

Metro

*Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA*



Agenda - Final

Wednesday, February 14, 2018

12:00 PM

**One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room**

Finance, Budget and Audit Committee

Kathryn Barger, Chair

Paul Krekorian, Vice Chair

John Fasana

Janice Hahn

Ara Najarian

Carrie Bowen, non-voting member

Phillip A. Washington, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES
(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded on CD's and as MP3's and can be made available for a nominal charge.

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The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

CALL TO ORDER**ROLL CALL****APPROVE Consent Calendar Item(s): 8.**

Consent Calendar items are approved by one motion unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

- 8. SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 SECOND QUARTER REPORT** [2017-0913](#)

RECOMMENDATION

RECEIVE AND FILE the second quarter report of Management Audit Services (Management Audit) for the period ending December 31, 2017.

Attachments: [Attachment A - FY18 Q2 Report](#)

NON-CONSENT

- 9. SUBJECT: TRANSFER ON 2ND BOARDING CUSTOMER READINESS EFFORTS** [2017-0880](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to:

- A. REPLACE Day Pass sales onboard bus with ability to purchase Stored Value and Metro base fare onboard bus;
- B. ELIMINATE tokens and transition to TAP; and
- C. IMPLEMENT a consistent \$2 fee for TAP cards system-wide.

Attachments: [Attachment A - Transfer on 2nd Boarding BoardReport](#)
[Attachment B - Decline of Onboard DayPass Sales](#)
[Attachment C - TitleVI Removing Day Pass Sales on Bus](#)
[Attachment D - TitleVI Evaluation Adding Stored Value on bus](#)
[Attachment E - Title VI Evaluation of Transfer on 2nd Boarding](#)
[Attachment F - Token Sale Analysis](#)
[Attachment G - TitleVI Evaluation of Discontinued Tokens](#)
[Attachment H - Title VI Evaluation for consistent \\$2 TAP cards](#)
[Attachment I - PublicHearingNotice](#)
[Attachment J - Frequently Asked Questions.](#)
[Attachment K - Public Hearing Summary](#)
[Attachment L - Implementation Timeline](#)

10. SUBJECT: TAP GIFT CARD SALES AND RELOAD PROGRAM

[2017-0796](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, revenue-generating Contract No. PS43741000 to Interactive Communications International, Inc. (InComm) for the distribution of TAP gift cards for purchase at retail gift card kiosks at major chain stores to satisfy customer demand for more TAP sales locations.

Attachments: [Attachment A - Procurement Summary](#)
[Attachment B - DEOD Summary](#)
[Attachment C - Map of TAP Sales Locations](#)

11. SUBJECT: INVESTMENT POLICY

[2017-0594](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or his/her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

Attachments: [Attachment A - Investment Policy \(redlined\).pdf](#)
[Attachment B - Financial Institutions Resolution \(redlined\).pdf](#)
[Presentation.pdf](#)

12. SUBJECT: PROPOSITION C BONDS[2017-0840](#)**RECOMMENDATION**

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the issuance of bonds by competitive sale to refund the Proposition C Series 2008-A Bonds, consistent with the Debt Policy;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Continuing Disclosure Agreement, Escrow Agreement, and Preliminary Official Statement on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the resolution; and
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the refunding bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

Attachments: [Attachment A - Authorizing Resolution](#)

13. SUBJECT: DEBT MANAGEMENT[2017-0841](#)**RECOMMENDATION**

ADOPT the Debt Policy (Attachment A).

Attachments: [Attachment A - Debt Policy \(Redlined\)
Presentation](#)

14. SUBJECT: LOCAL RETURN BORROWING[2017-0842](#)**RECOMMENDATION**

APPROVE Local Return Borrowing Guidelines to establish procedures for borrowings secured by Proposition A (Prop A), Proposition C (Prop C), Measure R and Measure M Local Return (LR) funds as described in Attachment A. Approve incorporating the Local Return Borrowing Guidelines into the Guidelines for Prop A, Prop C, Measure R, and Measure M local return programs.

Attachments: [Attachment A - Borrowing Guidelines for Local Return Programs](#)
[Attachment B - Examples of Prior Local Return Borrowings](#)

**37. SUBJECT: FISCAL YEAR 2019 BUDGET DEVELOPMENT
PROCESS**[2017-0898](#)**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2019 (FY19) Budget Development Process.

Adjournment**GENERAL PUBLIC COMMENT**

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.



Board Report

File #: 2017-0913, **File Type:** Informational Report

Agenda Number: 8.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 14, 2018

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 SECOND
QUARTER REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the second quarter report of Management Audit Services (Management Audit) for the period ending December 31, 2017.

ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the second quarter of FY 2018.

DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and

resolution tracking.

The summary of Management Audit activity for the quarter ending December 31, 2017 is as follows:

Internal Audits: One internal audit was completed and thirteen were in process.

External Audits: Two contract pre-award audits with a total value of \$1.2 million were completed and 15 incurred cost audits with a total value of \$57 million were completed. Four contract pre-award audits and 43 incurred cost audits were in process.

Other Audits: Fifteen audits were completed by external CPA firms.

Audit Follow-up and Resolution: Nine recommendations were closed during the second quarter. At the end of the quarter, there were 28 open audit recommendations. In addition, three recommendations for the OIG were closed. Details of all open, extended, and closed recommendations can be found in the Second Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2018 second quarter report is included as Attachment A.

NEXT STEPS

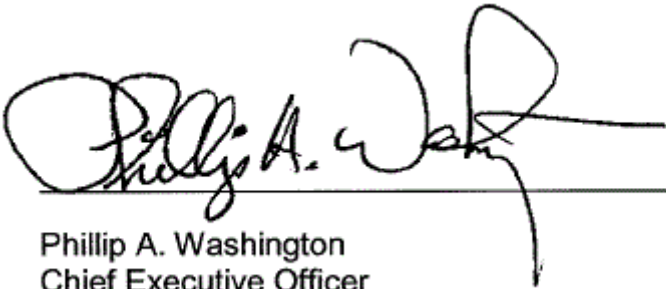
Management Audit will provide the FY 2018 Third Quarter report of audit activity to the Board at the May 2018 Finance, Budget and Audit Committee meeting.

ATTACHMENT

Attachment A - Management Audit Services Quarterly Report

Prepared by: Monica Del Toro, Audit Support Manager
(213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan
Transportation Authority**

***Second Quarter
FY 2018***



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EXECUTIVE SUMMARY

Summary of Audit Activity

During the second quarter of FY 2018, 33 projects were completed. These include:

Internal Audits

- Follow-Up Performance Audit for the I-405 Sepulveda Pass Improvement Project;

Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Indirect Cost Rate for Purple Line Extension Section 3 Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Communications and Passenger Information System;

Incurred Cost Audits

- Three Independent Auditor's Reports on Agreed-Upon Procedures for the SR-710 Gap Alternatives Analyses Project;
- Three Independent Auditor's Reports on Agreed-Upon Procedures for incurred costs for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Baldwin Park's Metrolink Transit Center Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Baldwin Park's Metrolink Pedestrian Overcrossing Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Glendale's Colorado St. Widening Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Long Beach's Atlantic Avenue Signal Synchronization and Enhancement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of La Cañada Flintridge's Bus Replacement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Lynwood's Transit Area Strategic Plan Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of County of Los Angeles Department of Public Work's San Gabriel Valley Forum Traffic Signal Corridors Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of El Monte's Clean Fuel Bus Replacement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Pico Rivera's Pedestrian Bridge along Rosemead Boulevard Project;

Other Audits

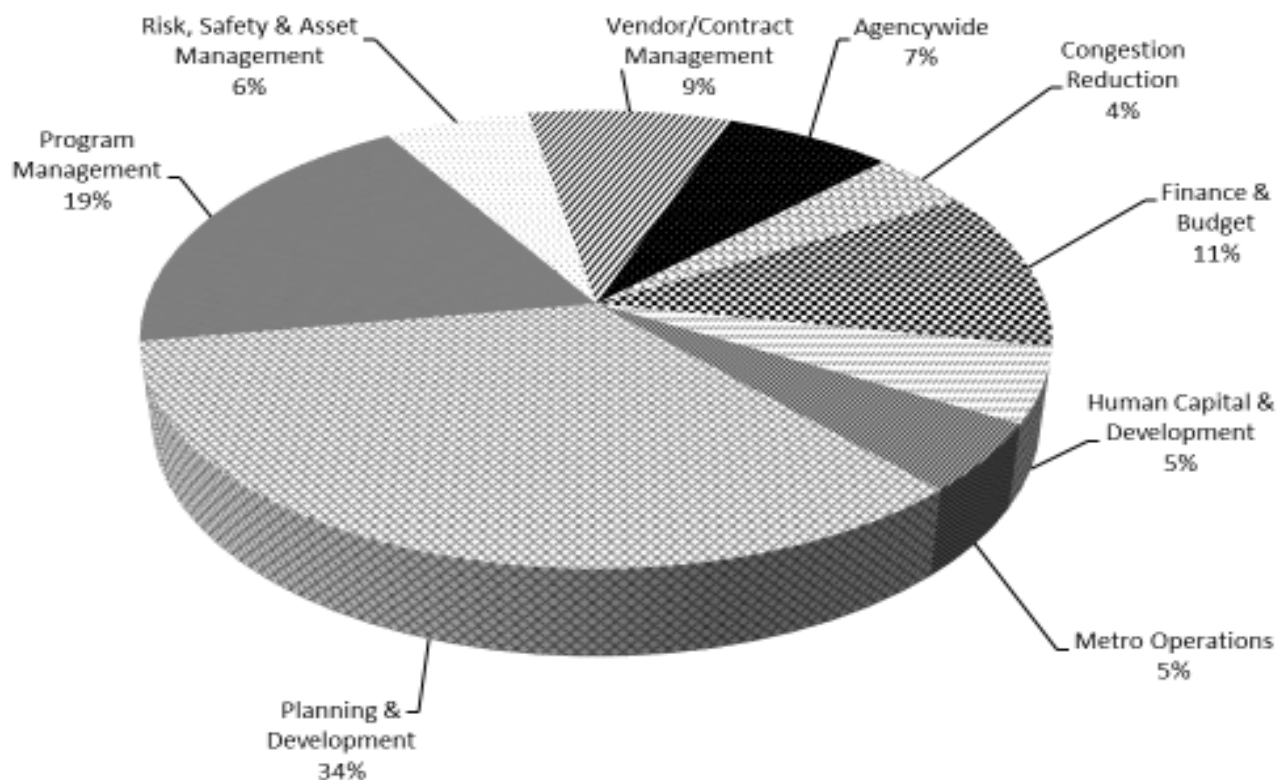
- Fifteen other audits issued by external CPA firms.

The completed external audits are discussed on page 3. Discussions of the internal audits begin on page 4. Discussions of Other audits issued by external CPA firms begin on page 5.

EXECUTIVE SUMMARY

Sixty projects were in process as of December 31, 2017; these included 13 internal audits, four contract pre-award audits, and 43 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during second quarter FY 2018:



Audit follow-up:

- Nine recommendations were closed during the second quarter. At the end of the quarter there were 28 open audit recommendations.
- In addition, we closed three OIG recommendations. At the end of the quarter there were 39* open audit recommendations.

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

EXTERNAL AUDITS

Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During second quarter FY 2018, two audits were completed, reviewing a net value of \$1.2 million. Auditors questioned \$83 thousand or 7% of the proposed costs. The two audits supported procurements in the following areas:

- Purple Line Extension Section 3 Project procurements; and
- Communications and Passenger Information System Project procurement;

Four contract pre-award audits were in process as of December 31, 2017.

Details on Contract Pre-Award Audits completed during second quarter FY 2018 are in Appendix A.

Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including Caltrans projects. The purpose of the audits is to ensure that funds are spent in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 15 audits during second quarter FY 2018. We reviewed \$57 million of funds and identified \$1.5 million or 3% of unused funds that may be reprogrammed. Forty-three incurred cost audits were in process as of December 31, 2017.

Details on Incurred Cost Audits completed during second quarter FY 2018 are in Appendix B.

INTERNAL AUDITS

For the second quarter of FY 2018, one internal audit was completed. Thirteen internal audits were in process as of December 31, 2017. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the second quarter FY 2018. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

Follow-Up Performance Audit for the I-405 Sepulveda Pass Improvement Project

The audit objective was to verify whether the corrective actions from prior audit of I-405 Sepulveda Pass Improvement Project have been implemented.

We found that all eight recommendations from prior audit report No. 11-CON-K01, dated August 9, 2011 were implemented. Management identified alternative solutions for two of the eight corrective actions which we accepted as adequate methods to correct the associated findings. The corrective actions implemented by management improved the oversight of the I-405 Sepulveda Pass Improvement Project, of which the Substantial Completion Certificate was issued September 18, 2015.

OTHER AUDITS

Other audits completed during Second Quarter FY18 by external CPA firms include:

Proposition A and C Special Revenue Funds Audit – Issued November 2017

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the Los Angeles County Metropolitan Transportation Authority (Metro) with the provisions of Propositions A and C. BCA Watson Rice LLP (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2017. As required by law, BCA will present their audit report to the Independent Citizen's Advisory Oversight Committee.

Measure R Special Revenue Fund Audit – Issued November 2017

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2017. As required by law, BCA will present their audit report to the Measure R Independent Taxpayers Oversight Committee.

Gateway Center & Union Station Properties Financial Statements – Issued November 2017

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2017. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

PTSC-MTA Risk Management Authority Financial Statements – Issued November 2017

In October 1998, the Public Transportation Services Corporation (PTSC) and Metro entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from Metro and PTSC. As PTSC also receives its funding from Metro, PRMA is a component unit of Metro and is included in its financial statements as a blended component unit.

An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2017. BCA found that the financial statements present fairly, in all material respects, the position of PRMA as of June 30, 2017.

OTHER AUDITS

Basic Financial Statements and Component Audits – All parts Issued by December 2017

An audit of our financial statements by an independent CPA firm is required annually. We retained Crowe Horwath LLP to conduct the audit for the fiscal year FY17. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2017:

- Comprehensive Annual Financial Report;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2017;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017;
- Transportation Development Act Operations Agency for the fiscal year ended June 30, 2017;
- Transportation Development Act & Proposition 1B PTMISEA Planning Agency for the year ended June 30, 2017;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2017 and 2016;
- Crenshaw Project Corporation financial statements as of June 30, 2017;
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2017 and 2016; and
- Low Carbon Transit Operations Program Compliance for the fiscal year ended June 30, 2017.

Crowe issued unmodified opinions on all audit reports. There were no findings identified in the audit reports.

Financial Statements of Regional Transit Access Pass (TAP) Settlement and Clearing Accounts – Issued December 2017

Los Angeles TAP was created by Metro through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing Metro staff resources.

We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2017. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center TAP Settlement and Clearing Accounts as of June 30, 2017.

OTHER AUDITS

Financial Statements of Metro ExpressLanes – Issued December 2017

Metro ExpressLanes started as a one-year demonstration program that tested innovations to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. The first Metro ExpressLanes commenced revenue operations in November 2012 on the I-110 Harbor Freeway, between Adams Blvd. and the 91 freeway. The second began revenue operations in February 2013 on the I-10 El Monte Freeway between Alameda St. and the 605 Freeway. In April 2014, the Board voted unanimously to make the ExpressLanes on the I-110 and I-10 Freeways permanent. Later that year the California State Legislature approved a motion making the toll lanes permanent in Los Angeles and that the Governor sign it to become official.

