer defined benefit plan, retirement rates changed at services levels of less than 25 years. The retirement rate at exactly 23 years of services was increased and the retirement rates levels were decreased.

In FY2017, FY2018, and FY2019, there were no changes in assumptions.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**American Federation of State, County and Municipal Employee Plan (AFSCME)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $ 64,607 | $ 66,226 | $ 70,656 | $ 70,372 | $ 70,178 |
| Service cost | 391 | 318 | 235 | 192 | 125 |
| Interest | 4,384 | 4,438 | 4,790 | 4,778 | 4,690 |
| Difference between expected and actual experience | 872 | 1,839 | (999) | (460) | 429 |
| Changes of assumptions | — | 3,358 | — | — | (1,568) |
| Benefit payments paid from trust | (4,835) | (6,393) | (5,018) | (5,594) | (8,527) |
| Transfer of contributions between plans | 807 | 870 | 708 | 890 | 1,813 |
| Net change in total pension liability | 1,619 | 4,430 | (284) | (194) | (3,038) |
| Total pension liability – end of year | 66,226 | 70,656 | 70,372 | 70,178 | 67,140 |
| | | | | | |
| Fiduciary net position – beginning of year | 54,938 | 61,926 | 58,392 | 55,149 | 58,520 |
| Contributions - LACMTA | 1,964 | 1,455 | 1,638 | 1,576 | 1,378 |
| Net investment income | 9,219 | 690 | (251) | 6,675 | 5,206 |
| Benefit payments | (4,835) | (6,393) | (5,018) | (5,594) | (8,527) |
| Administrative expenses | (167) | (156) | (320) | (176) | (254) |
| Transfer of contributions between plans | 807 | 870 | 708 | 890 | 1,813 |
| Net change in fiduciary net position | 6,988 | (3,534) | (3,243) | 3,371 | (384) |
| Fiduciary net position – end of year | 61,926 | 58,392 | 55,149 | 58,520 | 58,136 |
| Net pension liability – end of year | $ 4,300 | $ 12,264 | $ 15,223 | $ 11,658 | $ 9,004 |
| | | | | | |
| Funded ratio | 93.51% | 82.64% | 78.37% | 83.39% | 86.59% |
| | | | | | |
| Covered payroll | $ 3,822 | $ 3,338 | $ 2,936 | $ 2,199 | $ 1,547 |
| | | | | | |
| Net pension liability as a percentage of covered payroll | 112.51% | 367.41% | 518.49% | 530.15% | 582.03% |

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

**Notes to Schedule:**

In FY2016, for the AFSCME plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the age-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 of 30 years of services was increased (now only applied to the Old Plan participants).

In FY2017, FY2018 and FY2019 there were no changes in assumptions.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**Non-Contract (NC)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $147,574 | $148,935 | $156,795 | $158,813 | $159,490 |
| Service cost | 628 | 536 | 466 | 376 | 246 |
| Interest | 10,011 | 10,062 | 10,675 | 10,697 | 10,770 |
| Difference between expected and actual experience | 587 | 191 | (68) | 2,577 | (883) |
| Changes of assumptions | — | 8,044 | — | — | (4,604) |
| Benefit payments paid from trust | (10,540) | (11,661) | (9,697) | (13,762) | (12,774) |
| Transfer of contributions between plans | 675 | 688 | 642 | 789 | 799 |
| Net change in total pension liability | 1,361 | 7,860 | 2,018 | 677 | (6,446) |
| Total pension liability – end of year | 148,935 | 156,795 | 158,813 | 159,490 | 153,044 |
| Fiduciary net position – beginning of year | 113,454 | 127,728 | 122,215 | 116,864 | 122,180 |
| Contributions - LACMTA | 5,074 | 4,186 | 4,531 | 4,566 | 4,195 |
| Net investment income | 19,276 | 1,493 | (505) | 13,936 | 10,941 |
| Benefit payments | (10,540) | (11,661) | (9,697) | (13,762) | (12,774) |
| Administrative expenses | (211) | (219) | (322) | (213) | (275) |
| Transfer of contributions between plans | 675 | 688 | 642 | 789 | 799 |
| Net change in fiduciary net position | 14,274 | (5,513) | (5,351) | 5,316 | 2,886 |
| Fiduciary net position – end of year | 127,728 | 122,215 | 116,864 | 122,180 | 125,066 |
| Net pension liability – end of year | $ 21,207 | $ 34,580 | $ 41,949 | $ 37,310 | $ 27,978 |
| Funded ratio | 85.76% | 77.95% | 73.59% | 76.61% | 81.72% |
| Covered payroll | $ 3,953 | $ 3,460 | $ 3,522 | $ 3,447 | $ 3,172 |
| Net pension liability as a percentage of covered payroll | 536.48% | 999.42% | 1,191.06% | 1,082.39% | 882.03% |

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

## Notes to Schedule:

For the NC plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect the lump sums decreased from 30% to 25%, the age-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).

In FY2017, FY2018, and FY2019, there were no changes in assumptions.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**Amalgamated Transportation Union Plan (ATU)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $417,566 | $445,951 | $505,143 | $542,889 | $582,087 |
| Service cost | 12,428 | 13,928 | 17,098 | 15,337 | 16,081 |
| Interest | 31,401 | 33,785 | 35,877 | 38,249 | 40,835 |
| Changes to benefit terms | — | — | — | 7,692 | — |
| Difference between expected and actual experience | (1,823) | 1,060 | 4,176 | (1,418) | 3,642 |
| Changes of assumptions | 8,999 | 29,243 | — | 2,976 | 10,906 |
| Benefit payments paid from trust | (22,251) | (18,366) | (19,233) | (23,365) | (29,220) |
| Transfer of contributions between plans | (369) | (458) | (172) | (273) | (406) |
| Net change in total pension liability | 28,385 | 59,192 | 37,746 | 39,198 | 41,838 |
| Total pension liability – end of year | 445,951 | 505,143 | 542,889 | 582,087 | 623,925 |
| Fiduciary net position – beginning of year | 318,802 | 379,275 | 394,655 | 406,188 | 468,536 |
| Contributions - LACMTA | 20,126 | 21,257 | 22,782 | 25,423 | 27,157 |
| Contributions - Employees | 7,648 | 8,607 | 9,272 | 9,696 | 10,159 |
| Net investment income | 55,695 | 4,736 | (731) | 51,241 | 42,711 |
| Benefit payments | (22,251) | (18,366) | (19,233) | (23,365) | (29,220) |
| Administrative expenses | (376) | (396) | (385) | (374) | (360) |
| Transfer of contributions between plans | (369) | (458) | (172) | (273) | (406) |
| Net change in fiduciary net position | 60,473 | 15,380 | 11,533 | 62,348 | 50,041 |
| Fiduciary net position – end of year | 379,275 | 394,655 | 406,188 | 468,536 | 518,577 |
| Net pension liability – end of year | $ 66,676 | $110,488 | $136,701 | $113,551 | $105,348 |
| Funded ratio | 85.05% | 78.13% | 74.82% | 80.49% | 83.12% |
| Covered payroll | $113,462 | $118,355 | $127,258 | $142,665 | $152,397 |
| Net pension liability as a percentage of covered payroll | 58.77% | 93.35% | 107.42% | 79.59% | 69.13% |

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

**Notes to Schedule:**

In FY2016, for the ATU plan, which is a single-employer defined benefit plan, the amount reported as assumption of 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 the negotiated rate increases over the next 3 years (4.25%, 2015-2017).

Changes to benefit terms reflects a negotiated benefit increase of a one-time 4% COLA for participants in payment status and a one-time 2% COLA for participants in DROP with an assumed payment effective date in September 2017.

In FY2019, there were no changes in assumptions.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan**
**Total for the Four Union Groups and Non-Contract (NC)**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Total pension liability – beginning of year | $ 1,418,221 | $ 1,481,009 | $ 1,632,714 | $ 1,709,688 | $ 1,797,949 |
| Service cost | 35,843 | 37,539 | 42,046 | 38,902 | 40,604 |
| Interest | 100,939 | 105,591 | 114,484 | 119,252 | 125,252 |
| Changes of benefit terms | — | — | — | 7,692 | — |
| Difference between expected and actual | 565 | 23,752 | (1,339) | 10,584 | 11,150 |
| Changes of assumptions | 8,999 | 68,974 | — | 2,976 | 446 |
| Benefit payments paid from trust | (83,558) | (84,151) | (78,217) | (91,145) | (99,677) |
| Net change in total pension liability | 62,788 | 151,705 | 76,974 | 88,261 | 77,775 |
| Total pension liability – end of year | 1,481,009 | 1,632,714 | 1,709,688 | 1,797,949 | 1,875,724 |
| | | | | | |
| Fiduciary net position – beginning of year | 1,040,009 | 1,217,498 | 1,225,243 | 1,228,336 | 1,378,921 |
| Contributions - LACMTA | 56,198 | 51,419 | 55,935 | 59,535 | 60,415 |
| Contributions - Employees | 25,337 | 27,435 | 30,319 | 30,595 | 31,754 |
| Net investment income | 180,910 | 14,659 | (3,238) | 152,988 | 125,430 |
| Benefit payments | (83,558) | (84,151) | (78,217) | (91,145) | (99,677) |
| Administrative expenses | (1,398) | (1,617) | (1,706) | (1,388) | (1,603) |
| Net change in fiduciary net position | 177,489 | 7,745 | 3,093 | 150,585 | 116,319 |
| Fiduciary net position – end of year | 1,217,498 | 1,225,243 | 1,228,336 | 1,378,921 | 1,495,240 |
| Net pension liability – end of year | $ 263,511 | $ 407,471 | $ 481,352 | $ 419,028 | $ 380,484 |
| | | | | | |
| Funded ratio | 82.21% | 75.04% | 71.85% | 76.69% | 79.72% |
| Covered payroll | $ 328,430 | $ 363,976 | $ 380,421 | $ 398,331 | $ 427,029 |
| Net pension liability as a percentage of covered payroll | 80.23% | 111.95% | 126.53% | 105.20% | 89.10% |

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Each plan is a single-employer defined benefit plan.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Contributions to Employee Retirement Income Plans**
**Last Ten Fiscal Years***
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **SHEET METAL, AIR, RAIL,TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)** | | | | | |
| Actuarially determined contribution | $ 19,780 | $ 21,369 | $ 22,011 | $ 21,467 | $ 21,080 |
| Contributions in relation to the actually determined | (19,780) | (21,369) | (22,011) | (21,467) | (21,080) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $187,395 | $193,246 | $192,346 | $198,718 | $208,173 |
| Contributions as a percentage of covered payroll | 10.56% | 11.06% | 11.44% | 10.80% | 10.13% |
| **TRANSPORTATION COMMUNICATION UNION PLAN** | | | | | |
| Actuarially determined contribution | $ 4,741 | $ 5,615 | $ 5,955 | $ 6,218 | $ 7,752 |
| Contributions in relation to the actually determined | (4,741) | (5,615) | (5,955) | (6,218) | (7,752) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $ 34,512 | $ 37,014 | $ 39,764 | $ 42,497 | $ 47,235 |
| Contributions as a percentage of covered payroll | 13.74% | 15.17% | 14.98% | 14.63% | 16.41% |
| **AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)** | | | | | |
| Actuarially determined contribution | $ 1,455 | $ 1,638 | $ 1,575 | $ 1,378 | $ 1,038 |
| Contributions in relation to the actually determined | (1,455) | (1,638) | (1,575) | (1,378) | (1,038) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $ 3,338 | $ 2,936 | $ 2,199 | $ 1,547 | $ 1,399 |
| Contributions as a percentage of covered payroll | 43.59% | 55.79% | 71.62% | 89.08% | 74.20% |
| **NON-CONTRACT (NC)** | | | | | |
| Actuarially determined contribution | $ 4,186 | $ 4,531 | $ 4,565 | $ 4,195 | $ 3,369 |
| Contributions in relation to the actually determined | (4,186) | (4,531) | (4,565) | (4,195) | (3,369) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $ 3,460 | $ 3,522 | $ 3,447 | $ 3,172 | $ 3,092 |
| Contributions as a percentage of covered payroll | 120.98% | 128.65% | 132.43% | 132.25% | 108.96% |
| **AMALGAMATED TRANSPORTATION UNION PLAN (ATU)** | | | | | |
| Actuarially determined contribution | $ 21,257 | $ 22,782 | $ 25,422 | $ 27,157 | $ 29,783 |
| Contributions in relation to the actually determined | (21,257) | (22,782) | (25,422) | (27,157) | (29,783) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $118,355 | $127,258 | $142,665 | $152,397 | $167,130 |
| Contributions as a percentage of covered payroll | 17.96% | 17.90% | 17.82% | 17.82% | 17.82% |
| **TOTAL** | | | | | |
| Actuarially determined contribution | $ 51,419 | $ 55,934 | $ 59,531 | $ 60,415 | $ 63,022 |
| Contributions in relation to the actually determined | (51,419) | (55,934) | (59,531) | (60,415) | (63,022) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — |
| Covered payroll | $347,060 | $363,976 | $380,421 | $398,331 | $427,029 |
| Contributions as a percentage of covered payroll | 14.82% | 15.37% | 15.65% | 15.17% | 14.76% |

* *Additional years will be presented as they become available.*

Each plan is a single-employer defined benefit plan.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Changes in Net OPEB Liability and Related Ratios**
**Last Ten Fiscal Years***
**(Amounts expressed in thousands)**

| | 2018 | 2019 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ 86,058 | $ 69,912 |
| Interest cost | 55,924 | 61,050 |
| Differences between expected and actual experience | (179,706) | — |
| Changes of assumptions | (191,475) | (72,824) |
| Benefit payments | (23,558) | (42,757) |
| **Net change in total OPEB Liability** | (252,757) | 15,381 |
| **Total OPEB Liability - Beginning of year** | 1,854,031 | 1,601,274 |
| **Total OPEB Liability - Ending of year** | 1,601,274 | 1,616,655 |
| | | |
| **Plan Fiduciary Net Position** | | |
| Contributions - Employer | 31,933 | 49,806 |
| Net investment income | 35,666 | 29,016 |
| Benefit payments | (23,558) | (42,757) |
| Administrative expense | (167) | (295) |
| Net change in Plan Fiduciary Net Position | 43,874 | 35,770 |
| Plan Fiduciary Net Position - Beginning of year | 295,066 | 338,940 |
| Plan Fiduciary Net Position - Ending of year | 338,940 | 374,710 |
| **Net OPEB Liability - Ending of year** | $ 1,262,334 | $ 1,241,945 |
| | | |
| **Net Position as a Percentage of OPEB Liability** | 21.17% | 23.18% |
| **Covered-employee payroll** | $ 747,036 | $ 743,277 |
| **Net OPEB Liability as a Percentage of Covered-employee payroll** | 168.98% | 167.09% |

## Note to schedule:

There were no changes in benefit terms in fiscal year 2018 and 2019.

Fiscal year 2018 was the first year of implementation of GASB 75 for the Plan. Additional years will be presented as they become available.

***Changes in assumptions***

The discount rate was increased from 3.70% in 2017 to 4.00% in 2018.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Investment Returns - Other Postemployment Benefits Plan**
**Last Ten Fiscal Years**

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 11.92% | 8.47% | 5.64% |

**Note to schedule:**

Only three years are shown. Years presented are the reporting for the fiscal year ended. GASB 74 was implemented for the Plan in fiscal year 2017 and GASB 75 was implemented in fiscal year 2018. Additional years will be presented as they become available.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Contributions - Other Postemployment Benefits Plan**
**Last Ten Fiscal Years**
**(Amounts expressed in thousands)**

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Pay-as-you-go contribution (*) | $ 26,203 | $ 25,671 | $ 31,295 |
| Contribution in relation to pay-as-you-go contribution | 31,203 | 30,671 | 28,687 |
| Contribution deficiency (excess) | $ (5,000) | $ (5,000) | $ 2,608 |

*(*) LACMTA's funding is not based on actuarially determined contributions nor is it statutorily established. Annual contributions are based on estimated pay-as-you-go costs plus $5 million as a liability reduction contribution. Pay-as-you-go costs are the premiums paid for retiree health benefits (NC and AFSCME) plus the contractual contributions to ATU, TCU, and SMART Health & Welfare Trusts per each union's Collective bargaining agreement.*

**Note to Schedule:**

GASB 74 was implemented in fiscal year 2017. Additional years will be presented as they become available.

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**General Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Intergovernmental | $ 36,958 | $ 36,958 | $ 20,036 | $ (16,922) |
| Investment income | 4,110 | 4,110 | 6,643 | 2,533 |
| Net appreciation in fair value of investments | — | — | 4,224 | 4,224 |
| Lease and rental | 14,308 | 14,308 | 14,649 | 341 |
| Licenses and fines | 500 | 500 | 822 | 322 |
| Other | 28,398 | 28,398 | 23,814 | (4,584) |
| **TOTAL REVENUES** | 84,274 | 84,274 | 70,188 | (14,086) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 197,613 | 203,712 | 121,449 | 82,263 |
| Transportation subsidies | 50,545 | 50,581 | 24,984 | 25,597 |
| **TOTAL EXPENDITURES** | 248,158 | 254,293 | 146,433 | 107,860 |
| **DEFICIENCY OF REVENUES UNDER EXPENDITURES** | (163,884) | (170,019) | (76,245) | 93,774 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 86,730 | 86,730 | 94,605 | 7,875 |
| Transfers out | (152,820) | (152,820) | (99,261) | 53,559 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (66,090) | (66,090) | (4,656) | 61,434 |
| **NET CHANGE IN FUND BALANCES** | (229,974) | (236,109) | (80,901) | 155,208 |
| Fund balances – beginning of year | 354,558 | 354,558 | 354,558 | — |
| **FUND BALANCES – END OF YEAR** | $ 124,584 | $ 118,449 | $ 273,657 | $ 155,208 |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Proposition A Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales tax | $ 844,000 | $ 844,000 | $ 846,548 | $ 2,548 |
| Investment income | — | — | 388 | 388 |
| Net appreciation in fair value of investments | — | — | 403 | 403 |
| Other | — | — | 3,308 | 3,308 |
| **TOTAL REVENUES** | 844,000 | 844,000 | 850,647 | 6,647 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation subsidies | 333,026 | 333,026 | 328,897 | 4,129 |
| **TOTAL EXPENDITURES** | 333,026 | 333,026 | 328,897 | 4,129 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 510,974 | 510,974 | 521,750 | 10,776 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (460,804) | (460,804) | (510,584) | (49,780) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (460,804) | (460,804) | (510,584) | (49,780) |
| **NET CHANGE IN FUND BALANCES** | 50,170 | 50,170 | 11,166 | (39,004) |
| Fund balances – beginning of year | 127,125 | 127,125 | 127,125 | — |
| **FUND BALANCES – END OF YEAR** | $ 177,295 | $ 177,295 | $ 138,291 | $ (39,004) |

* *Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Proposition C Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales tax | $ 844,000 | $ 844,000 | $ 846,546 | $ 2,546 |
| Intergovernmental | 18,068 | 18,068 | 8,993 | (9,075) |
| Investment income | — | — | 2,449 | 2,449 |
| Net appreciation in fair value of investments | — | — | 1,405 | 1,405 |
| **TOTAL REVENUES** | 862,068 | 862,068 | 859,393 | (2,675) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 52,300 | 120,660 | 79,091 | 41,569 |
| Transportation subsidies | 495,907 | 493,104 | 493,992 | (888) |
| **TOTAL EXPENDITURES** | 548,207 | 613,764 | 573,083 | 40,681 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 313,861 | 248,304 | 286,310 | 38,006 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 123,932 | 123,932 | 118,897 | (5,035) |
| Transfers out | (340,600) | (340,600) | (304,243) | 36,357 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (216,668) | (216,668) | (185,346) | 31,322 |
| **NET CHANGE IN FUND BALANCES** | 97,193 | 31,636 | 100,964 | 69,328 |
| Fund balances – beginning of year | 178,945 | 178,945 | 178,945 | — |
| **FUND BALANCES – END OF YEAR** | $ 276,138 | $ 210,581 | $ 279,909 | $ 69,328 |

**Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Measure R Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales tax | $ 844,000 | $ 844,000 | $ 846,793 | $ 2,793 |
| Intergovernmental | 30,226 | 30,226 | 22,138 | (8,088) |
| Investment income | — | — | 8,896 | 8,896 |
| Net appreciation in fair value of investments | — | — | 3,972 | 3,972 |
| **TOTAL REVENUES** | 874,226 | 874,226 | 881,799 | 7,573 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 219,502 | 213,294 | 144,929 | 68,365 |
| Transportation subsidies | 354,241 | 362,543 | 344,913 | 17,630 |
| **TOTAL EXPENDITURES** | 573,743 | 575,837 | 489,842 | 85,995 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 300,483 | 298,389 | 391,957 | 93,568 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 55,431 | 55,431 | 4,720 | (50,711) |
| Transfers out | (396,280) | (396,280) | (475,864) | (79,584) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (340,849) | (340,849) | (471,144) | (130,295) |
| **NET CHANGE IN FUND BALANCES** | (40,366) | (42,460) | (79,187) | (36,727) |
| Fund balances – beginning of year | 414,565 | 414,565 | 414,565 | — |
| **FUND BALANCES – END OF YEAR** | $ 374,199 | $ 372,105 | $ 335,378 | $ (36,727) |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Measure M Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales tax | $ 844,000 | $ 844,000 | $ 836,173 | $ (7,827) |
| Investment income | — | — | 10,160 | 10,160 |
| Net appreciation in fair value of investments | — | — | 4,706 | 4,706 |
| **TOTAL REVENUES** | 844,000 | 844,000 | 851,039 | 7,039 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 27,768 | 32,843 | 20,682 | 12,161 |
| Transportation subsidies | 197,188 | 198,618 | 198,481 | 137 |
| **TOTAL EXPENDITURES** | 224,956 | 231,461 | 219,163 | 12,298 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 619,044 | 612,539 | 631,876 | 19,337 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 2,403 | 2,403 | — | (2,403) |
| Transfers out | (549,095) | (549,095) | (382,763) | 166,332 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (546,692) | (546,692) | (382,763) | 163,929 |
| **NET CHANGE IN FUND BALANCES** | 72,352 | 65,847 | 249,113 | 183,266 |
| Fund balances – beginning of year | 429,568 | 429,568 | 429,568 | — |
| **FUND BALANCES – END OF YEAR** | $ 501,920 | $ 495,415 | $ 678,681 | $ 183,266 |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Transportation Development Act Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales taxes | $ 422,000 | $ 422,000 | $ 420,793 | $ (1,207) |
| Investment income | — | — | 4,445 | 4,445 |
| **TOTAL REVENUES** | 422,000 | 422,000 | 425,238 | 3,238 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation subsidies | 141,161 | 141,161 | 137,549 | 3,612 |
| **TOTAL EXPENDITURES** | 141,161 | 141,161 | 137,549 | 3,612 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 280,839 | 280,839 | 287,689 | 6,850 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (272,325) | (272,325) | (266,502) | 5,823 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (272,325) | (272,325) | (266,502) | 5,823 |
| **NET CHANGE IN FUND BALANCES** | 8,514 | 8,514 | 21,187 | 12,673 |
| Fund balances – beginning of year | 197,005 | 197,005 | 197,005 | — |
| **FUND BALANCES – END OF YEAR** | $ 205,519 | $ 205,519 | $ 218,192 | $ 12,673 |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**State Transit Assistance Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales taxes | $ 150,487 | $ 150,487 | $ 195,872 | $ 45,385 |
| Investment income | — | — | 2,126 | 2,126 |
| **TOTAL REVENUES** | 150,487 | 150,487 | 197,998 | 47,511 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation subsidies | 25,918 | 25,918 | 30,104 | (4,186) |
| **TOTAL EXPENDITURES** | 25,918 | 25,918 | 30,104 | (4,186) |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 124,569 | 124,569 | 167,894 | 43,325 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (191,076) | (191,076) | (193,452) | (2,376) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (191,076) | (191,076) | (193,452) | (2,376) |
| **NET CHANGE IN FUND BALANCES** | (66,507) | (66,507) | (25,558) | 40,949 |
| Fund balances – beginning of year | 105,429 | 105,429 | 105,429 | — |
| **FUND BALANCES – END OF YEAR** | $ 38,922 | $ 38,922 | $ 79,871 | $ 40,949 |

** Budget prepared in accordance with GAAP*

**Note:**

The actual subsidies was more than the budgeted amount due to prior year reserves and FY18 allocations claimed in FY19. Jurisdictions have the option to reserve their claim on the year of allocation and have three years after that to claim their allocations.

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# OTHER SUPPLEMENTARY INFORMATION

**Los Angeles County Metropolitan Transportation Authority**
**Combining Balance Sheet**
**Nonmajor Governmental Funds**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | Special Revenue Funds | | |
|---|---|---|---|
| | Service Authority For Freeway Emergencies | Other | Total Nonmajor Governmental Funds |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 16,698 | $ 62,135 | $ 78,833 |
| Investments | 9,720 | 83,029 | 92,749 |
| Receivables | | | |
| Interest | 68 | 287 | 355 |
| Intergovernmental | 1,446 | 7,666 | 9,112 |
| Due from other funds | — | 14,916 | 14,916 |
| **TOTAL ASSETS** | $ 27,932 | $ 168,033 | $ 195,965 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | $ 667 | $ 885 | $ 1,552 |
| Due to other funds | — | 20,918 | 20,918 |
| **TOTAL LIABILITIES** | 667 | 21,803 | 22,470 |
| **FUND BALANCES** | | | |
| Restricted | 27,265 | 146,230 | 173,495 |
| **TOTAL FUND BALANCES** | 27,265 | 146,230 | 173,495 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 27,932 | $ 168,033 | $ 195,965 |

**Los Angeles County Metropolitan Transportation Authority**
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Nonmajor Governmental Funds**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Special Revenue Funds | | |
|---|---|---|---|
| | Service Authority For Freeway Emergencies | Other | Total Nonmajor Governmental Funds |
| **REVENUES** | | | |
| Sales Taxes | $ — | $ — | $ — |
| Intergovernmental | — | 65,807 | 65,807 |
| Investment income | 479 | 3,256 | 3,735 |
| Net appreciation in fair value of investments | 289 | 158 | 447 |
| Licenses and fines | 8,337 | 30,870 | 39,207 |
| **TOTAL REVENUES** | 9,105 | 100,091 | 109,196 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Administration and other | 5,416 | — | 5,416 |
| Transportation subsidies | — | 2,477 | 2,477 |
| **TOTAL EXPENDITURES** | 5,416 | 2,477 | 7,893 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 3,689 | 97,614 | 101,303 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | — | (74,484) | (74,484) |
| **TOTAL OTHER FINANCING USES** | — | (74,484) | (74,484) |
| **NET CHANGE IN FUND BALANCES** | 3,689 | 23,130 | 26,819 |
| Fund balances – beginning of year | 23,576 | 123,100 | 146,676 |
| **FUND BALANCES – END OF YEAR** | $ 27,265 | $ 146,230 | $ 173,495 |

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual**
**Service Authority for Freeway Emergencies Fund**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Investment income | $ 100 | $ 100 | $ 479 | $ 379 |
| Net appreciation in fair value of investments | — | — | 289 | 289 |
| Licenses and fines | 7,750 | 7,750 | 8,337 | 587 |
| **TOTAL REVENUES** | 7,850 | 7,850 | 9,105 | 1,255 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 8,193 | 8,193 | 5,416 | 2,777 |
| **TOTAL EXPENDITURES** | 8,193 | 8,193 | 5,416 | 2,777 |
| **DEFICIENCY OF REVENUES UNDER EXPENDITURES** | (343) | (343) | 3,689 | 4,032 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (1,000) | (1,000) | — | 1,000 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (1,000) | (1,000) | — | 1,000 |
| **NET CHANGE IN FUND BALANCES** | (1,343) | (1,343) | 3,689 | 5,032 |
| Fund balances – beginning of year | 23,576 | 23,576 | 23,576 | — |
| **FUND BALANCES – END OF YEAR** | $ 22,233 | $ 22,233 | $ 27,265 | $ 5,032 |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**
**Other Special Revenue Funds**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Budgeted Amounts* | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES** | | | | |
| Sales Tax | $ 31,689 | $ 31,689 | $ — | $ (31,689) |
| Intergovernmental | 53 | 53 | 65,807 | 65,754 |
| Investment income | — | — | 3,256 | 3,256 |
| Net appreciation in fair value of investments | — | — | 158 | 158 |
| License and fines | — | — | 30,870 | 30,870 |
| **TOTAL REVENUES** | 31,742 | 31,742 | 100,091 | 68,349 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration and other | 53 | 553 | — | 553 |
| Transportation subsidies | 4,673 | 4,673 | 2,477 | 2,196 |
| **TOTAL EXPENDITURES** | 4,726 | 5,226 | 2,477 | 2,749 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 27,016 | 26,516 | 97,614 | 65,600 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (83,704) | (83,704) | (74,484) | 9,220 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (83,704) | (83,704) | (74,484) | 9,220 |
| **NET CHANGE IN FUND BALANCES** | (56,688) | (57,188) | 23,130 | 80,318 |
| Fund balances – beginning of year | 123,100 | 123,100 | 123,100 | — |
| **FUND BALANCES – END OF YEAR** | $ 66,412 | $ 65,912 | $ 146,230 | $ 80,318 |

** Budget prepared in accordance with GAAP*

**Los Angeles County Metropolitan Transportation Authority**
**Combining Schedule of Fiduciary Net Position**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | Employee Retirement Trust Funds | OPEB Trust Fund | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 59 | $ 8,990 | $ 9,049 |
| Investments: | | | |
| Bonds | 155,839 | 70,660 | 226,499 |
| Domestic stocks | 218,210 | 176 | 218,386 |
| Non-domestic stocks | 8,530 | — | 8,530 |
| Pooled investments | 1,216,661 | 321,354 | 1,538,015 |
| Receivables | | | |
| Member contributions | 1,516 | 303 | 1,819 |
| Securities sold | 913 | — | 913 |
| OPEB Trust Fund | 1,160 | — | 1,160 |
| Interest and dividends | 1,375 | 539 | 1,914 |
| Prepaid items and other assets | 39 | — | 39 |
| Total assets | 1,604,302 | 402,022 | 2,006,324 |
| **LIABILITIES** | | | |
| Accounts payable and other liabilities | 1,643 | 266 | 1,909 |
| Payable to Employee Retirement Trust Funds | — | 1,160 | 1,160 |
| Securities purchased | 3,960 | — | 3,960 |
| Total liabilities | 5,603 | 1,426 | 7,029 |
| **NET POSITION RESTRICTED FOR PENSIONS AND OPEB** | | | |
| Held in trust for pension and OPEB benefits | $ 1,598,699 | $ 400,596 | $ 1,999,295 |

*Note: Receivable/payable between the fiduciary trust funds were eliminated in the Statement of Net Position - Employee Retirement and OPEB Trust Funds on page 52.*

**Los Angeles County Metropolitan Transportation Authority**
**Combining Schedule Of Changes in Fiduciary Net Position**
**For the Fiscal Year Ended June 30, 2019**
**(Amounts expressed in thousands)**

| | Employee Retirement Trust Funds | OPEB Trust Fund | Total |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions | | | |
| Employer | $ 63,022 | $ 28,687 | $ 91,709 |
| Member | 34,121 | 905 | 35,026 |
| Total contributions | 97,143 | 29,592 | 126,735 |
| From investing activities | | | |
| Net appreciation in fair value of investments | 83,347 | 14,153 | 97,500 |
| Investment income | 26,370 | 7,672 | 34,042 |
| Investment expense | (5,331) | (574) | (5,905) |
| Other income | 386 | — | 386 |
| Total investing activities | 104,772 | 21,251 | 126,023 |
| Total additions | 201,915 | 50,843 | 252,758 |
| **DEDUCTIONS** | | | |
| Retiree benefits | 96,477 | 24,655 | 121,132 |
| Administrative expenses | 1,979 | 195 | 2,174 |
| Total deductions | 98,456 | 24,850 | 123,306 |
| Net increase | 103,459 | 25,993 | 129,452 |
| Net position - beginning of year | 1,495,240 | 374,603 | 1,869,843 |
| Net position - end of year | $ 1,598,699 | $ 400,596 | $ 1,999,295 |

**Los Angeles County Metropolitan Transportation Authority**
**Combining Schedule of Fiduciary Net Position - Employee Retirement Trust Funds**
**Fiduciary Funds**
**June 30, 2019**
**(Amounts expressed in thousands)**

| | Sheet Metal, Air, Rail, Transportation, Transportation Division | Transportation Communication Union Plan | American Federation of State, County and Municipal Employee Plan | Non-Contract Employee Plan | Amalgamated Transportation Union Plan | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 25 | $ 6 | $ 2 | $ 5 | $ 21 | $ 59 |
| Investments | | | | | | |
| Bonds | 67,713 | 15,141 | 5,442 | 12,228 | 55,315 | 155,839 |
| Domestic stocks | 94,813 | 21,202 | 7,620 | 17,122 | 77,453 | 218,210 |
| Non-domestic stocks | 3,706 | 829 | 298 | 669 | 3,028 | 8,530 |
| Pooled investments | 528,645 | 118,211 | 42,487 | 95,467 | 431,851 | 1,216,661 |
| Receivables | | | | | | |
| Member contributions | 862 | 144 | — | — | 510 | 1,516 |
| Contribution transfer from other plans | — | — | 994 | 437 | 112 | 1,543 |
| Securities sold | 396 | 89 | 32 | 72 | 324 | 913 |
| Interest and dividends | 598 | 133 | 48 | 108 | 488 | 1,375 |
| Receivable from OPEB Trust Fund | | 80 | 169 | 678 | 233 | 1,160 |
| Prepaid items and other assets | 17 | 4 | 2 | 3 | 13 | 39 |
| Total assets | 696,775 | 155,839 | 57,094 | 126,789 | 569,348 | 1,605,845 |
| **LIABILITIES** | | | | | | |
| Contribution transfers to other plans | 1,041 | 502 | | | — | 1,543 |
| Accounts payable and other liabilities | 657 | 161 | 82 | 154 | 589 | 1,643 |
| Securities purchased | 1,721 | 385 | 138 | 310 | 1,406 | 3,960 |
| Total liabilities | 3,419 | 1,048 | 220 | 464 | 1,995 | 7,146 |
| **NET POSITION** | | | | | | |
| Restricted for pension benefits | $ 693,356 | $ 154,791 | $ 56,874 | $ 126,325 | $ 567,353 | $ 1,598,699 |

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 159.

**Los Angeles County Metropolitan Transportation Authority**

**Combining Schedule of Changes in Fiduciary Net Position - Employee Retirement Trust Funds**

**Fiduciary Funds**

**For the Fiscal Year Ended June 30, 2019**

**(Amounts expressed in thousands)**

| | Sheet Metal, Air, Rail, Transportation, Transportation Division | Transportation Communication Union Plan | American Federation of State, County and Municipal Employee Plan | Non-Contract Employee Plan | Amalgamated Transportation Union Plan | Total |
|---|---|---|---|---|---|---|
| **ADDITIONS** | | | | | | |
| Contributions: | | | | | | |
| Employer | $ 21,079 | $ 7,752 | $ 1,039 | $ 3,369 | $ 29,783 | $ 63,022 |
| Member | 19,550 | 3,206 | — | — | 11,365 | 34,121 |
| Transfers between plans | (1,041) | (502) | 994 | 437 | 112 | — |
| Total contributions | 39,588 | 10,456 | 2,033 | 3,806 | 41,260 | 97,143 |
| From investing activities: | | | | | | |
| Net appreciation in fair value of investments | 36,247 | 8,089 | 2,892 | 6,589 | 29,530 | 83,347 |
| Investment income | 11,495 | 2,517 | 965 | 2,142 | 9,251 | 26,370 |
| Investment expense | (2,321) | (510) | (194) | (430) | (1,876) | (5,331) |
| Other income | 253 | 19 | 6 | 22 | 86 | 386 |
| Total investing activities | 45,674 | 10,115 | 3,669 | 8,323 | 36,991 | 104,772 |
| Total additions | 85,262 | 20,571 | 5,702 | 12,129 | 78,251 | 201,915 |
| **DEDUCTIONS** | | | | | | |
| Retiree benefits | 44,120 | 6,162 | 6,669 | 10,548 | 28,978 | 96,477 |
| Administrative expenses | 533 | 333 | 295 | 321 | 497 | 1,979 |
| Total deductions | 44,653 | 6,495 | 6,964 | 10,869 | 29,475 | 98,456 |
| Change in net position | 40,609 | 14,076 | (1,262) | 1,260 | 48,776 | 103,459 |
| Net Position – beginning of year | 652,747 | 140,715 | 58,136 | 125,065 | 518,577 | 1,495,240 |
| Net Position – end of year | $ 693,356 | $ 154,791 | $ 56,874 | $ 126,325 | $ 567,353 | $ 1,598,699 |

Los Angeles County Metropolitan Transportation Authority

# STATISTICAL SECTION

# 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.

**Los Angeles County Metropolitan Transportation Authority** *Table 1*

**Net Position by Component**
**Last Ten Fiscal Years**
**(Accrual basis of accounting)**
**(Amounts expressed in thousands)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | $ 772,794 | $ 772,794 | $ 772,794 | $ 772,794 | $ 772,794 | $ 769,942 | $ 769,834 | $ 768,977 | $ 749,457 | $ 749,417 |
| Restricted for | | | | | | | | | | |
| Proposition A ordinance projects | 80,536 | 69,049 | 161,158 | 191,111 | 342,565 | 311,284 | 86,647 | 134,674 | 127,125 | 138,291 |
| Proposition C ordinance projects | 116,013 | 116,912 | 134,652 | 40,057 | 39,419 | 278,776 | 266,232 | 214,721 | 178,945 | 279,909 |
| Measure R ordinance projects | 383,665 | 611,464 | 915,357 | 1,189,279 | 664,954 | 255,516 | 369,215 | 362,645 | 414,565 | 335,378 |
| Measure M ordinance projects | — | — | — | — | — | — | — | — | 429,568 | 678,681 |
| PTMISEA projects | 56,696 | — | 32,182 | 158,943 | 108,904 | 82,385 | 13,907 | 11 | — | — |
| TDA and STA projects | 259,618 | 264,366 | 324,010 | 337,582 | 203,463 | 107,393 | 165,757 | 159,013 | 302,434 | 298,063 |
| Other nonmajor governmental projects | 348,327 | 49,968 | 74,742 | 79,759 | 82,725 | 68,121 | 111,773 | 93,951 | 146,676 | 173,495 |
| Unrestricted | 234,401 | 499,084 | 486,403 | 514,563 | 640,325 | 656,388 | 237,268 | 472,265 | 356,105 | 303,142 |
| Total governmental activities net position | 2,252,050 | 2,383,637 | 2,901,298 | 3,284,088 | 2,855,149 | 2,529,805 | 2,020,633 | 2,206,257 | 2,704,875 | 2,956,376 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 4,366,480 | 4,497,567 | 4,561,995 | 4,908,034 | 5,587,514 | 7,313,244 | 7,762,367 | 7,797,783 | 8,328,321 | 8,899,216 |
| Restricted for debt service | 446,878 | 440,892 | 431,009 | 469,027 | 504,782 | 418,006 | 420,543 | 459,949 | 536,936 | 523,844 |
| Unrestricted | (1,909) | (130,868) | (30,488) | (318,227) | (702,106) | (1,019,466) | (943,051) | (1,031,275) | (1,807,024) | (1,779,642) |
| Total business-type activities net position | 4,811,449 | 4,807,591 | 4,962,516 | 5,058,834 | 5,390,190 | 6,711,784 | 7,239,859 | 7,226,457 | 7,058,233 | 7,643,418 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | 5,139,274 | 5,270,361 | 5,334,789 | 5,680,828 | 6,360,308 | 8,083,186 | 8,532,201 | 8,566,760 | 9,077,778 | 9,648,633 |
| Restricted for debt service | 446,878 | 440,892 | 431,009 | 469,027 | 504,782 | 418,006 | 420,543 | 459,949 | 536,936 | 523,844 |
| Restricted for other purpose | | | | | | | | | | |
| Proposition A ordinance projects | 80,536 | 69,049 | 161,158 | 191,111 | 342,565 | 311,284 | 86,647 | 134,674 | 127,125 | 138,291 |
| Proposition C ordinance projects | 116,013 | 116,912 | 134,652 | 40,057 | 39,419 | 278,776 | 266,232 | 214,721 | 178,945 | 279,909 |
| Measure R ordinance projects | 383,665 | 611,464 | 915,357 | 1,189,279 | 664,954 | 255,516 | 369,215 | 362,645 | 414,565 | 335,378 |
| Measure M ordinance projects | — | — | — | — | — | — | — | — | 429,568 | 678,681 |
| PTMISEA projects | 56,696 | — | 32,182 | 158,943 | 108,904 | 82,385 | 13,907 | 11 | — | — |
| TDA and STA projects | 259,618 | 264,366 | 324,010 | 337,582 | 203,463 | 107,393 | 165,757 | 159,013 | 302,434 | 298,063 |
| Other nonmajor governmental projects | 348,327 | 49,968 | 74,742 | 79,759 | 82,725 | 68,121 | 111,773 | 93,951 | 146,676 | 173,495 |
| Unrestricted | 232,492 | 368,216 | 455,915 | 196,336 | (61,781) | (363,078) | (705,783) | (559,010) | (1,450,919) | (1,476,500) |
| Total primary government net position | $ 7,063,499 | $ 7,191,228 | $ 7,863,814 | $ 8,342,922 | $ 8,245,339 | $ 9,241,589 | $ 9,260.492 | $ 9,432,714 | $ 9,763,108 | $ 10,599,794 |

*Source: Comprehensive Annual Financial Report*

**Los Angeles County Metropolitan Transportation Authority** *Table 2*

**Changes in Net Position**

**Last Ten Fiscal Years**

**(Accrual basis of accounting)**

**(Amounts expressed in thousands)**

| Expenses | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | | | | | |
| Transit operators programs | $ 201,354 | $ 238,624 | $ 220,782 | $ 239,718 | $ 346,326 | $ 304,916 | $ 357,346 | $ 351,667 | $ 345,473 | $ 379,911 |
| Local cities programs | 370,177 | 401,957 | 442,409 | 431,470 | 541,736 | 549,302 | 548,101 | 543,972 | 749,990 | 711,855 |
| Congestion relief operations | — | — | — | — | 44,792 | 43,724 | 42,279 | 50,034 | 41,407 | 42,475 |
| Highway projects | 247,715 | 108,511 | 234,690 | 312,807 | 521,755 | 196,158 | 594,069 | 181,211 | 220,443 | 301,038 |
| Regional multimodal capital programs | 102,084 | 80,221 | 96,174 | 146,528 | 29,080 | 42,844 | 52,363 | 114,253 | 104,298 | 100,676 |
| Paratransit programs | 25,283 | 16,456 | 10,227 | 13,097 | 92,745 | 83,602 | 105,042 | 103,560 | 114,027 | 108,560 |
| Other transportation subsidies | 88,180 | 56,504 | 63,875 | 130,964 | 62,861 | 72,088 | 64,237 | 93,316 | 118,119 | 127,427 |
| Debt service interest | 1,249 | 1,205 | 1,161 | 1,114 | 1,064 | 1,011 | 954 | 686 | — | — |
| General government | 218,380 | 257,433 | 167,134 | 218,637 | 81,380 | 96,909 | 109,029 | 134,569 | 142,462 | 161,022 |
| Total government activities | 1,254,422 | 1,160,911 | 1,236,452 | 1,494,335 | 1,721,739 | 1,390,554 | 1,873,420 | 1,573,268 | 1,836,219 | 1,932,964 |
| | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Transit operations | 1,808,257 | 1,910,466 | 1,835,735 | 1,916,041 | 1,940,775 | 1,935,989 | 2,085,787 | 2,311,422 | 2,363,719 | 2,607,757 |
| Union Station operations* | — | 1,052 | 4,167 | 6,586 | 7,498 | 9,729 | 9,172 | 9,664 | 8,400 | 13,933 |
| Toll operations** | — | — | — | 10,102 | 12,803 | 20,757 | 24,815 | 27,073 | 31,905 | 43,134 |
| Total business-type activities expenses | 1,808,257 | 1,911,518 | 1,839,902 | 1,932,729 | 1,961,076 | 1,966,475 | 2,119,774 | 2,348,159 | 2,404,024 | 2,664,824 |
| Total expenses | 3,062,679 | 3,072,429 | 3,076,354 | 3,427,064 | 3,682,815 | 3,357,029 | 3,993,194 | 3,921,427 | 4,240,243 | 4,597,788 |
| | | | | | | | | | | |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | 15,713 | 16,302 | 15,740 | 23,770 | 5,899 | 23,704 | 9,009 | 19,427 | 18,269 | 18,014 |
| Operating grants & contributions | 267,306 | 169,261 | 401,651 | 502,374 | 410,545 | 345,206 | 44,805 | 130,836 | 83,838 | 138,544 |
| Total governmental activities program | 283,019 | 185,563 | 417,391 | 526,144 | 416,444 | 368,910 | 53,814 | 150,263 | 102,107 | 156,558 |
| | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 342,087 | 375,168 | 375,917 | 382,003 | 400,832 | 439,028 | 443,856 | 423,143 | 404,415 | 368,954 |
| Operating grants & contributions | 239,835 | 261,068 | 289,517 | 272,951 | 241,808 | 263,838 | 200,193 | 252,344 | 327,664 | 328,867 |
| Capital grants & contributions | 411,392 | 182,378 | 207,509 | 135,653 | 298,199 | 486,793 | 457,106 | 340,376 | 664,403 | 426,935 |
| Total business-type activities program | 993,314 | 818,614 | 872,943 | 790,607 | 940,839 | 1,189,659 | 1,101,155 | 1,015,863 | 1,396,482 | 1,124,756 |
| Total primary government program revenues | 1,276,333 | 1,004,177 | 1,290,334 | 1,316,751 | 1,357,283 | 1,558,569 | 1,154,969 | 1,166,126 | 1,498,589 | 1,281,314 |
| | | | | | | | | | | |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | (971,403) | (975,348) | (819,061) | (968,191) | (1,305,295) | (1,021,644) | (1,819,606) | (1,423,005) | (1,734,112) | (1,776,406) |
| Business-type activities | (814,943) | (1,092,904) | (966,959) | (1,142,122) | (1,020,237) | (769,293) | (1,018,619) | (1,332,296) | (1,007,542) | (1,540,068) |
| Total net expense | $ (1,786,346) | $ (2,068,252) | $ (1,786,020) | $ (2,110,313) | $ (2,325,532) | $ (1,790,937) | $ (2,838,225) | $ (2,755,301) | $ (2,741,654) | $ (3,316,474) |

* *LACMTA purchased Union Station in April 2011.*

** *Metro ExpressLanes started operations in November 2012.*

## Los Angeles County Metropolitan Transportation Authority

*Table 2*

## Changes in Net Position (Continued)

### Last Ten Fiscal Years
### (Accrual basis of accounting)
### (Amounts expressed in thousands)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Revenues and Other Changes In Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Sales tax | $ 2,085,370 | $ 2,104,072 | $ 2,386,439 | $ 2,519,720 | $ 2,778,676 | $ 2,717,320 | $ 2,753,686 | $ 2,834,411 | $ 3,931,132 | $ 3,992,725 |
| Investment income* | 39,268 | 24,628 | 17,829 | 4,822 | 14,719 | 11,498 | 24,638 | 10,580 | 15,642 | 53,999 |
| Miscellaneous ** | 26,979 | 49,218 | 32,205 | 42,203 | 22,244 | 30,781 | 59,786 | 60,664 | 53,853 | 70,114 |
| Transfers | (1,069,267) | (1,070,983) | (1,099,751) | (1,215,764) | (1,939,283) | (2,063,299) | (1,527,676) | (1,297,026) | (1,767,897) | (2,088,931) |
| Total governmental activities | 1,082,350 | 1,106,935 | 1,336,722 | 1,350,981 | 876,356 | 696,300 | 1,310,434 | 1,608,629 | 2,232,730 | 2,027,907 |
| Business-type activities: | | | | | | | | | | |
| Investment income* | 8,102 | 13,191 | 15,480 | 17,977 | 13,261 | 17,295 | 8,919 | 12,032 | 14,442 | 21,016 |
| Miscellaneous ** | 16,346 | 4,872 | 6,653 | 4,699 | 11,707 | 10,293 | 10,099 | 9,836 | 13,024 | 15,306 |
| Transfers | 1,069,267 | 1,070,983 | 1,099,751 | 1,215,764 | 1,939,283 | 2,063,299 | 1,527,676 | 1,297,026 | 1,767,897 | 2,088,931 |
| Total business-type activities | 1,093,715 | 1,089,046 | 1,121,884 | 1,238,440 | 1,964,251 | 2,090,887 | 1,546,694 | 1,318,894 | 1,795,363 | 2,125,253 |
| Total primary government | 2,176,065 | 2,195,981 | 2,458,606 | 2,589,421 | 2,840,607 | 2,787,187 | 2,857,128 | 2,927,523 | 4,028,093 | 4,153,160 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | 110,947 | 131,587 | 517,661 | 382,790 | (428,939) | (325,344) | (509,172) | 185,624 | 498,618 | 251,501 |
| Business-type activities | 278,772 | (3,858) | 154,925 | 96,318 | 944,014 | 1,321,594 | 528,075 | (13,402) | 787,821 | 585,185 |
| Total primary government | $ 389,719 | $ 127,729 | $ 672,586 | $ 479,108 | $ 515,075 | $ 996,250 | $ 18,903 | $ 172,222 | $ 1,286,439 | $ 836,686 |

*Source: Comprehensive Annual Financial Report*

* *Includes net appreciation (decline) in fair value of investments*
** *Includes gain (loss) on sale of capital assets*

**Los Angeles County Metropolitan Transportation Authority** *Table 3*

**Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

**(Modified accrual basis of accounting)**

**(Amounts expressed in thousands)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | | | | | | | | | | |
| Nonspendable | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 21 | $ 21 |
| Reserved | 1,843 | — | — | — | — | — | — | — | — | — |
| Unreserved | 178,611 | — | — | — | — | — | — | — | — | — |
| Restricted * | — | 7,827 | 9,023 | 6,588 | 4,045 | 15,753 | 35,704 | 49,417 | 25,750 | 25,689 |
| Committed * | — | 46,564 | 3,492 | 8,877 | 8,779 | 10,994 | 13,862 | 11,891 | 14,250 | 36,217 |
| Assigned * | — | 986 | 6,818 | 11,403 | 10,624 | 16,162 | 23,653 | 22,180 | 35,168 | 10,943 |
| Unassigned * | — | 434,371 | 456,263 | 448,155 | 489,143 | 512,492 | 450,594 | 366,051 | 279,381 | 200,787 |
| Total General Fund | 180,454 | 489,748 | 475,596 | 475,023 | 512,591 | 555,401 | 523,813 | 449,539 | 354,570 | 273,657 |
| | | | | | | | | | | |
| All other governmental funds - special revenue funds | | | | | | | | | | |
| Reserved | 1,201,151 | — | — | — | — | — | — | — | — | — |
| Unreserved: | | | | | | | | | | |
| Proposition A Fund | 23,741 | — | — | — | — | — | — | — | — | — |
| Proposition C Fund | (871,854) | — | — | — | — | — | — | — | — | — |
| Measure R Fund | 349,183 | — | — | — | — | — | — | — | — | — |
| PTMISEA Fund | 56,696 | — | — | — | — | — | — | — | — | — |
| TCRP Fund | — | — | — | — | — | — | — | — | — | — |
| Transportation Development Act Fund | (1,107) | — | — | — | — | — | — | — | — | — |
| State Transit Act Fund | 160,797 | — | — | — | — | — | — | — | — | — |
| Nonmajor Governmental Funds | 319,897 | — | — | — | — | — | — | — | — | — |
| Restricted: * | | | | | | | | | | |
| Proposition A Fund | — | 69,049 | 161,158 | 191,111 | 342,565 | 311,284 | 86,647 | 134,674 | 127,125 | 138,291 |
| Proposition C Fund | — | 116,912 | 134,652 | 40,057 | 39,419 | 278,776 | 266,232 | 214,721 | 178,945 | 279,909 |
| Measure R Fund | — | 611,464 | 915,357 | 1,189,279 | 664,954 | 255,516 | 369,215 | 362,645 | 414,565 | 335,378 |
| Measure M Fund | — | — | — | — | — | — | — | — | 429,568 | 678,681 |
| PTMISEA Fund | — | — | 32,182 | 158,943 | 108,904 | 82,385 | 13,907 | 11 | — | — |
| TDA | — | 214,652 | 297,064 | 324,387 | 199,743 | 98,839 | 165,757 | 149,408 | 197,005 | 218,192 |
| STA | — | 49,714 | 26,946 | 13,195 | 3,720 | 8,554 | — | 9,605 | 105,429 | 79,871 |
| Nonmajor Governmental Funds | — | 49,968 | 74,742 | 79,759 | 82,725 | 68,121 | 111,773 | 93,951 | 146,676 | 173,495 |
| Unrestricted: | | | | | | | | | | |
| STA | — | — | — | — | — | — | (13,094 ) | — | — | |
| Total all other governmental funds | 1,238,504 | 1,111,759 | 1,642,101 | 1,996,731 | 1,442,030 | 1,103,475 | 1,000,437 | 965,015 | 1,599,313 | 1,903,817 |
| Total governmental funds | $1,418,958 | $1,601,507 | $2,117,697 | $2,471,754 | $1,954,621 | $1,658,876 | $1,524,250 | $1,414,554 | $1,953,883 | $2,177,474 |

*Source: Comprehensive Annual Financial Report*

* Reclassification of fund balances with the implementation of GASB Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*

## Los Angeles County Metropolitan Transportation Authority
## Changes in Fund Balances of Governmental Funds
## Last Ten Fiscal Years
## (Modified accrual basis of accounting)
## (Amounts expressed in thousands)

*Table 4*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Sales tax | $ 2,085,370 | $ 2,104,072 | $ 2,386,439 | $ 2,519,720 | $ 2,778,676 | $ 2,717,320 | $ 2,753,686 | $ 2,834,411 | $ 3,931,132 | $ 3,992,725 |
| Intergovernmental | 151,046 | 228,469 | 413,262 | 484,194 | 315,337 | 374,350 | 120,428 | 155,452 | 105,727 | 116,974 |
| Investment income (1) | 39,268 | 24,628 | 16,812 | 5,025 | 15,533 | 11,498 | 24,638 | 10,580 | 15,642 | 53,999 |
| Lease and rental | 15,713 | 16,206 | 15,740 | 15,509 | 14,162 | 23,641 | 9,065 | 19,427 | 18,139 | 14,649 |
| Licenses and fines | 7,962 | 8,023 | 8,065 | 8,115 | 8,366 | 8,354 | 8,606 | 8,842 | 10,333 | 40,029 |
| Other | 16,820 | 34,071 | 13,095 | 32,658 | 12,756 | 24,129 | 51,180 | 49,515 | 62,458 | 27,122 |
| Total revenues | 2,316,179 | 2,415,469 | 2,853,413 | 3,065,221 | 3,144,830 | 3,159,292 | 2,967,603 | 3,078,227 | 4,143,431 | 4,245,498 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Administration and other | 377,193 | 295,139 | 356,480 | 431,967 | 405,554 | 263,376 | 344,422 | 616,580 | 315,941 | 371,567 |
| Transportation subsidies | 875,977 | 864,528 | 878,796 | 1,061,239 | 1,314,929 | 1,126,168 | 1,227,936 | 1,256,002 | 1,520,276 | 1,561,397 |
| Principal, interest and fiscal charges | 2,274 | 2,270 | 2,196 | 2,194 | 2,197 | 2,194 | 2,195 | 18,315 | — | — |
| Total expenditures | 1,255,444 | 1,161,937 | 1,237,472 | 1,495,400 | 1,722,680 | 1,391,738 | 1,574,553 | 1,890,897 | 1,836,217 | 1,932,964 |
| Excess of revenues over expenditures | 1,060,735 | 1,253,532 | 1,615,941 | 1,569,821 | 1,422,150 | 1,767,554 | 1,393,050 | 1,187,330 | 2,307,214 | 2,312,534 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers out, net of transfers in | (1,069,267) | (1,070,983) | (1,099,751) | (1,215,764) | (1,939,283) | (2,063,299) | (1,527,676) | (1,297,026) | (1,767,897) | (2,088,931) |
| Total other financing sources (uses) | (1,069,267) | (1,070,983) | (1,099,751) | (1,215,764) | (1,939,283) | (2,063,299) | (1,527.676) | (1,297,026) | (1,767.897) | (2,088.931) |
| Net change in fund balances | $ (8,532) | $ 182,549 | $ 516,190 | $ 354,057 | $ (517,133) | $ (295,745) | $ (134.626) | $ (109,696) | $ 539,317 | $ 223,603 |
| Debt service expenditures expressed as a percentage of non-capital expenditures | 0.18% | 0.20% | 0.18% | 0.15% | 0.13% | 0.16% | 0.14% | 0.98% | 0.00% | 0.00% |

*Source: Comprehensive Annual Financial Report*

*(1) Includes net appreciation (decline) in fair value of investments*
*(2) The significant increase was due to the full settlement of the Grand Central and Redevelopment Housing bonds using proceeds from the settlement of the related notes receivable.*

**Los Angeles County Metropolitan Transportation Authority** *Table 5*
**Governmental Activities**
**Sales Tax Revenues by Source**
**Last Ten Fiscal Years**
**(Modified accrual basis of accounting)**
**(Amounts expressed in thousands)**

| Fiscal Year | Proposition A | | Proposition C | | Measure R | | Measure M | | Transportation Development Act | Other | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2017 | 789,342 | | 789,269 | | 787,891 | | — | | 393,882 | 74,027 | | 2,834,411 |
| 2018 | 836,529 | | 836,545 | | 836,721 | | 826,969 | | 411,672 | 182,696 | | 3,931,132 |
| 2019 | 846,548 | | 846,546 | | 846,793 | | 836,173 | (1) | 420,793 | 195,872 | | 3,992,725 |

*Source: Comprehensive Annual Financial Report*

*(1) Measure M is a voter-approved half-cent sales tax that took effect on July 1, 2017 for the "Los Angeles Improvement Traffic Plan."*
*(2) Measure R is a voter-approved half-cent sales tax that took effect on July 1, 2009 for Los Angeles County to finance new transportation projects and programs.*
*(3) No allocation from the State of California due to budget deficit.*
*(4) The substantial increase was due to one-time accrual of sales tax revenues.*

**Los Angeles County Metropolitan Transportation Authority** *Table 6*
**Business-type Activities – Transit Operations**
**Program Revenues by Source**
**Last Ten Fiscal Years**
**(Accrual basis of accounting)**
**(Amounts expressed in thousands)**

| Fiscal Year | Passenger Fares | Federal Operating Grants | Operating Subsidies | | Auxiliary Transportation/ Route Subsidies | Lease and Rental* | Toll Revenues** | Total |
|---|---|---|---|---|---|---|---|---|
| 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 | *** | 20,639 | 5,929 | 34,665 | 1,237,456 |
| 2015 | 351,648 | 253,422 | 665,998 | *** | 21,606 | 7,691 | 58,083 | 1,358,448 |
| 2016 | 340,274 | 199,956 | 901,770 | *** | 22,647 | 8,134 | 72,801 | 1,545,582 |
| 2017 | 319,345 | 249,188 | 988,046 | *** | 23,940 | 8,588 | 71,270 | 1,660,377 |
| 2018 | 300,042 | 308,469 | 1,767,897 | *** | 42,694 | 9,792 | 69,887 | 2,498,781 |
| 2019 | 265,289 | 319,304 | 2,088,931 | *** | 25,896 | 13,546 | 64,223 | 2,777,189 |