An audit of the financial statements of Metro ExpressLanes, an enterprise fund of Metro, was performed by Vasquez & Company, LLP (Vasquez) for the year ended June 30, 2017. Vasquez found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund as of June 30, 2017 and 2016.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the second quarter, nine recommendations were completed and closed. At the end of the quarter there were 28 outstanding audit recommendations. The table below summarizes the second quarter activity.

Summary of MAS and External Audit Recommendations As of December 31, 2017

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management					
Vendor Contract Management					
Finance and Budget					
Information Technology	1		1	1	2
Metro Operations	8		14	1	15
Planning and Development			4		4
Communications			7		7
Systems Security & Law Enforcement					
Risk Management					
Totals	9		26	2	28

In addition to the above MAS and external audit recommendations, we closed three recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 39* outstanding OIG audit recommendations.

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

Appendix A

Contract Pre-Award Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Construction	18-CON-A02 - Attestation Agreed-upon Procedures	Cornerstone Transportation Consulting, Inc.	Once	VCM Policy	11/2017
2	Operations	18-OPS-A01 - Attestation Agreed-upon Procedures	CRRC MA Corporation	Once	VCM Policy	11/2017

Appendix B

Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Planning	17-PLN-A08 - Attestation Agreed-upon Procedures	JM Diaz, Inc.	Second	VCM Policy	10/2017
2	Planning	16-PLN-A16 - Attestation Agreed-upon Procedures	Jacobs Associates	Second	VCM Policy	10/2017
3	Planning & Development	15-PLN-A05 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00FA141 terms	10/2017
4	Planning & Development	16-PLN-A04 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00F1654 terms	10/2017
5	Program Management	17-HWY-A15 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.MR310.21 terms	10/2017
6	Planning & Development	16-PLN-A30 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU.P00F1334 terms	10/2017
7	Program Management	17-CON-A38 - Attestation Agreed-upon Procedures	Ghirardelli Associates, Inc.	Second	VCM Policy	10/2017
8	Program Management	17-CON-A35 - Attestation Agreed-upon Procedures	Brierley Associates Corporation	Second	VCM Policy	10/2017
9	Planning & Development	18-PLN-A08 - Closeout	City of La Cañada Flintridge	Once	Per Project Manager's request and FA.920000000F7407 terms	11/2017
10	Planning & Development	17-PLN-A24 - Closeout	City of Lynwood	Once	Per Project Manager's request and MOU.TOD.312.02.15	11/2017
11	Planning & Development	17-PLN-A03 - Closeout	County of Los Angeles	2nd Audit (Close out)	Per Project Manager's request and MOU.P0006294 terms	12/2017

Appendix B

Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
12	Planning & Development	18-PLN-A10 - Closeout	City of El Monte	Once	Per Project Manager's request and FA.920000000F7420 terms	12/2017
13	Planning & Development	17-PLN-A22 - Closeout	City of Pico Rivera	Once	Per Project Manager's request and MOU.P000F3827 terms	12/2017
14	Planning	16-PLN-A19 - Closeout	CH2M Hill, Inc.	Second	VCM Policy	12/2017
15	Program Management	17-CON-A30 - Attestation Agreed-upon Procedures	DHS Consulting, Inc.	Second	VCM Policy	12/2017

Appendix C

Internal Audit FY 2018 - In Process as of December 31, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Information & Technology Services	Performance Audit of Information Technology Project Management	Evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process. A sample from all information technology systems acquired, upgraded, developed and/or implemented during the period from July 1, 2013 through June 30, 2016 will be selected to assess the efficiency and effectiveness of the Project Management Process, including the projects' success from the end user perspective.	First Time	Per FY17 Audit Plan	1/2018
2	Metro Operations	17-OPS-P07 - Performance Audit of Track Allocation	Determine the effectiveness of the track allocation process.	First Time	Per FY16 Audit Plan	1/2018
3	Program Management	16-CON-P04 - Performance Audit of Construction Quality Assurance	Evaluate the efficiency and effectiveness of the agency's Construction Quality Assurance Program over minor construction projects (less than \$100 million) and to follow up on the implementation of recommendations from the prior Performance Audit of Construction Quality Assurance, No. 11-CON-K02.	2nd Time; Last Audit 3 years ago	Per FY16 Audit Plan	2/2018
4	Finance & Budget	17-OMB-P02 - Performance Audit of Farebox Revenue Process	Evaluate the effectiveness of internal controls over Farebox Revenue Process.	First Time	Per FY17 Audit Plan	2/2018
5	Finance & Budget	17-OMB- P01 - Performance Audit of Cash Counting Process	Evaluate internal controls over the Cash Counting Process.	2nd Time; Last Audit 7 years ago	Per FY17 Audit Plan	2/2018
6	Vendor / Contract Management	16-VCM- P01 - Performance Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last audits 4 and 8 years ago	Per FY16 Audit Plan	2/2018
7	Vendor / Contract Management	17-VCM-P02 - Performance Audit of Change Order Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for approving contract change orders/modifications. To determine the extent of key information utilization for contract change orders/modifications. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	3/2018

Appendix C

Internal Audit FY 2018 - In Process as of December 31, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
8	Vendor / Contract Management	17-VCM-P04 - Performance Audit of Pre-Award Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for the vendor contract selection method (e.g. best value, lowest bid). To determine the extent of key information utilization to select vendors for contract awards. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	2/2018
9	Metro Operations	16-OPS-P03 - Performance Audit of Accident Prevention Program	Determine the efficiency and effectiveness of Operations' Accident Prevention Practices.	First Time	Per FY16 Audit Plan	2/2018
10	Congestion Reduction	16-CEO-P02 - Performance Audit for Follow- Up of 511	Follow Up on 511 Audit.	2nd Time; Last Audit 5 Years Ago	CEO Request	2/2018
11	Agency-Wide	17-AGW-P01 - Performance Audit of Consultant Hours	Evaluate efficiency and effectiveness of the use of consultants. Phase 1 – This audit will report on the agency-wide use of consultants such as the number of consultants by business unit, nature of work conducted by the consultants, consultant costs and other statistical information during the review period (FY14, FY15 and FY16).	First Time	Per FY17 Audit Plan	3/2018
12	Employee & Labor Relations / Finance & Budget	17-OMB-P04 - Performance Audit of Position Reconciliation Process	To evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Resources and Office of Management and Budget.	2nd Time; Last Audit 6 years ago	Per FY17 Audit Plan	3/2018
13	Risk Management	18-RSK-P01 - Performance Audit of Continuity of Operations Plan	Evaluate the adequacy of the Continuity of Operations Plan (COOP) based on guidelines specified by Federal Transit Administration Emergency Protective Measures and report on progress to date on the COOP as of September 30, 2017.	2nd Time; Last Audit 8 years ago	Per FY18 Audit Plan	3/2018

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-006 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minibus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution. Update: Closed as of January 2018.	6/30/2016	12/31/2017
2	Operations	11-OPS-006 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minibus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules. Update: Closed as of January 2018.	6/30/2016	12/31/2017
3	Operations	11-OPS-006 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. Update: Operations will be using the CrewOpt module for the June 2018 shakeup.	6/30/2016	6/30/2018
4	Operations	11-OPS-006 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. Update: Operations will be using the CrewOpt module for the June 2018 shakeup.	6/30/2016	6/30/2018
5	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department update the B-TAP Program Policy and/or Agreement terms so that the language on these two documents are consistent with the intended pricing level for B-TAP customers. Update: Closed as of January 2018.	3/31/2017	7/31/2018
6	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making. Update: MOU is being reviewed by internal stakeholders for suggestions.	3/31/2017	7/31/2018

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
7	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. Update: MOU is being reviewed by internal stakeholders for suggestions.	3/31/2017	7/31/2018
8	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance. Update: MOU is being reviewed by internal stakeholders for suggestions.	3/31/2017	7/31/2018
9	Communications	16-COM-P01 - Special Fares Programs	23	We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements. Update: MOU is being reviewed by internal stakeholders for suggestions.	3/31/2017	7/31/2018
10	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management. Update: MOU is being reviewed by internal stakeholders for suggestions.	3/31/2017	7/31/2018
11	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue. Update: Closed as of January 2018.	3/31/2017	7/31/2018
12	Planning & Development	14-EDD-P01 - Real Estate Property	11	We recommend that Real Estate Management complete the required inspections and document inspection records on file. Update: Real Estate has provided master schedule to perform required inspection. Management Audit is reviewing supporting documents for some of the inspections completed.	6/30/2017	6/30/2018

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	Planning & Development	14-EDD-P01 - Real Estate Property	12	We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts. Update: Management Audit is currently reviewing supporting documentation provided by Real Estate Management to verify that appropriate corrective action was taken.	6/30/2017	6/30/2018
14	Planning & Development	14-EDD-P01 - Real Estate Property	13	We recommend that Real Estate Management develops policies and procedures for collecting and writing off past due accounts including when consultation with County Counsel is required. Policy should include timeframes to ensure timely actions are taken. Update: Closed as of January 2018.	6/30/2017	12/31/2017
15	Planning & Development	14-EDD-P01 - Real Estate Property	14	We recommend that Real Estate Management will establish a process for investigating customer's payment that has no invoice reference so proper application of payments received can be made or invoice can be prepared. Update: Closed as of January 2018.	6/30/2017	12/31/2017
16	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	1	We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements. Update: A board box was issued November 16, 2017 that discusses the M3 replacement system which includes a requirement for linear assets inventory. The next step is to issue a Request for Proposals in January 2018.	6/30/2017	6/30/2018
17	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	2	We recommend the Chief Operations Officer require Track management to develop a formal risk assessment of potential failures for track components or assets aimed at supplementing the current inspection program with a scheduled maintenance plan for selected components or maintenance practices. Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of a formal risk assessment of potential failures for track components or assets to supplement the current inspection program.	6/30/2017	6/30/2018

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	4	<p>We recommend the Chief Operations Officer require Track management to develop quality standards for track maintenance to proactively maintain Metro's unique track infrastructure.</p> <p>Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of quality standards to assist with the maintenance of track infrastructure.</p>	6/30/2017	6/30/2018
19	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	6	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions.</p> <p>Update: The M3 mobile app for the Daily Inspection form is now being tested by Track Inspectors. Verification of the inspections criteria for the different types of inspection is expected to be completed by June 30, 2018.</p>	6/30/2017	6/30/2018
20	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	8	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels.</p> <p>Update: The M3 mobile app for Daily Inspection form is now being tested by Track Inspectors. The determination of whether all conditions that impact the track structure are being documented, will be completed by June 30, 2018.</p>	06/30/2017	6/30/2018
21	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	10	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition.</p> <p>Update: The Director of Wayside Systems informed us that Track Inspectors are communicating with Wayside Systems Facility Maintenance for any corrective actions outside of track maintenance responsibility. Additionally, a vendor was hired to perform repairs and maintenance on Metro concrete guide ways, bridges and subway tunnels.</p>	6/30/2017	6/30/2018

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
22	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	12	We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system. Update: The M3 mobile app for Daily Inspection form is now being tested by Track Inspectors.	6/30/2017	6/30/2018
23	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	13	We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports. Update: he M3 mobile app for Daily Inspection form is now being tested by Track Inspectors.	6/30/2017	6/30/2018
24	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	15	We recommend the Chief Operations Officer require Tracks Management to develop departmental policies and procedures specific to Track Maintenance activities and specify the track maintenance standards and/or guidelines that should be followed. Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of departmental policies and procedures for Track Maintenance, inclusive of standards or guidelines.	6/30/2017	6/30/2018
25	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	16	We recommend the Chief Operations Officer require Tracks Management to develop an illustrative field manual based on Metro's own criteria for track maintenance and allocate the necessary budget to do this. Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of an illustrative field manual based on Metro's own criteria for track maintenance.	6/30/2017	6/30/2018
26	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	22	We recommend that the Chief Operations Officer require Track Management to consider collaborating with ITS to determine whether Operations' existing OTTS system can be modified and used by Rail Instruction or implement and automated Track Training Management system to gain greater visibility of employee training records and data. Update: Closed as of January 2018.	12/31/2017	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
27	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	2	We recommend that the ITS Department Management complete the update of the Standards Compliance and Asset Management (IT 7) Policy to clarify the roles and responsibilities of the ITS department and other cost centers in tracking and managing IT assets. The policy should include the types of IT assets that need to be maintained in IT asset inventory records. The policy revision should also include the extent of the periodic physical inventory/reconciliation based on the risk associated with the type of IT assets and the amount of investment on various types of IT assets.	10/31/2017	6/30/2018
28	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	4	We recommend that the ITS Department Management oversee the periodic physical inventory (at least annually) of IT assets that are excluded from the physical inventory/reconciliation for federally funded assets (below \$5000 unit price), but had been determined material in amount due to high frequency/volume purchases. Resolve any discrepancies to ensure the accuracy and completeness of IT asset inventory records.	3/31/2018	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

OIG Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	8	The Metro System Safety and Law Enforcement Division should consider developing or acquiring and implementing a resource oversight and monitoring application for use on the smartphones currently used by Metro safety and security personnel. Metro should also consider identifying specific reporting requirements as input into the development of the new Computer Aided Dispatch (CAD) system by the LASD.	1/31/2017	3/31/2018
2	Program Management	16-AUD-01 - Capital Project Management Best Practices Study	38 Total	The 109 recommendations included in this report address findings in low bid contracting, project delivery method selection process and criteria, contract administration, obtaining necessary approvals from cities to avoid delays, etc. Update: As of December 31, 2017, 71 of 109 recommendations have been completed.		

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

**Board Report**

File #: 2017-0880, **File Type:** Motion / Motion Response**Agenda Number:**

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 14, 2018****SUBJECT: TRANSFER ON 2ND BOARDING CUSTOMER READINESS
EFFORTS****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. REPLACE Day Pass sales onboard bus with ability to purchase Stored Value and Metro base fare onboard bus;
- B. ELIMINATE tokens and transition to TAP; and
- C. IMPLEMENT a consistent \$2 fee for TAP cards system-wide.

ISSUE

Onboard bus TAP Day Pass purchases have declined by over 85% since October, 2011. In comparison, Stored Value fare payments are growing and are expected to increase significantly once Transfer on 2nd Boarding is implemented. With approval, onboard Day Pass sales will be replaced onboard the bus with the ability to purchase or reload TAP cards with either Stored Value or base fare at the farebox. This change will align internal efforts with customer demand and make it easier for customers to purchase fare and travel throughout LA County. Day Pass sales will continue to be available online at taptogo.net, by calling 866.TAPTOGO, at Metro Customer Centers, at TAP vending machines located at all Metro rail and Orange Line stations, and at over 400 TAP vendor locations.

The popularity and added security of TAP cards and the elimination of the discounted fare for Metro tokens has caused tokens to become obsolete. At one time, a token was good for one ride at a discounted rate but now a token is worth the same as the regular base fare of \$1.75. Transitioning token customers to TAP will provide customers with faster and safer boardings. Customers will no longer have to search for tokens but will quickly touch their TAP cards to the farebox to board.

Registered TAP cards can be replaced if lost or stolen.