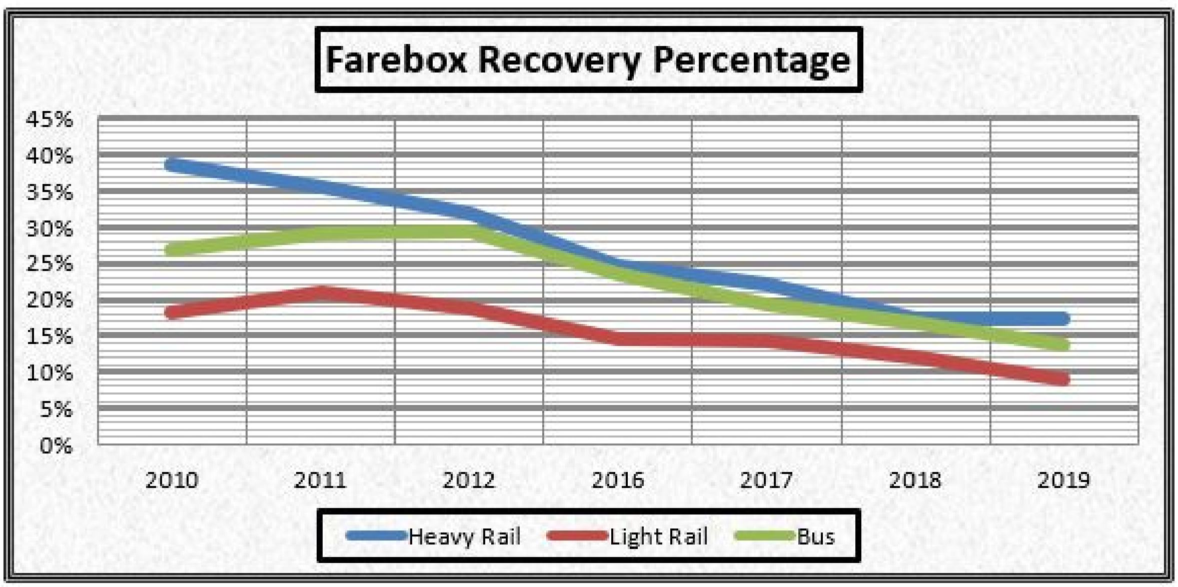
*Source: Comprehensive Annual Financial Report*

* *LACMTA purchased Union Station property in April 2011.*
** *Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10*
*** Net of transfers out

**Los Angeles County Metropolitan Transportation Authority**
**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 |
|---|---|---|---|---|
| 2010 | 39% | 18% | 27% | 27% |
| 2011 | 36% | 21% | 29% | 28% |
| 2012 | 32% | 19% | 29% | 28% |
| 2013 | 30% | 19% | 27% | 26% |
| 2014 | 27% | 17% | 28% | 26% |
| 2015 | 29% | 18% | 27% | 25% |
| 2016 | 25% | 15% | 24% | 22% |
| 2017 | 22% | 14% | 19% | 18% |
| 2018 | 17% | 12% | 17% | 16% |
| 2019 | 17% | 9% | 14% | 13% |




*Source: National Transit Database Report*

## Los Angeles County Metropolitan Transportation Authority

*Table 8*

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

## Last Ten Fiscal Years

## (Amounts expressed in thousands)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | $ 262,992 | $ 325,173 | $ 215,522 | $ 180,432 | $ 316,781 | $ 510,144 | $ 182,066 | $ 215,949 | $ 390,200 | $ 260,420 |
| Interest | 137,187 | 148,131 | 157,942 | 134,724 | 136,318 | 73,027 | 140,575 | 134,289 | 178,055 | 198,952 |
| Total debt service expenditures | $ 400,179 | $ 473,304 | $ 373,464 | $ 315,156 | $ 453,099 | $ 583,171 | $ 322,641 | $ 350,238 | $ 568,255 | $ 459,372 |
| Total general expenditures | $ 3,326,242 | $ 3,397,117 | $ 3,292,896 | $ 3,608,561 | $ 4,000,992 | $ 3,860,834 | $ 3,917,887 | $ 4,137,376 | $ 4,739,916 | $ 4,861,889 |
| Percent of debt service to general expenditures (%) | 12.03% | 13.93% | 11.34% | 8.73% | 11.32% | 15.10% | 8.24% | 8.47% | 11.99% | 9.45% |

*Source: Comprehensive Annual Financial Report*

**Los Angeles County Metropolitan Transportation Authority** *Table 9*

**Historical Debt Service Coverage Ratios – Proposition A, Proposition C, and Measure R**

**Last Ten Fiscal Years**

**(Amounts expressed in thousands)**

| Source | Fiscal Year | Net Sales Tax Revenue | Less Local Return (1) | Amount Available for Debt Service On Sales Tax Bonds | Aggregate Debt Service Requirement | Debt Service Coverage Ratio |
|---|---|---|---|---|---|---|
| Proposition A | 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 |
| | 2017 | 789,342 | 197,336 | 592,006 | 151,473 | 3.91 |
| | 2018 | 836,529 | 209,132 | 627,397 | 134,837 | 4.65 |
| | 2019 | 846,548 | 211,637 | 634,911 | 189,821 (3) | 3.34 |
| Proposition C | 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 |
| | 2017 | 789,269 | 157,854 | 631,415 | 125,320 | 5.04 |
| | 2018 | 836,545 | 167,309 | 669,236 | 158,380 | 4.23 |
| | 2019 | 846,546 | 169,309 | 677,237 | 169,860 (3) | 3.99 |
| 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 |
| | 2017 | 787,891 | 118,184 | 669,707 | 76,438 | 8.76 |
| | 2018 | 836,721 | 125,508 | 711,213 | 92,759 | 7.67 |
| | 2019 | 846,793 | 127,019 | 719,774 | 93,525 | 7.70 |

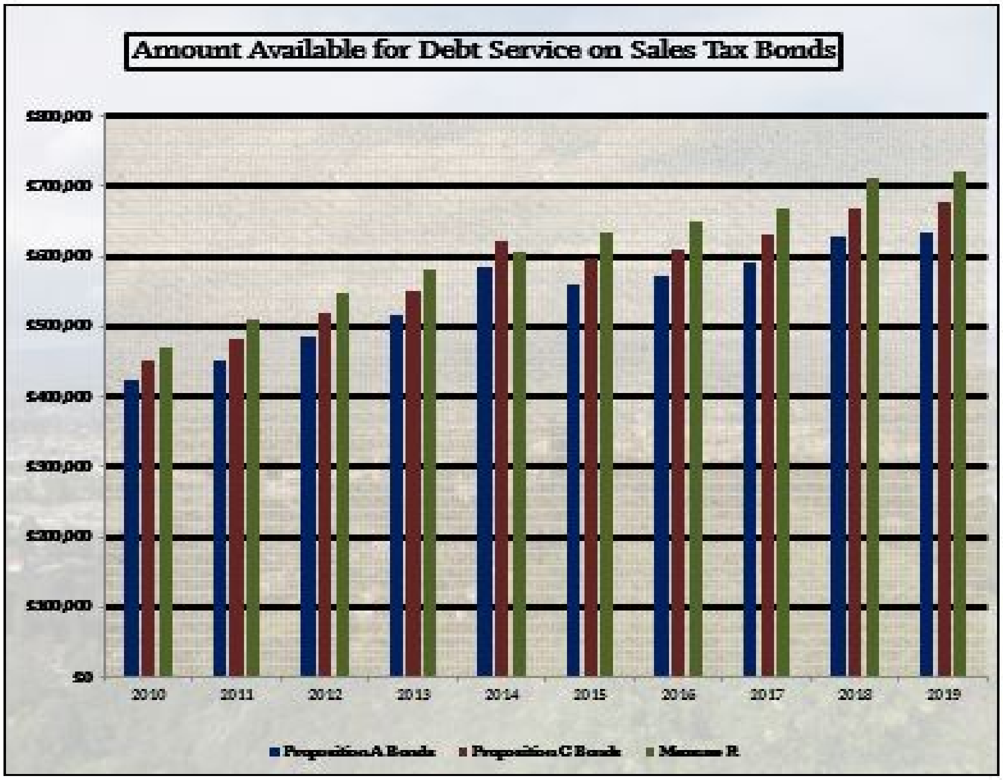
*Source: Comprehensive Annual Financial Report*

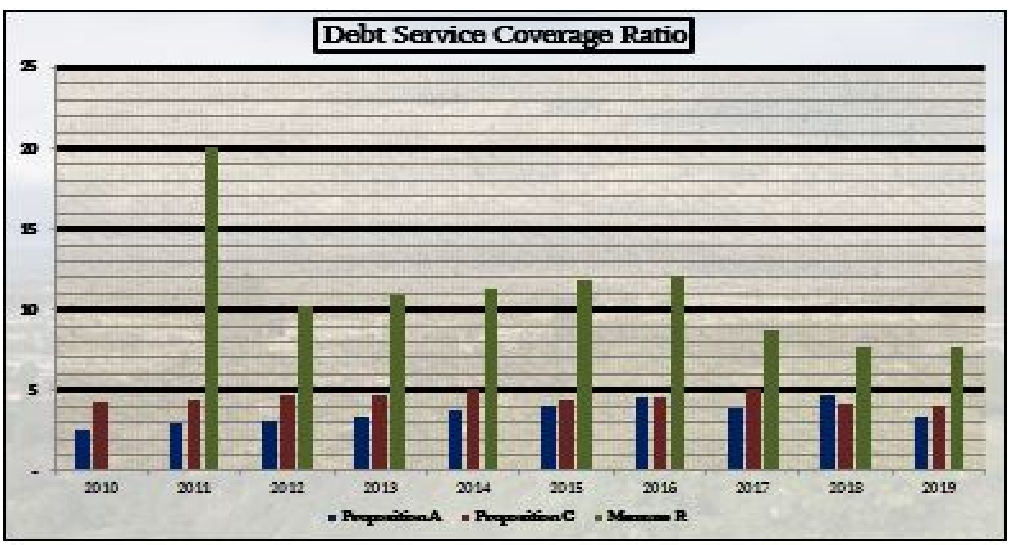
*(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%*

*(2) Measure R took effect on July 1, 2009*

*(3) The increase was due to the increase on the principal payment due for Prop A 2013-A from $19,250 paid on July 1, 2017 to $45,530 paid on July 1, 2018. Also, the principal and interest payments made in FY19 on new bonds issued in the mid part of FY18 contributed to the increase.*

## Los Angeles County Metropolitan Transportation Authority
## Graphical Presentation of Table 9
## Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios



**Los Angeles County Metropolitan Transportation Authority** *Table 10*

**Ratio of Outstanding Debt by Type**

**(Excluding Claims and Compensated Absences)**

**Last Ten Fiscal Years**

**(Amounts expressed in millions except per capita amount)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | | | | | |
| Redevelopment & Housing bonds | $ 24 | $ 23 | $ 22 | $ 21 | $ 20 | $ 19 | $ 18 | $ — | $ — | $ — |
| Total Governmental activities | 24 | 23 | 22 | 21 | 20 | 19 | 18 | — | — | — |
| Business-type activities | | | | | | | | | | |
| Sales tax revenue and refunding bonds | 2,834 | 3,448 | 3,361 | 3,107 | 3,237 | 3,037 | 2,810 | 3,717 | 4,497 | 4,938 |
| Lease/leaseback obligation | 912 | 851 | 785 | 815 | 718 | 468 | 425 | 228 | 238 | 176 |
| General revenue bonds | 185 | 166 | 161 | 155 | 149 | 142 | 113 | 106 | 98 | 89 |
| Commercial paper and revolving lines of credit | 144 | 144 | 34 | 148 | 139 | 84 | 385 | 194 | 178 | 211 |
| Capitalized lease | 5 | 2 | 0.8 | — | — | — | — | — | — | — |
| Capital grant receipts revenue bonds | 90 | — | — | — | 5 | 4 | 2 | 1 | — | — |
| Notes obligation - TIFIA (CPC) | — | — | — | — | — | 37 | 488 | 567 | 581 | 595 |
| Total Business-type activities | 4,170 | 4,611 | 4,342 | 4,225 | 4,248 | 3,772 | 4,223 | 4,813 | 5,592 | 6,009 |
| Total Primary government | $ 4,194 | $ 4,634 | $ 4,364 | $ 4,246 | $ 4,268 | $ 3,791 | $ 4,241 | $ 4,813 | $ 5,592 | $ 6,009 |
| Percentage of Personal Income* | 0.99% | 1.02% | 0.90% | 0.88% | 0.83% | 0.70% | 0.75% | n/a | n/a | n/a |
| Per Capita* | $ 426.26 | $ 467.94 | $ 438.73 | $ 422.24 | $ 421.57 | $ 373.31 | $ 414.52 | n/a | n/a | n/a |

*Source: Comprehensive Annual Financial Report*

* *See the Schedule of Demographic and Economic Statistics for population and personal income data*

*n/a - Data for 2017, 2018 and 2019 were not available.*

## Los Angeles County Metropolitan Transportation Authority
## Demographic and Economic Statistics
## Last Ten Calendar 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) |
|---|---|---|---|---|---|---|---|
| 2010 | 9,839 | 37,339 | 116,942,334 | | 424,813,015 | 43 | 12.5% |
| 2011 | 9,903 | 37,676 | 126,440,737 | | 454,935,533 | 46 | 12.2% |
| 2012 | 9,947 | 38,038 | 135,295,582 | | 486,733,508 | 49 | 10.9% |
| 2013 | 10,056 | 38,367 | 140,079,708 | | 483,578,594 | 48 | 9.8% |
| 2014 | 10,124 | 38,725 | 147,446,927 | | 512,846,779 | 51 | 8.2% |
| 2015 | 10,155 | 38,907 | 151,033,781 | * | 544,324,900 | 54 | 6.6% |
| 2016 | 10,231 | 39,501 | 154,208,333 | | 563,907,868 | 55 | 5.2% |
| 2017 | n/a | n/a | n/a | | n/a | n/a | n/a |
| 2018 | n/a | n/a | n/a | | n/a | n/a | n/a |
| 2019 | n/a | n/a | n/a | | n/a | n/a | n/a |

*Source:*

*(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*
*Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016*
*Note - All dollar estimates are not adjusted for inflation*
*Last updated: November 16, 2017 - new estimates for 2016; revised estimates for 2014-2015*
*(4) California Employment Development Labor Market Information Division, not seasonally adjusted*
** Updated based on 2015 publication (State Board of Equalization)*

*n/a - Data for 2018 and 2019 were not available*

**Los Angeles County Metropolitan Transportation Authority** *Table 12*

**Ten Largest Employers in Los Angeles County**

**Last Ten Fiscal Years**

**(Not in thousands)**

| | 2014* | | | 2016* | | | 2017* | | | 2018* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Major Employers** | **Number of Employees** | **Rank** | **Percentage of Total Employment** | **Number of Employees** | **Rank** | **Percentage of Total Employment** | **Number of Employees** | **Rank** | **Percentage of Total Employment** | **Number of Employees** | **Rank** | **Percentage of Total Employment** |
| County of Los Angeles | 96,500 | 1 | 2.10% | 107,500 | 1 | 2.25% | 108,500 | 1 | 2.27 % | 107,400 | 1 | 2.24% |
| Los Angeles Unified School District | 59,600 | 2 | 1.30% | 90,800 | 2 | 1.90% | 90,800 | 2 | 1.90 % | 104,300 | 2 | 2.18% |
| City of Los Angeles (including DWP) (1) | 46,900 | 3 | 1.02% | 49,500 | 3 | 1.04% | 61,900 | 3 | 1.29 % | 61,900 | 3 | 1.29% |
| University of California, Los Angeles | 44,000 | 4 | 0.96% | 46,200 | 4 | 0.97% | 63,500 | 4 | 1.33 % | 65,600 | 4 | 1.37% |
| Federal Government (Non-Defense Dept.) (1) | 43,400 | 5 | 0.94% | 45,000 | 5 | 0.94% | 43,900 | 5 | 0.92 % | 43,600 | 5 | 0.91% |
| Kaiser Permanente | 36,000 | 6 | 0.78% | 36,900 | 6 | 0.77% | 36,400 | 6 | 0.76 % | 37,400 | 6 | 0.78% |
| State of California (non-education) | 29,200 | 7 | 0.64% | 29,900 | 7 | 0.63% | 30,000 | 7 | 0.63 % | 29,800 | 7 | 0.62% |
| University of Southern California | — | — | — | 18,900 | 8 | 0.40% | 20,100 | 8 | 0.42 % | 21,000 | 8 | 0.44% |
| Northrop Grumman Corp | 17,000 | 8 | 0.37% | 16,600 | 9 | 0.35% | 16,600 | 9 | 0.35 % | 16,600 | 9 | 0.35% |
| Target Corp | 15,000 | 9 | 0.33% | 15,000 | 10 | 0.31% | 15,000 | 10 | 0.31 % | 15,000 | 10 | 0.31% |
| Providence Health & Services | 15,000 | 10 | 0.33% | — | — | — | — | — | — | — | — | — |
| Total ten largest employers | 402,600 | | 8.77% | 456,300 | | 9.56% | 486,700 | | 10.16 % | 502,600 | | 10.49% |
| All other employers | 4,190,400 | | 91.23% | 4,322,500 | | 90.44% | 4,395,400 | | 89.84 % | 4,393,900 | | 89.51% |
| Total Employment in LA County ** | 4,593,000 | | 100.00% | 4,778,800 | | 100.00% | 4,882,100 | | 100.00 % | 4,896,500 | | 100% |

*Source:*
*(1) Includes U.S. Postal Service*
* *Los Angeles Almanac research*
** *California Employment Development Department, Labor Market Information Division*

*Note: Information for 2008, 2009, 2010, 2012, 2013, 2015, and 2019 are not available*

**Los Angeles County Metropolitan Transportation Authority** *Table 13*

**Los Angeles County Taxable Transactions by Type of Business**

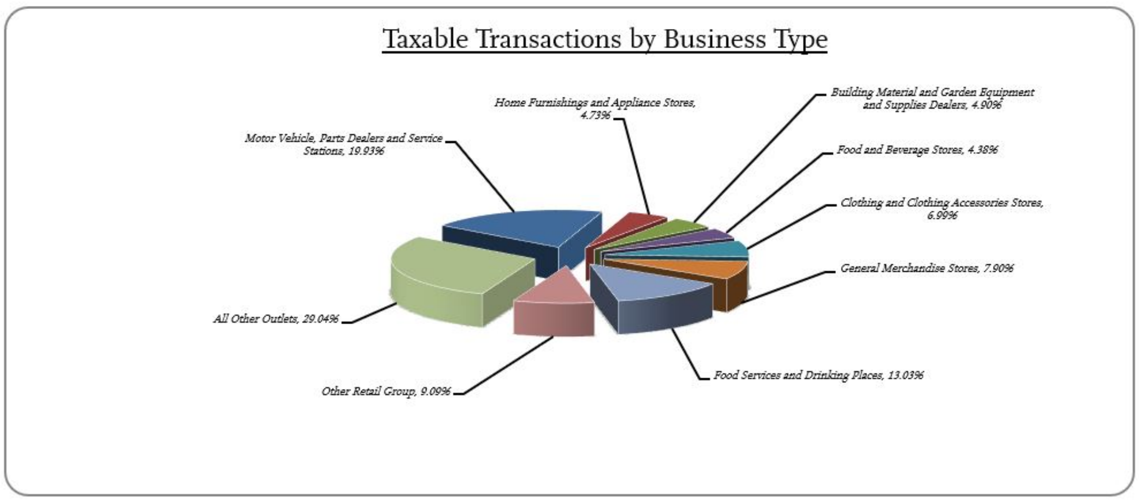
**Last Ten Calendar Years**

**(Amounts expressed in millions)**

| Type of Business | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Motor vehicle, parts dealers and service stations | $ 22,298 | $ 26,081 | $ 28,517 | $ 29,361 | $ 29,830 | $ 29,526 | $28,640 | $7,150 | n/a | n/a |
| Home furnishings and appliance stores | 5,612 | 5,738 | 6,013 | 6,145 | 6,775 | 7,833 | 7,842 | 1,864 | n/a | n/a |
| Building material and garden equipment, and supplies dealers | 6,130 | 6,307 | 6,511 | 6,558 | 6,971 | 7,403 | 7,688 | 1,837 | n/a | n/a |
| Food and beverage stores | 5,405 | 5,591 | 5,825 | 6,052 | 6,280 | 6,689 | 6,696 | 1,649 | n/a | n/a |
| Clothing and clothing accessories stores | 7,608 | 8,357 | 9,167 | 9,927 | 10,561 | 10,974 | 11,414 | 2,513 | n/a | n/a |
| General merchandise stores | 10,369 | 10,866 | 11,158 | 11,464 | 11,557 | 10,913 | 10,905 | 2,670 | n/a | n/a |
| Food services and drinking places | 14,291 | 15,287 | 16,512 | 17,482 | 18,964 | 20,606 | 22,002 | 5,557 | n/a | n/a |
| Other retail group | 10,462 | 11,024 | 11,616 | 12,653 | 13,250 | 14,202 | 14,808 | 3,529 | n/a | n/a |
| All other outlets | 34,767 | 37,189 | 39,977 | 40,439 | 43,257 | 42,886 | 44,211 | 10,665 | n/a | n/a |
| Total | $ 116,942 | $ 126,440 | $ 135,296 | $ 140,081 | $ 147,445 | $ 151,032 | $ 154,206 | $ 37,434 | n/a | n/a |

*Source: California State Board of Equalization, Table 3 Taxable Sales in California Counties by Type of Business*

*n/a - Data not available.*



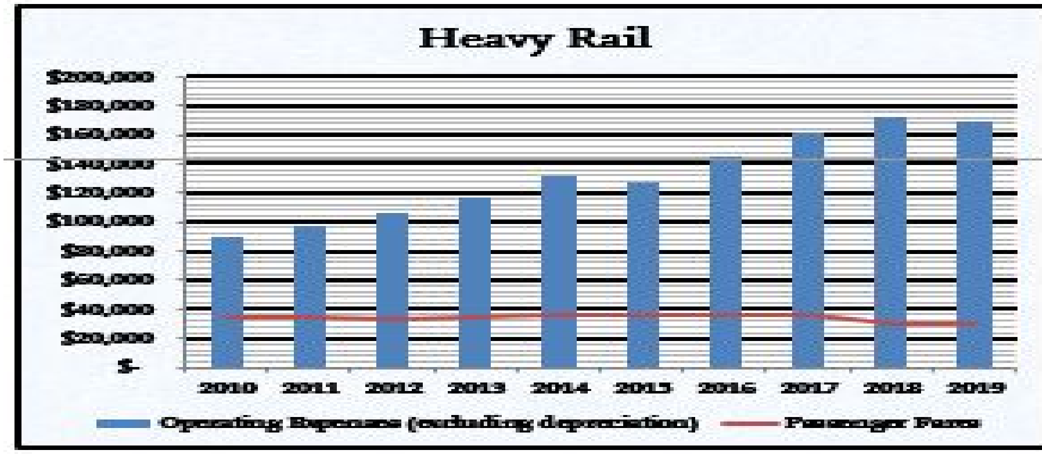
**Los Angeles County Metropolitan Transportation Authority** *Table 14*
**Business-type Activities – Transit Operations**
**Operating Indicators by Mode**
**Last Ten Fiscal Years**
**(Amounts expressed in thousands for Passenger fares and Operating expenses)**

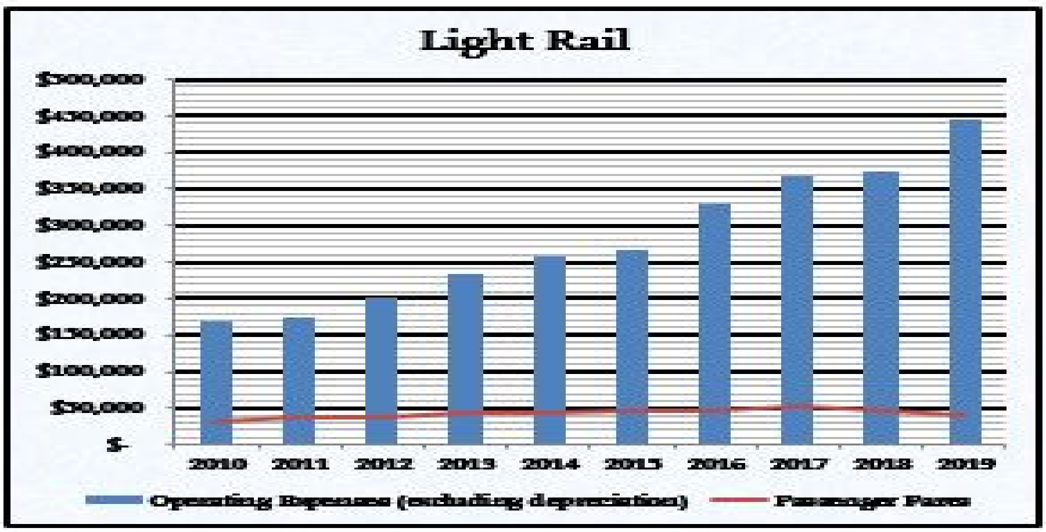
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PASSENGER FARES: | | | | | | | | | | |
| Heavy Rail | $ 34,983 | $ 34,789 | $ 33,665 | $ 34,753 | $ 35,300 | $ 36,338 | $ 35,789 | $ 35,622 | $ 29,806 | $ 29,276 |
| Light Rail | 30,725 | 36,627 | 37,778 | 44,565 | 44,412 | 47,902 | 47,807 | 52,570 | 45,452 | 40,576 |
| Bus* | 250,719 | 274,557 | 272,571 | 260,692 | 277,162 | 267,408 | 256,678 | 231,153 | 202,820 | 176,153 |
| *OPERATING EXPENSES (excluding depreciation):* | | | | | | | | | | |
| Heavy Rail | $ 90,320 | $ 97,631 | $ 105,620 | $ 117,006 | $ 132,142 | $ 127,153 | $ 145,450 | $ 161,559 | $ 171,688 | $ 168,453 |
| Light Rail | 167,915 | 174,704 | 201,416 | 234,856 | 257,979 | 265,702 | 328,351 | 366,355 | 375,017 | 446,369 |
| Bus* | 945,990 | 956,784 | 924,512 | 956,306 | 980,176 | 994,171 | 1,087,236 | 1,199,762 | 1,216,614 | 1,288,261 |
| PASSENGER MILES TRAVELLED: | | | | | | | | | | |
| Heavy Rail | 231,936 | 226,974 | 231,684 | 237,760 | 254,440 | 236,023 | 224,277 | 228,179 | 210,105 | 207,665 |
| Light Rail | 333,334 | 337,518 | 366,233 | 408,032 | 412,776 | 386,901 | 427,260 | 495,532 | 495,012 | 462,756 |
| Bus* | 1,486,802 | 1,492,820 | 1,519,263 | 1,496,480 | 1,494,524 | 1,444,741 | 1,337,680 | 1,196,313 | 1,158,789 | 1,149,053 |
| VEHICLE/PASSENGER CAR REVENUE MILES: | | | | | | | | | | |
| Heavy Rail | 5,885 | 5,908 | 6,156 | 6,865 | 7,067 | 6,977 | 6,884 | 7,010 | 6,976 | 6,874 |
| Light Rail | 9,646 | 10,155 | 11,153 | 13,239 | 13,863 | 13,702 | 13,746 | 16,699 | 17,999 | 17,757 |
| Bus* | 87,128 | 81,489 | 76,390 | 75,465 | 75,664 | 75,207 | 76,159 | 74,129 | 73,176 | 73,046 |
| VEHICLE/PASSENGER CAR REVENUE HOURS: | | | | | | | | | | |
| Heavy Rail | 257 | 259 | 269 | 302 | 320 | 319 | 316 | 321 | 318 | 314 |
| Light Rail | 429 | 458 | 519 | 654 | 685 | 680 | 663 | 789 | 866 | 867 |
| Bus* | 7,432 | 7,084 | 6,804 | 6,810 | 6,946 | 6,972 | 7,067 | 6,935 | 6,904 | 6,342 |
| BUSES/RAIL CARS: | | | | | | | | | | |
| Heavy Rail | 104 | 104 | 104 | 104 | 104 | 104 | 104 | 104 | 104 | 104 |
| Light Rail | 158 | 167 | 169 | 171 | 171 | 171 | 196 | 246 | 300 | 298 |
| Bus* | 2,727 | 2,405 | 2,429 | 2,453 | 2,420 | 2,457 | 2,438 | 2,439 | 2,402 | 2,420 |
| PASSENGER STATIONS: | | | | | | | | | | |
| Heavy Rail | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Light Rail | 53 | 53 | 66 | 66 | 66 | 66 | 79 | 79 | 79 | 79 |
| Bus* | 30 | 36 | 37 | 49 | 49 | 49 | 56 | 58 | 58 | 61 |

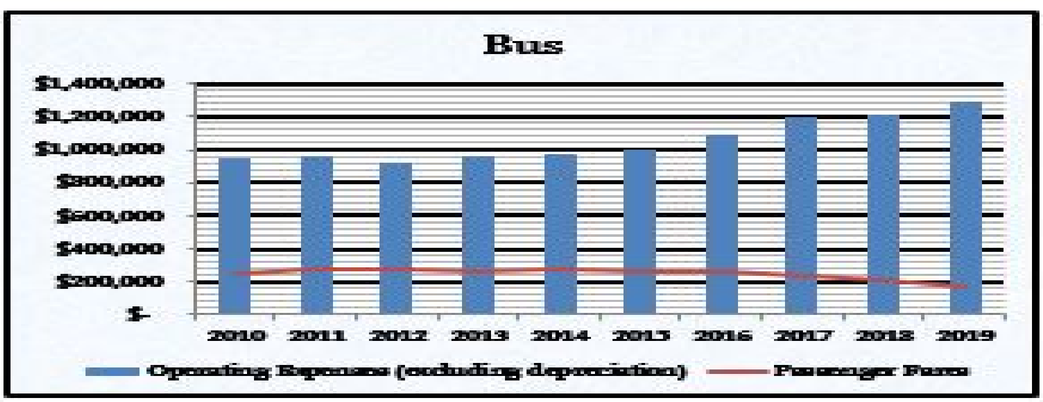
Source: National Transit Database Report

* *Includes Purchase Transportation and Orange Line*
*(1) Increase was due to the opening of the EXPO and Gold Line Foothill light rail extension lines.*

**Los Angeles County Metropolitan Transportation Authority**
**Graphical Presentation of Table 14**
**Passenger Fares and Operating Expenses by Mode**
**(Amounts expressed in thousands)**



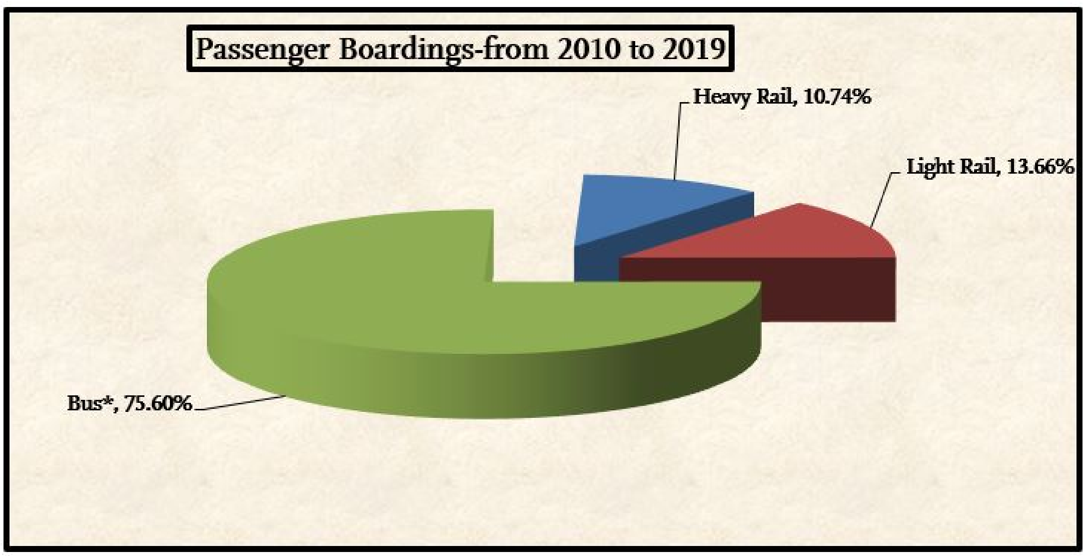



**Los Angeles County Metropolitan Transportation Authority** *Table 15*
**Business-type Activities – Transit Operations**
**Passenger Boardings by Mode**
**Last Ten Fiscal Years**
**(Boardings expressed in thousands)**

| Fiscal Year | Heavy Rail | Light Rail | Bus * | Total |
|---|---|---|---|---|
| 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 | 453,476 |
| 2016 | 46,003 | 62,085 | 320,870 | 428,958 |
| 2017 | 45,632 | 67,764 | 289,999 | 403,395 |
| 2018 | 43,752 | 66,387 | 280,794 | 390,933 |
| 2019 | 43,074 | 59,655 | 273,507 | 376,236 |

*Source: National Transit Database Report*

** Includes Purchased Transportation and Orange Line*



**Los Angeles County Metropolitan Transportation Authority** ***Table 16***

**Business-type Activities – Transit Operations**
**Operating Expenses by Function (Bus and Rail)**
**Last Ten Fiscal Years**
**(Amounts expressed in thousands)**

| **Fiscal Year** | Operations | Vehicle Maintenance | Non-Vehicle Maintenance | General Administration | Depreciation | **Total** |
|---|---|---|---|---|---|---|
| 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 | 823,416 | 320,398 | 99,128 | 331,476 | 482,908 | 2,057,326 |
| 2017 | 888,989 | 339,290 | 119,431 | 395,589 | 577,633 | 2,320,932 |
| 2018 | 913,002 (1) | 370,176 (1) | 121,833 (1) | 372,297 (1) | 599,439 | 2,376,747 |
| 2019 | 988,815 | 384,536 | 151,159 | 393,948 | 555,633 | 2,474,091 |

*(1) Updated*

*Source: National Transit Database Report*

See accompanying independent auditor's report.