The price of TAP cards vary depending on the purchase method. The TAP card cost is \$2 when purchased online, by phone, at a Metro Customer Center or at a retail vendor and \$1 if purchased at a TAP vending machine or on a Metro bus. The actual cost of a TAP card is about \$2 per card and includes producing the TAP card, and its handling and distribution. The discounted rate was introduced at a time to encourage the use of TAP and is no longer recommended. Making this cost to customers consistent across all point of sale locations will rectify inequities, improve customer understanding and encourage customers to retain and reuse their cards.

DISCUSSION

Transfer on 2nd Boarding was approved by the Board in June, 2015 (see ATTACHMENT A for Transfer on 2nd boarding Board Report) and is set to be implemented Spring 2018.

Transfer on 2nd Boarding refers to the approved regional interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with a TAP card when boarding a second transit agency within 2.5 hours from the first boarding. Customers will benefit from faster boardings and will no longer need to carry exact change. TAP cards will be provided to support this improved method of interagency transfers.

1 Million Free TAP card Distribution

The Board approved 1 million free TAP card distribution will prepare customers for Transfer on 2nd Boarding. Additionally, it will also help customers during the transition of tokens to TAP as well as the implementation of consistent \$2 TAP card cost. TAP staff is working on a distribution plan to ensure these free TAP cards are distributed strategically and efficiently. Distribution recipients include, 24 TAP partner agencies, over 400 TAP retail vendors, Social Service Agencies, Veterans Outreach groups, Metro Customer Relations and Community Relations staff, as well as a variety of Metro Service Planning projects that require TAP cards.

Replace Day Pass Purchases with Stored Value Onboard the Bus

Staff recommends replacing Day Pass sales onboard bus with Stored Value and base fare, (see ATTACHMENT B for onboard Day Pass sales). The findings from the Title VI analysis (see ATTACHMENT C for Title VI analysis for removing Day Pass sales onboard bus) conclude that there is no disparate impact on customers. The findings from the Title VI analysis on adding Stored Value does have a disparate impact because the group of riders who would benefit from the increased convenience of being able to add value to their TAP cards on buses is a significantly less minority when compared to Metro's overall ridership (see ATTACHMENT D for Title VI analysis for adding Stored Value on bus). However, the Title VI analysis for Transfer on 2nd boarding (see ATTACHMENT E) supports the recommendation to add Stored Value reloading on bus. Day Pass sales will continue to be available online at taptogo.net, by calling 866.TAPTOGO, at Metro Customer

Centers, at TAP vending machines located at all Metro rail and Orange Line stations, and at over 400 TAP vendor locations.

Token Transition to TAP

Staff recommends eliminating Metro tokens as a payment option because they are obsolete due to TAP technology. As token use continues to decline (see ATTACHMENT F for token sale analysis) the TAP card is proven to be a viable, cost effective replacement that enables simpler, safer and automatic farebox collection. A Title VI evaluation of the proposed action found no Disparate Impact as the minority share of token users is not significantly different from the minority share of TAP card users (see ATTACHMENT G for Title VI evaluation for the discontinuation of tokens). Additionally, tokens are no longer cheaper than the base fare, so there is no customer benefit to this method of fare payment. The proposed efforts help to ensure broad availability of TAP media in lieu of tokens, and the de minimis cost due to its 10 year lifespan of the TAP card substantially mitigates this impact.

The implementation plan for phasing out Metro tokens will take place over 18 months. The first 2 months will be dedicated to a customer friendly campaign notifying patrons of final token sale and use dates, and how to transition to TAP. During the third month, Metro token sales will end. However, tokens will be accepted for at least one year. This length of time ensures that customers can utilize their existing tokens and obtain a TAP card. Prior to termination of token sales, TAP will begin distribution of (Board approved) 1 million free TAP cards. Additionally, a special token replacement plan will be implemented for social service agencies and other heavily token-reliant programs.

TAP Card Price Consistency (\$2 everywhere)

Staff recommends that the cost of TAP cards be consistent by making them \$2 across all purchasing platforms (see TABLE 1). There will be an increase of \$1 to customers who purchase TAP cards onboard the bus and at TAP vending machines located at rail stations. The extra cost of the TAP card is amortized over its life of about 10 years making the card cost de minimis (see ATTACHMENT H for Title VI evaluation for equalizing TAP card costs). If approved, this card cost consistency will be implemented no later than Spring 2018 following a six week customer facing campaign.

Table 1

	Taptogo.net	866.TAPTOGO	Metro Customer Center	TAP Vendors	TAP Vending Machines	Metro Bus
Current	\$2	\$2	\$2	\$2	\$1	\$1
Proposed	\$2	\$2	\$2	\$2	\$2	\$2

Notice of Public Hearing

Pursuant to Metro’s Administrative Code Section 2-50-025, the notice for this public hearing was

provided to the general public as follows:

- Via Metro's website, metro.net, on a rotating banner
- Via the public hearing landing page, information on proposed recommendations including the notice of public hearing (See Attachment I) and frequently asked questions (See Attachment J)
- Via social media (Facebook and Twitter posts)
- Via posts on The Source discussing proposed recommendations
- Via e-blasts to Metro general information and key stakeholders e-mail lists
- Via printed legal notice of public hearing, published 30 days before the hearing in the following periodicals:

Asian Journal (LA), CA
Daily News Los Angeles, CA
LA Opinion, CA
Panorama, CA
Rafu Shimpo, CA
The Korea Times, CA
World Journal (Chinese Daily News), CA

- Via Metro Briefs as an ad item
- Via a "Take One" brochure onboard Metro buses and trains in 10 Title VI languages
- Messages on hold on 323.GOMETRO

Additional outreach included presentations to the following groups:

- Community Relations All Staff Meeting- 9/22/2017
- Citizen's Advisory Council- 10/25/2017
- Bus Operator Subcommittee- 12/5/2017
- Regional Service Council- 12/13/2017

For a summary of the public hearing results, see Attachment K.

Additional Efforts

Efforts are in progress to increase TAP card accessibility and to ensure TAP operator readiness for implementation of Transfer on 2nd boarding. TAP vendor recruitment efforts have resulted in about 415 vendor locations including 35 Los Angeles County Library locations. TAP plans to install an additional 52 Los Angeles County Library locations within the next year along with a 16 vendor pilot with 7-Eleven. Other efforts include distributing (Board-approved) 1 million free TAP cards and providing technical, and customer communications support to 24 TAP partner agencies.

...Determination_Of_Safety_Impact

DETERMINATION OF SAFETY IMPACT

Reducing the use of cash and increasing TAP use will enhance safety by speeding up boardings. TAP also provides registered cardholders with the benefit of Balance Protection to safeguard their TAP purchase against loss or theft.

FINANCIAL IMPACT

The proposed recommendations are within the limits of FY18 adopted budget. No additional funds are required.

ALTERNATIVES CONSIDERED

The Board could choose not to approve any of the aforementioned recommendations, however this action would not be recommended or consistent with the Board approved Transfer on 2nd Boarding mitigation strategies.

NEXT STEPS

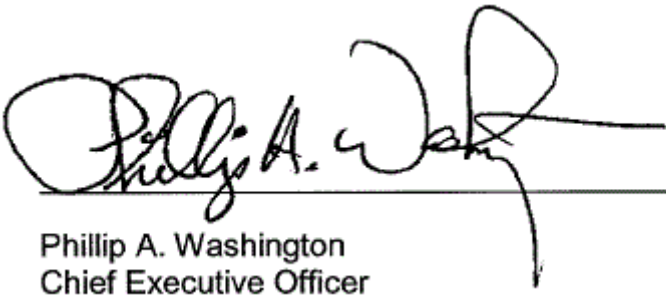
Upon Board approval, staff will execute the following internal and external customer readiness efforts to support seamless implementation of Transfer on 2nd Boarding and fare collection efficiencies (see Attachment L for implementation timeline). Additionally, staff will work with appropriate Metro departments to implement incentives and rewards for customers who pay fare using a TAP card.

ATTACHMENTS

- Attachment A - Transfer on 2nd Boarding Board Report
- Attachment B - Decline of Onboard Day Pass Sales
- Attachment C -Title VI analysis for removing Day Pass sales onboard bus
- Attachment D - Title VI analysis for adding Stored Value on bus
- Attachment E --Title VI Evaluation of Transfer on 2nd boarding
- Attachment F - Token sale analysis
- Attachment G - Title VI Evaluation of Discontinued Tokens
- Attachment H - Title VI Evaluation for \$2 TAP card pricing
- Attachment I - Notice of Public Hearing
- Attachment J- Frequently Asked Questions
- Attachment K- Results of Public Hearing Summary
- Attachment L- Implementation Timeline

Prepared by: David Sutton, Executive Officer, TAP (213) 922-5633

Reviewed by: Nalini Ahuja, Chief Financial Officer, OMB (213) 922.2296



Phillip A. Washington
Chief Executive Officer

Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA



Board Report

File #:2015-0449

**FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 17, 2015**

SUBJECT: REGIONAL INTERAGENCY TRANSFER (IAT) POLICY

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

- A. Adopt the proposed change to the Policy on Use of Interagency Transfers as described in Attachment A.
- B. Adopt finding that the proposed policy change results in a Disparate Impact but there is substantial legitimate justification for the proposed change and there are no alternatives that would have a less disparate impact on minority riders.
- C. Adopt recommendation to distribute up to 1 million TAP cards free to bus riders purchasing transfers in advance of the effective date of the policy to address the underlying cause of the Disparate Impact finding (current TAP card possession).

ISSUE

As of May 2015, the last of the County's transit providers that participate in a regional fare program - EZ transit pass or Inter-Agency Transfers (IATs) - are on TAP. The region is now poised to fully realize the seamless travel across the County envisioned when the TAP program was launched in 2002, improving customer convenience and improving boarding times.

The proposed Policy on the Use of Inter-Agency Transfers (Attachment A) makes the following changes to the current policy by:

- 1) eliminating the paper inter-agency transfer by requiring all transfers to be made with a TAP card;
- 2) paying the transfer fare upon second, rather than first, boarding;
- 3) extending the inter-agency transfer window from 2 to 2 ½ hours; and,
- 4) providing for a single inter-agency transfer within the transfer window.

The new policy would not change the transfer price charged by each transit operator; transfer fares

would still be a local fare policy decision. Further, the new policy would not require change to intra-agency (i.e., within system) transfer policies like those at Metro, LADOT, Culver City BusLines, or Norwalk Transit, but would be integrated to work seamlessly with local TAP transfer policies on an operator-by-operator basis.

DISCUSSION

As the region has migrated to a TAP-based fare collection system over the last decade, IAT policy has presented many challenges because not all IAT-participating operators were on TAP. Operators with TAP capability had to consider the TAP capabilities or lack thereof when providing IATs to their customers. This resulted in the hybrid IAT program that we have today:

- Paper transfers are used for cash-paying customers transferring from bus to bus;
- TAP loaded transfers are used for customers who know they are transferring between TAP-enabled operators. To assist customers who may not know, most agencies load TAP transfers and continue to provide paper IATs;
- TVM-issued paper transfers are issued to customers transferring from Metro Rail to non-TAP operators;
- Limited use TAP “polka dot” transfers are issued to cash-paying customers transferring to Metro Rail or TAP customers transferring to Metro Rail from non-TAP operators.

These transfer accommodations have been difficult to manage for operators and difficult to use for customers. Now that all of the IAT-participating agencies are on TAP, the complexity of the IAT program can be simplified to the mutual benefit of both customers and operators. The policy change would provide an automatic transfer to customers when an eligible transfer boarding is made.

Regional Readiness

Several operators have already taken steps to harness the benefits the TAP system provides for transfer activity. Antelope Valley Transit and Santa Clarita Transit both eliminated paper transfers from their systems in recent years, requiring all customers who wish to transfer to another operator do so with their TAP cards. LADOT began the implementation of internal transfers on TAP with their conversion to the TAP program in 2013. Most recently, Metro implemented it’s own Board-approved internal transfer policy with the two hours of free transfers on TAP as part of the September 2014 fare change.

Beginning with the TAP conversion of Long Beach Transit in April 2014, 14 additional operators have been added to the TAP system bringing the total to 24 TAP enabled operators in the County (Attachment B). As the most recent 14 agencies have prepared for TAP transition over the last year, the region has been discussing the proposed changes to IAT policy through a number of forums including the General Managers’ group, Bus Operators Subcommittee (BOS), and Local Transit Systems Subcommittee (LTSS). Unanimous approval of the proposed policy was achieved by the

General Managers on May 13th, and the BOS on May 19th. Additionally, the policy proposal will be presented to the Citizens Advisory Committee on June 24th.

Should the policy be approved by the Board, a Working Group comprised of operator representatives together with TAP staff will oversee the technical and marketing efforts necessary for implementation.

Policy Changes

There are four significant changes proposed to the IAT policy.

1. Transfers within Los Angeles County would be allowed with a TAP card only. This would eliminate the paper transfers, Rail TVM paper transfers, and TAP "polka dot" transfers currently in use. This would require all base fares whether single ride fares or pass fares to be paid with a TAP card at which time eligibility for a transfer at the next boarding would be encoded on the TAP card. Transfers would not be available for cash-paying customers. However, there will be limited routes that may need to maintain paper transfers for transfers to operators outside Los Angeles County. These routes will be handled on a case-by-case basis.
2. Transfer fare would be deducted when making the second boarding. The customer no longer has to determine need for the transfer as it will happen automatically if the boarding is transfer eligible. Today, the customer requests a transfer on the first vehicle, is provided with a paper transfer, and the paper transfer is provided to the driver of the second vehicle. Under the proposal, the customer would simply tap for both boardings - a base fare would be deducted on the first vehicle and a transfer fare would be deducted on the second vehicle. Revenues are expected to remain unchanged as a result of the policy change but will now be collected on different legs of the trip.
3. The transfer window would be extended to 2.5 hours from the current 2 hour window. The extension of the transfer window was warranted due to increasing traffic congestion and the distance of some routes, particularly those from the Antelope Valley.
4. The policy would provide for a single IAT per base fare boarding. Today, it is each operator's discretion to issue another IAT when a customer boards with an IAT. Most operators, however, do not sell an IAT when presented with an IAT for boarding. The proposed policy would standardize this practice across the region.

Customer Benefits

The benefits to the customer of the proposed policy change include:

- *Speeding up boardings* - Under the new policy, a customer would not need to communicate with the driver to purchase an IAT. The transfer would happen automatically upon making the transfer boarding, ensuring the customer receives the transfer to which they are entitled, and speeding up boardings for all customers.

- *Eliminating necessity to carry exact change* - Restricting IATs to TAP cards only would eliminate the customer's need to carry exact change to purchase a transfer. Instead, riders would add cash to their TAP card. TAP cards can be registered for balance protection, allowing the TAP card balance to be restored should the card be lost or stolen (subject to a \$5 fee).
- *Customer ease of use* - A customer will no longer have to consider all legs of a continuous transit trip when determining when and what transfer to buy at any point along that trip. For example, a Metro customer today will automatically receive a transfer to another Metro route but has to know when he/she is transferring outside of Metro and that an IAT must be purchased. If the IAT is purchased before the Metro transfers are completed, the customer will lose the ability to transfer within Metro. Further, a customer transferring between operators would not need to know the exact cost of the transfer for each operator; the TAP system would recognize the valid transfer boarding and automatically deduct the best fare from the stored value balance.

Operator Benefits

The benefits to regional transit operators include:

- *Faster boarding time* - Under the new structure, a customer will not need to request a specific transaction for the transfer. This new policy would remove the necessity for the customer to communicate with the driver, which will expedite the boarding process and decrease dwell time, therefore increasing efficiency.
- *Encouraging the use of TAP* - The restriction of IATs to TAP cards is intended to add to recent efforts to increase TAP utilization. The new fare structure implemented in September 2014 added two hours of free transfers for customers paying the base fare on a TAP card. Prior to the 2014 fare changes, Metro did not offer intra-agency transfers, which meant that customers had to pay for each boarding. Additionally, the proposed policy change is consistent with the gating of Metro Rail which required all Rail boardings to be made with TAP cards. The proposed change to IATs would restrict all transfers to a TAP card, further increasing the TAP share of overall fare media usage which is 80% TAP for Metro. When customers use TAP, the region's operators can collect more data about when, where, and how the system is being used. This additional data makes for more well-informed decision making with regard to fare policy, transit routes, and scheduling.
- *Reduction of fraud* - Proof of payment for IATs is currently provided to customers in the form of paper transfers. This presents an opportunity for fraud, as paper transfers are relatively easy for passengers to resell or reproduce. Restricting the use of IATs to TAP cards links the original fare and the transfer to the same fare media, and the system would validate base fare

payment before authorizing the transfer. In addition, restricting IATs to TAP cards would eliminate the monetary incentive to resell the transfers since the TAP card itself costs \$1 to \$2.

- *Directly collected IAT revenues* - Under the current IAT structure, the transfer must be purchased upon the first boarding, which means that the agency providing the service for the original boarding collects both the base fare and the IAT fare. The proposed IAT policy would create a new system where the IAT fare would be automatically deducted upon the transfer boarding. This is a fairer and more appropriate fare payment, since the agency providing the transfer service would directly collect the IAT revenue.

Title VI

Metro conducted a Title VI evaluation (Attachment C) for the proposed policy change on behalf of the region. The County's population was divided into eight groups of riders defined by their proximity to a TAP sales location (within ¼ mile walking distance or not), their ability to load their TAP card on a transit vehicle, and whether they have a TAP card already in their possession. The Title VI evaluation found one group of the eight to be disparately impacted by the proposal - a group of 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance that currently do not have a TAP card, and are not within walking distance of a place to obtain one (though they could add value to it if they had one), and constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be *Disparately Impacted* nor *Disproportionately Burdened* by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no alternative that would provide a consistent multi-operator transfer program without printed fare media than the proposed TAP-based transfer program. Approval of the policy by the Board constitutes that there is no cost-effective alternative to changing the IAT policy and it is in the regional transit operators' business interest to make the change despite the disparate impact finding. Metro and its regional TAP partners will reduce the negative effect of the policy change by conducting an extensive marketing and outreach campaign, including TAP card distribution. This campaign will address the underlying cause of the disparate impact finding.

TAP Sales Locations

Currently, customers can purchase and/or load passes or value to a TAP card from various sources:

- Metro TAP Vending Machines (TVMs) in all 80 rail stations, 17 Orange Line stations, and El Monte Station

- Operator Customer Service Centers
- 393 Third Party TAP Vendors
- Online at taptogo.net
- By telephone at 1-866-TAPTOGO

Additionally, TAP is actively working on expansion of the TAP sales network with the addition of new third party vendors and new TVM locations, and a new mobile app for TAP card sales. Current sales locations are being mapped against the fixed route network to target vendor expansion efforts to those areas with the least access to TAP sales locations.

Marketing and Training

Staff is working with the TAP member agencies on numerous strategies and tactics to ensure successful customer communications on the new transfer policy, including the dissemination of up to 1 million TAP cards in advance of policy implementation. Messaging will include important customer education tools, as well as highlight where TAP cards can be purchased and reloaded. These messages will be consistent throughout a traditional print and digital marketing campaign, with particular emphasis on major transfer rail stations and inter agency connectivity. The marketing committee will also implement an internal campaign to prepare all TAP agency bus and rail operators for the change. This will include in-person trainings, on-site division marketing and materials for operators to distribute to customers.

DETERMINATION OF SAFETY IMPACT

There is no discernable safety impact.

FINANCIAL IMPACT

Adoption and implementation of the proposed policy change would result in annual savings of \$685,000, beginning in FY17, for the printing and processing of the three different paper-based transfer media:

- \$400,000 of savings annually through the elimination of bus-issued paper transfers;
- \$15,000 in Metro Rail TVM-issued paper transfers; and,
- \$270,000 in the production of polka-dot one-time use TAP transfers used by municipal operator patrons transferring to Metro Rail.

Additionally, a decrease in the use of cash has undefined savings on equipment maintenance and cash counting.

There will be a one-time cost of approximately \$750,000 for up to 1 million TAP cards to be made available to the public in preparation for the policy change. The one-time expense is already part of

the FY16 TAP Operation budget.

The proposed policy does not change the cost of an IAT. As such, the proposed changes are not designed to and will not have a significant impact on fare revenues collected.

ALTERNATIVES CONSIDERED

The current Policy on Use of Interagency Transfers can remain in effect. This would require the continued use of paper inter-agency transfers for bus to bus transactions, TVM-issued paper transfers for rail-to-bus transfers, and polka dot TAP transfers for bus-to-rail transfers. However, this would not achieve the same benefits to the riding public. In addition it would not fulfill the objective of the region's transit providers to create a more seamless, coordinated transit system.

NEXT STEPS

If the policy is approved, Metro staff, together with regional TAP partners, will begin the technical efforts to program the policy change into the TAP system, and will initiate a thorough marketing and outreach effort to inform the public. The effective date of the policy change will be agreed upon by the Working Group and is estimated to be in approximately 6 to 9 months due to the time needed to program the TAP system, educate and train each agency's operators, and inform and prepare the public.

Additionally, Metro staff will assist TAP partners with presentation of the Fare Equity Analysis results to their respective Boards/Councils for approval per FTA guidelines.

ATTACHMENTS

Attachment A - Proposed Changes to the Policy on the Use of Inter-Agency Transfers

Attachment B - TAP-Participating Operators

Attachment C - Title VI Evaluation

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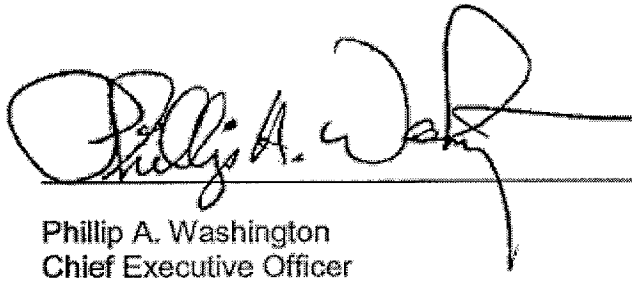
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Phillip A. Washington
Chief Executive Officer

**Proposed Changes to the
Policy on the Use of Inter-Agency Transfers**

In an effort to promote seamless travel for the public, and in response to state TDA law, included and eligible municipal operators and the LACTMA establish the following revised interagency transfer policy:

~~A transfer that a rider receives from one bus system or Metro Rail line will be accepted by other bus systems or Metro Rail lines for segments of a one-way continuous trip that the rider makes within a two-hour period on any one day. For systems having designated transfer points, the interagency transfer will only be accepted at these points.~~

A rider shall receive one transfer between bus systems or Metro Rail lines operated by different agencies within two and one-half hours of payment of a base fare. If the person is transferring to express or premium service, the operator will follow that system's policy about charging an additional fare for the express/premium service.

~~The rider may use the same transfer for all transfer segments, unless the receiving operator has a policy to collect transfers from boarding passengers. In that event, the bus operator will provide the passenger with a new interagency transfer upon payment of the interagency transfer fare. If the person is transferring to express or premium service, the accepting operator will follow that system's policy about charging an additional fare for the express/premium services. Fares for interagency transfers are determined by the issuing transit system.~~

Transfers shall be made available to customers as follows:

TAP cardholders shall automatically receive one transfer, if applicable, upon boarding their second bus or train within two and one-half hours. Fares for the TAP interagency transfer are determined by the accepting transit system.

TAP Enabled Operators

<u>Operator</u>	<u>TAP Fare Collection Devices</u>
Antelope Valley Transit Authority	Fareboxes
Baldwin Park Transit Lines	Bus Mobile Validators
BurbankBus	Bus Mobile Validators
Carson Circuit	Bus Mobile Validators
Compton Renaissance Transit	Bus Mobile Validators
Culver CityBus	Fareboxes
Foothill Transit	Fareboxes
GTrans (Gardena)	Fareboxes
Glendale BeeLine	Bus Mobile Validators
Huntington Park COMBI	Bus Mobile Validators
LA County	Bus Mobile Validators
LADOT	Driver Control Units/Light Validators
Los Angeles World Airports	Bus Mobile Validators
Long Beach Transit	Bus Mobile Validators
Metro	Fareboxes, Stand Alone Validators, Gates
Montebello Bus Lines	Fareboxes
Monterey Park Spirit Bus	Bus Mobile Validators
Norwalk Transit	Fareboxes
Pasadena Arts	Bus Mobile Validators
Palos Verdes Peninsula Transit Authority	Bus Mobile Validators
Beach Cities Transit (Redondo Beach)	Bus Mobile Validators
Santa Clarita Transit	Fareboxes & Driver Control Units/Light Validators
Big Blue Bus (Santa Monica)	Bus Mobile Validators
Torrance Transit	Fareboxes

**Title VI Evaluation
Replacement of Existing Interagency Transfers
With TAP-Based Method**

This is a Title VI evaluation of the replacement of current methods of providing Interagency Transfers (IATs) with a TAP-based method. The affected operators are those Los Angeles County fixed route service providers that receive some form of formula operating subsidy from the Los Angeles County Metropolitan Transportation Authority (Metro)(Table 1).

**Table 1
Los Angeles County
Formula Funded Fixed Route Operators**

Antelope Valley	Gardena	Norwalk
Beach Cities Transit	Long Beach	Santa Clarita
Culver City	Los Angeles DOT	Santa Monica
Foothill Transit	Metro	Torrance
	Montebello	

For this evaluation the Universe of potentially impacted persons is all persons within one-quarter mile of any bus stop served by one or more of the above operators, and/or within one-half mile of any rail station. Ethnic data for this population is obtained from the 2010 US Census, and Household Income data for this population is obtained from the 2006-2010 American Consumer Survey (ACS). Because the Census data is provided at the block group level, and the ACS data is at the tract level the size of the impacted population is slightly greater for the ACS data (block groups that are more than one-quarter mile from a bus stop would be excluded from the Census data, but could be included in the ACS data if the tract containing such block groups was within that one-quarter mile of a bus stop).

For reference purposes this evaluation will refer to the Ethnic population as the Title VI data, and the Household Income population will be referred to as the Environmental Justice data. The Title VI population consists of 9,648,798 persons of whom 6,826,725 are minorities (70.8%). The Environmental Justice population consists of 9,742,481 persons of whom 1,531,488 are living in households below the federally defined Poverty income levels (15.7%).

Evaluation Methodology

The Universe of potentially impacted persons has been defined as essentially all persons who can walk to fixed route transit. Under current methods any passenger

desiring an IAT may purchase it at the time that they board a bus, or at a rail station at the time that they purchase their rail ticket. In order to be unaffected by the introduction of TAP-based IAT's a passenger must still be within walking distance of the means to purchase the IAT before taking their transit ride. Otherwise, a person would be adversely affected by the new method.

The mechanics of the proposed IAT process require that the passenger have a TAP card with a cash purse holding sufficient value to purchase an IAT. Such a rider would pay their initial fare by whatever means they normally use (either a cash deduction from the TAP card purse, or the use of whatever pass is stored on the TAP card). When the transfer boarding occurs, the cost of the transfer would be debited from the TAP card purse.

The relevant factors for this evaluation are 1) does the rider have a TAP card, or not, and 2) can the rider add value to that TAP card to ensure the ability to pay for the trip. The ability to add value to a TAP card adds an additional level of complexity to this evaluation – some of the fixed route operators have the ability to add value to a TAP card on board a bus and some do not have this capability. In the latter instance, whether a rider remains unaffected by the proposed method will depend on whether or not they are within walking distance of an alternative means of adding value to the TAP card. The alternatives consist of rail and Orange Line stations which have TVM's capable of issuing and upgrading TAP cards, or customer service outlets which can sell and/or upgrade TAP cards (there are several hundred of these). The possible combinations of these factors and nature of rider impacts are shown in Table 2.

This evaluation assumes that having to purchase a TAP card is inconsequential because the \$1-\$2 cost of the card can be amortized over its multiple year validity. Therefore, the No TAP Card riders whose only potential adverse impact would be the need to buy a TAP card are considered to be Not Impacted as long as they are otherwise able to walk to a location where they can add value to the card.

As can be seen from Table 2 there are three scenarios that result in an adverse impact for riders so situated:

1. The rider has No TAP Card and adding value to the TAP purse on the bus has no value because they are not within walking distance of a location where they could obtain the TAP card itself;
2. The rider has a TAP Card but cannot add value to it anywhere; and
3. The rider has No Tap Card and cannot add value to it or buy one.

Table 2
Rider Impact Categorizations

	<u>TAP Card</u>	<u>No TAP Card</u>
Can Add Value Can Walk to Outlet	No Impact	No Impact
Can Add Value Cannot Walk to Outlet	No Impact	Adverse Impact
Cannot Add Value Can Walk to Outlet	No Impact	No Impact
Cannot Add Value Cannot Walk to Outlet	Adverse Impact	Adverse Impact

Results of Evaluation

The next step in this evaluation was to determine the number of persons associated with each Impact Category, and for the potential Adverse Impact categories, whether or not the resulting impacts were Disparate (disproportionately affecting minorities) or imposed a Disproportionate Burden (disproportionately impacted persons in Poverty).

Metro has defined a Disparate Impact as an adverse impact affecting a group having an absolute 5% greater minority share than the overall population (Universe) (in this instance, $70.8\% + 5\% = 75.8\%$ or greater) or a 20% greater share ($70.8\% \times 1.20 = 85.0\%$). This evaluation uses the lesser threshold of 75.8%. A Disproportionate Burden has been defined as an adverse impact affecting a group having an absolute 5% greater Poverty share ($15.7\% + 5\% = 20.7\%$), or a 20% greater Poverty share than the overall population (in this instance, greater than $15.7\% \times 1.20 = 18.8\%$ or greater). This evaluation uses the lesser share of 18.8%.

The first adversely impacted group consists of those riders who do not have a TAP card, but could add value to it if they did. This is the non-TAP card portion of the second group in Table 3. The minority share of this group (75.9%) exceeds the Disparate Impact threshold (75.8%) so this group is **Disparately Impacted**. The Poverty share (14.7%) is less than the threshold for Disproportionate Burden (18.8%) so there is no Environmental Justice consequence for this group.