## Los Angeles County Metropolitan Transportation Authority
## Full-Time Equivalent Employees by Function (not in thousands)
## Last Ten Fiscal Years

*Table 17*

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Metro Operations | 7,678 | 7,324 | 7,344 | 7,477 | 7,571 | 7,585 | 7,859 | 7,807 | 7,891 | 8,061 |
| Countywide Planning & Development | 124 | 84 | 103 | 98 | 101 | 156 | 161 | 163 | 162 | 166 |
| Construction Project Management | 118 | 128 | 171 | 157 | 180 | 193 | 205 | 254 | 293 | 307 |
| Communications | 228 | 210 | 196 | 199 | 194 | 271 | 278 | 285 | 314 | 328 |
| Support Services | 831 | 713 | 722 | 757 | 765 | 612 | 690 | 697 | 699 | 721 |
| Chief Executive Office | 179 | 175 | 209 | 285 | 314 | 428 | 482 | 532 | 571 | 594 |
| Board of Directors | 43 | 37 | 38 | 38 | 37 | 36 | 39 | 38 | 38 | 40 |
| Total | 9,201 | 8,671 | 8,783 | 9,011 | 9,162 | 9,281 | 9,714 | 9,776 | 9,968 | 10,217 |

*Source: Adopted Budget*

## Los Angeles County Metropolitan Transportation Authority

*Table 18*

## Business-type Activities – Transit Operations
## Revenues and Operating Assistance
## Comparison to Transit Industry Trend
## Percent to Total
## Last Ten Fiscal Years

| | Operations | | | Operating Assistance | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Passenger Fares | Other | Subtotal | Federal | State | Local | Subtotal | Total |
| **Transportation Industry (1)** | | | | | | | | |
| 2010 | 32% | 6% | 38% | 9% | 25% | 28% | 62% | 100% |
| 2011 | 33% | 5% | 38% | 10% | 24% | 28% | 62% | 100% |
| 2012 | 32% | 5% | 37% | 9% | 26% | 28% | 63% | 100% |
| 2013 | 32% | 4% | 36% | 9% | 26% | 29% | 64% | 100% |
| 2014 | 32% | 4% | 36% | 9% | 25% | 30% | 64% | 100% |
| 2015 | * | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * | * |
| 2018 | * | * | * | * | * | * | * | * |
| 2019 | * | * | * | * | * | * | * | * |
| **LACMTA (2)** | | | | | | | | |
| 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 | 23% | 4% | 27% | 16% | 7% | 50% | 73% | 100% |
| 2015 | 23% | 6% | 29% | 16% | 6% | 49% | 71% | 100% |
| 2016 | 21% | 7% | 28% | 12% | 6% | 54% | 72% | 100% |
| 2017 | 18% | 6% | 24% | 13% | 3% | 60% | 76% | 100% |
| 2018 | 16% | 2% | 18% | 16% | 11% | 55% | 82% | 100% |
| 2019 | 14% | 3% | 17% | 17% | 23% | 43% | 83% | 100% |

* *Data not available*

*Source:*
1) *APTA 2019 Public Transportation Fact Book*
2) *National Transit Database Report*

**Los Angeles County Metropolitan Transportation Authority** *Table 19*

**Business-type Activities – Transit Operations**

**Operating Expenses by Function**

**Comparison to Transit Industry Trend**

**Percent to Total**

**Last Ten Fiscal Years**

| Fiscal Year | Vehicle Operations | Vehicle Maintenance | Non-Vehicle Maintenance | General Administration | Purchased Transportation | Total** |
|---|---|---|---|---|---|---|
| Transportation Industry (1) | | | | | | |
| 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 | 43% | 16% | 11% | 16% | 14% | 100% |
| 2016 | 42% | 16% | 11% | 17% | 14% | 100% |
| 2017 | 42% | 16% | 12% | 16% | 14% | 100% |
| 2018 | * | * | * | * | * | * |
| 2019 | * | * | * | * | * | * |
| LACMTA (2) | | | | | | |
| 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% |
| 2017 | 50% | 19% | 7% | 21% | 3% | 100% |
| 2018 | 49% | 21% | 6% | 20% | 4% | 100% |
| 2019 | 50% | 20% | 8% | 19% | 3% | 100% |

* *Data not available*
** *Excludes depreciation*
*Source:*
1) *APTA 2019 Public Transportation Fact Book*
2) *National Transit Database Report*

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Metro®

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## APPENDIX C

## LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The Measure R 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. The information in this Appendix is historic in nature and generally predates the COVID-19 pandemic. It is not possible to predict whether the trends shown below will continue in the future. See "INTRODUCTION—Impact of Global COVID-19 Outbreak."

### Los Angeles County

As of January 1, 2020, the County had an estimated population of over 10.1 million. Los Angeles County is the largest County in the country by population, and includes over a quarter of the State of California's (the "State") population. The County covers 4,084 square miles, and includes 88 incorporated cities, with over 9.2 million residents, as well as unincorporated communities with over one million residents.

### Population

The table below summarizes the populations of the County and State, estimated as of January 1 of each year. The population estimates for 2010 and later incorporate 2010 Census counts as the benchmark.

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**Table C-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 | 0.62% | 35,869,173 | 1.15% |
| 2010 | 9,818,605 | 0.00 | 37,253,956 | 0.76 |
| 2011 | 9,885,948 | 0.69 | 37,594,781 | 0.91 |
| 2012 | 9,972,649 | 0.88 | 37,971,427 | 1.00 |
| 2013 | 10,040,960 | 0.68 | 38,321,459 | 0.92 |
| 2014 | 10,098,952 | 0.58 | 38,622,301 | 0.79 |
| 2015 | 10,155,753 | 0.56 | 38,952,462 | 0.85 |
| 2016 | 10,185,851 | 0.30 | 39,214,803 | 0.67 |
| 2017 | 10,226,920 | 0.40 | 39,504,609 | 0.74 |
| 2018 | 10,254,658 | 0.27 | 39,740,508 | 0.60 |
| 2019 | 10,184,378 | (0.69) | 39,695,376 | (0.11) |
| 2020 | 10,172,951 | (0.11) | 39,782,870 | 0.22 |

[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, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2020.

**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 final unemployment figures for June 2020 of 14.9% statewide and 19.4% for Los Angeles County (seasonally adjusted).

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**Table C-2**
**ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Civilian Labor Force** | | | | | |
| County of Los Angeles | | | | | |
| Employed | 4,671,100 | 4,789,300 | 4,883,600 | 4,898,100 | 4,894,300 |
| Unemployed | 331,200 | 265,400 | 240,300 | 239,000 | 227,300 |
| **Total** | 5,002,300 | 5,054,700 | 5,123,900 | 5,137,100 | 5,121,600 |
| **Unemployment Rates** | | | | | |
| County | 6.6% | 5.3% | 4.7% | 4.7% | 4.4% |
| State | 6.2 | 5.5 | 4.8 | 4.2 | 4.0 |
| United States | 5.3 | 4.9 | 4.4 | 3.9 | 3.7 |

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.

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.

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**Table C-3**
**LOS ANGELES COUNTY**
**ESTIMATED 2019 INDUSTRY EMPLOYMENT**[1]

| | County | | State of California | |
|---|---|---|---|---|
| | Number of Employees | % of Total | Number of Employees | % of Total |
| Total Farm | 4,500 | 0.1% | 424,100 | 2.4% |
| Mining and Logging | 1,900 | 0.0 | 22,500 | 0.1 |
| Construction | 149,300 | 3.3 | 882,600 | 4.9 |
| Manufacturing | 339,200 | 7.4 | 1,322,500 | 7.4 |
| Trade, Transportation and Utilities | 851,500 | 18.6 | 3,051,900 | 17.1 |
| Information | 217,300 | 4.8 | 562,600 | 3.2 |
| Financial Activities | 223,900 | 4.9 | 841,200 | 4.7 |
| Professional and Business Services | 642,800 | 14.1 | 2,721,100 | 15.2 |
| Educational and Health Services | 843,600 | 18.5 | 2,803,400 | 15.7 |
| Leisure and Hospitality | 544,700 | 11.9 | 2,033,200 | 11.4 |
| Other Services | 158,400 | 3.5 | 576,100 | 3.2 |
| Government | 594,200 | 13.0 | 2,608,000 | 14.6 |
| Total[2] | 4,571,400 | 100.0% | 17,849,200 | 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 C-2.
Source: California Employment Development Department, Labor Market Information Division. Based on March 2019 Benchmark report released March 27, 2020.

## 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 from 2014 to 2018 and both the State and United States from 2014 to 2019.

**Table C-4**
**COUNTY, STATE AND U.S.**
**PERSONAL INCOME**

| Year and Area | Personal Income[1] (thousands of dollars) | Per Capita Personal Income[1] (dollars) |
|---|---|---|
| **2014** | | |
| County[2] | $524,856,923 | $52,233 |
| State[3] | 2,021,038,500 | 52,363 |
| United States[3] | 14,982,715,000 | 47,071 |
| **2015** | | |
| County[2] | $560,086,671 | $55,470 |
| State[3] | 2,171,947,400 | 55,808 |
| United States[3] | 15,709,242,000 | 48,994 |
| **2016** | | |
| County[2] | $578,154,382 | $57,127 |
| State[3] | 2,263,889,800 | 57,801 |
| United States[3] | 16,111,636,000 | 49,890 |
| **2017** | | |
| County[2] | $597,597,564 | $59,058 |
| State[3] | 2,370,112,400 | 60,219 |
| United States[3] | 16,870,106,000 | 51,910 |
| **2018** | | |
| County[2] | $628,808,732 | $62,224 |
| State[3] | 2,514,129,300 | 63,711 |
| United States[3] | 17,813,035,000 | 54,526 |
| **2019** | | |
| County[2] | -- | -- |
| State[3] | $2,633,925,500 | $66,661 |
| United States[3] | 18,599,062,400 | 56,663 |

[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 14, 2019-new statistics for 2018; revised statistics for 2014-2017. Source: U.S. Bureau of Economic Analysis, "Table CAINC1 - Personal Income Summary" (accessed May 27, 2020).
[3] Last updated: March 24, 2020-new statistics for 2019; revised statistics for 2014-2018. Source: U.S. Bureau of Economic Analysis, "Table SAINC1 - Personal Income Summary" (accessed May 27, 2020).

### Retail Sales

The following table sets forth taxable sales for the County for calendar years 2015 through 2019.

**Table C-5**
**COUNTY OF LOS ANGELES**
**TAXABLE SALES**
**(in thousands)**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Motor Vehicle and Parts Dealers | $18,058,173 | $18,502,763 | $18,564,128 | $18,935,861 | $18,940,224 |
| Home Furnishings and Appliance Stores | 7,832,717 | 7,842,401 | 7,608,635 | 7,536,953 | 7,247,948 |
| Building Material & Garden Equipment & Supplies Dealers | 7,402,869 | 7,688,704 | 8,033,660 | 8,446,279 | 8,662,435 |
| Food and Beverage Stores | 6,522,672 | 6,696,653 | 6,922,478 | 7,106,527 | 7,248,714 |
| Gasoline Stations | 11,635,839 | 10,137,302 | 10,962,033 | 12,553,326 | 12,386,743 |
| Clothing and Clothing Accessories Stores | 10,974,322 | 11,413,847 | 11,554,496 | 12,258,410 | 12,526,793 |
| General Merchandise Stores | 10,912,560 | 10,904,814 | 11,249,712 | 12,583,909 | 12,906,976 |
| Food Services and Drinking Places | 20,605,855 | 22,002,191 | 23,198,676 | 24,016,431 | 25,056,194 |
| Other Retail Group | 14,202,014 | 14,808,367 | 15,186,560 | 15,707,358 | 17,161,638 |
| Total Retail and Food Services | 108,147,021 | 109,997,043 | 113,280,347 | 119,145,054 | 122,137,665 |
| All other outlets[1] | 42,886,760 | 44,211,290 | 45,979,009 | 46,878,742 | 49,638,663 |
| TOTAL ALL OUTLETS[2] | $151,033,781 | $154,208,333 | $159,259,356 | $166,023,796 | $171,776,328 |

[1] Primarily manufacturing and wholesale businesses.
[2] Items may not add to totals due to rounding.
Source: California Department of Tax and Fee Administration, Research and Statistics Division.

## APPENDIX D

## SUMMARY OF LEGAL DOCUMENTS

*The Series 2020-A Green Bonds will be issued pursuant to and secured under the Junior Subordinate Trust Agreement, to be dated as of August 1, 2020 (the "Junior Subordinate Trust Agreement"), by and between the Los Angeles County Metropolitan Transportation Authority (the "Authority") and the Trustee, including as supplemented by the First Supplemental Junior Subordinate Trust Agreement, to be dated as of August 1, 2020 (the "First Supplemental Junior Subordinate Trust Agreement," and together with the Junior Subordinate Trust Agreement, the "Trust Agreement"), by and between the Authority and the Trustee.*

## TRUST AGREEMENT; DEFINITIONS

*The following is a brief summary of certain provisions of the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement and is supplemental to the summary of other provisions of such documents elsewhere in this Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the full text of the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement. Copies of said documents are available from the Authority.*

The following terms, as used in the Trust Agreement and in this summary, have the meanings set forth below.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date plus the amount of daily interest accrued from such preceding compounding date to the date of determination.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Trust Agreement providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Trust Agreement.

"Act" means the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Annual Debt Service" means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Junior Subordinate Bonds and Junior Subordinate Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Obligations if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by the Authority for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Authority or (ii) the Tax Expiration Date, based on a fixed interest rate equal to the rate at which the Authority could borrow for such period, as set forth in a certificate of a consultant, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within 30 days of the date of calculation.

"Authority" means the Los Angeles County Metropolitan Transportation Authority, a county transportation commission duly organized and existing pursuant to the Authority Act.

"Authority Act" means Sections 130050.2 et seq., including Sections 130350.4 and 130350.5, of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Authorized Denomination" means, with respect to any Series of Junior Subordinate Bonds, any denomination authorized by the Supplemental Trust Agreement under which such Junior Subordinate Bonds are issued.

"Authorized Representative" means the Chair, any Vice Chair, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Executive Officer--Finance and any Deputy Executive Officer--Finance, or any such officer serving in an acting or interim capacity, or any other person designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative (other than such designated person).

"Beneficial Owner" means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Junior Subordinate Bond, including, without limitation, any Person holding Junior Subordinate Bonds through nominees or depositories, including the Securities Depository.

"Board" means the Board of Directors of the Authority.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"Bond Register" has the meaning given to such term in the Trust Agreement.

"Bondholder" or "Holder," whenever used in the Trust Agreement with respect to a Junior Subordinate Bond, means the person in whose name such Junior Subordinate Bond is registered.

"Business Day" means, except as is otherwise provided in the Supplemental Trust Agreement pursuant to which a Series of Junior Subordinate Bonds is issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Junior Subordinate Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, or (3) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means the Junior Subordinate Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Junior Subordinate Bonds and on which interest is compounded and paid at maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative. If and to the extent required each such instrument shall include the statements provided for in the Trust Agreement.

"CDTFA" means the California Department of Tax and Fee Administration, which collects the Measure R Sales Tax.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

"Consultant" means any accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, retained by the Authority to perform acts and carry out the duties provided for such Consultant in the Trust Agreement. Such accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, shall be nationally recognized within its profession for work of the character required.

"Continuing Disclosure Certificate" means, with respect to each Series of Junior Subordinate Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated on or about the date of issuance of such Series of Junior Subordinate Bonds, executed by the Authority, as the same may be supplemented, modified or amended in accordance with its terms.

"Corporate Trust Office" or corporate trust office means the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or such other or additional offices as may be designated by the Trustee from time to time.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of a Series of Junior Subordinate Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Junior Subordinate Bonds, general marketing expenses, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Junior Subordinate Bonds, surety, insurance, credit enhancement and liquidity costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Junior Subordinate Bonds, and any other cost, charge or fee in connection with the initial delivery of a Series of Junior Subordinate Bonds or any Junior Subordinate Obligations delivered in connection with a Series of Junior Subordinate Bonds.

"Costs of Issuance Fund" means a fund by that name established pursuant to the provisions of a Supplemental Trust Agreement to pay Costs of Issuance with respect to a Series of Junior Subordinate Bonds being issued pursuant to such Supplemental Trust Agreement.

"Costs" or "Costs of the Project" means, as applied to a Project or portion thereof financed under the Trust Agreement, the definition set forth in the Act, to wit, all or any part of the cost of construction and acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a Project, the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed, the cost of all machinery and equipment, vehicles, rolling stock, financing charges, interest prior to, during and for a period after completion of construction as determined by the Authority, provisions for working capital, reserves for principal and interest, and for extensions, enlargements, additions, replacement, renovations and improvements, the cost of architectural, engineering, financial and legal services, plans, specifications, estimates and administrative expenses and other expenses necessary or incidental to the determination of the feasibility of constructing any Project or incidental to the construction, acquisition or financing of any Project and, with respect to the use of Junior Subordinate Bond proceeds, such other costs and expenses as are permitted by the Act at the time such Junior Subordinate Bonds are issued.

"Counterparty" means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

"County" means the County of Los Angeles, California.

"Credit Enhancement" means, with respect to a Series of Junior Subordinate Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Junior Subordinate Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

"Credit Provider" means, with respect to a Series of Junior Subordinate Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Junior Subordinate Bonds.

"Current Interest Bonds" means the Junior Subordinate Bonds of any Series designated as Current Interest Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Junior Subordinate Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

"Debt Service," when used with respect to any Obligations means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest becoming due and payable on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto provided such interest is being paid from the same source as the Excluded Principal Payments) shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (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 Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation;

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 150% of the SIFMA Swap Index during the five years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the Authority in connection with the issuance of an additional Series of Junior Subordinate Bonds or Junior Subordinate Obligations or any calculation of the Reserve Requirement;

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Authority filed with the Trustee in connection with the issuance of an additional Series of Junior Subordinate Bonds or Junior Subordinate Obligations or any calculation of the Reserve Requirement, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Authority under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Authority under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the Authority under such Interest Rate Swap Agreement or in connection with such Obligations shall be included in the calculation of Debt Service;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Authority under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Authority, or, if not based on an identifiable index, then the SIFMA Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the Authority in connection with the issuance of an additional Series of Junior Subordinate Bonds or Junior Subordinate Obligations or any calculation of the Reserve Requirement;

(G) if any Obligations feature an option on the part of the owners or an obligation under the terms of such Obligations to tender all or a portion of such Obligations to the Authority, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity;

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Junior Subordinate Pledged Revenues then held on deposit by the Trustee or from other amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest;

(I) with respect to Obligations bearing interest that is subject to a federal subsidy and such subsidy is not included as Junior Subordinate Pledged Revenues but instead is applied directly to offset the interest due on such Obligations, the interest rate on such Obligations shall be assumed to be the rate net of such subsidy; and

(J) if the Obligations are Paired Obligations, the interest rate on such Obligations shall be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

"Defeasance Securities" means: (i) direct, non-callable obligations of the United States Treasury, (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs, (iv) non-callable and non-prepayable refunded bonds that are obligations of the United States of America; (v) Resolution Funding Corporation (REFCORP) bonds and strips; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes are "Aaa"-rated and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States Treasury Securities — State and Local Government Series (SLGS); (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating of "Aaa"); and (ix) any pre-refunded municipal security that is non-callable or has been irrevocably called for redemption and is rated "Aaa" at the time of deposit, which carries a fixed interest rate and matures or is to be redeemed on a date certain and is secured by an escrow containing securities listed in (i) through (viii) above.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Event of Default" means any of the events specified in the Trust Agreement.

"Excluded Principal Payment" means each payment of principal of such Obligations that the Authority determines (in a Certificate of the Authority) that the Authority intends to pay with moneys that are not Pledged Revenues, Subordinate Pledged Revenues or Junior Subordinate Pledged Revenues but from future debt obligations of the Authority, grants or loans from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Authority, upon which determination of the Authority the Trustee may conclusively rely. No such determination shall affect the security for such Obligations or the obligation of the Authority to pay such payments from Pledged Revenues, Subordinate Pledged Revenues or Junior Subordinate Pledged Revenues, as applicable, or amounts on deposit in the Reserve Fund, if any. No payment of principal of Obligations may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

"Expenditure Plan" means the Expenditure Plan adopted as part of the Ordinance, including any future amendments thereto.

“Fees and Expenses” means fees and expenses those payable from the Fees and Expenses Fund in accordance with the Senior Trust Agreement.

“Fees and Expenses Fund” means the fund by that name established pursuant to the Senior Trust Agreement.

“First Supplemental Junior Subordinate Trust Agreement” means the First Supplemental Junior Subordinate Trust Agreement, dated as of August 1, 2020, between the Authority and the Trustee, supplementing the Trust Agreement.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority, which designation shall be provided to the Trustee in a Certificate delivered by the Authority.

“Fitch” means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Holder” or “Bondholder,” whenever used in the Trust Agreement with respect to a Junior Subordinate Bond, means the person in whose name such Junior Subordinate Bond is registered.

“Insurance” means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Junior Subordinate Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“Insurer” means any provider of Insurance with respect to a Series of Junior Subordinate Bonds.

“Interest Fund” means the fund by that name established pursuant to the Trust Agreement.

“Interest Payment Date” with respect to each Series of Junior Subordinate Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

“Interest Rate Swap Agreement” means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Authority and a Counterparty, in connection with or incidental to, the issuance or carrying of Junior Subordinate Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Junior Subordinate Bonds and designated by the Authority in a Certificate or Supplemental Trust Agreement as a Junior Subordinate Obligation.

“Investment Securities” means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Federal Farm Credit System, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and Standard & Poor's;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive

of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated "AA" or higher by Standard & Poor's;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 102% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities, in each case rated in the highest short-term Rating Categories by both Moody's and Standard & Poor's; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's; provided that if the long-term ratings falls below the two highest long-term Rating Categories by either Moody's or Standard & Poor's then (i) collateral shall be posted which is (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; or (ii) the agreement shall terminate;

(14) forward delivery agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in any of the three highest long-term Rating Categories by both Moody's and Standard & Poor's that calls for delivery of securities as outlined in clauses (1), (2) or (3) of the definition of Investment Securities, provided that if the long-term ratings falls below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(15) collateralized investment agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's provided that the agreement is fully secured by obligations described in items (1), (2) or (3) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; and further provided that if the long-term ratings of the counterparty fall below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(16) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (15) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(17) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(18) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and Standard & Poor's, which purchases may not exceed 270 days maturity;

(19) the pooled investment fund of the County of Los Angeles, California, which is administered in accordance with the investment policy of said County as established by the Treasurer-Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer-Tax Collector; and

(20) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Trust Agreement.

"Junior Subordinate Bond" or "Junior Subordinate Bonds" means the Series 2020-A Bonds and any other indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes and other obligations issued under the provisions of Article III of the Trust Agreement. "Junior Subordinate Bond" or "Junior Subordinate Bonds" shall not include any Junior Subordinate Obligations incurred by the Authority as permitted by the Trust Agreement.

"Junior Subordinate Obligations" means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses on Interest Rate Swap Agreements and Swap Termination Payments, which fees and expenses and Swap Termination Payments shall be secured by a lien and charge on the Junior Subordinate Pledged Revenues subordinate to the lien and charge upon Junior Subordinate Pledged Revenues that secures the Junior Subordinate Bonds) entered into in connection with a Series of Junior Subordinate Bonds, in each case incurred in accordance with provisions under the Trust Agreement, and in each case having an equal lien and charge upon the Junior Subordinate Pledged Revenues and therefore being payable on a parity with the Junior Subordinate Bonds (whether or not any Junior Subordinate Bonds are Outstanding).

"Junior Subordinate Obligations Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Junior Subordinate Pledged Revenues" means (i) all Pledged Tax Revenues deposited or required to be deposited in the Junior Subordinate Obligations Fund in accordance with the Senior Trust Agreement and transferred by the Senior Trustee to the Trustee for deposit in the Junior Subordinate Revenue Fund and (ii) all Swap Revenues; provided, however, that after making the required monthly deposits of Junior Subordinate Pledged Revenues from the Junior Subordinate Revenue Fund pursuant to the Trust Agreement, any remaining amounts transferred to the Authority pursuant to the Trust Agreement shall be released from the lien of the Trust Agreement and shall no longer constitute Junior Subordinate Pledged Revenues. Junior Subordinate Pledged Revenues shall also include such additional sources of revenue, if any, pledged to pay the Junior Subordinate Bonds as set forth in a Supplemental Trust Agreement.

"Junior Subordinate Revenue Fund" means the Junior Subordinate Revenue Fund established pursuant to the Trust Agreement.

"Letter of Credit Account" means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Junior Subordinate Bonds, which account shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Liquidity Facility" means, with respect to a Series of Junior Subordinate Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Junior Subordinate Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

"Liquidity Facility Bonds" means any Junior Subordinate Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Junior Subordinate Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

"Liquidity Facility Rate" means, with respect to a Series of Junior Subordinate Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Junior Subordinate Bonds.

"Liquidity Provider" means, with respect to a Series of Junior Subordinate Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Junior Subordinate Bonds.

"Local Return" means 15% of the Measure R Sales Tax (net of refunds and the administrative fee of the CDTFA and net of the Authority's administrative costs permitted under the Ordinance), calculated on an annual basis, which 15% is, under the Ordinance, allocated to local jurisdictions for street improvements and transit purposes.

"Mandatory Sinking Account Payment" means, with respect to Junior Subordinate Bonds of any Series and maturity, the amount required by the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds to be deposited by the Authority in a Sinking Account for the payment of principal of Term Bonds of such Series and maturity.

"Maturity Date" means, with respect to a Series of Junior Subordinate Bonds, the date of maturity or maturities specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service becoming due and payable on all Obligations outstanding during the period from the date of such calculation through the final maturity date of the Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

"Maximum Interest Rate" means, with respect to all Junior Subordinate Bonds other than Liquidity Facility Bonds, the lesser of (i) 12% per annum and (ii) the maximum rate of interest that may legally be paid on the Junior Subordinate Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

"Measure R Sales Tax" means the retail transactions and use tax imposed by the Ordinance and approved by a vote of more than two-thirds of the electors of the County at an election held November 4, 2008.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term

"Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Notice Parties" means, as and to the extent applicable, the Authority, the Trustee, the Credit Provider, if any, for the Series of Junior Subordinate Bonds to which the notice being given relates, the auction agent, if any, for the Series of Junior Subordinate Bonds to which the notice being given relates, the broker-dealer, if any, for the Series of Junior Subordinate Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Junior Subordinate Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Junior Subordinate Bonds to which the notice being given relates.