Table 3

Intra Agency Transfer Tap Proposal
Title VI and Environmental Justice Analysis Results

Scenario	Sub Categories	Total Population	Minority Population	% Minority	Total Population	Poverty Population	% Poverty
Existing Universe							
		9,648,798	6,826,725	70.8%	9,742,481	1,531,488	15.7%
	Can add value	1,968,742	1,553,530	78.9%	2,553,977	533,158	20.9%
	Can walk to Tap Local						
	Can add value	2,874,232	2,181,275	75.9%	3,220,858	473,102	14.7%
	Can't walk to Tap Local						
	Can't add value	3,990,023	3,060,150	76.7%	4,901,898	970,510	19.8%
	Can walk to Tap Local						
	Can't add value	8,270,940	5,816,187	70.3%	8,492,017	1,364,653	16.1%
	Can't walk to Tap Local						

Notes

1. Title VI is performed at the census block group level using 2010 Census Data
2. Environmental Justice is performed at the census tract level using 2010 5 Year American Community Survey Data
3. Transit buses and stations where one can add value to the tap card - AVTA, Foothill, Gardena, Montebello, Torrance and Metro Orange Line and Rail
4. Transit buses where one can't add value to the tap card - Metro buses, Beach Cities, Culver City, Long Beach, LADOT, Norwalk, Santa Monica and SCVTA
5. Used quarter mile buffers for bus stops and half mile buffers for rail stations.

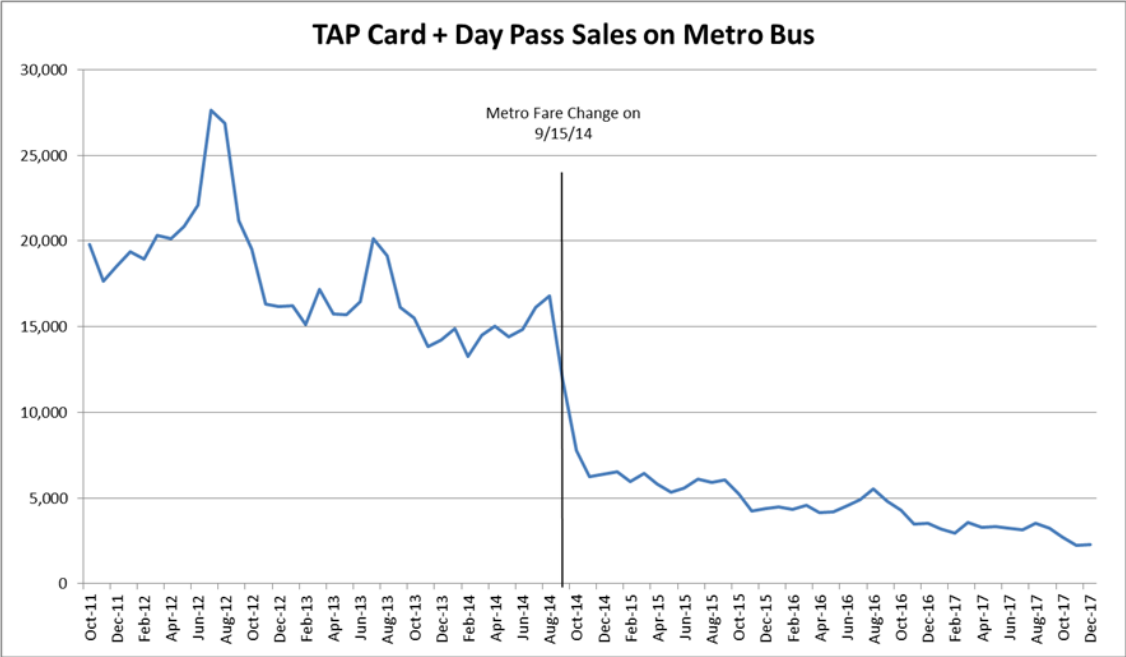
The remaining two adversely impacted groups comprise the totality of the fourth category in Table 3 (whether or not they have a TAP card, they have no way to add value to it). Both the minority share (70.3% compared with 75.8%) and the Poverty share (16.1% compared with 18.8%) are less than the thresholds for Disparate Impact and Disproportionate Burden, respectively, so there are no Title VI or Environmental Justice consequences for these groups.

Findings

The group of riders having no TAP card, and not within walking distance of a place to obtain one (though they could add value to it if they had one) was found to be **Disparately Impacted** by the proposed TAP-based IAT. The most recently processed Customer Satisfaction Survey indicates that about 72% of Metro riders have a TAP card (probably a higher percentage now as this data is over a year old). This yields a group of approximately 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance (those affording the opportunity to add value to the TAP purse at the trip origin). This group constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be Disparately Impacted nor Disproportionately Burdened by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is clearly in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no other cost-effective mechanism for providing a consistent multi-operator transfer program without printed fare media than the proposed TAP program.

Decline of Day Pass Sales on Bus



EVALUATION OF DISCONTINUED DAY PASS SALES ON BUSES

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal to be Evaluated

At the present time, Metro riders may purchase a Day Pass on buses, at rail or Orange Line stations, through Metro Customer Centers, and through third party sales outlets; Also online at taptogo.net and by calling 866.TAPTOGO. The cost of the pass is the same everywhere, except TVMs and onboard bus which are both \$1. However, while there is an added \$1.00 charge for the TAP card at all Metro points of sale, third party outlets charge \$2.00 for the card. Because TAP cards may be reused, and have an expected lifetime of ten years, the price difference for the differing sales outlets is considered de minimus.

The proposed action would discontinue the sale of Day Passes on buses. This would eliminate drivers carrying blank fare media, and reduce the complexity of inventory control of these media. It could have a minor impact on speeding boarding times on buses.

Title VI Evaluation and Findings

The most current available ridership data was collected as part of the Spring 2016 Customer Satisfaction Survey. The relevant data provided by this survey includes method of payment, discount category, ethnicity, and poverty status. Day pass users were found to be 91.78% minority compared with 88.24% minorities among all users. This is not a significant difference (3.54%) using Metro's current definitions, so there is no apparent disparate impact from this proposal.

In November 2013 Metro staff performed a demographic analysis of residential access to Day Passes. A summary of those findings with respect to minorities is provided in Table 1.

Table 1

Group	Walk Accessibility	Minority Population	non-Minority Population	Minority Share
1	Bus Only	2,677,947	1,272,089	67.80%
2	Bus & Sales Outlet	2,668,417	802,948	76.87%
		5,346,364	2,075,037	72.04%

The demographic data of Table 1 does not represent riders, but rather residents who have access to sources of Day Passes, as indicated. We are only concerned with the subset of the general population who have walk access to bus because those that don't would not be impacted by the proposed action.

The data shows that there is no significant difference in minority representation between those who only have walk access to the bus and those who also have walk access to other sources for TAP card recharging. This provides added evidence that there would be no disparate impact from this proposal.

Environmental Justice Evaluation and Findings

The share of Day Pass users below the poverty level is 33.69% compared with 43.75% of all riders. This is a significant difference (-10.06%) using Metro's current definitions, but there is no disproportionate burden imposed because the adversely impacted riders are significantly less poor than all riders.

In November 2013 Metro staff performed a demographic analysis of residential access to Day Passes. A summary of those findings with respect to poverty status is provided in Table 2.

Table 2

Group	Walk Accessibility	Poverty Population	non-Poverty Population	Poverty Share
1	Bus Only	375,761	2,783,237	11.89%
2	Bus & Sales Outlet	897,431	3,657,136	19.70%
		1,273,192	6,440,373	16.51%

The data shows that there is no significant difference in poverty representation between those who only have walk access to the bus and those who also have walk access to other sources for TAP card recharging. This provides added evidence that there would be no disproportionate burden from this proposal.

EVALUATION OF ADDING TO TAP CARD STORED VALUE ON BUSES

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal to be Evaluated

At the present time, Metro riders may add to the stored value capability of their TAP card at Ticket Vending Machines (TVM's) at Metro rail and Orange Line stations, at Metro Customer Centers, third party sales outlets, and online at taptogo.net and by calling 866.TAPTOGO. The proposed action would permit patrons to also add to their stored value "purse" on buses.

Title VI Evaluation and Findings

The most current available ridership data was collected as part of the Spring 2016 Customer Satisfaction Survey. The relevant data provided by this survey includes method of payment, discount category, ethnicity, and poverty status. A comparison of minority representation among TAP stored value riders and all riders is provided in Table 1.

	<u>Minority Share</u>	<u>Absolute Diff.</u>	<u>Relative Diff.</u>
TAP Stored Value			
Regular	77.52%	-10.72%	-12.15%
Elderly/Disabled	71.61%	-16.63%	-18.85%
Student (K-12)	89.95%	1.71%	1.94%
All Riders	88.24%		

Except for Student (K-12) riders, who represent only 4.63% of stored value TAP riders, the group of riders who would benefit from the increased convenience of being able to add value to their TAP cards on buses is significantly less minority than Metro’s overall ridership. Providing this benefit would cause a disparate impact.

In order to proceed with the proposed action there must be a finding that there is a substantial legitimate justification for the proposed action, and that no other action having a lesser disparate impact would accomplish the objectives of the proposed action.

No such justification is being presented as part of this analysis.

Environmental Justice Evaluation and Findings

An environmental justice evaluation of the proposed action considers the poverty status of impacted riders in comparison with all riders. The poverty representation of the impacted riders compared with all riders is provided in Table 2.

Table 2

	<u>Poverty Share</u>	<u>Absolute Diff.</u>	<u>Relative Diff.</u>
TAP Stored Value			
Regular	63.47%	19.72%	45.07%
Elderly/Disabled	50.50%	6.75%	15.43%
Student (K-12)	23.08%	-20.67%	-47.25%
All Riders	43.75%		

The poverty representation of all subcategories of TAP stored value riders differs significantly from that of all riders. Since the action is considered beneficial, the higher poverty representation among full fare and elderly/disabled riders is acceptable. However, the significantly lower poverty share of Student (K-12) riders means that a disproportionate burden is created among these riders because the beneficiaries of the action are disproportionately not below the poverty level.

The Customer Satisfaction Survey data indicates that only 4.63% of TAP stored value riders are Student (K-12) riders. The benefit afforded to the other 95.37% of TAP stored value riders is significant and the group of TAP stored value riders as a whole has 60.43% of the group below the poverty level. The proposed action could probably proceed because the disproportionate burden falls upon a very small portion of the group of beneficially impacted riders were it not for the fact that the proposed action was found to cause a disparate impact upon minorities.

**Title VI Evaluation
Replacement of Existing Interagency Transfers
With TAP-Based Method**

This is a Title VI evaluation of the replacement of current methods of providing Interagency Transfers (IATs) with a TAP-based method. The affected operators are those Los Angeles County fixed route service providers that receive some form of formula operating subsidy from the Los Angeles County Metropolitan Transportation Authority (Metro)(Table 1).

**Table 1
Los Angeles County
Formula Funded Fixed Route Operators**

Antelope Valley
Beach Cities Transit
Culver City
Foothill Transit

Gardena
Long Beach
Los Angeles DOT
Metro
Montebello

Norwalk
Santa Clarita
Santa Monica
Torrance

For this evaluation the Universe of potentially impacted persons is all persons within one-quarter mile of any bus stop served by one or more of the above operators, and/or within one-half mile of any rail station. Ethnic data for this population is obtained from the 2010 US Census, and Household Income data for this population is obtained from the 2006-2010 American Consumer Survey (ACS). Because the Census data is provided at the block group level, and the ACS data is at the tract level the size of the impacted population is slightly greater for the ACS data (block groups that are more than one-quarter mile from a bus stop would be excluded from the Census data, but could be included in the ACS data if the tract containing such block groups was within that one-quarter mile of a bus stop).

For reference purposes this evaluation will refer to the Ethnic population as the Title VI data, and the Household Income population will be referred to as the Environmental Justice data. The Title VI population consists of 9,648,798 persons of whom 6,826,725 are minorities (70.8%). The Environmental Justice population consists of 9,742,481 persons of whom 1,531,488 are living in households below the federally defined Poverty income levels (15.7%).

Evaluation Methodology

The Universe of potentially impacted persons has been defined as essentially all persons who can walk to fixed route transit. Under current methods any passenger

desiring an IAT may purchase it at the time that they board a bus, or at a rail station at the time that they purchase their rail ticket. In order to be unaffected by the introduction of TAP-based IAT's a passenger must still be within walking distance of the means to purchase the IAT before taking their transit ride. Otherwise, a person would be adversely affected by the new method.

The mechanics of the proposed IAT process require that the passenger have a TAP card with a cash purse holding sufficient value to purchase an IAT. Such a rider would pay their initial fare by whatever means they normally use (either a cash deduction from the TAP card purse, or the use of whatever pass is stored on the TAP card). When the transfer boarding occurs, the cost of the transfer would be debited from the TAP card purse.

The relevant factors for this evaluation are 1) does the rider have a TAP card, or not, and 2) can the rider add value to that TAP card to ensure the ability to pay for the trip. The ability to add value to a TAP card adds an additional level of complexity to this evaluation – some of the fixed route operators have the ability to add value to a TAP card on board a bus and some do not have this capability. In the latter instance, whether a rider remains unaffected by the proposed method will depend on whether or not they are within walking distance of an alternative means of adding value to the TAP card. The alternatives consist of rail and Orange Line stations which have TVM's capable of issuing and upgrading TAP cards, or customer service outlets which can sell and/or upgrade TAP cards (there are several hundred of these). The possible combinations of these factors and nature of rider impacts are shown in Table 2.

This evaluation assumes that having to purchase a TAP card is inconsequential because the \$1-\$2 cost of the card can be amortized over its multiple year validity. Therefore, the No TAP Card riders whose only potential adverse impact would be the need to buy a TAP card are considered to be Not Impacted as long as they are otherwise able to walk to a location where they can add value to the card.

As can be seen from Table 2 there are three scenarios that result in an adverse impact for riders so situated:

1. The rider has No TAP Card and adding value to the TAP purse on the bus has no value because they are not within walking distance of a location where they could obtain the TAP card itself;
2. The rider has a TAP Card but cannot add value to it anywhere; and
3. The rider has No Tap Card and cannot add value to it or buy one.

Table 2
Rider Impact Categorizations

	<u>TAP Card</u>	<u>No TAP Card</u>
Can Add Value Can Walk to Outlet	No Impact	No Impact
Can Add Value Cannot Walk to Outlet	No Impact	Adverse Impact
Cannot Add Value Can Walk to Outlet	No Impact	No Impact
Cannot Add Value Cannot Walk to Outlet	Adverse Impact	Adverse Impact

Results of Evaluation

The next step in this evaluation was to determine the number of persons associated with each Impact Category, and for the potential Adverse Impact categories, whether or not the resulting impacts were Disparate (disproportionately affecting minorities) or imposed a Disproportionate Burden (disproportionately impacted persons in Poverty).

Metro has defined a Disparate Impact as an adverse impact affecting a group having an absolute 5% greater minority share than the overall population (Universe) (in this instance, $70.8\% + 5\% = 75.8\%$ or greater) or a 20% greater share ($70.8\% \times 1.20 = 85.0\%$). This evaluation uses the lesser threshold of 75.8%. A Disproportionate Burden has been defined as an adverse impact affecting a group having an absolute 5% greater Poverty share ($15.7\% + 5\% = 20.7\%$), or a 20% greater Poverty share than the overall population (in this instance, greater than $15.7\% \times 1.20 = 18.8\%$ or greater). This evaluation uses the lesser share of 18.8%.