"Obligations" means Senior Obligations, Subordinate Obligations, Junior Subordinate Bonds and Junior Subordinate Obligations, as the context requires.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

"Ordinance" means Ordinance No. 08-01, including the Expenditure Plan, adopted by the Authority on July 24, 2008, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Authority Act from time to time and that is designated as the "Ordinance" pursuant to a Supplemental Trust Agreement, as such future ordinance may be amended or extended pursuant to the Authority Act or other applicable law.

"Outstanding," when used as of any particular time with reference to Junior Subordinate Bonds, means (subject to the provisions of the Trust Agreement) all Junior Subordinate Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Trust Agreement except: (1) Junior Subordinate Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Junior Subordinate Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Trust Agreement, including Junior Subordinate Bonds (or portions of Junior Subordinate Bonds) referred to in the Trust Agreement; and (3) Junior Subordinate Bonds for the transfer or exchange of or in lieu of or in substitution for which other Junior Subordinate Bonds shall have been authenticated and delivered by the Trustee pursuant to the Trust Agreement; provided, however, that in the event the principal of or interest due on any Junior Subordinate Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Junior Subordinate Bonds, such Junior Subordinate Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Authority and the pledge of Junior Subordinate Pledged Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

"Paired Obligations" means any Series (or portion thereof) of Obligations designated as Paired Obligations in the Supplemental Trust Agreement or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) 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 (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the term of such Obligations.

"Participating Underwriter" means any of the original underwriters of a Series of Junior Subordinate Bonds required to comply with Rule 15c2-12.

"Person" means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pledged Revenues" shall have the meaning given to such term in the Senior Trust Agreement.

"Pledged Tax Revenues" means the amounts collected on account of the Measure R Sales Tax (i) less any refunds and the administrative fee deducted by the CDTFA and (ii) less the Local Return.

"Principal Fund" means the fund by that name established pursuant to the Trust Agreement.

"Principal Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

"Project" means capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition and also including, without limitation, administrative, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter, and expenses for all proceedings for the authorization, issuance and sale of Junior Subordinate Bonds.

"Project Fund" means the fund or funds by that name established pursuant to the Trust Agreement to hold the proceeds of a Series of Junior Subordinate Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Junior Subordinate Bonds.

"Proportionate Basis," when used with respect to the redemption of Junior Subordinate Bonds, means that the amount of Junior Subordinate Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Junior Subordinate Bonds of such maturity bears to the amount of all Bond Obligation of Junior Subordinate Bonds to be redeemed, provided, however that, any Junior Subordinate Bond may only be redeemed in an Authorized Denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Junior Subordinate Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Junior Subordinate Bonds, which fund shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Rating Agency" means, as and to the extent applicable to a Series of Junior Subordinate Bonds, each of Fitch, Moody's and Standard & Poor's or any other nationally recognized rating agency then maintaining a rating on such Series of Junior Subordinate Bonds at the request of the Authority.

"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 that fund by that name established pursuant to the Trust Agreement.

"Rebate Instructions" means, with respect to any Series of Junior Subordinate Bonds bearing interest that is excludible from the gross income of the Holders thereof for federal income tax purposes, those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate delivered in connection with such Series of Junior Subordinate Bonds.

"Rebate Requirement" means, with respect to any Series of Junior Subordinate Bonds bearing interest that is excludible from the gross income of the Holders thereof for federal income tax purposes, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Junior Subordinate Bonds.

"Record Date," with respect to each Series of Junior Subordinate Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Redemption Fund" means the fund by that name established pursuant to the Trust Agreement.

"Redemption Price" means, with respect to any Junior Subordinate Bond (or portion thereof) the Bond Obligation of such Junior Subordinate Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Junior Subordinate Bond and the Trust Agreement.

"Refunding Bonds" means a Series of Junior Subordinate Bonds or a portion of a Series of Junior Subordinate Bonds issued pursuant to the provisions set forth in the Trust Agreement to refund any Obligations.

"Repository" means the Municipal Securities Rulemaking Board and any other public or private entity designated as a Repository in a Continuing Disclosure Certificate executed and delivered in connection with a Series of Junior Subordinate Bonds.

"Reserve Facility" means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Supplemental Trust Agreement establishing the related Reserve Fund, and delivered to the Trustee in satisfaction of all or a portion of the Reserve Requirement applicable to one or more Series of Junior Subordinate Bonds.

"Reserve Facility Provider" means any issuer of a Reserve Facility.

"Reserve Fund" means any fund by that name established with respect to one or more Series of Junior Subordinate Bonds pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Reserve Requirement" with respect to a Series of Junior Subordinate Bonds for which the Authority shall have established a Reserve Fund shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

"Securities Depository" means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Authority may designate in a Request of the Authority delivered to the Trustee.

"Senior Bonds" means Bonds as defined in the Senior Trust Agreement.

"Senior Obligations" means, collectively, all Senior Bonds and Senior Parity Obligations outstanding under the Senior Trust Agreement.

"Senior Parity Obligations" means Parity Obligations as defined in the Senior Trust Agreement.

"Senior Trust Agreement" means the Second Amended and Restated Trust Agreement, dated as of August 1, 2020, between the Authority and the Senior Trustee.

"Senior Trustee" mean U.S. Bank National Association, as trustee under the Senior Trust Agreement, and any successor.

"Serial Bonds" means Junior Subordinate Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used in the Trust Agreement with respect to Junior Subordinate Bonds, means all of the Junior Subordinate Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Junior Subordinate Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Junior Subordinate Bonds.

"Series 2020-A Bonds" means, collectively, the Series 2020-A-1 Bonds, the Series 2020-A-2 Bonds and the Series 2020-A-3 Bonds, also identified generally as the Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds), authorized by, and at any time Outstanding pursuant to, the Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement.

"Series 2020-A-1 Bonds" means the "Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A-1 (Green Bonds)" issued under the First Supplemental Junior Subordinate Trust Agreement.

"Series 2020-A-2 Bonds" means the "Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A-2 (Green Bonds)" issued under First Supplemental Junior Subordinate Trust Agreement.

"Series 2020-A-3 Bonds" means the "Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A-3 (Green Bonds)" issued under First Supplemental Junior Subordinate Trust Agreement.

"SIFMA Swap Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

"Sinking Account" means an account by that name established in the Principal Fund pursuant to the Trust Agreement for the payment of Term Bonds.

"Standard & Poor's" or "S&P" means S&P Global Ratings, and its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"State" means the State of California.

"Subordinate Obligations" shall have the meaning given that term in the Subordinate Trust Agreement.

"Subordinate Pledged Revenues" shall have the meaning given that term in the Subordinate Trust Agreement.

"Subordinate Trust Agreement" means the Trust Agreement, dated as of November 1, 2015, between the Authority and the Subordinate Trustee.

"Subordinate Trustee" means U.S. Bank National Association, as trustee under the Subordinate Trust Agreement, and any successor.

"Supplemental Trust Agreement" means any supplemental trust agreement hereafter duly executed and delivered, supplementing, modifying or amending the Trust Agreement, but only if and to the extent that such supplemental trust agreement is authorized specifically under the Trust Agreement.

"Swap Revenues" means all regularly-scheduled amounts (but not termination payments) owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such Counterparty under such Interest Rate Swap Agreement.

"Swap Termination Payments" means the aggregate amount payable to the Counterparty by the Authority upon termination prior to stated maturity of all or a portion of the Interest Rate Swap Agreement, net of all amounts payable to the Authority by such Counterparty upon early unwind of all or a portion of such Interest Rate Swap Agreement. For the avoidance of doubt, all calculations of such amounts payable under the Interest Rate Swap Agreements shall be made in accordance with the terms of the applicable Interest Rate Swap Agreement.

"Tax Certificate" means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Junior Subordinate Bonds bearing interest that purports to be excludible from the gross income of the Holders thereof for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

"Tax Expiration Date" means June 30, 2039, or such later date to which the levy of the Measure R Sales Tax is extended in accordance with the Authority Act or other applicable law.

"Term Bonds" means Junior Subordinate Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trust Agreement" means the Junior Subordinate Trust Agreement, dated as of August 1, 2020, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Trust Agreement.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor.

"Variable Rate Indebtedness" means any indebtedness, including Junior Subordinate Bonds and Junior Subordinate Obligations, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

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## JUNIOR SUBORDINATE TRUST AGREEMENT

*The following is a summary of certain provisions of the Junior Subordinate Trust 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 Junior Subordinate Trust Agreement.*

### Authorization of Junior Subordinate Bonds

Junior Subordinate Bonds may be issued under the Trust Agreement as fully registered bonds without coupons, in book-entry form or otherwise, from time to time as the issuance thereof is approved by the Authority. The maximum principal amount of Junior Subordinate Bonds which may be issued under the Trust Agreement is not limited; subject, however, to any limitations contained in the Act and the Ordinance and to the right of the Authority, which is hereby reserved, to limit the aggregate principal amount of Junior Subordinate Bonds which may be issued or Outstanding. The Junior Subordinate Bonds are designated generally as "Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Junior Subordinate Bonds. The Junior Subordinate Bonds may be issued in such Series as from time to time shall be established and authorized by the Authority, subject to the covenants, provisions and conditions contained in the Trust Agreement.

### Terms of the Junior Subordinate Bonds

The Junior Subordinate Bonds of each Series shall bear interest, if any, at such rate or rates or determined in such manner and payable at such intervals as may be determined by the Authority at the time of issuance thereof pursuant to the Supplemental Trust Agreement under which issued, not to exceed the Maximum Interest Rate, and shall mature and become payable on such date or dates and in such year or years as the Authority may determine by the Supplemental Trust Agreement creating such Series; provided that no Junior Subordinate Bond shall have a Maturity Date later than the Tax Expiration Date. Principal of and interest on such Junior Subordinate Bonds shall be payable in such manner as may be specified in the Supplemental Trust Agreement creating such Series. The Junior Subordinate Bonds of each Series shall be issued in such denominations as may be authorized by the Supplemental Trust Agreement creating such Series.

Unless otherwise provided in the Supplemental Trust Agreement delivered in connection with such Series of Junior Subordinate Bonds, the Junior Subordinate Bonds of each Series shall be initially registered in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one bond certificate for each maturity of each Series of Junior Subordinate Bonds. Registered ownership of any Series of Junior Subordinate Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Trust Agreement, or in the event the use of the Securities Depository is discontinued, in accordance with the provisions set forth in the Trust Agreement.

### Form of Junior Subordinate Bonds

The Junior Subordinate Bonds of any Series shall be in such form or forms as may be specified in the Supplemental Trust Agreement creating such Series. All Junior Subordinate Bonds shall contain on the face thereof a statement to the following effect:

Neither the faith and the credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or any public agency, other than the Los Angeles County

Metropolitan Transportation Authority to the extent of the Junior Subordinate Pledged Revenues, is pledged to the payment of the principal (or face amount, as applicable) of, or interest on, this obligation.

**Execution of Junior Subordinate Bonds**

The Junior Subordinate Bonds shall be executed in the name and on behalf of the Authority by the facsimile or manual signature of one or more of its Authorized Representatives. Unless otherwise provided in any Supplemental Trust Agreement, the Junior Subordinate Bonds shall then be delivered to the Trustee for authentication by the Trustee. In case any of the officers who shall have signed or attested any of the Junior Subordinate Bonds shall cease to be such officer or officers of the Authority before the Junior Subordinate Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Junior Subordinate Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Junior Subordinate Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Junior Subordinate Bond shall be the proper officers of the Authority although at the nominal date of such Junior Subordinate Bond any such person shall not have been such officer of the Authority.

Except as may be otherwise be provided in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Junior Subordinate Bonds, only such of the Junior Subordinate Bonds as shall bear thereon a certificate of authentication substantially in the form recited in the Supplemental Trust Agreement creating such Series of Junior Subordinate Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Trust Agreement, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the Junior Subordinate Bonds so authenticated have been duly executed, authenticated and delivered under the Trust Agreement and are entitled to the benefits of the Trust Agreement.

**Transfer of Junior Subordinate Bonds**

Any Junior Subordinate Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the Trust Agreement, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Junior Subordinate Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any Junior Subordinate Bond or Junior Subordinate Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Junior Subordinate Bond or Junior Subordinate Bonds, of the same Series, tenor, maturity and interest rate and a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Trust Agreement, no registration of transfer may occur during the period established by the Trustee for selection of Junior Subordinate Bonds for redemption, or of any Junior Subordinate Bond or portion of a Junior Subordinate Bond so selected for redemption. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

**Exchange of Junior Subordinate Bonds**

Junior Subordinate Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, maturity and interest rate; provided that, unless otherwise provided in any Supplemental Trust Agreement, no exchange may occur during the period established by the Trustee for selection of Junior Subordinate Bonds for redemption, or of any Junior Subordinate Bond or portion of a Junior Subordinate Bond so selected for redemption. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

**Bond Register**

Unless otherwise provided in a Supplemental Trust Agreement delivered in connection with a Series of Junior Subordinate Bonds, the Trustee will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of each Series of Junior Subordinate Bonds (the "Bond Register"), which shall at all times be open to inspection during normal business hours by the Authority and each Credit Provider upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Junior Subordinate Bonds as provided in the Trust Agreement.

**Temporary Junior Subordinate Bonds**

The Junior Subordinate Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Junior Subordinate Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of the Trust Agreement as may be appropriate. A temporary Junior Subordinate Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Junior Subordinate Bonds maturing on such date. Every temporary Junior Subordinate Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Junior Subordinate Bonds. If the Authority issues temporary Junior Subordinate Bonds the Authority will execute and deliver definitive Junior Subordinate Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Junior Subordinate Bonds an equal aggregate principal amount of definitive Junior Subordinate Bonds of authorized denominations of the same Series, tenor and maturity or maturities. Until so exchanged, the temporary Junior Subordinate Bonds shall be entitled to the same benefits under the Trust Agreement as definitive Junior Subordinate Bonds authenticated and delivered under the Trust Agreement.

**Junior Subordinate Bonds Mutilated; Lost; Destroyed or Stolen**

If any Junior Subordinate Bond shall become mutilated, the Authority, at the expense of the Holder of said Junior Subordinate Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Junior Subordinate Bond of like Series, tenor, maturity and interest rate in exchange and substitution for the Junior Subordinate Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Junior Subordinate Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Authority. If any Junior Subordinate Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Junior Subordinate Bond of like Series, tenor, maturity and interest rate in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Junior Subordinate Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Authority may require payment of a sum not exceeding the actual cost of preparing each new Junior Subordinate Bond issued under the Trust Agreement and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Junior Subordinate Bond issued under the provisions of the Trust Agreement in lieu of any Junior Subordinate Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Junior Subordinate Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Trust Agreement with all other Bonds secured by the Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original Junior Subordinate Bond and any replacement Junior Subordinate Bond as being Outstanding for the purpose of determining the principal amount of Junior Subordinate Bonds which may be issued under the Trust Agreement or for the purpose of determining any percentage of Junior Subordinate Bonds Outstanding, but both the original and replacement Junior Subordinate Bond shall be treated as one and the same.

**Use of Securities Depository**

Unless otherwise provided in a Supplemental Trust Agreement delivered in connection with a Series of Junior Subordinate Bonds, notwithstanding any provision of the Trust Agreement to the contrary:

(A) The Junior Subordinate Bonds shall be delivered and registered as provided in the Trust Agreement. Registered ownership of any Series of Junior Subordinate Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (each, a "substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Authority upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Authority that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any Person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Authority that it is in the best interests of the Authority to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A) above, upon receipt of the Outstanding Junior Subordinate Bonds by the Trustee, together with a Statement of the Authority to the Trustee, a single new Junior Subordinate Bond for each maturity of each Series of Junior Subordinate Bonds then Outstanding shall be executed and delivered in the aggregate principal amount of the Junior Subordinate Bonds of such Series then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Authority. In the case of any transfer pursuant to clause (3) of subsection (A) hereof, upon receipt of the Outstanding Junior Subordinate Bonds by the Trustee together with the Statement of the Authority to the Trustee, new Junior Subordinate Bonds of each Series then Outstanding shall be authorized and prepared by the Authority and authenticated and delivered by the Trustee in such authorized denominations and registered in the names of such Persons as are requested in such a Statement of the Authority, numbered in such manner as the Trustee shall determine, subject to the limitations of the Trust Agreement.

(C) In the case of partial redemption or an advance refunding of any Series of the Junior Subordinate Bonds evidencing all or a portion of such amount Outstanding, the Securities Depository shall make an appropriate notation on such Junior Subordinate Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) The Authority and the Trustee shall be entitled to treat the Person in whose name any Junior Subordinate Bond is registered as the Bondholder thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the Junior Subordinate Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Junior Subordinate Bond.

(E) So long as the Outstanding Junior Subordinate Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of, redemption premium, if any, purchase price and interest on the Junior Subordinate Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

**Issuance of Junior Subordinate Bonds**

Whenever the Authority shall determine to issue a Series of Junior Subordinate Bonds under the Trust Agreement, the Authority (i) shall authorize the execution of a Supplemental Trust Agreement specifying the principal amount, and prescribing the forms of Junior Subordinate Bonds of such Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on such Junior Subordinate Bonds, and any other provisions respecting the Junior Subordinate Bonds of such Series not inconsistent with the terms of the Trust Agreement, (ii) shall execute such Supplemental Trust Agreement and (iii) shall deliver such Supplemental Trust Agreement to the Trustee for execution.

**Issuance of Additional Junior Subordinate Bonds**

Subsequent to the issuance of the Series 2020-A Bonds, the Authority may by Supplemental Trust Agreement establish one or more additional Series of Junior Subordinate Bonds, payable from Junior Subordinate Pledged Revenues and secured by the pledge made under the Trust Agreement equally and ratably with the Series 2020-A Bonds, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Junior Subordinate Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only, with respect to each additional Series of Junior Subordinate Bonds issued subsequent to the Series 2020-A Bonds issued under the First Supplemental Junior Subordinate Trust Agreement, upon compliance by the Authority with the requirements described in the Trust Agreement and any additional requirements set forth in said Supplemental Trust Agreement and subject to the specific conditions set forth below, each of which is a condition precedent to the issuance of any such additional Series of Junior Subordinate Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the Trust Agreement, in the event a Supplemental Trust Agreement providing for the issuance of such Series shall require either (i) the establishment of a Reserve Fund to provide additional security for such Series of Junior Subordinate Bonds or (ii) that the balance on deposit in an existing Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Reserve Requirement with respect to such Series of Junior Subordinate Bonds and all other Junior Subordinate Bonds secured by such Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Junior Subordinate Bonds, the Supplemental Trust Agreement providing for the issuance of such additional Series of Junior Subordinate Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such additional Series of Junior Subordinate Bonds and may be made from the proceeds of the sale of such Series of Junior Subordinate Bonds or from other funds of the Authority or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Junior Subordinate Bonds issued under the Trust Agreement shall not exceed any limitation imposed by the Ordinance or any other law or by any Supplemental Trust Agreement. The Authority shall file with the Trustee a Certificate of the Authority certifying that the issuance of such additional Series of Junior Subordinate Bonds and the expected use of proceeds thereof is in compliance with the Trust Agreement.

(D) The Authority shall file with the Trustee a certificate prepared by a Consultant showing that the amount of Pledged Revenues (excluding Swap Revenues) collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Series of Junior Subordinate Bonds will become Outstanding shall have been at least equal to 1.50 times Maximum Annual Debt Service on all Obligations then Outstanding and the additional Series of Junior Subordinate Bonds then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based.

(E) Principal payments of each additional Series of Junior Subordinate Bonds shall be due on June 1 or December 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Junior Subordinate Bond to be issued, and, if the interest on such Series of Junior Subordinate Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Junior Subordinate Bond to be issued.

Nothing in the Trust Agreement contained shall prevent or be construed to prevent the Supplemental Trust Agreement providing for the issuance of an additional Series of Junior Subordinate Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Trust Agreement, additional security for the benefit of such additional Series of Junior Subordinate Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Junior Subordinate Pledged Revenues" by a Supplemental Trust Agreement, such additional assets or revenues shall be included in the calculations to be provided in subsection (D) above as if the Authority had received such additional assets or revenues as "Junior Subordinate Pledged Revenues" during all relevant periods of calculation.

**Proceedings for Issuance of Additional Junior Subordinate Bonds**

Subsequent to the issuance of the Series 2020-A Bonds, before any additional Series of Junior Subordinate Bonds shall be issued and delivered, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Junior Subordinate Bonds have been satisfied).

(A) A Supplemental Trust Agreement authorizing such Series executed by the Authority.

(B) A Certificate of the Authority certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Trust Agreement regarding issuance of Additional Junior Subordinate Bonds have been satisfied by the Authority.

(C) A Certificate of the Authority certifying (on the basis of computations made as of the date of sale of such Series of Junior Subordinate Bonds) that the additional bonds test of the Trust Agreement is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with the Trust Agreement and that such Series of Junior Subordinate Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

**Issuance of Refunding Bonds**

(A) Refunding Bonds may be authorized and issued by the Authority without compliance with requirements of the Trust Agreement for the issuance of Additional Junior Subordinate Bonds and Junior Subordinate Obligations; provided that the Trustee shall have been provided with a certificate of a Consultant to the effect that Maximum Annual Debt Service on all Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Junior Subordinate Bonds or outstanding Junior Subordinate Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Junior Subordinate Bonds or outstanding Junior Subordinate Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the Authority to a Counterparty after offset for any payments made to the Authority from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Junior Subordinate Bonds or Junior Subordinate Obligations to be refunded;

(4) interest on all Outstanding Junior Subordinate Bonds or outstanding Junior Subordinate Obligations to be refunded to the date such Junior Subordinate Bonds or Junior Subordinate Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Junior Subordinate Obligations to be refunded; and

(6) funding a Reserve Fund for the Refunding Bonds, if required.

(B) Before such Series of Refunding Bonds shall be issued and delivered pursuant to the requirements described in this section captioned "Issuance of Refunding Bonds,", the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Trust Agreement authorizing such Series of Refunding Bonds executed by the Authority.

(2) A Certificate of the Authority certifying that the requirements of the Trust Agreement are satisfied.

(3) If any of the Junior Subordinate Bonds or other Obligations to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Junior Subordinate Bonds or other Obligations to be redeemed, or proof that such notice has been given by the Authority; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Junior Subordinate Bonds or other Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Junior Subordinate Bonds or other Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of the Trust Agreement shall be construed to require the redemption of Junior Subordinate Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with the Trust Agreement and that such Series of Refunding Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

(5) The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the Order of the Authority to the retirement of the Outstanding Junior Subordinate Bonds or Junior Subordinate Obligations for the refunding of which said Refunding Bonds are to be issued, and the other expenses of the Trust Agreement. All Junior Subordinate Bonds or Junior Subordinate Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Junior Subordinate Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith canceled and shall not be reissued.

**Limitations on the Issuance of Obligations Payable from Pledged Revenues**

As a condition to the issuance of any additional Obligations payable from and secured by Pledged Revenues, Subordinate Pledged Revenues or Junior Subordinate Pledged Revenues, the Authority shall file with the Trustee, the Senior Trustee and the Subordinate Trustee a certificate prepared by a Consultant showing that the amount of Pledged Revenues collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Obligations will become outstanding shall have been at least equal to 1.00 times Maximum Annual Debt Service on all Obligations then outstanding and the additional Obligations then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based. For purposes of the requirements described in this section captioned "Limitations on the Issuance of Obligations Payable from Pledged Revenues," Maximum Annual Debt Service shall be calculated (i) for Senior Obligations and Subordinate Obligations, and any other Obligations secured by Pledged Revenues on a basis senior to Junior Subordinate Obligations, as provided in the Senior Trust Agreement, and (ii) for Junior Subordinate Bonds and Junior Subordinate Obligations, as provided in the Trust Agreement. Notwithstanding the foregoing, Senior Obligations, Subordinate Obligations, Junior Subordinate Bonds or Junior Subordinate Obligations issued or incurred to refund other Senior Obligations, Subordinate

Obligations, Junior Subordinate Bonds or Junior Subordinate Obligations may be issued or incurred without compliance with such conditions upon satisfaction of certain refunding bond requirements of the Trust Agreement. For purposes of the conditions described above, (A) "Obligations" means any obligations of the Authority payable from and secured by Pledged Revenues on a parity with or senior to Junior Subordinate Obligations, and (B) "issuance" means (i) with respect to obligations with fixed rates of interest through the term of such Obligations (and variable rate obligations other than commercial paper), the initial issuance and delivery thereof by the Authority, and (ii) with respect to Obligations relating to commercial paper or other short-term financing facility, the date on which a commercial paper financing program or other short-term financing facility is established or the date that the maximum authorized principal amount under the financing program is modified or otherwise materially amended; provided that the maximum authorized principal amount under any such commercial paper or other short-term financing program shall be used for the purpose of preparing any certificate of the Consultant required the Trust Agreement.

**Limitations on the Issuance of Obligations Payable from Junior Subordinate Pledged Revenues; Junior Subordinate Obligations**

Subsequent to the issuance of the Series 2020-A Bonds, the Authority will not, so long as any Junior Subordinate Bonds are Outstanding, issue or incur any obligations or securities, howsoever denominated, payable in whole or in part from Junior Subordinate Pledged Revenues except as set forth below.

(A) Junior Subordinate Bonds authorized pursuant to the Trust Agreement.

(B) Refunding Bonds authorized pursuant to the Trust Agreement.

(C) Junior Subordinate Obligations, provided that the following conditions to the issuance or incurrence of such Junior Subordinate Obligations are satisfied:

(1) Such Junior Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Authority to that effect, which Certificate of the Authority shall be filed with the Trustee;

(3) Such Junior Subordinate Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds pursuant to the Trust Agreement or (ii) the Authority shall have placed on file with the Trustee a certificate of a Consultant, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Junior Subordinate Obligations, as applicable) that the requirements set forth in the Trust Agreement relating to the issuance of an additional Series of Junior Subordinate Bonds have been satisfied with respect to such Junior Subordinate Obligations, which certificate shall also set forth the computations upon which such certificate is based; and

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Junior Subordinate Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Junior Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Junior Subordinate Obligations).

(D) Swap Termination Payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on Junior Subordinate Pledged Revenues subordinate to the lien and charge on Junior Subordinate Pledged Revenues that secures the Junior Subordinate Bonds and Junior Subordinate Obligations.

**Calculation of Maximum Annual Debt Service with Respect to Junior Subordinate Bonds and Junior Subordinate Obligations**

The Maximum Annual Debt Service with respect to Junior Subordinate Bonds shall be determined no later than the date of delivery of such Junior Subordinate Bonds, and no earlier than the 60th day preceding the date of pricing or sale of such Junior Subordinate Bonds, utilizing the assumptions set forth in the definition of Debt Service. Maximum Annual Debt Service with respect to Junior Subordinate Obligations shall be determined no later than the date of incurrence of such Junior Subordinate Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Junior Subordinate Obligation is contingent upon funds being provided pursuant to such Junior Subordinate Obligation to pay principal, or purchase price of, or interest on a Junior Subordinate Bond, such Junior Subordinate Obligations shall not be considered outstanding until such payment is made thereunder. For purposes of the requirements of the Trust Agreement for issuance of Junior Subordinate Bonds and Junior Subordinate Obligations, "issuance," "issue" or "incur" means (i) with respect to obligations with fixed rates of interest through the term of such Obligations (and variable rate obligations other than commercial paper), the initial issuance and delivery thereof by the Authority, and (ii) with respect to commercial paper or other short-term financing facility, the date on which a commercial paper financing program or other short-term financing facility is established or the date that the maximum authorized principal amount under the financing program is modified or otherwise materially amended; provided that the maximum authorized principal amount under any such commercial paper or other short-term financing program shall be used for the purpose of preparing any certificate of the Consultant required the Trust Agreement.

**Application of Proceeds**

Proceeds of each Series of Junior Subordinate Bonds shall be applied as specified in the Supplemental Trust Agreement pursuant to which such Series of Junior Subordinate Bonds is issued.

**Terms of Redemption, Tender and Purchase**

Each Series of Junior Subordinate Bonds may be made subject to redemption or mandatory or optional tender and purchase prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds.

**Notice of Redemption**

Unless otherwise specified in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Junior Subordinate Bonds, each notice of redemption shall be mailed by the Trustee, not less than twenty (20) days nor more than ninety (90) days prior to the redemption date, to each Holder and the Repository. A copy of such notice shall also be provided to each of the Notice Parties with respect to Series of Junior Subordinate Bonds to which such notice relates. Notice of redemption to the Holders, the Repository and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Junior Subordinate Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Junior Subordinate Bonds of such maturity, if any, to be redeemed and, in the case of Junior Subordinate Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Junior Subordinate Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Junior Subordinate Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Junior Subordinate Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Junior Subordinate Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Failure by the Trustee to give notice to any Notice Party or the Repository or failure of any Holder, any Notice Party or the Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of Junior Subordinate Bonds delivered pursuant to the Trust Agreement or any provision of any Supplemental Trust Agreement, unless, upon the giving of such notice, such Junior Subordinate Bonds shall be deemed to have been paid within the meaning of the Trust Agreement, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Junior Subordinate Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Junior Subordinate Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice of redemption given pursuant to the Trust Agreement may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to the Trust Agreement.

**Partial Redemption of Junior Subordinate Bonds**

Upon surrender of any Junior Subordinate Bond redeemed in part only, the Authority shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Authority, a new Junior Subordinate Bond or Junior Subordinate Bonds of authorized denominations, and of the same Series, maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the Junior Subordinate Bond surrendered.

**Effect of Redemption**

Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Junior Subordinate Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Junior Subordinate Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Junior Subordinate Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Trust Agreement and the Holders of said Junior Subordinate Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment and such funds are hereby pledged to such payment. All Junior Subordinate Bonds redeemed pursuant to the Trust Agreement shall be canceled upon surrender thereof.

**Pledge of Junior Subordinate Pledged Revenues; Junior Subordinate Revenue Fund**

As security for the payment of all amounts owing on the Junior Subordinate Bonds and Junior Subordinate Obligations, there are irrevocably pledged to the Trustee: (i) all Junior Subordinate Pledged Revenues; and (ii) all amounts, including proceeds of the Junior Subordinate Bonds, held on deposit in the funds and accounts established under the Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Trust Agreement irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Junior Subordinate Pledged Revenues and all amounts held on deposit in the funds and accounts established under the Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) shall be irrevocable until all of the Junior Subordinate Bonds, all Junior Subordinate Obligations and amounts owed in connection with the Junior Subordinate Bonds and Junior Subordinate Obligations are no longer Outstanding.

All Junior Subordinate Bonds and Junior Subordinate Obligations shall be of equal rank without preference, priority or distinction of any Junior Subordinate Bonds and Junior Subordinate Obligations over any other Junior Subordinate Bonds and Junior Subordinate Obligations.

The Authority shall cause Pledged Tax Revenues to be transmitted by the CDTFA directly to the Senior Trustee and shall cause Junior Subordinate Pledged Revenues to be transmitted by the Senior Trustee directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Junior Subordinate Revenue Fund," which fund the Trustee shall establish and maintain, all Pledged Tax Revenues, when and as received by the Trustee. The Junior Subordinate Pledged Revenues and all other amounts deposited into the Junior Subordinate Revenue Fund pursuant to the requirements described in this section captioned "Pledge of Junior Subordinate Pledged Revenues; Junior Subordinate Revenue Fund," shall be received and held in trust by the Trustee for the benefit of the Holders of the Junior Subordinate Bonds and the Junior Subordinate Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Trust Agreement. Investment income on amounts held by the Trustee under the Trust Agreement (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Trust Agreement), shall also be deposited in the Revenue Fund. All moneys at any time held in the Junior Subordinate Revenue Fund shall be held in trust for the benefit of the Holders of the Junior Subordinate Bonds and the holders of Junior Subordinate Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Trust Agreement. The obligation of the Authority to make payments of principal of, interest on and redemption premium of Junior Subordinate Bonds and Junior Subordinate Obligations shall be an absolute obligation and shall be payable prior to any allocation of such payments under the Ordinance and shall be payable notwithstanding whether the allocation of any such payments pursuant to the terms of the Ordinance to any line item, subfund or other expenditure category within the sales tax revenue fund established by the Ordinance has the effect of allocating Net Revenues and Interest on Sales Tax Revenues (as such terms are defined in the Ordinance) to such line item, subfund or other expenditure category in an amount that is in excess of the allocation permitted by the Ordinance.

The Junior Subordinate Bonds are limited obligations of the Authority and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Junior Subordinate Pledged Revenues and other funds pledged under the Trust Agreement.

**Allocation of Junior Subordinate Pledged Revenues**

So long as any Junior Subordinate Bonds are Outstanding and Junior Subordinate Obligations and all other amounts payable under the Trust Agreement remain unpaid, the Trustee shall set aside in each month following receipt of the Junior Subordinate Pledged Revenues the moneys in the Junior Subordinate Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Junior Subordinate Bonds and, as and to the extent applicable, the holders of Junior Subordinate Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Junior Subordinate Pledged Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits specified in paragraphs (1) and (2) below the Trustee may set aside or transfer amounts with respect to any outstanding Junior Subordinate Obligations as provided in the proceedings for such Junior Subordinate Obligations delivered to the Trustee pursuant to the Trust Agreement (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Junior Subordinate Bonds and such Junior Subordinate Obligations); provided further that payments on Interest Rate Swap Agreements that are payable on a parity with the Junior Subordinate Bonds shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with Trust Agreement:

***Interest Fund***. Following receipt of the Junior Subordinate Pledged Revenues in each month, the Trustee shall deposit in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Junior Subordinate Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Junior Subordinate Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Junior Subordinate Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Junior Subordinate Bonds the amounts set aside in such fund with respect to such Series of Junior Subordinate Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Junior Subordinate Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus 100 basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months upon all of the Junior Subordinate Bonds issued under the Trust Agreement and then Outstanding, and on June 1 and December 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Junior Subordinate Bonds having Interest Payment Dates other than June 1 and December 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Junior Subordinate Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received by the Authority with respect to Interest Rate Swap Agreements that are Junior Subordinate Obligations shall be transferred by the Authority to the Trustee and deposited in the Interest Fund and credited to the above required deposits.

***Principal Fund; Sinking Accounts***. Following receipt of the Junior Subordinate Pledged Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments due on or prior to January 1, 2039 are expected to be refunded on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded, except for amounts in any month to pay principal becoming due and payable in such month. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Junior Subordinate Pledged Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding twelve-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six-month period. In the event that the Pledged Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current twelve-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such twelve-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligation of all Serial Bonds then Outstanding and maturing by their terms within the next 12 months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Authority certifies to the Trustee that any principal payments in the following 12-month period are expected to be paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no deposit need be made into the Principal Fund with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than June 1) shall be transferred to the Authority.

***Reserve Fund***. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund as is required pursuant to the Trust Agreement, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Reserve Requirement.

Any Pledged Revenues remaining in the Revenue Fund after the foregoing deposits described above shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter, except as otherwise provided in a Supplemental Trust Agreement or as the Authority may otherwise direct in writing (which direction shall not be inconsistent with any other provision of the Trust Agreement) to be used by the Authority or transferred as directed by the Authority in writing for any lawful purpose and after such transfer to the Authority shall be released from the lien of the Trust Agreement and shall no longer constitute "Junior Subordinate Pledged Revenues."

**Establishment and Application of Funds; Reserve Funds**

Each of the funds and accounts described below are established pursuant to the Junior Subordinate Trust Agreement.

***Interest Fund***. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) paying interest on the Junior Subordinate Bonds as it shall become due and payable (including accrued interest on any Junior Subordinate Bonds purchased or redeemed prior to maturity pursuant to the Trust Agreement), or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making periodic payments on Interest Rate Swap Agreements.

***Principal Fund***. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Junior Subordinate Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Trust Agreement, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "Sinking Account," inserting therein the Series and maturity designation of such Junior Subordinate Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Trust Agreement or the Supplemental Trust Agreement pursuant to which such Series of Junior Subordinate Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the twelve-month period (or six-month period with respect to Junior Subordinate Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Authority to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve-month period ending May 31 (or in a six-month period ending May 31 or November 30 with respect to Junior Subordinate Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority.

***Reserve Funds***. The Authority may at its sole discretion at the time of issuance of any Series of Junior Subordinate Bonds or at any time thereafter by Supplemental Trust Agreement provide for the establishment of a Reserve Fund as additional security for a Series of Junior Subordinate Bonds. Any Reserve Fund so established by the Authority shall be available to secure one or more Series of Junior Subordinate Bonds as the Authority shall determine and shall specify in the Supplemental Trust Agreement establishing such Reserve Fund. Any Reserve Fund established by the Authority shall be held by the Trustee and shall comply with the requirements set forth in this section captioned "Establishment, Funding and Application of Reserve Funds."

(A) Subject to the Trust Agreement, all amounts in any Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Junior Subordinate Bonds of the Series to which such

Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Junior Subordinate Bonds then Outstanding of the Series to which such Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Junior Subordinate Bonds then Outstanding of the Series to which such Reserve Fund relates; provided, however, that if funds on deposit in any Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Junior Subordinate Bonds to which such Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Reserve Requirement applicable to all Junior Subordinate Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Trust Agreement, the Trustee shall apply amounts held in cash or Investment Securities in any Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Reserve Fund, shall, on a pro rata basis with respect to the portion of a Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Junior Subordinate Bonds of the Series to which such Reserve Fund relates when due. Unless otherwise specified in a Supplemental Trust Agreement, in the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Junior Subordinate Bonds of such Series, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(B) The Trustee shall notify the Authority of any deficiency in any Reserve Fund (i) due to a withdrawal from such Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Junior Subordinate Bonds of the Series to which such Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Reserve Fund pursuant to the Trust Agreement and shall request that the Authority replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Reserve Requirement. Unless otherwise specified in a Supplemental Trust Agreement, upon receipt of such notification from the Trustee, the Authority shall instruct the Trustee to commence setting aside in each month following receipt of Pledged Tax Revenues for deposit in the applicable Reserve Fund an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such Reserve Fund or decrease resulting from a valuation pursuant to the Trust Agreement and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Reserve Requirement relating to the Junior Subordinate Bonds of the Series to which such Reserve Fund relates, an amount equal to one-twelfth of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Junior Subordinate Pledged Revenues each month, commencing with the month following the Authority's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Reserve Fund is at least equal to the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates.

(C) Unless the Authority shall otherwise direct in writing, any amounts in any Reserve Fund in excess of the Reserve Requirement relating to the Junior Subordinate Bonds of the Series to which such Reserve Fund relates shall be transferred by the Trustee to the Authority on the Business Day following June 1 of each year; provided that such amounts shall be transferred only from the portion of such Reserve

Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Reserve Fund shall be transferred by the Trustee to the Authority upon the defeasance, retirement or refunding of Junior Subordinate Bonds of the Series to which such Reserve Fund relates or upon the replacement of cash on deposit in such Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Trust Agreement. The Reserve Requirement shall be calculated on each June 1 and upon the issuance or retirement of a Series of Junior Subordinate Bonds and upon the defeasance of all or a portion of a Series of Junior Subordinate Bonds.

***Project Fund***. Proceeds of Junior Subordinate Bonds which are to be used to pay Costs of the Project shall be deposited into a Fund or Funds which individually and collectively shall be designated the "Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Bonds Project Fund" (the "Project Fund"), which may be held either by the Authority or the Trustee or part by the Authority and part by the Trustee, all as provided by the Trust Agreement and relevant Supplemental Trust Agreements. The Project Fund shall be deemed to be part of the sales tax revenue fund referred to in the Ordinance. All moneys in the Project Fund shall be held and disbursed as provided in the Supplemental Trust Agreement or Supplemental Trust Agreements under which such Fund or Funds were created. Within the Project Fund there are hereby established the following subfunds:

(1) the Transit Capital Subfund, consisting of the New Rail/Bus Rapid Transit Capital Projects Account, the Metrolink Capital Improvement Projects Account and the Metro Rail Capital Account;

(2) the Highway Capital Subfund; and

(3) the Operations Subfund, consisting of the Rail Operations Account and the Bus Operations Account.

The Authority may by Supplemental Trust Agreement create additional accounts and subaccounts within the subfunds described above. The Trustee shall transfer moneys between and among such subfunds, accounts and subaccounts to the extent held by it upon the receipt of a Request of the Authority.

***Rebate Fund***. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Authority. Subject to the transfer provisions provided in paragraph (C) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Trust Agreement and by the applicable Tax Certificates. The Authority hereby covenants to comply with the directions contained in each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this section captioned "Investment in Funds and Accounts" if it follows such instructions of the Authority, and the Trustee shall have no liability or responsibility to enforce compliance by the Authority with the terms of any Tax Certificate nor to make computations in connection therewith.

Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Authority so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Junior Subordinate Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Authority to the Trustee in accordance with the applicable Tax Certificate.

The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Authority, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (D) below.

Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Junior Subordinate Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Junior Subordinate Bonds, shall be withdrawn and remitted to the Authority in accordance with a Request of the Authority.

Notwithstanding any other provision of the Trust Agreement, the obligation to remit the Rebate Requirement applicable to each Series of Junior Subordinate Bonds to the federal government of the United States of America and to comply with all other requirements and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

**Payment Provisions Applicable to Interest Rate Swap Agreements**

In the event the Authority shall enter into an Interest Rate Swap Agreement in connection with a Series of Junior Subordinate Bonds, the amounts received by the Authority, if any, pursuant to such Interest Rate Swap Agreement shall also be applied to the deposits required under the Trust Agreement. If the Authority so designates in a Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Junior Subordinate Bonds, if the Authority so designates in a Certificate of the Authority delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement), regularly-scheduled payments payable under such Interest Rate Swap Agreement (excluding Swap Termination Payments and obligations to pay fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Junior Subordinate Pledged Revenues on a subordinate basis to Junior Subordinate Bonds and Junior Subordinate Obligations shall constitute Junior Subordinate Obligations under the Trust Agreement, and, in such event, the Authority shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Trust Agreement, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Junior Subordinate Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, from amounts deposited in the Interest Fund for the payment of interest on the Series of Junior Subordinate Bonds with respect to which such Interest Rate Swap Agreement was entered into.

**Investment in Funds and Accounts**

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Trust Agreement shall be invested, as directed by the Authority, solely in Investment Securities. All Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the tax limitations of the Trust Agreement, the limitations as to maturities hereinafter set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Trust Agreement, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Authority for such moneys.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, moneys in any Reserve Fund shall be invested in Investment Securities maturing in not more than five years, or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Reserve Fund relates as provided in the Trust Agreement. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Junior Subordinate Bonds or a Request of the Authority: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Reserve Fund shall be retained in such Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Junior Subordinate Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in the Project Fund shall be retained in the Project Fund, unless the Authority shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Trust Agreement, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Junior Subordinate Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Securities equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Securities shall be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, all Investment Securities credited to any Reserve Fund shall be valued (at market value) as of June 1 and December 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Trust Agreement, in making any valuations of investments under the Trust Agreement, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Trust Agreement (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Trust Agreement shall be accounted for separately as required by the Trust Agreement. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Securities are credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

**Covenants of the Authority**

***Punctual Payments***. The Authority will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Junior Subordinate Bonds and of the Trust Agreement, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Junior Subordinate Pledged Revenues as provided in the Trust Agreement.

***Extension of Payment of Junior Subordinate Bonds***. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Junior Subordinate Bonds or the time of payment of any Junior Subordinate Bonds or claims for interest by the purchase or funding of such Junior Subordinate Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Junior Subordinate Bonds or the time of payment of any such claims for interest shall be extended, such Junior Subordinate Bonds or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Junior Subordinate Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this section captioned "Extension of Payment of Junior Subordinate Bonds" shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Junior Subordinate Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Junior Subordinate Bonds.

***Waiver of Laws***. The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Trust Agreement or in the Junior Subordinate Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

***Further Assurances.*** The Authority will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Trust Agreement.

***Against Encumbrances***. The Authority will not create any pledge, lien or charge upon any of the Junior Subordinate Pledged Revenues having priority over or having parity with the lien of the Junior Subordinate Bonds except only as permitted in the Trust Agreement.

***Accounting Records***. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Junior Subordinate Pledged Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances; provided, the Trustee shall have no duty or obligation to inspect such books of record and account.

**Collection of Junior Subordinate Pledged Revenues**

The Authority covenants and agrees that it has duly levied the Measure R Sales Tax in accordance with the Authority Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority. The Ordinance will not be amended, modified or altered so long as any of the Junior Subordinate Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Junior

Subordinate Pledged Revenues, and the Authority will continue to levy and collect the Measure R Sales Tax to the full amount permitted by law. The Authority further covenants that it has entered into an agreement with the CDTFA under and pursuant to which the CDTFA will process and supervise collection of the Measure R Sales Tax and will transmit Pledged Tax Revenues directly to the Senior Trustee, and further covenants that it has entered into an agreement with the Senior Trustee under and pursuant to which the Senior Trustee will transfer Junior Subordinate Pledged Revenues directly to the Trustee on a timely basis. Said agreements will be continued in effect so long as any Junior Subordinate Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Junior Subordinate Bonds are Outstanding. The Authority will receive and hold in trust for (and remit immediately to) the Trustee any Junior Subordinate Pledged Revenues paid to the Authority by the Senior Trustee or by the CDTFA.

Junior Subordinate Pledged Revenues received by the Trustee shall be transmitted to the Authority pursuant to the Trust Agreement; provided that, during the continuance of an Event of Default, any Junior Subordinate Pledged Revenues received by the Trustee shall be applied as set forth in the Trust Agreement.

The Authority covenants and agrees to separately account for all Junior Subordinate Pledged Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Authority covenants that so long as the Junior Subordinate Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

**Tax Covenants**

The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Junior Subordinate Bonds under section 103 of the Code; provided that, prior to the issuance of any Series of Junior Subordinate Bonds, the Authority may exclude the application of the covenants contained in the Trust Agreement to such Series of Junior Subordinate Bonds. The Authority will not directly or indirectly use or permit the use of any proceeds of the Junior Subordinate Bonds or any other funds of the Authority, or take or omit to take any action that would cause the Junior Subordinate Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the Authority will comply with all requirements of the Tax Certificate relating to each Series of the Junior Subordinate Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section captioned "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Junior Subordinate Bonds from time to time. The Authority specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Junior Subordinate Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Junior Subordinate Bonds.

Notwithstanding any tax provision the Trust Agreement and any Tax Certificate, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required under this caption "Tax

Covenants" of the Trust Agreement, and provisions under the caption "Continuing Disclosure" of the Trust Agreement or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Junior Subordinate Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions under this caption "Tax Covenants" of the Trust Agreement, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Trust Agreement, the covenants and obligations set forth in this caption "Tax Covenants" of the Trust Agreement shall survive the defeasance of the Junior Subordinate Bonds or any Series thereof.

**Continuing Disclosure**

Upon the issuance of any Series of Junior Subordinate Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Junior Subordinate Bonds. Notwithstanding any other provision of the Trust Agreement, failure of the Authority to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of any Series of Junior Subordinate Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations described in this section captioned "Continuing Disclosure."

**Compliance with Allocation and Expenditure Requirements of the Ordinance**

The Authority covenants and agrees that it shall comply with the Ordinance. In conformance with Section 7 of the Ordinance, the Authority covenants and agrees that it shall deposit or allocate the proceeds of any Obligations in the appropriate subfunds and accounts of the Project Fund under the Trust Agreement or under the Senior Trust Agreement or the Subordinate Trust Agreement, as applicable, and shall account for the expenditure of such proceeds in accordance with the expenditure allocation categories defined in the Ordinance. In order to preserve its ability to comply with such expenditure allocation requirements during the entire period that the Measure R Sales Tax is levied, the Authority covenants and agrees that at the time of issuance or incurrence of any Obligations to finance projects in any expenditure allocation category, the portion of projected Measure R Sales Tax revenues attributable to such category in each year, as determined by the Authority, divided by the Assumed Debt Service attributable to such Obligations and all other outstanding Obligations, the proceeds of which are attributable to such category, in each year, as calculated by the Authority, shall not be less than 110%.

**Events of Default and Remedies**

***Events of Default***. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Junior Subordinate Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Junior Subordinate Bond when and as such interest installment shall become due and payable;

(C) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in the Trust Agreement on its part to be observed or performed, other than as referred to in subsection (A) or (B) of above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such 60-day period and if the Authority has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Junior Subordinate Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Authority files a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the Pledged Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control.

**Application of Pledged Revenues and Other Funds After Default; No Acceleration**

If an Event of Default shall occur and be continuing, the Trustee shall apply all Junior Subordinate Pledged Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Trust Agreement (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Trust Agreement) as follows and in the following order:

> (1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Junior Subordinate Bonds and Junior Subordinate Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Trust Agreement;
>
> (2) to the payment of the whole amount of Bond Obligation then due on the Junior Subordinate Bonds and Junior Subordinate Obligations (upon presentation of the Junior

Subordinate Bonds and Junior Subordinate Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Trust Agreement, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Junior Subordinate Bonds and on Junior Subordinate Obligations, to the payment to the persons entitled thereto of all installments of interest then due and payable and the unpaid principal or Redemption Price of any Bonds and Junior Subordinate Obligations which shall have become due and payable, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Junior Subordinate Obligations at the rate borne by the respective Junior Subordinate Bonds and Junior Subordinate Obligations, and, if the amount available shall not be sufficient to pay in full all the Junior Subordinate Bonds and Junior Subordinate Obligations due and payable on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference; and

(3) to the payment of all other obligations payable under the Trust Agreement.

Notwithstanding anything in the Trust Agreement to the contrary, in no event are the Junior Subordinate Bonds subject to acceleration if an Event of Default occurs and is continuing; provided, however, that the accelerated payment of Liquidity Facility Bonds or reimbursement obligations relating to Liquidity Facility Bonds pursuant to the term out provisions of any related Liquidity Facility, letter of credit reimbursement agreement or similar agreement between the Authority and the related Liquidity Provider shall not be considered to be an acceleration for purposes of this paragraph.

**Trustee to Represent Bondholders**

The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Junior Subordinate Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Junior Subordinate Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Junior Subordinate Bonds, the Trust Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Junior Subordinate Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Junior Subordinate Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Trust Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Junior Subordinate Pledged Revenues and other assets pledged under the Trust Agreement, pending such proceedings; provided, however, that, with respect to any Series of Junior Subordinate Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under the Trust Agreement or the Junior Subordinate Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Junior Subordinate Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Junior Subordinate Bonds, subject to the provisions of the Trust Agreement.

***Bondholders' Direction of Proceedings***. Anything in the Trust Agreement to the contrary (except provisions relating to the rights of a Credit Provider to direct proceedings set forth in the Trust Agreement) notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation of the Junior Subordinate Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Trust Agreement; provided that such direction shall not be otherwise than in accordance with law and the provisions of the Trust Agreement, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Junior Subordinate Obligations not parties to such direction.

***Limitation on Bondholders' Right to Sue***. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Trust Agreement, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Junior Subordinate Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Junior Subordinate Bonds shall be required if the Credit Enhancement with respect to such Series of Junior Subordinate Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Junior Subordinate Bonds of any remedy under the Trust Agreement or under law; it being understood and intended that no one or more Holders of Junior Subordinate Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement or the rights of any other Holders of Junior Subordinate Bonds, or to enforce any right under the Trust Agreement, the Act or other applicable law with respect to the Junior Subordinate Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the benefit and protection of all Holders of the Outstanding Junior Subordinate Bonds, subject to the provisions of the Trust Agreement.

**Absolute Obligation of the Authority**

Nothing in section captioned "Limitation on Bondholders' Right to Sue" or in any other provision of the Trust Agreement, or in the Junior Subordinate Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Junior Subordinate Bonds to the respective Holders of the Junior Subordinate Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Trust Agreement, but only out of the Junior Subordinate Pledged Revenues and other assets pledged, or affect or impair the right of such

Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Junior Subordinate Bonds.

**Termination of Proceedings**

In case any proceedings taken by the Trustee, any Credit Provider or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, any Credit Provider or the Bondholders, then in every such case the Authority, the Trustee, each Credit Provider and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Trust Agreement, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee, each Credit Provider and the Bondholders shall continue as though no such proceedings had been taken.

**Remedies Not Exclusive**

No remedy conferred upon or reserved to the Trustee under the Trust Agreement, to any Credit Provider or to the Holders of the Junior Subordinate Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or otherwise.

**No Waiver of Default**

No delay or omission of the Trustee, any Credit Provider or of any Holder of the Junior Subordinate Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Trust Agreement to the Trustee, to any Credit Provider or to the Holders of the Junior Subordinate Bonds may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Trust Agreement, whether by Trustee or by any Credit Provider or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

**Acknowledgement of Subordination Provisions**

The rights of the Holders and the Trustee under the Trust Agreement are subject to the provisions set forth in provision of the Senior Trust Agreement to the extent applicable for so long as there are Senior Obligations outstanding under the Senior Trust Agreement or Subordinate Obligations outstanding under the Subordinate Trust Agreement.

**Trustee**

***Appointment, Duties Immunities and Liabilities of Trustee.***

U.S. Bank National Association is hereby appointed as Trustee under the Trust Agreement and hereby accepts the trust imposed upon it as Trustee under the Trust Agreement and to perform all the functions and duties of the Trustee under the Trust Agreement, subject to the terms and conditions set forth in the Trust Agreement. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied covenants shall be read into the Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate amount of Bond Obligation of the Junior Subordinate Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Trust Agreement, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Credit Provider then providing a Credit Enhancement for any Series of Junior Subordinate Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and each Credit Provider then insuring any Series of Junior Subordinate Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement, shall signify its acceptance of such appointment by executing and delivering to the Authority, each Credit Provider then insuring any Series of Junior Subordinate Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts under the Trust Agreement by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

Any Trustee appointed under the provisions of this section captioned "Appointment, Duties Immunities and Liabilities of Trustee" in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least $100,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Trust Agreement, the Trustee shall resign immediately in the manner and with the effect specified in this section captioned "Appointment, Duties Immunities and Liabilities of Trustee.".

***Accounting Records and Monthly Statements.*** The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Junior Subordinate Bonds, including proceeds of each Series of Junior Subordinate Bonds and moneys derived from, pledged to, or to be used to make payments on each Series of Junior Subordinate Bonds. Such records shall specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Authority with a monthly statement which shall include a summary of all deposits and all investment transactions related to each Series of Junior Subordinate Bonds then Outstanding, such statement to be provided to the Authority no later than the fifth Business Day of the month following the month to which such statement relates, the first such monthly statement to be provided by the fifth Business Day of the month immediately following the month in which the Series 2020-A Bonds are delivered by the Trustee pursuant to the provisions of the Trust Agreement.

***Merger or Consolidation.*** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Trust Agreement, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Trust Agreement to the contrary notwithstanding.

***Liability of Trustee***.

(A) The recitals of facts in the Trust Agreement and in the Junior Subordinate Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Junior Subordinate Bond), and makes no representations as to the validity or sufficiency of the Trust Agreement, or of the Junior Subordinate Bonds, as to the sufficiency of the Junior Subordinate Pledged Revenues or the priority of the lien of the Trust Agreement thereon, or as to the financial or technical feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Trust Agreement or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Junior Subordinate Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence, willful misconduct or breach of the express terms and conditions hereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of a Junior Subordinate Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Trust Agreement. The Trustee may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers in the Trust Agreement and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Junior Subordinate Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any Credit Provider or any of the Bondholders pursuant to the provisions of the Trust Agreement, including, without limitation, the Events of Default and remedies provisions of the Trust Agreement, unless such Credit Provider or such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that no security or indemnity shall be requested or required for the Trustee to deliver a notice to obtain funds under the Credit Enhancement delivered in connection with any Series of Junior Subordinate Bonds in order to pay principal of and interest on such Series of Junior Subordinate Bonds.

(E) No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Trust Agreement or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of, and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default) or event that would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Authority, any Credit Provider then providing a Credit Enhancement for a Series of Junior Subordinate Bonds or the Holders of twenty-five percent (25%) of the Bond Obligation Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Trust Agreement (including, without limitation, the covenants of the Authority set forth in the Trust Agreement, other than the covenants of the Authority to make payments with respect to the Junior Subordinate Bonds when due as set forth in the Trust Agreement and to file with the Trustee when due, such reports and certifications as the Authority is required to file with the Trustee under the Trust Agreement.

(G) No permissive power, right or remedy conferred upon the Trustee under the Trust Agreement shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

(1) the application or handling by the Authority of any Junior Subordinate Pledged Revenues or other moneys transferred to or pursuant to any Requisition or Request of the Authority in accordance with the terms and conditions hereof;

(2) the application and handling by the Authority of any other fund or account designated to be held by the Authority under the Trust Agreement;

(3) any error or omission by the Authority in making any computation or giving any instruction pursuant to the Trust Agreement and may rely conclusively on the Rebate Instructions and any computations or instructions furnished to it by the Authority in connection with the requirements of the Trust Agreement and each Tax Certificate;

(4) the construction, operation or maintenance of any portion of the Project by the Authority.

(J) Whether or not therein expressly so provided, every provision of the Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the Trust Agreement.

(K) The Trustee agrees to accept and act upon written instructions and/or directions provided by Electronic Means pursuant hereto, provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, and (ii) such originally executed instructions and/or directions shall be signed on behalf of the Authority by an Authorized Representative and shall be signed on behalf of any other party by a person authorized to sign for the party delivering such instructions and/or directions, which person shall provide such documentation as the Trustee shall request in order to evidence such authorization.

***Right of Trustee to Rely on Documents and Opinions.*** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, and may request an opinion of counsel, with regard to legal questions, including, without limitation, legal questions relating to proposed modifications or amendments of the Trust Agreement, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, including, without limitation, matters relating to proposed modifications or amendments of the Trust Agreement, the Trustee may request a Certificate of the Authority and such matter (unless other evidence in respect thereof be in the Trust Agreement specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Authority or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

***Compensation and Indemnification of Trustee***. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Trust Agreement. The rights of the Trustee and the obligations of the Authority described in this section captioned "Compensation and Indemnification of Trustee" shall survive the discharge of the Bonds and the Trust Agreement and the resignation or removal of the Trustee.

**Modification or Amendment of the Trust Agreement**

***Amendments Permitted***. The Trust Agreement and the rights and obligations of the Authority, the Holders of the Junior Subordinate Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Junior Subordinate Bonds (or, if such Supplemental Trust Agreement is only applicable to a Series of Junior Subordinate Bonds, such Series of Junior Subordinate Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Junior Subordinate Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Junior Subordinate Bonds shall not be required and such Junior Subordinate Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Junior Subordinate Bonds Outstanding.

No such modification or amendment shall (a) extend the maturity of any Junior Subordinate Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Junior Subordinate Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Junior Subordinate Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Junior Subordinate Pledged Revenues and other assets pledged under the Trust Agreement prior to or on a parity with the lien created by the Trust Agreement, or deprive the Holders of the Junior Subordinate Bonds of the lien created by the Trust Agreement on such Junior Subordinate Pledged Revenues and other assets (in each case, except as expressly provided in the Trust Agreement), without the consent of the Holders of all of the Junior Subordinate Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to the requirements described in this section captioned "Amendments Permitted,", the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority, of the Trustee and of the Holders of the Junior Subordinate Bonds may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent that such modification or amendment is permitted by the Act and does not materially and adversely affect the interests of the Holders of the Junior Subordinate Bonds and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Trust Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Junior Subordinate Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Trust Agreement, or in regard to matters or questions arising under the Trust Agreement, as the Authority may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Junior Subordinate Bonds;

(3) to modify, amend or supplement the Trust Agreement in such manner as to permit the qualification in the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Junior Subordinate Bonds;

(4) to provide for the issuance of an additional Series of Junior Subordinate Bonds pursuant to the Trust Agreement;

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Junior Subordinate Obligations, Junior Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of the Trust Agreement;

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Junior Subordinate Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Junior Subordinate Bonds;

(9) to modify the auction provisions applicable to any Series of Junior Subordinate Bonds in accordance with the terms and provisions set forth in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Junior Subordinate Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of, or any federal subsidy with respect to, interest on any Series of Junior Subordinate Bonds;

(11) to provide for the issuance of Junior Subordinate Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Junior Subordinate Bonds;

(12) to modify, alter, amend or supplement the Trust Agreement in any other respect, including amendments that would otherwise be described in the Trust Agreement, if the effective date of such amendments is a date on which all Junior Subordinate Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Trust Agreement or if notice of the proposed amendments is given to Holders of the affected Junior Subordinate Bonds at least 30 days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Junior Subordinate Bonds pursuant to the provisions of the Trust Agreement or if all Junior Subordinate Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(13) for any other purpose that does not materially and adversely affect the interests of the Holders of the Junior Subordinate Bonds.