The first adversely impacted group consists of those riders who do not have a TAP card, but could add value to it if they did. This is the non-TAP card portion of the second group in Table 3. The minority share of this group (75.9%) exceeds the Disparate Impact threshold (75.8%) so this group is **Disparately Impacted**. The Poverty share (14.7% is less than the threshold for Disproportionate Burden (18.8%) so there is no Environmental Justice consequence for this group.

Table 3

**Intra Agency Transfer Tap Proposal
Title VI and Environmental Justice Analysis Results**

Scenario	Sub Categories	Title VI			Environmental Justice		
		Total Population	Minority Population	% Minority	Total Population	Poverty Population	% Poverty
Existing Universe		9,648,798	6,826,725	70.8%	9,742,481	1,531,488	15.7%
Existing Conditions							
	Can add value Can walk to Tap Local	1,968,742	1,553,530	78.9%	2,553,977	533,158	20.9%
	Can add value Can't walk to Tap Local	2,874,232	2,181,275	75.9%	3,220,858	473,102	14.7%
	Can't add value Can walk to Tap Local	3,990,023	3,060,150	76.7%	4,901,898	970,510	19.8%
	Can't add value Can't walk to Tap Local	8,270,940	5,816,187	70.3%	8,492,017	1,364,653	16.1%

Notes

1. Title VI is performed at the census block group level using 2010 Census Data
2. Environmental Justice is performed at the census tract level using 2010 5 Year American Community Survey Data
3. Transit buses and stations where one can add value to the tap card - AVTA, Foothill, Gardena, Montebello, Torrance and Metro Orange Line and Rail
4. Transit buses where one can't add value to the tap card - Metro buses, Beach Cities, Culver City, Long Beach, LADOT, Norwalk, Santa Monica and SCVTA
5. Used quarter mile buffers for bus stops and half mile buffers for rail stations.

The remaining two adversely impacted groups comprise the totality of the fourth category in Table 3 (whether or not they have a TAP card, they have no way to add value to it). Both the minority share (70.3% compared with 75.8%) and the Poverty share (16.1% compared with 18.8%) are less than the thresholds for Disparate Impact and Disproportionate Burden, respectively, so there are no Title VI or Environmental Justice consequences for these groups.

Findings

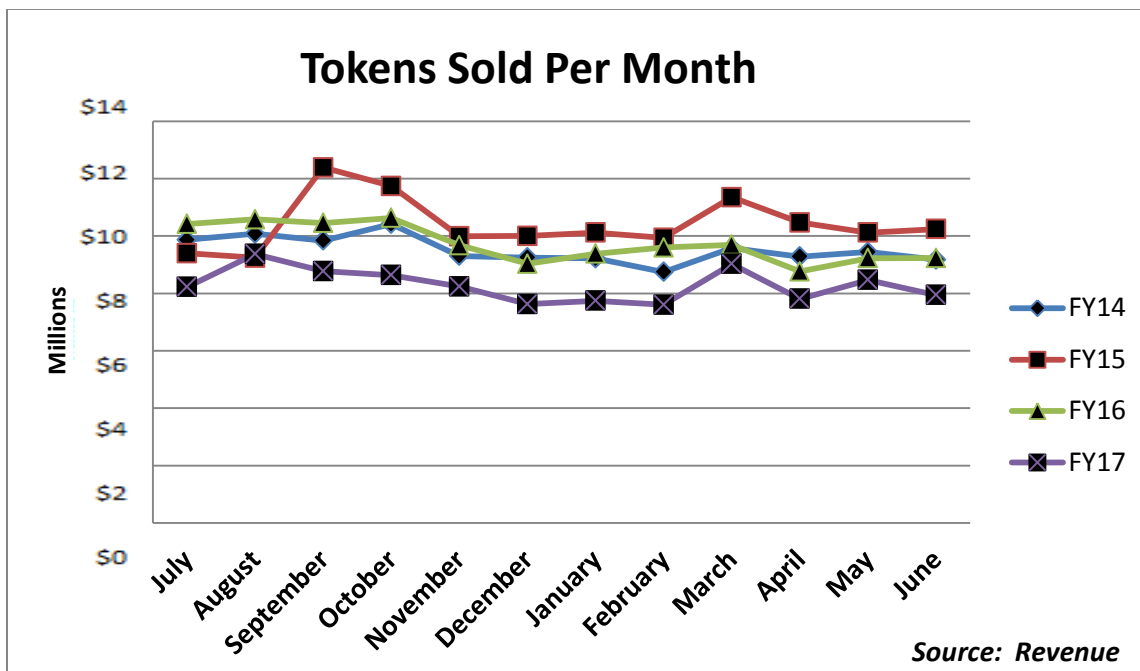
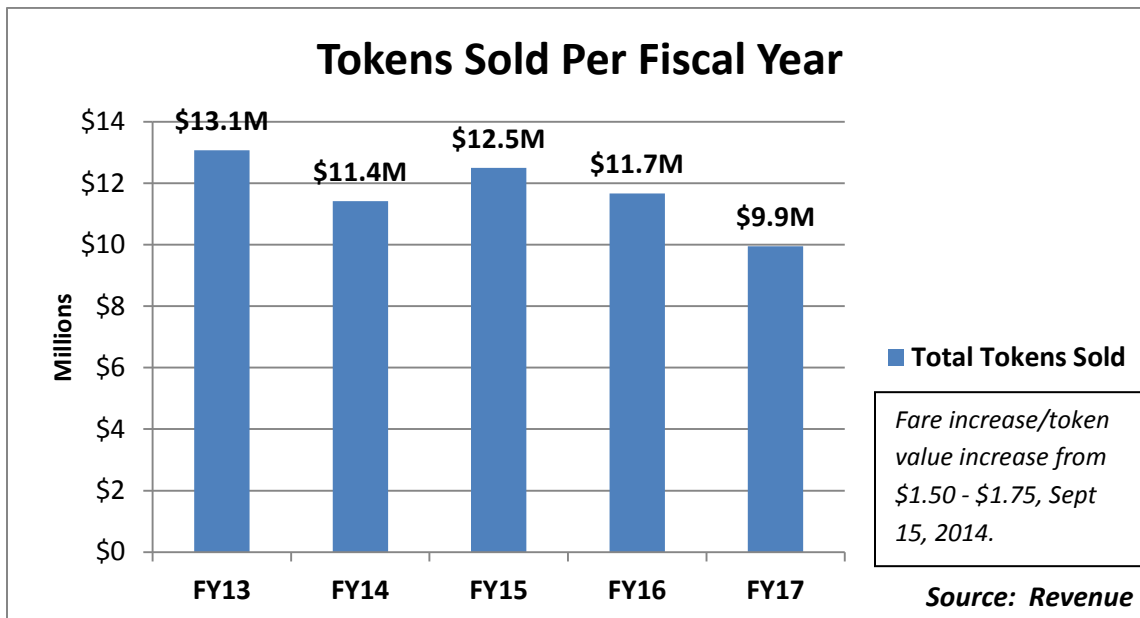
The group of riders having no TAP card, and not within walking distance of a place to obtain one (though they could add value to it if they had one) was found to be **Disparately Impacted** by the proposed TAP-based IAT. The most recently processed Customer Satisfaction Survey indicates that about 72% of Metro riders have a TAP card (probably a higher percentage now as this data is over a year old). This yields a group of approximately 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance (those affording the opportunity to add value to the TAP purse at the trip origin). This group constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be Disparately Impacted nor Disproportionately Burdened by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is clearly in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no other cost-effective mechanism for providing a consistent multi-operator transfer program without printed fare media than the proposed TAP program.

Decline in Token Sales & Processing

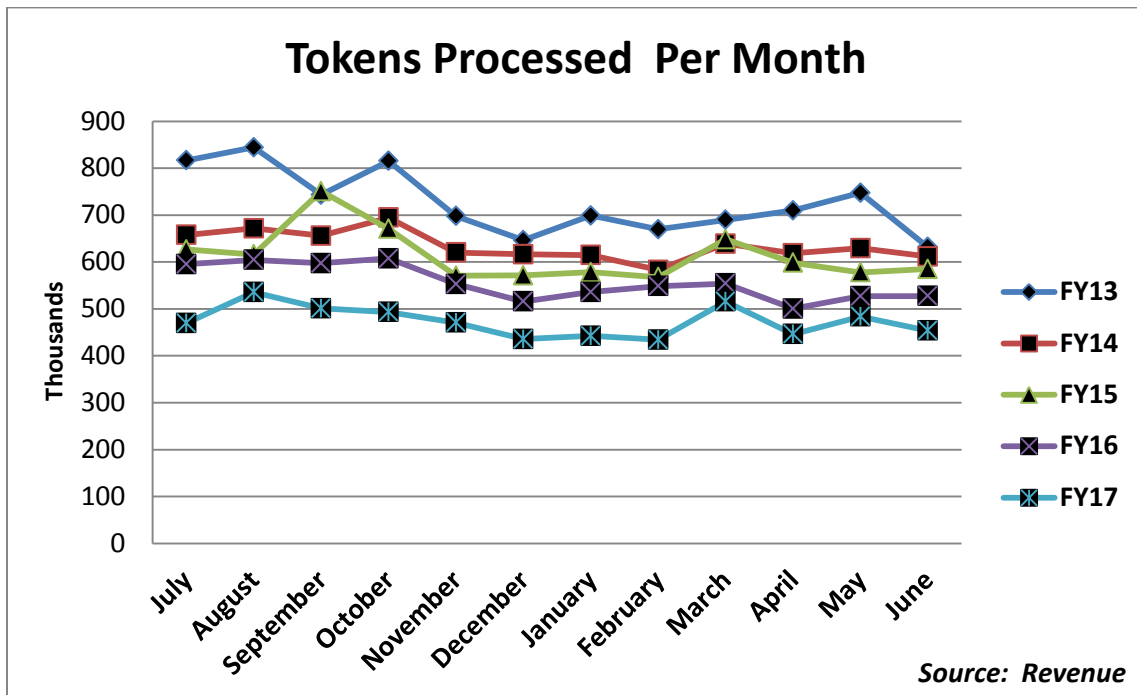
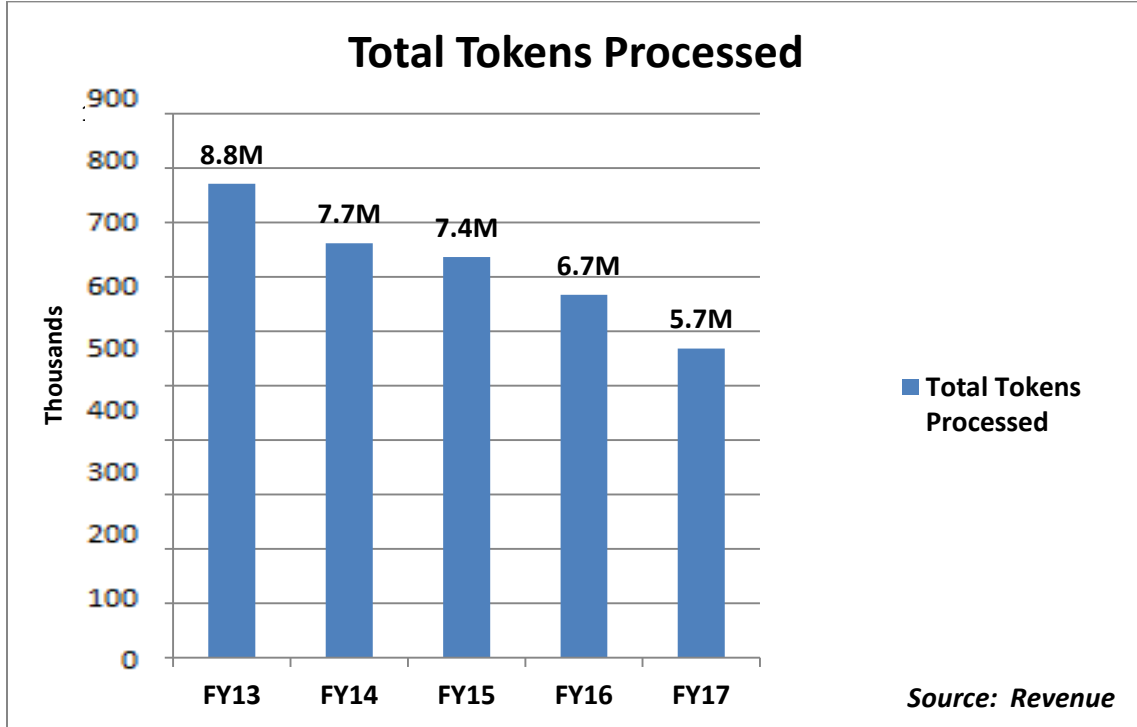
Token Sales

Token **sales** from 2013-2017 has **decreased** by an estimated **\$3.2M** or **24.4%** system-wide (bus and rail). Refer to the below charts for token sales.



Token Processed

Token processing from 2013-2017 has decreased by an estimated **3.1M** or **35.2%** system-wide (bus and rail). Refer to the below charts for processed token counts.



EVALUATION OF DISCONTINUED TOKENS

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal for Evaluation

At the present time, Metro riders may purchase Tokens in packages of 10 for \$17.50. Each token is good for one boarding on Metro and has a value equivalent to the Cash base fare of \$1.75. Tokens are also used as a means of funding transit travel for participants in Metro's Immediate Needs Program with each Token providing one boarding on Metro.

The proposed action would discontinue the availability of Tokens. Patrons who buy tokens would need to obtain or use a TAP card to load passes or Stored Value to fund travel. TAP cards and the ability to add stored value or Metro passes to them are available at the same places where Tokens can be obtained, and are also available through Ticket Vending Machines (TVM's), online at taptogo.net, by calling 866.TAPGO and from Metro Customer Centers.

In addition, if a TAP card with stored value is used to board Metro, then the patron receives an added benefit of free transfers for up to two and a half hours from the initial boarding. While the TAP card initially costs \$1 to \$2 depending on where it is purchased, its 10-year expected lifetime (it is reusable) means that the costs of the card is inconsequential.

For those who receive Tokens through the Immediate Needs Program, there is a separate action being undertaken to replace that benefit with another form of media. Thus, the benefit would be maintained using different media, and the added benefit of free transfers as described above would also be conferred. A separate Title VI evaluation of proposed changes to the Immediate Needs Program (as well as the Rider Relief Program) has been prepared. (See attached.)

Title VI Evaluation and Findings

The most current available ridership data was collected as part of the Fall 2016 Customer Satisfaction Survey. The relevant data provided by this survey includes method of payment, ethnicity, and poverty status. Comparative statistics for Token and TAP users are provided in Table 1.

Table 1

	<u>TAP Users</u>	<u>Token Users</u>	<u>Absolute Diff.</u>	<u>Relative Diff.</u>
Minority Share	87.9%	91.4%	3.5%	4.0%
Poverty Share	56.1%	74.0%	17.9%	31.9%

The minority shares of Token and TAP card users are not significantly different, so the proposed action would have **no Disparate Impact** on Token users.

On the other hand, the share of Token users is significantly poorer than TAP card users. With poverty level incomes significantly greater than for TAP card users, this creates a Disproportionate Burden on Token users from the proposed action. However, because the replacement media will have greater availability than Tokens, it will confer a greater benefit when used by virtue of the free transfers provided. Therefore, there is **no Disproportionate Burden** on poverty level income Token users from the proposed action.