Any Supplemental Trust Agreement entered into pursuant to the Trust Agreement shall be deemed not to materially adversely affect the interest of Holders to the extent that (i) such Holders' Junior Subordinate Bonds are secured by Credit Enhancement and (ii) the relevant Credit Provider shall have given its written consent to such Supplemental Trust Agreement as provided in the Trust Agreement; provided that such Credit Provider is not in default of its obligations under such Credit Enhancement.

***Effect of Supplemental Trust Agreement***. From and after the time any Supplemental Trust Agreement becomes effective, the Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Trustee and all Holders of Junior Subordinate Bonds Outstanding shall thereafter be determined, exercised and enforced under the Trust Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

***Endorsement of Bonds; Preparation of New Junior Subordinate Bonds.*** Junior Subordinate Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to the Trust Agreement may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Holder of any Junior Subordinate Bond Outstanding at the time of such execution and presentation of his Junior Subordinate Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Junior Subordinate Bond. If the Supplemental Trust Agreement shall so provide, new Junior Subordinate Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Junior Subordinate Bonds then Outstanding shall be exchanged at the Corporate Trust Office, without cost to any Bondholder, for Junior Subordinate Bonds then Outstanding, upon surrender for cancellation of such Junior Subordinate Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

***Amendment of Particular Junior Subordinate Bonds***. The provisions of the Trust Agreement shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Junior Subordinate Bonds.

**Defeasance**

***Discharge of Junior Subordinate Trust Agreement***. Junior Subordinate Bonds of any Series or a portion thereof may be paid by the Authority in any of the following ways:

(A) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Junior Subordinate Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Trust Agreement) to pay or redeem such Outstanding Junior Subordinate Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Junior Subordinate Bonds.

If the Authority shall pay all Series for which any Junior Subordinate Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Trust Agreement by the Authority with respect to Junior Subordinate Obligations, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Trust Agreement), and notwithstanding that any Junior Subordinate Bonds shall not have been surrendered for payment, the Trust Agreement and the pledge of Junior Subordinate Pledged Revenues and other assets made under the Trust Agreement and all covenants, agreements and other obligations of the Authority under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the Trust Agreement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Junior Subordinate Bonds not theretofore surrendered for such payment or redemption.

***Discharge of Liability on Junior Subordinate Bonds***. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Trust Agreement) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Junior Subordinate Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Junior Subordinate Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Junior Subordinate Bonds, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Junior Subordinate Bonds being discharged are Variable Rate Indebtedness, (i) the Junior Subordinate Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Junior Subordinate Bonds and to the extent the rate of interest payable on such Junior Subordinate Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Junior Subordinate Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Junior Subordinate Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Junior Subordinate Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in this section captioned "Discharge of Liability on Junior Subordinate Bonds" to the contrary, if the principal of or interest on a Series of Junior Subordinate Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Junior Subordinate Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority in the Trust Agreement and hereto and the obligations of the Authority under the Trust Agreement shall not be discharged and shall continue to exist and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Junior Subordinate Bonds of such Series.

***Deposit of Money or Securities***. Whenever in the Trust Agreement it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Junior Subordinate Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Junior Subordinate Bonds and all unpaid interest thereon to maturity, except that, in the case of Junior Subordinate Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Junior Subordinate Bonds and all unpaid interest thereon to the redemption date; or

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Junior Subordinate Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Junior Subordinate Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Trust Agreement or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Junior Subordinate Bonds.

***Payment of Junior Subordinate Bonds After Discharge of Junior Subordinate Trust Agreement***. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Junior Subordinate Bond and remaining unclaimed for one year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Trust Agreement), if such moneys were so held at such date, or one year after the date of deposit of such principal, Redemption Price or interest on any Junior Subordinate Bond if such moneys were deposited after the date when such Junior Subordinate Bond became due and payable, shall be repaid to the Authority free from the trusts created by the Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail to the Holders of any Junior Subordinate Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Junior Subordinate Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Junior Subordinate Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Authority) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited upon receipt by the Trustee into the Junior Subordinate Revenue Fund.

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## FIRST SUPPLEMENTAL JUNIOR SUBORDINATE TRUST AGREEMENT

*The following is a summary of certain provisions of the First Supplemental Junior Subordinate Trust 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 First Supplemental Junior Subordinate Trust Agreement.*

### Terms of the Series 2020-A Bonds

The First Supplemental Junior Subordinate Trust Agreement sets forth the terms of the Series 2020-A Bonds, most of which terms are described earlier in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2020-A GREEN BONDS."

### Funds and Accounts

The First Supplemental Junior Subordinate Trust Agreement creates, among other funds and accounts, the Series 2020-A Project Fund and the Series 2020-A Costs of Issuance Fund.

### Investment of Funds; Investment Earnings

The Trustee will invest funds on deposit in the Series 2020-A Costs of Issuance Fund and the Series 2020-A Project Fund in accordance with the provisions set forth in the Junior Subordinate Trust Agreement described above in this Appendix D under the caption "SUMMARY OF LEGAL DOCUMENTS—JUNIOR SUBORDINATE TRUST AGREEMENT—Investment in Funds and Accounts." Investment earnings on each such Fund will be applied by the Trustee in accordance with the provisions set forth in the Junior Subordinate Trust Agreement described above under the caption "SUMMARY OF LEGAL DOCUMENTS—JUNIOR SUBORDINATE TRUST AGREEMENT—Investment in Funds and Accounts."

### Tax Covenants

In order to maintain the exclusion from gross income of the interest on the Series 2020-A Bonds for federal income tax purposes, Authority will make all calculations relating to any rebate of excess investment earnings on the proceeds of the Series 2020-A 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.

## SECOND AMENDED AND RESTATED TRUST AGREEMENT

*The following is a summary of certain provisions of the Second Amended and Restated Trust Agreement, also defined herein as the Senior Trust 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 Second Amended and Restated Trust Agreement.*

### DEFINITIONS

The following terms, as used in the Second Amended and Restated Trust Agreement and in this summary, have the meanings set forth below.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date plus the amount of daily interest accrued from such preceding compounding date to the date of determination.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Trust Agreement providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Trust Agreement.

"Act" means the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Annual Debt Service" means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds, Parity Obligations, Subordinate Obligations and Junior Subordinate Obligations, as applicable, if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by the Authority for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Authority or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated on a level debt service basis or other amortization schedule provided by the Authority, based on a fixed interest rate equal to the rate at which the Authority could borrow for such period, as set forth in a certificate of a Consultant, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within 30 days of the date of calculation.

"Authority" means the Los Angeles County Metropolitan Transportation Authority, a county transportation commission duly organized and existing pursuant to the Authority Act.

"Authority Act" means Sections 130050.2 et seq., including Sections 130350.4 and 130350.5, of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Authorized Denomination" means, with respect to any Series of Bonds, any denomination authorized by the Supplemental Trust Agreement under which such Bonds are issued.

"Authorized Representative" means the Chief Executive Officer, the Executive Director, Finance and Budget, the Treasurer or the Assistant Treasurer of the Authority, or any other such officer serving in an acting or interim capacity, or any other person designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative (other than such designated person).

"Beneficial Owner" means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

"Board" means the Board of Directors of the Authority.

"Bond" or "Bonds" means the Series 2010 Bonds, the Series 2016-A Bonds and any other indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes and other obligations issued under the provisions of Article III of the Senior Trust Agreement. "Bond" or "Bonds" shall not include any Parity Obligations, any Subordinate Obligations incurred by the Authority as permitted by provisions under the Senior Trust Agreement or any Junior Subordinate Obligations incurred by the Authority as permitted by the Senior Trust Agreement.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"Bond Register" has the meaning given to such term in the Senior Trust Agreement.

"Bondholder" or "Holder," whenever used in the Senior Trust Agreement with respect to a Bond, means the person in whose name such Bond is registered.

"Business Day" means, except as is otherwise provided in the Supplemental Trust Agreement pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, or (3) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative. If and to the extent required each such instrument shall include the statements provided for in the Senior Trust Agreement.

"CDTFA" means the California Department of Tax and Fee Administration, which collects the Measure R Sales Tax.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

"Consultant" means any accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, retained by the Authority to perform acts and carry out the duties provided for such Consultant in the Senior Trust Agreement. Such accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, shall be nationally recognized within its profession for work of the character required.

"Continuing Disclosure Certificate" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated on or about the date of issuance of such Series of Bonds, executed by the Authority, as the same may be supplemented, modified or amended in accordance with its terms.

"Corporate Trust Office" or corporate trust office means the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or such other or additional offices as may be designated by the Trustee from time to time.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, general marketing expenses, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Bonds, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

"Costs of Issuance Fund" means a fund by that name established pursuant to the provisions of a Supplemental Trust Agreement to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Trust Agreement.

"Costs" or "Costs of the Project" means, as applied to a Project or portion thereof financed under the Senior Trust Agreement, the definition set forth in the Act, to wit, all or any part of the cost of construction and acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a Project, the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed, the cost of all machinery and equipment, vehicles, rolling stock, financing charges, interest prior to, during and for a period after completion of construction as determined by the Authority, provisions for working capital, reserves for principal and interest, and for extensions, enlargements, additions, replacement, renovations and improvements, the cost of architectural, engineering, financial and legal services, plans, specifications, estimates and administrative expenses and other expenses necessary or incidental to the determination of the feasibility of constructing any Project or incidental to the construction, acquisition or financing of any Project and, with respect to the use of Bond proceeds, such other costs and expenses as are permitted by the Act at the time such Bonds are issued.

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

“County” means the County of Los Angeles, California.

“Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

“Credit Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

“Current Interest Bonds” means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

“Debt Service,” when used with respect to any Bonds or Parity Obligations (for purposes of this definition of “Debt Service,” collectively referred to as “Obligations”), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest becoming due and payable on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto provided such interest is being paid from the same source as the Excluded Principal Payments) shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (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 Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation;

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 150% of the SIFMA Swap Index during the five years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the

Authority in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement;

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Authority filed with the Trustee in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Authority under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Authority under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the Authority under such Interest Rate Swap Agreement or in connection with such Obligations shall be included in the calculation of Debt Service;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Authority under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Authority, or, if not based on an identifiable index, then the SIFMA Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the Authority in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement;

(G) if any Obligations feature an option on the part of the owners or an obligation under the terms of such Obligations to tender all or a portion of such Obligations to the Authority, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity;

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Pledged Revenues then held on deposit by the Trustee or from other amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest;

(I) with respect to Obligations bearing interest that is subject to a federal subsidy and such subsidy is not included as Pledged Revenues but instead is applied directly to offset the interest due on such Obligations, the interest rate on such Obligations shall be assumed to be the rate net of such subsidy; and

(J) if the Obligations are Paired Obligations, the interest rate on such Obligations shall be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

"Defeasance Securities" means: (i) direct, non-callable obligations of the United States Treasury, (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United

States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs, (iv) non-callable and non-prepayable refunded bonds that are obligations of the United States of America; (v) Resolution Funding Corporation (REFCORP) bonds and strips; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes are "Aaa"-rated and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States Treasury Securities — State and Local Government Series (SLGS); (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating of "Aaa"); and (ix) any pre-refunded municipal security that is non-callable or has been irrevocably called for redemption and is rated "Aaa" at the time of deposit, which carries a fixed interest rate and matures or is to be redeemed on a date certain and is secured by an escrow containing securities listed in (i) through (viii) above.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Event of Default" means any of the events specified in the Senior Trust Agreement.

"Excluded Principal Payment" means each payment of principal of Bonds, Parity Obligations, Subordinate Obligations and Junior Subordinate Obligations, as applicable, which the Authority determines (in a Certificate of the Authority) that the Authority intends to pay with moneys that are not Pledged Revenues but from future debt obligations of the Authority, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Authority, upon which determination of the Authority the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Authority to pay such payments from Pledged Revenues or amounts on deposit in the Reserve Fund, if any. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

"Expenditure Plan" means the Expenditure Plan adopted as part of the Ordinance, including any future amendments thereto.

"Fees and Expenses" means fees and expenses those payable from the Fees and Expenses Fund in accordance with the Senior Trust Agreement.

"Fees and Expenses Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement, dated as of November 1, 2010, between the Authority and the Trustee, supplementing the Senior Trust Agreement.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority, which designation shall be provided to the Trustee in a Certificate delivered by the Authority.

"Fitch" means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Fourth Supplemental Trust Agreement" means the Fourth Supplemental Trust Agreement, dated as of November 1, 2016, between the Authority and the Trustee, supplementing the Senior Trust Agreement.

"Holder" or "Bondholder," whenever used in the Senior Trust Agreement with respect to a Bond, means the person in whose name such Bond is registered.

"Insurance" means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

"Insurer" means any provider of Insurance with respect to a Series of Bonds.

"Interest Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Interest Payment Date," with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Interest Rate Swap Agreement" means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Authority and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds and designated by the Authority in a Certificate or Supplemental Trust Agreement as a Parity Obligation.

"Investment Securities" means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Federal Farm Credit System, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under

an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and Standard & Poor's;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated "AA" or higher by Standard & Poor's;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 102% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities, in each case rated in the highest short-term Rating Categories by both Moody's and Standard & Poor's; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's; provided that if the long-term ratings falls below the two highest long-term Rating Categories by either Moody's or Standard & Poor's then (i) collateral shall be posted which is (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian

acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; or (ii) the agreement shall terminate;

(14) forward delivery agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in any of the three highest long-term Rating Categories by both Moody's and Standard & Poor's that calls for delivery of securities as outlined in clauses (1), (2) or (3) of the definition of Investment Securities, provided that if the long-term ratings falls below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(15) collateralized investment agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's provided that the agreement is fully secured by obligations described in items (1), (2) or (3) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; and further provided that if the long-term ratings of the counterparty fall below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(16) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (15) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(17) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(18) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and Standard & Poor's, which purchases may not exceed 270 days maturity;

(19) the pooled investment fund of the County of Los Angeles, California, which is administered in accordance with the investment policy of said County as established by the Treasurer-Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer-Tax Collector; and

(20) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Senior Trust Agreement.

"Junior Subordinate Obligations" means any obligations of the Authority issued or incurred in accordance with provisions under the Senior Trust Agreement, and secured, in one or more tiers, by a lien and charge on Junior Subordinate Pledged Revenues.

"Junior Subordinate Obligations Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Junior Subordinate Pledged Revenues" shall have the meaning set forth in the Junior Subordinate Trust Agreement.

"Junior Subordinate Trust Agreement" means the Junior Subordinate Trust Agreement, dated as of August 1, 2020, by and between the Authority and the Junior Subordinate Trustee, as supplemented and amended.

"Junior Subordinate Trustee" means U.S. Bank National Association, as trustee under the Junior Subordinate Trust Agreement, and any successor.

"Letter of Credit Account" means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

"Liquidity Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Local Return" means 15% of the Measure R Sales Tax (net of refunds and the administrative fee of the CDTFA and net of the Authority's administrative costs permitted under the Ordinance), calculated on an annual basis, which 15% is, under the Ordinance, allocated to local jurisdictions for street improvements and transit purposes.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds to be deposited by the Authority in a Sinking Account for the payment of principal of Term Bonds of such Series and maturity.

"Maturity Date" means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

"Maximum Interest Rate" means, with respect to all Bonds other than Liquidity Facility Bonds, the lesser of (i) 12% per annum and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

"Measure R Sales Tax" means the retail transactions and use tax imposed by the Ordinance and approved by a vote of more than two-thirds of the electors of the County at an election held November 4, 2008.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Notice Parties" means, as and to the extent applicable, the Authority, the Trustee, the Credit Provider, if any, for the Series of Bonds to which the notice being given relates, the auction agent, if any, for the Series of Bonds to which the notice being given relates, the broker-dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Bonds to which the notice being given relates.

"Obligations" has the meaning given to such term in the definition of "Debt Service."

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

"Ordinance" means Ordinance No. 08-01, including the Expenditure Plan, adopted by the Authority on July 24, 2008, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Authority Act from time to time and that is designated as the "Ordinance" under the Senior Trust Agreement pursuant to a Supplemental Trust Agreement, as such future ordinance may be amended or extended pursuant to the Authority Act or other applicable law.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Senior Trust Agreement") all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Senior Trust Agreement except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Senior Trust Agreement, including Bonds (or portions of Bonds) referred to in the Senior Trust Agreement; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Senior Trust Agreement; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Authority and the pledge of Pledged Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

"Paired Obligations" means any Series (or portion thereof) of Obligations designated as Paired Obligations in the Supplemental Trust Agreement or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) 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 (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the term of such Obligations.

"Parity Obligations" means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses on Interest Rate Swap Agreements and Swap Termination Payments, which fees and expenses and Swap Termination Payments shall be secured by a lien and charge on the Pledged Revenues subordinate to the liens and charges upon Pledged Revenues that secure the Bonds, any Parity Obligations, Subordinate Obligations and Junior Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions under the Senior Trust Agreement, and in each case having an equal lien and charge upon the Pledged Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Participating Underwriter" means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

"Person" means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pledged Revenues" means (i) all Pledged Tax Revenues and (ii) all Swap Revenues; provided, however, that after making the required monthly deposits of Pledged Revenues from the Revenue Fund pursuant to the Senior Trust Agreement, any remaining amounts transferred to the Authority pursuant to the Senior Trust Agreement shall be released from the lien of the Senior Trust Agreement and shall no longer constitute Pledged Revenues under the Senior Trust Agreement. Pledged Revenues shall also include such additional sources of revenue, if any, pledged to pay the Bonds as set forth in a Supplemental Trust Agreement.

"Pledged Tax Revenues" means the amounts collected on account of the Measure R Sales Tax (i) less any refunds and the administrative fee deducted by the CDTFA and (ii) less the Local Return.

"Principal Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Principal Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

"Project" means capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition and also including, without limitation, administrative, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

"Project Fund" means the fund or funds by that name established pursuant to the Senior Trust Agreement to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an Authorized Denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Rating Agency" means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Authority.

"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.

"Rating Confirmation" means written evidence from each rating agency then rating any Series of Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of Bonds will not be lowered or withdrawn solely as a result of the occurrence of such event.

"Rebate Fund" means that fund by that name established pursuant to the Senior Trust Agreement.

"Rebate Instructions" means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

"Rebate Requirement" means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

"Record Date," with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Redemption Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Redemption Price" means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Senior Trust Agreement.

"Refunding Bonds" means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the Senior Trust Agreement.

"Repository" means the Municipal Securities Rulemaking Board and any other public or private entity designated as a Repository in a Continuing Disclosure Certificate executed and delivered in connection with a Series of Bonds.

"Reserve Facility" means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Supplemental Trust Agreement establishing the related Reserve Fund, and delivered to the Trustee in satisfaction of all or a portion of the Reserve Requirement applicable to one or more Series of Bonds.

"Reserve Facility Provider" means any issuer of a Reserve Facility.

"Reserve Fund" means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Reserve Requirement" with respect to a Series of Bonds for which the Authority shall have established a Reserve Fund shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Revenue Fund" means the Revenue Fund established pursuant to the Senior Trust Agreement.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

"Second Supplemental Trust Agreement" means the Second Supplemental Trust Agreement, dated as of February 20, 2014, between the Authority and the Trustee, supplementing the Senior Trust Agreement.

"Securities Depository" means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Authority may designate in a Request of the Authority delivered to the Trustee.

"Senior Trust Agreement" means the Second Amended and Restated Trust Agreement, dated as of August 1, 2020, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Trust Agreement.

"Serial Bonds" means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used in the Senior Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds.

"Series 2010 Bonds" means, collectively, the Series 2010-A Bonds and the Series 2010 B Bonds.

"Series 2010-A Bonds" means the Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds), authorized by, and at any time Outstanding pursuant to, the Senior Trust Agreement and the First Supplemental Trust Agreement.

"Series 2010-B Bonds" means the Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Bonds, Series 2010-B (Tax-Exempt), authorized by, and at any time Outstanding pursuant to, the Senior Trust Agreement and the First Supplemental Trust Agreement.

"Series 2016-A Bonds" means the Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Bonds, Series 2016-A, authorized by, and at any time Outstanding pursuant to, the Senior Trust Agreement and the Fourth Supplemental Trust Agreement.

"SIFMA Swap Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

"Sinking Account" means an account by that name established in the Principal Fund for the payment of Term Bonds.

"Standard & Poor's" or "S&P" means S&P Global Ratings, and its successors and assigns, except that if such corporation or division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"State" means the State of California.

"Subordinate Obligations" means any obligations of the Authority issued or incurred and secured, in one or more tiers, by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Bonds and Parity Obligations and senior to the liens and charges on Pledged Revenues that secure the obligation to pay Fees and Expenses and the Junior Subordinate Obligations.

"Subordinate Obligations Fund" means the fund by that name established pursuant to the Senior Trust Agreement.

"Subordinate Revolving Credit Agreements" means, collectively, (i) the Revolving Credit Agreement, dated as of November 1, 2015, by and between the Authority and Bank of the West, and (ii) the Revolving Credit Agreement, dated as of November 1, 2015, by and between the Authority and State Street Public Lending Corporation.

"Subordinate Trust Agreement" means the Subordinate Trust Agreement, dated as of November 1, 2015, by and between the Authority and the Subordinate Trustee, as supplemented and amended.

"Subordinate Trustee" means U.S. Bank National Association, as trustee under the Subordinate Trust Agreement, and any successor.

"Supplemental Trust Agreement" means any supplemental trust agreement hereafter duly executed and delivered, supplementing, modifying or amending the Senior Trust Agreement, but only if and to the extent that such supplemental trust agreement is authorized specifically under the Senior Trust Agreement.

"Swap Revenues" means all regularly-scheduled amounts (but not Swap Termination Payments) owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such Counterparty under such Interest Rate Swap Agreement.

"Swap Termination Payments" means the aggregate amount payable to the Counterparty by the Authority upon termination prior to stated maturity of all or a portion of the Interest Rate Swap Agreement, net of all amounts payable to the Authority by such Counterparty upon early unwind of all or a portion of such Interest Rate Swap Agreement. For the avoidance of doubt, all calculations of such amounts payable under the Interest Rate Swap Agreements shall be made in accordance with the terms of the applicable Interest Rate Swap Agreement.

"Tax Certificate" means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Bonds bearing interest that purports to be excluded from the gross income of the Holder thereof for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

"Tax Expiration Date" means June 30, 2039, or such later date to which the levy of the Measure R Sales Tax is extended in accordance with the Authority Act or other applicable law.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Third Supplemental Trust Agreement" means the Third Supplemental Trust Agreement, dated as of May 21, 2014, between the Authority and the Trustee, supplementing the Senior Trust Agreement.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee under in the Senior Trust Agreement.

"Variable Rate Indebtedness" means any indebtedness, including Bonds and Parity Obligations, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

**Proceeding for Issuance of Senior Bonds**

***Issuance of Bonds.*** Whenever the Authority shall determine to issue a Series of Bonds under the Senior Trust Agreement, the Authority (i) shall authorize the execution of a Supplemental Trust Agreement specifying the principal amount, and prescribing the forms of Bonds of such Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of the Senior Trust Agreement, (ii) shall execute such Supplemental Trust Agreement and (iii) shall deliver such Supplemental Trust Agreement to the Trustee for execution.

***Issuance of Additional Bonds***. Subsequent to the issuance of the Series 2010 Bonds, the Authority may by Supplemental Trust Agreement establish one or more additional Series of Bonds, payable from Pledged Revenues and secured by the pledge made under the Senior Trust Agreement equally and ratably with the Series 2010 Bonds, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the Series 2010 Bonds issued under the First Supplemental Trust Agreement, upon compliance by the Authority with the provisions of the Senior Trust Agreement and any additional requirements set forth in said Supplemental Trust Agreement and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of the Senior Trust Agreement, in the event a Supplemental Trust Agreement providing for the issuance of such Series shall require either (i) the establishment of a Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Authority or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued under the Senior Trust Agreement shall not exceed any limitation imposed by the Ordinance or any other law or by any Supplemental Trust Agreement. The Authority shall file with the Trustee a Certificate of the Authority certifying that the issuance of such additional Series of Bonds and the expected use of proceeds thereof is in compliance with the Senior Trust Agreement.

(D) The Authority shall file with the Trustee a certificate prepared by a Consultant showing that the amount of Pledged Revenues (excluding Swap Revenues) collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 2.5 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on June 1 or December 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued.

Nothing in the Senior Trust Agreement contained shall prevent or be construed to prevent the Supplemental Trust Agreement providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Senior Trust Agreement, additional security for the benefit of such additional Series of Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Pledged Revenues" by a Supplemental Trust Agreement, such additional assets or revenues shall be included in the calculations to be provided in subsection (D) above as if the Authority had received such additional assets or revenues as "Pledged Revenues" during all relevant periods of calculation.

***Proceedings for Issuance of Additional Bonds***. Subsequent to the issuance of the Series 2010 Bonds, before any additional Series of Bonds shall be issued and delivered, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Trust Agreement authorizing such Series executed by the Authority.

(B) A Certificate of the Authority certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements in the Senior Trust Agreement regarding issuance of Additional Senior Bonds have been satisfied by the Authority.

(C) A Certificate of the Authority certifying (on the basis of computations made as of the date of sale of such Series of Bonds) that the additional bonds test of the Senior Trust Agreement is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with the Senior Trust Agreement and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

***Issuance of Refunding Bonds***.

(A) Refunding Bonds may be authorized and issued by the Authority without compliance with certain provisions of the Senior Trust Agreement regarding issuance of Additional Senior Bonds; provided that the Trustee shall have been provided with a certificate of a Consultant to the effect that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the Authority to a Counterparty after offset for any payments made to the Authority from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding a Reserve Fund for the Refunding Bonds, if required.

(B) Before such Series of Refunding Bonds shall be issued and delivered pursuant to the requirements described in this section captioned "Issuance of Additional Bonds," the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Trust Agreement authorizing such Series of Refunding Bonds executed by the Authority.

(2) A Certificate of the Authority certifying that the requirements of the provisions of the Senior Trust Agreement are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Authority; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of the Senior Trust Agreement shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with the Senior Trust Agreement and that such Series of Refunding Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

(5) The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the Order of the Authority to the retirement of the Outstanding Bonds or Parity Obligations for the refunding of which said Refunding Bonds are to be issued, and the other expenses in the Senior Trust Agreement. All Bonds or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith canceled and shall not be reissued.

***Limitations on the Issuance of Obligations Payable from Pledged Revenues; Parity Obligations; Subordinate Obligations***.

Subsequent to the issuance of the Series 2010 Bonds and the Series 2016-A Bonds, the Authority will not, so long as any Bonds are Outstanding, issue or incur any obligations or securities, howsoever denominated, payable in whole or in part from Pledged Revenues except as set forth below.

(A) Bonds authorized pursuant to the Senior Trust Agreement.

(B) Refunding Bonds authorized pursuant to the Senior Trust Agreement.

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Authority to that effect, which Certificate of the Authority shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds pursuant to the Senior Trust Agreement or (ii) the Authority shall have placed on file with the Trustee a certificate of a Consultant, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Senior Trust Agreement relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which certificate shall also set forth the computations upon which such certificate is based; and

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

(D) Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Pledged Revenues after the prior payment or deposit of all amounts then required to be paid or deposited under the Senior Trust Agreement from Pledged Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Senior Trust Agreement and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, and that are secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Bonds and Parity Obligations, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect; and

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

(E) The obligation to pay Fees and Expenses.

(F) The obligation to pay Swap Termination Payments.

(G) Junior Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Pledged Revenues after the prior payment or deposit of all amounts then required to be paid or deposited under the Senior Trust Agreement from Pledged Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, all Parity Obligations outstanding, all Subordinate Obligations outstanding and all outstanding obligations to pay Fees and Expenses, as the same become due and payable, and at the times and in the amounts as required in the Senior Trust Agreement and in the instrument or instruments pursuant to which any Parity Obligations, Subordinate Obligations or such obligations to pay Fees and Expenses were issued or incurred, and that are secured by a lien and charge on Pledged Revenues subordinate to the liens and charges on Pledged Revenues that secure the Bonds, Parity Obligations, Subordinate Obligations and Fees and Expenses; provided that the following conditions to issuance or incurrence of such Junior Subordinate Obligations are satisfied:

(1) Such Junior Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect; and

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Junior Subordinate Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Junior Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Junior Subordinate Obligations).

**Pledge of Pledged Revenues; Revenue Fund**

As security for the payment of all amounts owing on the Bonds and Parity Obligations, there are irrevocably pledged to the Trustee: (i) all Pledged Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Senior Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Senior Trust Agreement. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Senior Trust Agreement irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Pledged Revenues and all amounts held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase

Fund) made shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

The Authority shall cause Pledged Tax Revenues to be transmitted by the CDTFA directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Pledged Tax Revenues, when and as received by the Trustee. The Pledged Tax Revenues and all other amounts deposited into the Revenue Fund required by this section captioned "Pledge of Pledged Revenues; Revenue Fund," shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Senior Trust Agreement. Investment income on amounts held by the Trustee under the Senior Trust Agreement (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Trust Agreement), shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Senior Trust Agreement. The obligation of the Authority to make payments of principal of, interest on and redemption premium of Bonds and Parity Obligations shall be an absolute obligation and shall be payable prior to any allocation of such payments under the Ordinance and shall be payable notwithstanding whether the allocation of any such payments pursuant to the terms of the Ordinance to any line item, subfund or other expenditure category within the sales tax revenue fund established by the Ordinance has the effect of allocating Net Revenues and Interest on Sales Tax Revenues (as such terms are defined in the Ordinance) to such line item, subfund or other expenditure category in an amount that is in excess of the allocation permitted by the Ordinance.

The Bonds are limited obligations of the Authority and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Pledged Revenues and other funds pledged under the Senior Trust Agreement.

As security for the payment of all amounts owing on the Subordinate Obligations, there are irrevocably pledged on a subordinate basis to the Bonds and Parity Obligations: (i) all Pledged Revenues; and (ii) all amounts held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Senior Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Senior Trust Agreement. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a second lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Senior Trust Agreement irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Pledged Revenues and all amounts held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) made shall be irrevocable until all of the Subordinate Obligations and amounts owed in connection with the Subordinate Obligations are no longer Outstanding.

As security for the payment of all amounts owing on the Junior Subordinate Obligations, there are irrevocably pledged on a subordinate basis to the Bonds and Parity Obligations and to the Subordinate Obligations: (i) all Pledged Revenues; and (ii) all amounts held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of

Credit Account and any Purchase Fund), subject to the provision of the Senior Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Senior Trust Agreement. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a third lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Senior Trust Agreement irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Pledged Revenues and all amounts held on deposit in the funds and accounts established under the Senior Trust Agreement (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) made shall be irrevocable until all of the Junior Subordinate Obligations and amounts owed in connection with the Junior Subordinate Obligations are no longer Outstanding.

**Allocation of Pledged Tax Revenues; Funds and Accounts**

The Second Amended and Restated Trust Agreement sets forth the allocation of pledged tax revenues, funds and accounts, most of which terms, funds, accounts and general flow of funds are described earlier in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020-A GREEN BONDS—Flow of Funds."

**Application of Interest Fund**

All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Senior Trust Agreement), or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making periodic payments on Interest Rate Swap Agreements, as provided in the Senior Trust Agreement.

**Application of Principal Fund**

All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Senior Trust Agreement, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Senior Trust Agreement or the Supplemental Trust Agreement pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such

Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this paragraph shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Authority to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve-month period ending May 31 (or in a six-month period ending May 31 or November 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority.

**Establishment, Funding and Application of Reserve Funds**

The Authority may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Trust Agreement provide for the establishment of a Reserve Fund as additional security for a Series of Bonds. Any Reserve Fund so established by the Authority shall be available to secure one or more Series of Bonds as the Authority shall determine and shall specify in the Supplemental Trust Agreement establishing such Reserve Fund. Any Reserve Fund established by the Authority shall be held by the Trustee and shall comply with the requirements described in this section captioned "Establishment, Funding and Application of Reserve Funds."

Subject to the requirements described in this section captioned "Establishment, Funding and Application of Reserve Funds," all amounts in any Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Reserve Fund relates; provided, however, that if funds on deposit in any Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Trust Agreement, the Trustee shall apply amounts held in cash or Investment

Securities in any Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Reserve Fund, shall, on a pro rata basis with respect to the portion of a Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Reserve Fund relates when due. Unless otherwise specified in a Supplemental Trust Agreement, in the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Bonds of such Series, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

The Trustee shall notify the Authority of any deficiency in any Reserve Fund (i) due to a withdrawal from such Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Reserve Fund pursuant to the Senior Trust Agreement and shall request that the Authority replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Reserve Requirement. Unless otherwise specified in a Supplemental Trust Agreement, upon receipt of such notification from the Trustee, the Authority shall instruct the Trustee to commence setting aside in each month following receipt of Pledged Tax Revenues for deposit in the applicable Reserve Fund an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such Reserve Fund or decrease resulting from a valuation pursuant to the Senior Trust Agreement and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates, an amount equal to one-twelfth of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Pledged Tax Revenues each month, commencing with the month following the Authority's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Reserve Fund is at least equal to the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates.

Unless the Authority shall otherwise direct in writing, any amounts in any Reserve Fund in excess of the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates shall be transferred by the Trustee to the Authority on the Business Day following June 1 of each year; provided that such amounts shall be transferred only from the portion of such Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Reserve Fund shall be transferred by the Trustee to the Authority upon the defeasance, retirement or refunding of Bonds of the Series to which such Reserve Fund relates or upon the replacement of cash on deposit in such Reserve Fund with one or more Reserve Facilities in accordance with the Senior Trust Agreement. The Reserve Requirement shall be calculated on each June 1 and upon the issuance or retirement of a Series of Bonds and upon the defeasance of all or a portion of a Series of Bonds.

**Application of Subordinate Obligations Fund, Fees and Expenses Fund and Junior Subordinate Obligation Fund**

All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with the Senior Trust Agreement.

All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Authority in connection with the Bonds or any Parity Obligations or Subordinate Obligations as such amounts shall become due and payable.

All moneys in the Junior Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Junior Subordinate Obligations in accordance with the Senior Trust Agreement.

**Establishment, Funding and Application of Project Fund**

Proceeds of Bonds which are to be used to pay Costs of the Project shall be deposited into a Fund or Funds which individually and collectively shall be designated the "Los Angeles County Metropolitan Transportation Authority Measure R Sales Tax Revenue Bonds Project Fund" (the "Project Fund"), which may be held either by the Authority or the Trustee or part by the Authority and part by the Trustee, all as provided by the Senior Trust Agreement and relevant Supplemental Trust Agreements. The Project Fund shall be deemed to be part of the sales tax revenue fund referred to in the Ordinance. All moneys in the Project Fund shall be held and disbursed as provided in the Supplemental Trust Agreement or Supplemental Trust Agreements under which such Fund or Funds were created. Within the Project Fund there are the following subfunds:

(1) the Transit Capital Subfund, consisting of the New Rail/Bus Rapid Transit Capital Projects Account, the Metrolink Capital Improvement Projects Account and the Metro Rail Capital Account;

(2) the Highway Capital Subfund; and

(3) the Operations Subfund, consisting of the Rail Operations Account and the Bus Operations Account.

The Authority may by Supplemental Trust Agreement create additional accounts and subaccounts within the subfunds described above. The Trustee shall transfer moneys between and among such subfunds, accounts and subaccounts to the extent held by it upon the receipt of a Request of the Authority.

**Rebate Fund**

(A) Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Senior Trust Agreement designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Authority. Subject to the transfer provisions provided in paragraph (C) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Senior Trust Agreement and by the applicable Tax Certificates. The Authority covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of paragraph if it follows such instructions of the Authority, and the Trustee shall have no liability or responsibility to enforce compliance by the Authority with the terms of any Tax Certificate nor to make computations in connection therewith.

(B) Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Authority so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Authority to the Trustee in accordance with the applicable Tax Certificate.

(C) The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Authority, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (D) below.

(D) Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Authority in accordance with a Request of the Authority.

(E) Notwithstanding any other provision of the Senior Trust Agreement, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of this section captioned "Rebate Fund" and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

**Payment Provisions Applicable to Interest Rate Swap Agreements**

In the event the Authority shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Authority, if any, pursuant to such Interest Rate Swap Agreement shall also be applied to the deposits required under the Senior Trust Agreement. If the Authority so designates in a Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Authority so designates in a Certificate of the Authority delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement), regularly-scheduled payments payable under such Interest Rate Swap Agreement (excluding Swap Termination Payments and obligations to pay fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Pledged Revenues on a subordinate basis to Bonds, Parity Obligations, Subordinate Obligations and fees and expenses payable from the Fees and Expenses Fund) shall constitute Parity Obligations under the Senior Trust Agreement, and, in such event, the Authority shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Trust Agreement, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, from amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

**Investment in Funds and Accounts**

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Senior Trust Agreement shall be invested, as directed by the Authority, solely in Investment Securities. All Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in the Senior Trust Agreement, the limitations as to maturities set forth in the Senior Trust Agreement and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Senior Trust Agreement, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Authority for such moneys.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, moneys in any Reserve Fund shall be invested in Investment Securities maturing in not more than five years, or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Reserve Fund relates as provided in the Senior Trust Agreement. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Bonds or a Request of the Authority: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Reserve Fund shall be retained in such Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in the Project Fund shall be retained in the Project Fund, unless the Authority shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Senior Trust Agreement, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Securities equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Securities shall be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, all Investment Securities credited to any Reserve Fund shall be valued (at market value) as of June 1 and December 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary, in making any valuations of investments under the Senior Trust Agreement, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Senior Trust Agreement (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Senior Trust Agreement shall be accounted for separately as required by the Senior Trust Agreement. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Securities are credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance in the Senior Trust Agreement.

**Covenants of the Authority**

***Punctual Payments***. The Authority will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Senior Trust Agreement, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Revenues as provided in the Senior Trust Agreement.

***Extension of Payment of Bonds***. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Senior Trust Agreement, to the benefits of the Senior Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this section captioned "Extension of Payment of Bonds" shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

***Waiver of Laws***. The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Senior Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

***Further Assurances***. The Authority will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Senior Trust Agreement and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Senior Trust Agreement.

***Against Encumbrances***. The Authority will not create any pledge, lien or charge upon any of the Pledged Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in the Senior Trust Agreement.

***Accounting Records***. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Pledged Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances; provided, the Trustee shall have no duty or obligation to inspect such books of record and account.

**Collection of Pledged Tax Revenues**

The Authority covenants and agrees that it has duly levied the Measure R Sales Tax in accordance with the Authority Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority. The Ordinance will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Pledged Tax Revenues, and the Authority will continue to levy and collect the Measure R Sales Tax to the full amount permitted by law. The Authority further covenants that it has entered into an agreement with the CDTFA, as successor to the State Board of Equalization, under and pursuant to which the CDTFA will process and supervise collection of the Measure R Sales Tax and will transmit Pledged Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Authority will receive and hold in trust for (and remit immediately to) the Trustee any Pledged Tax Revenues paid to the Authority by the CDTFA.

Pledged Tax Revenues received by the Trustee shall be transmitted to the Authority pursuant to the Senior Trust Agreement; provided that, during the continuance of an Event of Default, any Pledged Tax Revenues received by the Trustee shall be applied as set forth in the Senior Trust Agreement.

The Authority covenants and agrees to separately account for all Pledged Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Authority covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

**Tax Covenants**

The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Bonds under section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Authority may exclude the application of the covenants contained in the Senior Trust Agreement to such Series of Bonds. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the Authority will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section captioned "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Senior Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Authority specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding the Senior Trust Agreement and any Tax Certificate, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required under the Senior Trust Agreement or any

Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants under the Senior Trust Agreement shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Senior Trust Agreement, including particularly provisions regarding defeasance in the Senior Trust Agreement, the covenants and obligations set forth in this section captioned "Tax Covenants" shall survive the defeasance of the Bonds or any Series thereof.

**Continuing Disclosure**

Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Senior Trust Agreement, failure of the Authority to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations described in this section captioned "Continuing Disclosure."

**Compliance with Allocation and Expenditure Requirements of the Ordinance**

The Authority covenants and agrees that it shall comply with the Ordinance. In conformance with Section 7 of the Ordinance, the Authority covenants and agrees that it shall deposit or allocate the proceeds of the Bonds and Parity Obligations in the appropriate subfunds and accounts of the Project Fund and shall account for the expenditure of such proceeds in accordance with the expenditure allocation categories defined in the Ordinance. In order to preserve its ability to comply with such expenditure allocation requirements during the entire period that the Measure R Sales Tax is levied, the Authority covenants and agrees that at the time of issuance or incurrence of any Series of Bonds or Parity Obligations to finance projects in any expenditure allocation category, the portion of projected Measure R Sales Tax revenues attributable to such category in each year, as determined by the Authority, divided by the sum of (i) the Assumed Debt Service attributable to such Bonds or Parity Obligations plus (ii) the Assumed Debt Service attributable to all other Outstanding Bonds or Parity Obligations, the proceeds of which are attributable to such category, plus (iii) the debt service (calculated in the same manner as Assumed Debt Service) on any outstanding Subordinate Obligations and Junior Subordinate Obligations, the proceeds of which are attributable to such category, in each year, as calculated by the Authority, shall not be less than 110%.

**Events of Default and Remedies**

***Events of Default***. The following events will be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in the Senior Trust Agreement on its part to be observed or performed, other than as referred to in subsection (A) or (B) of the above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such 60-day period and if the Authority has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Authority files a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the Pledged Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control.

***Application of Pledged Revenues and Other Funds After Default; No Acceleration***. If an Event of Default shall occur and be continuing, the Trustee shall apply all Pledged Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Senior Trust Agreement (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Senior Trust Agreement) as follows and in the following order:

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Senior Trust Agreement;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Senior Trust Agreement (including section "Effect of Supplemental Trust Agreement" of the Senior Trust Agreement), with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and payable and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due and payable, whether at maturity, by call for redemption or otherwise, in the

order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due and payable on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference;

(3) to the extent Pledged Revenues are available therefor, to be transferred to the trustee for the Subordinate Obligations in the amount necessary for payment of Subordinate Obligations;

(4) to the extent Pledged Revenues are available therefor, to be transferred to the trustee for the Junior Subordinate Obligations in the amount necessary for payment of Junior Subordinate Obligations; and

(5) to the payment of all other obligations payable under the Senior Trust Agreement.

Notwithstanding anything in the Senior Trust Agreement to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing; provided, however, that the accelerated payment of Liquidity Facility Bonds or reimbursement obligations relating to Liquidity Facility Bonds pursuant to the term out provisions of any related Liquidity Facility, letter of credit reimbursement agreement or similar agreement between the Authority and the related Liquidity Provider shall not be considered to be an acceleration for purposes of this paragraph.

***Trustee to Represent Bondholders***. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Senior Trust Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Senior Trust Agreement, or in aid of the execution of any power granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Senior Trust Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Pledged Tax Revenues and other assets pledged under the Senior Trust Agreement, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under the Senior Trust Agreement or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Senior Trust Agreement.

***Bondholders' Direction of Proceedings***. Anything in the Senior Trust Agreement to the contrary (except provisions relating to the rights of a Credit Provider to direct proceedings as set forth in the Senior

Trust Agreement) notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Senior Trust Agreement; provided that such direction shall not be otherwise than in accordance with law and the provisions of the Senior Trust Agreement, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

***Limitation on Bondholders' Right to Sue***. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Senior Trust Agreement, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Senior Trust Agreement or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Senior Trust Agreement or the rights of any other Holders of Bonds, or to enforce any right under the Senior Trust Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Senior Trust Agreement, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Senior Trust Agreement and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Senior Trust Agreement.

**The Trustee**

***Appointment, Duties Immunities and Liabilities of Trustee***.

(A) U.S. Bank National Association is appointed as Trustee under the Senior Trust Agreement and accepts the trust imposed upon it as Trustee under the Senior Trust Agreement and to perform all the functions and duties of the Trustee under the Senior Trust Agreement, subject to the terms and conditions set forth in the Senior Trust Agreement. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Senior Trust Agreement and no implied covenants shall be read into the Senior Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Senior Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(B) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with paragraph (E) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Credit Provider then providing a Credit Enhancement for any Series of Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Authority and each Credit Provider then insuring any Series of Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Senior Trust Agreement, shall signify its acceptance of such appointment by executing and delivering to the Authority, each Credit Provider then insuring any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Senior Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Senior Trust Agreement. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Authority shall give notice of the succession of such Trustee to the trusts under the Senior Trust Agreement by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(E) Any Trustee appointed under the requirements described in this section captioned "Appointment, Duties Immunities and Liabilities of Trustee" in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least $100,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (E), the Trustee shall resign immediately in the manner and with the effect specified in this section captioned "Appointment, Duties Immunities and Liabilities of Trustee."

***Accounting Records and Monthly Statements***. The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including proceeds of each Series of Bonds and moneys derived from, pledged to, or to be used to make payments on each Series of Bonds. Such records shall specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Authority with a monthly statement which shall include a summary of all deposits and all investment transactions related to each Series of Bonds then Outstanding, such statement to be provided to the Authority no later than the fifth Business Day of the month following the month to which such statement relates, the first such monthly statement to be provided by the fifth Business Day of the month immediately following the month in which the Series 2010 Bonds are delivered by the Trustee pursuant to the provisions of the Senior Trust Agreement.

***Merger or Consolidation***. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Senior Trust Agreement, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything to the contrary notwithstanding.

***Liability of Trustee.***

(A) The recitals of facts in the Senior Trust Agreement and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Senior Trust Agreement, or of the Bonds, as to the sufficiency of the Pledged Revenues or the priority of the lien of the Senior Trust Agreement thereon, or as to the financial or technical feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Senior Trust Agreement or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Senior Trust Agreement, except for its own negligence, willful misconduct or breach of the express terms and conditions in the Senior Trust Agreement. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Senior Trust Agreement. The Trustee may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers in the Senior Trust Agreement and perform the duties required of it under the Senior Trust Agreement by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Senior Trust Agreement.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Senior Trust Agreement.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Senior Trust Agreement at the request, order or direction of any Credit Provider or any of the Bondholders pursuant to the provisions of the Senior Trust Agreement, unless such Credit Provider or such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that no security or indemnity shall be requested or required for the Trustee to deliver a notice to obtain funds under the Credit Enhancement delivered in connection with any Series of Bonds in order to pay principal of and interest on such Series of Bonds.

(E) No provision of the Senior Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Senior Trust Agreement or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of, and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default) or event that would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Authority, any Credit Provider then providing a Credit Enhancement for a Series of Bonds or the Holders of twenty-five percent (25%) of the Bond Obligation Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Senior Trust Agreement (including, without limitation, the covenants of the Authority set forth in in the Senior Trust Agreement, other than the covenants of the Authority to make payments with respect to the Bonds when due as set forth in in the Senior Trust Agreement and to file with the Trustee when due, such reports and certifications as the Authority is required to file with the Trustee under the Senior Trust Agreement.

(G) No permissive power, right or remedy conferred upon the Trustee under the Senior Trust Agreement shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

(1) the application or handling by the Authority of any Pledged Revenues or other moneys transferred to or pursuant to any Requisition or Request of the Authority in accordance with the terms and conditions in the Senior Trust Agreement;

(2) the application and handling by the Authority of any other fund or account designated to be held by the Authority under the Senior Trust Agreement;

(3) any error or omission by the Authority in making any computation or giving any instruction pursuant to the Senior Trust Agreement and may rely conclusively on the Rebate Instructions and any computations or instructions furnished to it by the Authority in connection with the requirements of the Senior Trust Agreement and each Tax Certificate;

(4) the construction, operation or maintenance of any portion of the Project by the Authority.

(J) Whether or not therein expressly so provided, every provision of the Senior Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the Senior Trust Agreement.

(K) The Trustee agrees to accept and act upon written instructions and/or directions provided by Electronic Means pursuant to the Senior Trust Agreement, provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, and (ii) such originally executed instructions and/or directions shall be signed on behalf of the Authority by an Authorized Representative and shall be signed on behalf of any other party by a person authorized to sign for the party delivering such instructions and/or directions, which person shall provide such documentation as the Trustee shall request in order to evidence such authorization.

***Right of Trustee to Rely on Documents and Opinions***. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, and may request an opinion of counsel, with regard to legal questions, including, without limitation, legal questions relating to proposed modifications or amendments of the Senior Trust Agreement, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Senior Trust Agreement in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by the Senior Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Senior Trust Agreement, including, without limitation, matters relating to proposed modifications or amendments of the Senior Trust Agreement, the Trustee may request a Certificate of the Authority and such matter (unless other evidence in respect thereof be specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Senior Trust Agreement in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Authority or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

***Compensation and Indemnification of Trustee***. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Senior Trust Agreement of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Senior Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Senior Trust Agreement. The rights of the Trustee and the obligations of the Authority described in this section captioned "Compensation and Indemnification of Trustee" shall survive the discharge of the Bonds and the Senior Trust Agreement and the resignation or removal of the Trustee.

**Modification or Amendment of the Senior Trust Agreement**

***Amendments Permitted***.

(A) Amendments Permitted.

(1) The Senior Trust Agreement and the rights and obligations of the Authority, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Trust Agreement is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

(2) No such modification or amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Pledged Revenues and other assets pledged under the Senior Trust Agreement prior to or on a parity with the lien created by the Senior Trust Agreement, or deprive the Holders of the Bonds of the lien created by the Senior Trust Agreement on such Pledged Revenues and other assets (in each case, except as expressly provided in the Senior Trust Agreement), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to this section captioned "Amendments Permitted," the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect

therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

(B) The Senior Trust Agreement and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent that such modification or amendment is permitted by the Act and does not materially and adversely affect the interests of the Holders of the Bonds and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Senior Trust Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Senior Trust Agreement, or in regard to matters or questions arising under the Senior Trust Agreement, as the Authority may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Senior Trust Agreement in such manner as to permit the qualification in the Senior Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the Senior Trust Agreement;

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations, Junior Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of regarding issuance of additional Senior Bonds and Senior Obligations contained in the Senior Trust Agreement;

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of, or any federal subsidy with respect to, interest on any Series of Bonds;

(11) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(12) to modify, alter, amend or supplement the Senior Trust Agreement in any other respect, including amendments that would otherwise be described in the Senior Trust Agreement, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Senior Trust Agreement or if notice of the proposed amendments is given to Holders of the affected Bonds at least 30 days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Senior Trust Agreement or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(13) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Trust Agreement entered into pursuant to the Senior Trust Agreement shall be deemed not to materially adversely affect the interest of Holders to the extent that (i) such Holders' Bonds are secured by Credit Enhancement and (ii) the relevant Credit Provider shall have given its written consent to such Supplemental Trust Agreement as provided in the provisions of caption "Amendments Permitted" of the Senior Trust Agreement; provided that such Credit Provider is not in default of its obligations under such Credit Enhancement.

Notwithstanding the foregoing, so long as there are Junior Subordinate Obligations outstanding, the Senior Trust Agreement shall not be amended in any way that materially and adversely affects the subordinate pledge of Pledged Revenues and other amounts to the holders of the Junior Subordinate Obligations or the obligation of the Senior Trustee to deposit Pledged Revenues into the Junior Subordinate Obligations Fund without the written consent of the holders of a majority in aggregate amount of Bond Obligation (as defined in the Junior Subordinate Trust Agreement) of the Junior Subordinate Bonds then outstanding under the Junior Subordinate Trust Agreement.

***Effect of Supplemental Trust Agreement***. From and after the time any Supplemental Trust Agreement becomes effective, the Senior Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Senior Trust Agreement of the Authority, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Senior Trust Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of the Senior Trust Agreement for any and all purposes.

**Defeasance**

***Discharge of Senior Trust Agreement***. Bonds of any Series or a portion thereof may be paid by the Authority in any of the following ways:

(A) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Senior Trust Agreement) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Senior Trust Agreement by the Authority with respect to Parity Obligations, Subordinate Obligations and Junior Subordinate Obligations, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Senior Trust Agreement), and notwithstanding that any Bonds shall not have been surrendered for payment, the Senior Trust Agreement and the pledge of Pledged Revenues and other assets made under the Senior Trust Agreement and all covenants, agreements and other obligations of the Authority under the Senior Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the Senior Trust Agreement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

***Discharge of Liability on Bonds***. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Senior Trust Agreement) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Senior Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding the Senior Trust Agreement to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority in the Senior Trust Agreement and the obligations of the Authority in the Senior Trust Agreement shall not be discharged and shall continue to exist and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

***Deposit of Money or Securities***. Whenever in the Senior Trust Agreement it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Senior Trust Agreement and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given pursuant to the Senior Trust Agreement provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Senior Trust Agreement provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Senior Trust Agreement or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

***Payment of Bonds After Discharge of Senior Trust Agreement***. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Senior Trust Agreement), if such moneys were so held at such date, or one year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Authority free from the trusts created by the Senior Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Authority) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited upon receipt by the Trustee into the Revenue Fund.

## APPENDIX E

## FORM OF BOND COUNSEL APPROVING OPINION

[Closing Date]

Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Re: $1,356,095,000 Los Angeles County Metropolitan Transportation Authority Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $1,356,095,000 aggregate principal amount of Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds) (the “Bonds”) issued by the Los Angeles County Metropolitan Transportation Authority (the “Authority”), duly organized and existing under section 130050.2 et seq. of the California Public Utilities Code.

The Bonds are being issued pursuant to the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code (the “Act”), and a Junior Subordinate Trust Agreement, dated as of August 1, 2020 (the “Junior Subordinate Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee thereunder (the “Trustee”), and the First Supplemental Junior Subordinate Trust Agreement, dated as of August 1, 2020 (the “First Supplemental Agreement,” and together with the Junior Subordinate Trust Agreement, the “Trust Agreement”), by and between the Authority and the Trustee. The Bonds are being issued to repay and retire the Authority’s obligations under certain TIFIA Loan Agreements between the Authority and the United States Department of Transportation. Capitalized terms not otherwise defined herein have the meanings set forth in the Trust Agreement.

The Bonds are limited obligations of the Authority secured under the Trust Agreement by a pledge of Junior Subordinate Pledged Revenues. Junior Subordinate Pledge Revenues consist of Pledged Tax Revenues deposited or required to be deposited in the Junior Subordinate Obligations Fund established under the Second Amended and Restated Trust Agreement, dated as of August 1, 2020 (the “Senior Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee thereunder. Pledged Tax Revenues are the amounts collected on account of the Measure R Sales Tax, less any refunds and the administrative fee deducted by the California Department of Tax and Fee Administration in connection with collection and disbursement of the Measure R Sales Tax, and less 15% thereof which is allocated to local jurisdictions pursuant to Authority Ordinance No. 08-01 (the “Measure R Ordinance”). The Measure R Sales Tax is a one-half cent retail transactions and use tax imposed under the Measure R Ordinance and approved by a vote of more than two-thirds of the electors of Los Angeles County voting at an election held November 4, 2008. The Bonds are further secured by a pledge of certain amounts held by the Trustee under the Trust Agreement.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Authority in connection with the Senior Trust Agreement, the TIFIA Loan Agreements and the issuance of the Bonds. We have also examined such certificates of officers of the Authority and others as we have considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the Authority as provided in the Trust Agreement, and are entitled to the benefits of the Trust Agreement. The Bonds are payable from Junior Subordinate Pledged Revenues and the pledge of certain amounts held by the Trustee under the Trust Agreement.

2. Each of the Trust Agreement and the Senior Trust Agreement has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the other party thereto, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Junior Subordinate Pledged Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. Under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants described below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. The Authority has covenanted in the Trust Agreement not to take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Except as stated in the preceding paragraph, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to the effect on the exclusion from gross income of interest on the Bonds of any action taken or not taken after the date of this opinion without our approval.

Except as stated in the second preceding paragraph, we express no opinion as to any federal or state tax consequence of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, if any action is taken with respect to the Bonds, or the use or investment of the proceeds thereof, permitted or predicated upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Bonds, the Trust Agreement and the Senior Trust Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds, the Trust Agreement and the Senior Trust Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may hereafter come to our attention or to reflect any change in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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## APPENDIX F

## 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 $1,356,095,000 Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green 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 Junior Subordinate Trust Agreement, dated as of August 1, 2020, as amended and supplemented, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and the First Supplemental Junior Subordinate Trust Agreement, dated as of August 1, 2020, 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 2020-A Green Bonds and any beneficial owner of Series 2020-A Green 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 August 11, 2020, prepared and distributed in connection with the initial sale of the Series 2020-A Green 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 2020-A Green 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 ended June 30, 2020, 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 timely 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 Measure R Sales Tax Revenues, Pledged Tax Revenues, Senior Obligations and Subordinate Obligations Debt Service and Junior Subordinate Pledged Revenues" of the Official Statement;

(c) Updated information of the type set forth in "TABLE 6—Measure R Pledged Tax Revenues and Combined Debt Service Coverage" of the Official Statement; and

(d) Updated information of the type set forth in "TABLE 7—Los Angeles County Metropolitan Transportation Authority, Combined Measure R Debt Service Schedule" of the Official Statement, but only the information in the column entitled "Total Debt Service" and the information under the column entitled "Combined Total Debt Service" 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 2020-A Green 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 2020-A Green 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 2020-A Green Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the Authority; or

   Note: For the purposes of the event identified in subparagraph (a)(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.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

   Note: For purposes of the events listed as (a)(10) and (b)(8), the term "financial obligation" means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2 12.

(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 2020-A Green 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 2020-A Green Bonds or other material events affecting the tax status of the Series 2020-A Green Bonds;

2. Modifications to rights of the Owners of the Series 2020-A Green Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2020-A Green 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;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a financial obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders.

(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 2020-A Green 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 2020-A Green 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 2020-A Green 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 2020-A Green 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 2020-A Green 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 2020-A Green 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 2020-A Green 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 27th day of August, 2020.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: ________________________________________
Name:
Title:

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## APPENDIX G

## BOOK-ENTRY-ONLY SYSTEM

### Introduction

*Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. LACMTA makes no representations as to the accuracy or completeness of such information. Further, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of 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 2020-A Green 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 2020-A GREEN 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 2020-A GREEN BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2020-A GREEN BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2020-A GREEN BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

### General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020-A Green Bonds. The Series 2020-A Green 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 2020-A Green Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its 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 2020-A Green Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020-A Green Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020-A Green 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 2020-A Green 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 2020-A Green Bonds, except in the event that use of the book-entry system for the Series 2020-A Green Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020-A Green 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 the Series 2020-A Green 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 2020-A Green Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020-A Green 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 2020-A Green Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020-A Green Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2020-A Green Bond documents. For example, Beneficial Owners of Series 2020-A Green Bonds may wish to ascertain that the nominee holding the Series 2020-A Green 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 2020-A Green Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2020-A Green Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020-A Green 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 2020-A Green Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2020-A Green 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 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, LACMTA, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 2020-A Green 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, Series 2020-A Green Bond certificates 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, Series 2020-A Green Bond certificates will be printed and delivered to DTC.

The information in this APPENDIX G concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but LACMTA takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2020-A GREEN 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 PARTICIPANTS.

In the event that the book-entry-only system is discontinued, payments of principal of and interest on the Series 2020-A Green Bonds will be payable as described in the front part of this Official Statement under the caption "DESCRIPTION OF THE SERIES 2020-A GREEN BONDS—General."

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
MEASURE R JUNIOR SUBORDINATE SALES TAX REVENUE REFUNDING BONDS, SERIES 2020-A (GREEN BONDS)

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