EVALUATION OF EQUALIZING TAP CARD COSTS

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal to be Evaluated

Metro prepaid fare media is stored on reusable TAP cards. TAP cards may also be used as Stored Value media, when value is added to the card, for convenient payment of individual fares. Once purchased the TAP card should be retained by the rider as it may be reused continuously for up to 10 years.

At the present time TAP cards may be obtained by phone, online, at Metro Customer Service Centers, at retail vendors, at Metro Ticket Vending Machines (TVM's), and onboard buses (if purchasing a Day Pass). The cards cost \$2 except when purchased at a TVM or onboard a bus. In the latter two instances, they cost \$1.

The proposed action would equalize the cost of a TAP card at \$2 wherever purchased.

Evaluation and Findings

TAP cards are reusable with an expected life of 10 years. At \$2, amortized over 10 years, the cards cost less than 1.7 cents per month. This is considered inconsequential as would be the increase in price from \$1 to \$2. Therefore, the proposed action would not result in either a disparate impact on minority riders, nor a disproportionate burden on poverty level income riders.



NOTICE OF PUBLIC HEARING
Los Angeles County Metropolitan Transportation Authority

The Los Angeles County Metropolitan Transportation Authority will hold a public hearing on January 17, 2018 to receive community input on the **proposed customer readiness efforts surrounding Transfer on 2nd Boarding**, set for implementation Spring 2018. Details of the hearing date, time, and location are shown below.

PUBLIC HEARING SCHEDULE

1:00 PM
Metro Headquarters Building
January 17, 2018
Board Room
One Gateway Plaza
Los Angeles, CA 90012-2932

The upcoming public hearing is being held in conformance with federal public hearing requirements outlined in Section 5307 (d) 1 of Title 49 U.S.C., and public hearing guidelines adopted by Metro's Board of Directors in 1993, as amended.

Transfer on 2nd Boarding was approved by the board in June, 2015 and refers to the approved interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from first boarding. Customers will benefit from faster boardings and will no longer need to carry exact change.

In order to prepare customers for Transfer on 2nd Boarding, the following efforts are recommended:

Replace Day Pass and Add Stored Value sales aboard Buses

Discontinuation of Day Pass sales will enable the sale of Stored Value. Replacing TAP Day Pass purchases with the ability to reload Stored Value will allow passengers to add fare immediately to their TAP card, which is necessary in preparation for transfer on 2nd boarding.

Transition Tokens to TAP

Phase out of Metro tokens as a payment option they are obsolete due to advances in TAP acceptance. The TAP card is a viable, cost effective replacement that enables simpler, safer and automatic farebox collection.

Implementation of a consistent \$2 TAP card price to customers across all purchase touch points

It is recommended that the cost of TAP cards be consistent by making them \$2 across all purchasing platforms. Costs of cards remain the same at TAP vendors, Metro Customer Centers and online. The card will go from \$1 to \$2 onboard buses and TAP vending machines. The extra cost of the TAP cards in vending machines and buses is negligible as amortized over its life of 10 years.

Additional details about these proposals will be available for public review after **December 1**. To obtain this information contact the address listed below, or visit your nearest Metro Customer Relations Center. Information can also be accessed at: www.metro.net

Note these proposals may be approved in whole or in part at a date following the public hearings. Approved changes may also include other alternatives derived from public comment. Interested members of the public are encouraged to attend the upcoming hearing and provide testimony on the fare proposals under consideration. Persons unable to attend the hearings may submit written testimony postmarked through midnight, January 17, the close of the public record. All written testimony should be addressed to:

Metro Customer Relations:

Attn: Transfer on 2nd Boarding Readiness
One Gateway Plaza, 99-PL-4
Los Angeles, CA 90012-2952

Comments can also be sent via e-mail with “**Transfer on 2nd Boarding Readiness**” as the subject to:

customerrelations@metro.net

Facsimile at: 213-922-6988

Upon request, foreign language translation, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday.

Frequently Asked Questions

What is Transfer on 2nd Boarding?

Transfer on 2nd Boarding refers to the board-approved policy that eliminates the need for paper transfers for customers transferring between transit agencies. Instead of purchasing paper transfers, customers will need to load Stored Value onto their TAP card in order to transfer between agencies. Transfer fare will automatically be deducted from the Stored Value when boarding a second transit agency within 2.5 hours from the first boarding. Customers will benefit from faster boardings and will no longer need to carry exact change.

Why are these changes being proposed now?

These changes are being requested in order to enhance customer convenience and improve fare collection efficiencies by removing paper transfers from the system.

How will Transfer on 2nd Boarding Work?

Transfer on 2nd Boarding simplifies inter agency transfers. For example, a customer pays for their first boarding with a TAP card. Within 2.5 hours from that first boarding, the customer boards a different transit agency bus and taps their TAP card. The transfer fare will automatically be deducted from the TAP card's Stored Value. Customers must have Stored Value on their TAP card before boarding the 2nd transit agency.

Where can I buy Stored Value?

Stored Value can be purchased at TAP vending machines, online at TAPTOGO.net, by calling 866.TAPTOGO, at Metro Customer Centers and at over 415 TAP vendor locations throughout LA County. And upon Board approval (March 2018), Stored Value will be available for sale onboard buses. Customers can use their own TAP card or purchase one from the operator.

Why offer Stored Value sales on the bus?

Customers transferring from one agency to another must have a TAP card loaded with enough Stored Value to pay for the transfer. Making Stored Value available for purchase onboard bus will increase customer convenience and eligibility for automatic transfers on TAP.

What will be the process for loading Stored Value on buses?

Customers will be able to load Stored Value by boarding the front of the bus and requesting to add Stored Value to their TAP card. TAP cards will also be available for purchase on bus along with Stored Value, up to \$20.

Why replace Day Pass sales with Stored Value sales onboard the bus?

Day pass sales have declined by 74% since August 2011, while Stored Value sales have increased systemwide. Replacing Metro Day Pass purchases onboard bus with the ability to reload Stored Value will allow passengers to add fare immediately to their TAP card, which is necessary for Transfer on 2nd Boarding.

Will this proposal eliminate Metro Day Pass?

No, Metro Day Passes are available for sale at TAP vending machines, online at TAPTOGO.net, by calling 866.TAPTOGO, at Metro Customer Centers and at over 415 TAP vendor locations throughout LA County.

Why are tokens being phased out?

The use of TAP cards has caused Metro tokens to become obsolete. As token use continues to decline, TAP cards have proven to be a viable, cost effective replacement that enables simpler, safer and automatic farebox collection. Tokens cannot be used to purchase transfers currently.

How long will it take for tokens to be phased out?

If approved by the Metro Board, the sale of tokens will cease in May of 2018. Tokens already in circulation will still be accepted until March of 2019.

What will replace tokens?

TAP cards will replace tokens. Social service agencies will be offered limited use TAP cards to distribute to their clients.

Why are TAP card prices increasing?

Currently, the cost of TAP cards is inconsistent depending on where TAP cards are sold. It is recommended that cards should be priced at \$2 at all pass sales venues. There will be an increase of \$1 to customers who purchase TAP cards onboard the bus and at rail stations. A TAP card's life was originally set for 3 years, it has since been extended to 10 years so it will be cheaper for the customer over the life of the TAP card.

When will these changes take place and how will customers be notified?

If approved, replacing Metro Day Pass with Stored Value onboard bus will take place in March 2018. The sale of tokens will cease in May of 2018 and will be accepted until March of 2019. The \$2 TAP card price consistency will be implemented in Summer of 2018. For each effort, customers will be notified through a print and digital marketing campaign.

Are the costs of Metro to Muni transfers increasing?

No.

Will the cost of Reduced Fare cards be increased?

No. Reduced Fare TAP cards will remain free of charge to qualified applicants.

Why should I register my TAP card?

If you purchased your TAP card online or by phone, or if you have a Reduced Fare TAP card, your card is already registered. If you purchased your card at a TAP vending machine or TAP vendor location, register your card to take advantage of Balance Protection, general account management and additional features such as Autoload.

How can I get a reduced fare TAP card?

If you are a senior citizen, a person with a disability, a college or vocational student, or a K-12 student, you may be eligible for reduced fares. To review reduced fare eligibility and apply for a Reduced Fare TAP card, visit TAPTOGO.net or a Metro Customer Center.

RESULTS OF JANUARY 17, 2018 PUBLIC HEARING FOR CUSTOMER READINESS RECOMMENDATIONS FOR TRANSFER ON 2ND BOARDING

PUBLIC COMMENT

On Wednesday, January 17, 2018, a public hearing on possible customer readiness recommendations was held with the Finance, Audit and Budget Committee of the Metro Board. Out of an estimated customer base of 1.2 million daily transit riders, testimony from six speakers was heard. In addition to the verbal testimony, 70 emails and other written comments were submitted into the public record on this subject. Collectively, 76 responses on the fare proposals were received by the close of the public record through midnight, January 17, 2018.

Below is a summary of the written and oral comments relevant to the customer readiness recommendations for Transfer on 2nd Boarding.

Replace Day Pass Sales with Stored Value onboard Bus

Of the 29 comments received on this topic, 11 comments favored the recommendation to replace Day Pass sales with Stored Value on bus. The remaining 18 comments raised concerns with this recommendation. With consideration to the written and oral comments received on this topic, staff supports the original recommendation to replace Day Pass sales with Stored Value on buses. A summary of comments and staff responses are highlighted below:

Summary of Comments

Comments	Staff Responses
Transit dependent riders do not live near TAP vending machines and therefore do not have other convenient methods for purchases Day Passes	Day Pass sales will continue to be available for purchase at taptogo.net, 866. TAPTOGO, at Metro Customer Centers and at over 400 TAP vendor locations. As evidenced in the Title VI analysis on discontinuing Day Pass sales on bus (see Attachment C), there is no significant difference in minority representation between riders who only have walk access to the bus and those who also have walk access to other sources for TAP card reloading sources.
Potential financial impact on customers	With the addition of the Board Approved two hour Metro to Metro transfer, customers have the ability to pay a base fare of \$1.75 to travel in one direction on multiple lines. They can also make the return trip for \$1.75 as well, effectively saving \$3.50 when compared to the cost of a \$7 Day Pass. This is the primary reason for the 85% decline on Day Pass sales on bus.
Agree with the addition of Stored Value sales, however disagree with removing Day Pass sales	See above.
Stored Value sales onboard bus will prolong boarding times Bus operator farebox errors during Stored Value reloads will financially impact customers	TAP staff does not anticipate an increase in boarding time due to the fact that Day Passes will be removed. TAP expects to see a decrease in dwell times due to automatic payment of interagency transfers.

Eliminate Tokens and Transition to TAP

Of the 19 comments received on this topic, 11 comments favored the elimination of tokens and transition to TAP cards. The remaining 8 comments raised concerns with this recommendation. A summary of comments and staff responses are highlighted below:

Summary of Comments

Comments	Staff Responses
<ul style="list-style-type: none"> • Social Services and nonprofit organizations need tokens to distribute 	<ul style="list-style-type: none"> • Social service agencies and nonprofit organizations will receive limited use TAP cards for distribution, which will work just like tokens with added benefits such as free Metro to Metro transfers.
<ul style="list-style-type: none"> • Impact on riders with disabilities, including visually and cognitively impaired riders. 	<ul style="list-style-type: none"> • Staff will also work with Communications to launch a public information effort to encourage seniors and persons with disabilities, who pay with cash or tokens, to apply for a reduced fare TAP card. • Reduced fare TAP cards enable riders to travel with free transfers and the ability to ride at the lowest possible base fare and monthly passes. TAP cards protect riders' fare balance from loss or theft. Cash and tokens cannot be replaced if lost or stolen.
<ul style="list-style-type: none"> • Although Access ID TAP cards may be tapped for free fare on fixed route transit systems, Access vehicles do not have a TAP validator. 	<ul style="list-style-type: none"> • Just 2.5% of Access' vehicles transactions are paid for with tokens. Staff will work with Access to ensure their customers who use tokens can transition smoothly to other trip purchase options such as: Access coupon books, using cash and/or credit/debit cards.
<ul style="list-style-type: none"> • What do riders do with unused tokens? 	<ul style="list-style-type: none"> • Token sales will end mid-March 2018. Customers will have up to 18 months to use their existing supply of tokens.
<ul style="list-style-type: none"> • Difficulty in determining TAP card balance. Tokens are distinguishable from U.S. currency 	<ul style="list-style-type: none"> • Upon request, bus operators can tell passengers their TAP card balance information • TAP vending machines can display or announce TAP card balance as well.

\$2 TAP card cost consistency

Of the 26 comments received on this topic, 12 comments favored making the \$2 TAP card cost consistent across all TAP card purchase points. The remaining 14 comments raised concerns with this recommendation. A summary of comments and staff responses are highlighted below:

Summary of comments

Comments	Staff Responses
<ul style="list-style-type: none"> • Impact on low income riders • First time riders are disadvantaged 	<ul style="list-style-type: none"> • As the Title VI analysis (see Attachment H) reflects, there is no disparate impact on any group of riders including low income and first time riders, due to TAP cards having a 10 year lifetime, instead of 3 years. • Low income and first time riders can also take advantage of the 1 million free TAP card distribution
<ul style="list-style-type: none"> • TAP card cost should be \$1 	<ul style="list-style-type: none"> • TAP cards are \$1 on Metro buses and at TAP vending machines as a result of a long running promotion where Metro subsidized the

everywhere	<p>remaining \$1 to the TAP region. As that promotion comes to a close, TAP cards will be \$2 at all customer purchase touch points.</p> <ul style="list-style-type: none"> Reduced Fare TAP cards such as Senior/Disabled, College/Vocational and K-12 Student will remain free to qualifying customers.
<ul style="list-style-type: none"> TAP card costs should not be increased 	<ul style="list-style-type: none"> TAP card costs are currently not consistent across the system. They are \$2 when purchased online, by phone, at Metro Customer Centers and at over 400 TAP vendor locations. In addition, the TAP card life has increased from 3 to 10 years, making the impact de minimis.

PUBLIC HEARING COMMENTS

WRITTEN COMMENTS																						
No.	Date Received in Public Hearing Inbox	Name	Email Address	Is the Comment on topic?	If Yes - Positive or Negative ?	If No or if Multiple Subjects - What is the Subject?	Brief Summary	Removal of Metro Day pass	Transfer fees	TAP card price	What to do with old tokens?	Replace Day pass with Stored Value on Bus	Transition Tokens to TAP	Transfer on 2nd boarding	Paper Transfers	Transfer time	Stored Value Min/Max	Mixing up IAT w/ Internal Metro transfer	Token-Social Service/ Non Profit	Metro Fares	TAP Provided Response to Constituent /Customer Relations	Other
1	12/12/2017 ; 12/14/17	Alexander Friedman	alek3773@gmail.com	No		IAT transfer fees	Question- is the proposed transfer to another bus agency also going to be free? Or will the cost be \$0.50 deducted from SV?		x													
2	12/13/2017	Hon Lung Cheng	chef_lung@yahoo.com	Yes	Both		Disabled patron requesting that day passes continue to be sold; Agrees with increasing TAP card price	x			x											
3	12/14/2017	Juanita Rubio-Griepsma	rubio@bacup.net	Yes	Positive		"I vote YES"			x		x	x									
4	12/14/2017	Monica Murray	monicamurray79@yahoo.com	Yes	Negative		Do not discontinue tokens. Limited access to TAP cards. Prefer cash and paper transfers						x									
5	12/14/2017	Scott Lawrence Lawson	scottlawrencelawson@gmail.com	Yes	Negative		How does the TAP card price support transfers? Increase will hurt low income riders			x												
6	12/13/2017	Patrick Pun	pun_chunkit@yahoo.com	Yes	Negative	Stored Value purchases	Suggests adding SV and keeping Day Pass; eliminating day pass hurts customers who start their trip on the bus	x														
7	12/13/2017	Mark Bonilla	mark.mathguy@gmail.com	Yes	Negative		Riders still need paper transfers in LA County; Use of an IAT automatically removes Metro internal free transfer								x							
8	12/13/2017	David Fukumoto	web@davidfukamoto.com	Yes	Negative		TAP cards substandard quality; replacing day passes with SV will increase costs for riders; wants a 4 hour transfer period	x				x				x						

70	1/18/2018	Renee Bade	rbade@flash.net	Yes	Negative		Paying an extra \$2 to purchase a card is an even larger penalty. Paper day passes and tokens have no such penalty, but the proposal eliminates purchasing day passes on buses and eliminates tokens all together. TAP funds expire, huge issue for occasional riders. TAP cards expire, difficult + confusing to replace/purchase at TVM.			X											X		X
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ORAL TESTIMONY TRANSCRIPTIONS

Date of Public Testimony	Name	Email Address	Is the Comment on topic?	If Yes - Positive or Negative ?	If No or if Multiple Subjects - What is the Subject?	Testimony Transcript	Removal of Metro Day pass	Transfer fees	TAP card price	What to do with old tokens?	Replace Day pass with Stored Value on Bus	Transition Tokens to TAP	Transfer on 2nd boarding	Paper Transfers	Transfer time	Stored Value Min/Mas	Mixing up IAT w/ Internal Metro transfer	Token-Social Service/ Non Profit	Metro Fares	TAP Provided Response to Constituent /Customer Relations	Other
--------------------------	------	---------------	--------------------------	---------------------------------	--	----------------------	---------------------------	---------------	----------------	-----------------------------	---	--------------------------	--------------------------	-----------------	---------------	----------------------	--	----------------------------------	-------------	--	-------

71	1/17/2018	Amanda Staples	public comment	yes	negative		Good afternoon. In regards to the second boarding readiness efforts, we submitted a letter and I have a hard copy as well but the visibility of the \$7 day pass for in speed option available on rail only and not for bus riders is really just where we find the most issue with, because it's still available to railriders and yet we treat the bus riders differently and I understand like it is it is quicker to just have the stored value on buses and we as users ourselves understand that but we just want to have the careful consideration of the differences that we use because the majority of transit riders are bus riders and so what kind of systems were putting in place for for them the majority of users in their accessibility and ease of use and so that's it.				x												
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72	1/17/2018	Allan Routs	public comment	yes	negative		I have been a bus rider for over 50 years now and I hope you don't decide to eliminate the day pass and I would hope that you would drop the price on the monthly TAP card because a \$100 is a lot. thank you thank you.				x								x				
----	-----------	-------------	--------------------------------	-----	----------	--	---	--	--	--	---	--	--	--	--	--	--	--	---	--	--	--	--

Transfer on 2nd Boarding-Customer Readiness
Onboard Bus-Replace Day Pass with Stored Value & Metro Base Fare
Metro Token Elimination
Consistent \$2 TAP card cost
Transfer on 2nd Boarding Implementation
1 million TAP card distribution (IAT Mitigation)



Board Report

File #: 2017-0796, **File Type:** Contract

Agenda Number: 45.

**REVISED
REGULAR BOARD MEETING
MAY 24, 2018**

SUBJECT: TAP GIFT CARD SALES AND RELOAD PROGRAM

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, revenue-generating Contract No. PS43741000 to Interactive Communications International, Inc. (InComm) for the distribution of TAP gift cards for purchase at retail gift card kiosks at major chain stores to satisfy customer demand for more TAP sales locations.

(CARRIED OVER FROM FEBRUARY'S REGULAR BOARD MEETING)

ISSUE

Due to the expansion of TAP to 24 participating agencies, and new features such as all door boarding and transfer on second boarding, there is a high customer demand for more convenient locations to purchase TAP cards. Approval of this contract award will enable TAP cards to be available on gift card kiosks for purchase at up to 2,000 locations in Los Angeles County.

DISCUSSION

TAP cards are currently available at over 400 locations throughout LA County, including at 93 rail and 18 Orange Line stations, aboard Metro buses, online at *taptogo.net* and by phone at 866-TAPTOGO. The TAP Gift Card Sales and Reload Program will provide TAP cards at up to 2,000 major chain stores throughout Los Angeles County (see Attachment C) including near high-volume bus stops and transit centers. The goal is to satisfy customer demand for increased convenience to purchase TAP products and attract new customers. By increasing TAP card availability, cash customers are more likely to transition to TAP thereby speeding up boardings, enhancing security and providing a seamless travel experience across 24 transit agencies. The Program also supports the Metro Rapid All Door Boarding and Transfer on Second Boarding programs. The Program will assist in minimizing

dwelling times by decreasing the use of cash for bus fare.

How the Program Works

The customer enters a participating chain store such as CVS, Rite-Aid, 7-Eleven, Walgreens, or Family Dollar and takes a TAP card from the gift kiosk. The customer hands the cashier the card and requests a dollar amount from \$5 to \$100 to be loaded onto the card. The customer pays the desired amount plus a \$2 card fee. The cashier then scans and loads the card.

Due to different types of fare collection equipment in operation, there is a processing time delay as to when the card is ready for use. For buses with TAP fareboxes, the latency period may be 24 to 48 hours. This delay is experienced because fareboxes must be updated each night at Bus Divisions. At rail stations, a customer's card will be ready to use within an hour, and on buses with mobile validators, cards will be ready within 45 minutes. The TAP card packaging will include information as to when a TAP card will be ready to use.

Supporting All-Door Boarding Efforts

All-door boarding (ADB) on Metro Rapid Line 754 will be operational by summer 2018 and Line 720 will be operational by winter 2018. ADB will require TAP only boardings. The TAP Gift Card Sales and Reload Program will augment ADB service on Metro Rapid by providing customers with convenient locations to purchase TAP cards.

Selling TAP cards and fare products at these additional locations will ease the transition from the use of cash to TAP. It will support and strengthen ADB's objective to improve speed, reliability, and customer convenience. Customers will benefit from shorter dwelling times and Metro will be able to attain improved on-time performance.

From preliminary review of the vendor's locations, an additional 56 retail locations may be added within a 1/4 mile of the Metro Rapid Line 720 and Line 754 corridors.

Selection of Contractor

The formal solicitation was released for competitive proposals with the intent to award multiple contracts to take advantage of the broadest number of potential retailers. However, only a single proposal was received from InComm. The technical proposal was acceptable and the fee structure was determined to be fair and reasonable. The fact that the proposal met Metro's requirements and the results of a market survey that was conducted to discover the reasons why other firms on the planholders list did not propose, led staff to the decision not to pursue a re-solicitation.

Commission Rate

The Contractor will deduct a fee of \$1 per new TAP card sold to cover services such as printing, packaging and distribution, plus a 4% commission of the dollar value loaded onto the TAP card. Due to the payment structure, there are no operational costs required for the program since the vendor will pay Metro for the sales less 4% commission and the \$1 new card fee. For example, if a customer purchases a new TAP card and wants to load \$100 of value, the total transaction will be \$102 to the customer. The vendor will keep \$1 for the new card fee and \$4 for the commission and will pay Metro a net of \$97 for this transaction. Metro will receive weekly deposits via electronic funds transfer of the net sales proceeds to a regional bank account that will be set up for this project.

DETERMINATION OF SAFETY IMPACT

Using TAP to pay fare is safer for customers than using cash because registered TAP cards can be replaced if lost or stolen. Using TAP cards also speeds up boardings and eliminates the need to fumble for change to feed coins and bills into the farebox.

FINANCIAL IMPACT

No additional funding is required to execute this action as the Contractor will be paid out of total gross sales of TAP fare media. The Contractor will be paid \$1 per new card sale and a 4% commission of loaded sales value.

The TAP cards needed to support this program are already accounted for in the approved FY2018 budget of cost center 3020 TAP, under project 300016, account 50320, for card manufacturing and fulfillment. Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting funding needs for future years.

ALTERNATIVES CONSIDERED

The Board may choose not to award the contract for TAP Gift Card Sales and Reload Program and TAP sales would carry on with the over 400 existing vendors in the TAP Sales Vendor Network. This is not recommended because the TAP Gift Card Sales and Reload Program would provide additional TAP sales locations.

NEXT STEPS

Upon approval by the Board, staff will execute Contract No. PS43741000 with InComm, Inc. to proceed with implementing the TAP Gift Card Sales and Reload Program. The program is anticipated

to begin by first quarter of 2019. ~~fall 2018~~.

ATTACHMENTS

Attachment A - Procurement Summary

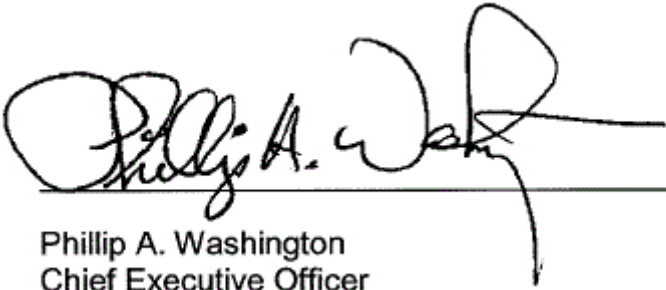
Attachment B - DEOD Summary

Attachment C - Map of Existing TAP Sales Network + Potential TAP Gift Card Locations

Prepared by: David Sutton, Executive Officer, TAP, (213) 922-5633

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088

Debra Avila, Chief Vendor/Contract Management Officer (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

TAP GIFT CARD SALES AND RELOAD PROGRAM/PS43741000

1.	Contract Number: PS43741000	
2.	Recommended Vendor: Interactive Communications International, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 8/23/2017	
	B. Advertised/Publicized: 8/23/2017	
	C. Pre-Proposal Conference: 9/19/2017	
	D. Proposals Due: 10/13/2017	
	E. Pre-Qualification Completed: 12/20/2017	
	F. Conflict of Interest Form Submitted to Ethics: 12/8/2017	
	G. Protest Period End Date: 2/20/2018	
5.	Solicitations Picked up/Downloaded: 8	Bids/Proposals Received: 1
6.	Contract Administrator: Ana Rodriguez	Telephone Number: (213) 922-1076
7.	Project Manager: Erica Lee	Telephone Number: (213) 922-2418

A. Procurement Background

This Board Action is to approve a five-year revenue generating Contract No. PS43741000 to expand the locations at which patrons may purchase and reload Transit Access Pass (TAP) cards by making the cards available at major retailers within Metro's operating area through a gift card distributor.

RFP No. PS43741 was issued in accordance with Metro's Acquisition Policy and the contract type is a firm fixed percentage of sales.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on September 8, 2017 extended the Pre-Proposal Conference date to September 19, 2017 and extended the proposal due date to October 3, 2017;
- Amendment No. 2, issued on September 27, 2017 provided a revision on the Scope of Services and extended the proposal due date to October 13, 2017.

A pre-proposal conference was held on September 19, 2017 and was attended by two participants representing two firms. There were 13 questions submitted and responses were released prior to the proposal due date.

A total of eight firms downloaded the RFP and were included on the plan holders list. A single proposal was received on the due date of October 13, 2017 from Interactive Communications International, Inc. (InComm). A market survey was conducted of

planholders that did not submit a proposal to ascertain their reasons(s) for non-submittal. One response was received. The reason for not submitting a proposal was that the firm was not willing to assume the risks associated with possible theft of the TAP cards and requests for refunds/complaints from customers due to processing time delays.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from the Metro TAP department and the Information Technology department was convened and conducted a comprehensive technical evaluation of the proposal received.

The proposal was evaluated based on the following evaluation criteria and weights:

- | | |
|--|------------|
| • Degree of the Proposer's Skills and Experience | 15 percent |
| • Experience and Capabilities of the Proposer's Management Team | 25 percent |
| • Understanding of Work and Appropriateness of Approach for Implementation | 40 percent |
| • Price | 20 percent |

Several factors were considered when developing these weights, giving the greatest importance to Understanding of Work and Appropriateness of Approach for Implementation.

From October 16, 2017 through October 30, 2017, the PET conducted its independent evaluation of the proposal. At the conclusion of the PET's review of the proposal received, it was determined that InComm met Metro's requirements and was determined to be qualified to provide the required services.

Qualifications Summary of Firm:

Interactive Communications International, Inc. (InComm)

InComm is an international firm with over 25 years of experience in the prepaid media industry. The proposal submitted by InComm described not only their experience with prepaid media in general but their specific experience with transit fare products in particular. Some of the agencies that they have worked with are the Utah Transit Authority (UTA), the State Road and Tollway Authority (SRTA) in Georgia, the InterUrban Transit Partnership in Grand Rapids, Michigan, and Edmonton Transit in Canada. InComm's offer of a turnkey, end-to-end solution for the management and distribution of TAP cards to an expansive retail network will increase the accessibility of Metro's TAP cards for customers and facilitate the reloading of fares at many more locations.

Following is a summary of the PET evaluation scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	InComm				
3	Degree of the Proposer's Skills and Experience	84.00	15.00%	12.60	
4	Experience and Capabilities of the Proposer's Management Team	78.00	25.00%	19.50	
5	Understanding of Work and Appropriateness of Approach for Implementation	81.32	40.00%	32.53	
6	Price	100.00	20.00%	20.00	
7	Total		100.00%	84.63	1

C. Cost Analysis

This Contract is a net revenue generating contract. The contractor will cover all costs and shall turn over the net revenue to Metro on a weekly basis after having deducted the expense and commission fees. Under this Contract, if a customer purchases a new TAP card, they will be charged a fee of \$2. The Contractor will retain \$1 of the new card fee and 4% of value loaded onto the card. The Contractor will then remit to Metro the other \$1 of the new card fee along with 96% of the value loaded onto the card.

The recommended expense fee and commission percentage that will be deducted from gross sales has been determined to be fair and reasonable based on an independent cost estimate (ICE), cost analysis, technical analysis, and fact-finding.

	Proposer Name	Proposal Amount	Metro ICE	Commission amount
1.	InComm	4% of value loaded + \$1.00 upon initial purchase	8% of value loaded	4% of value loaded + \$1.00 upon initial purchase

D. Background on Recommended Contractor

InComm was founded in 1992 and is headquartered in Atlanta, Georgia. They have over 2,000 employees, over 500,000 points of distribution in 31 countries that generate approximately \$40 billion in annual transaction volume and activate approximately 300 million cards per year. In addition, they have experience with fare media for various transit agencies and have proposed a thorough solution that will include the expansion of the TAP network in Los Angeles County.

DEOD SUMMARY

TAP GIFT CARD SALES AND RELOAD PROGRAM / PS43741000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) determined that a small business goal is not applicable to this Transit Access Pass (TAP) retail expansion contract, which is a net revenue-generating procurement and will not utilize federal, state and/or local funding.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this Contract.

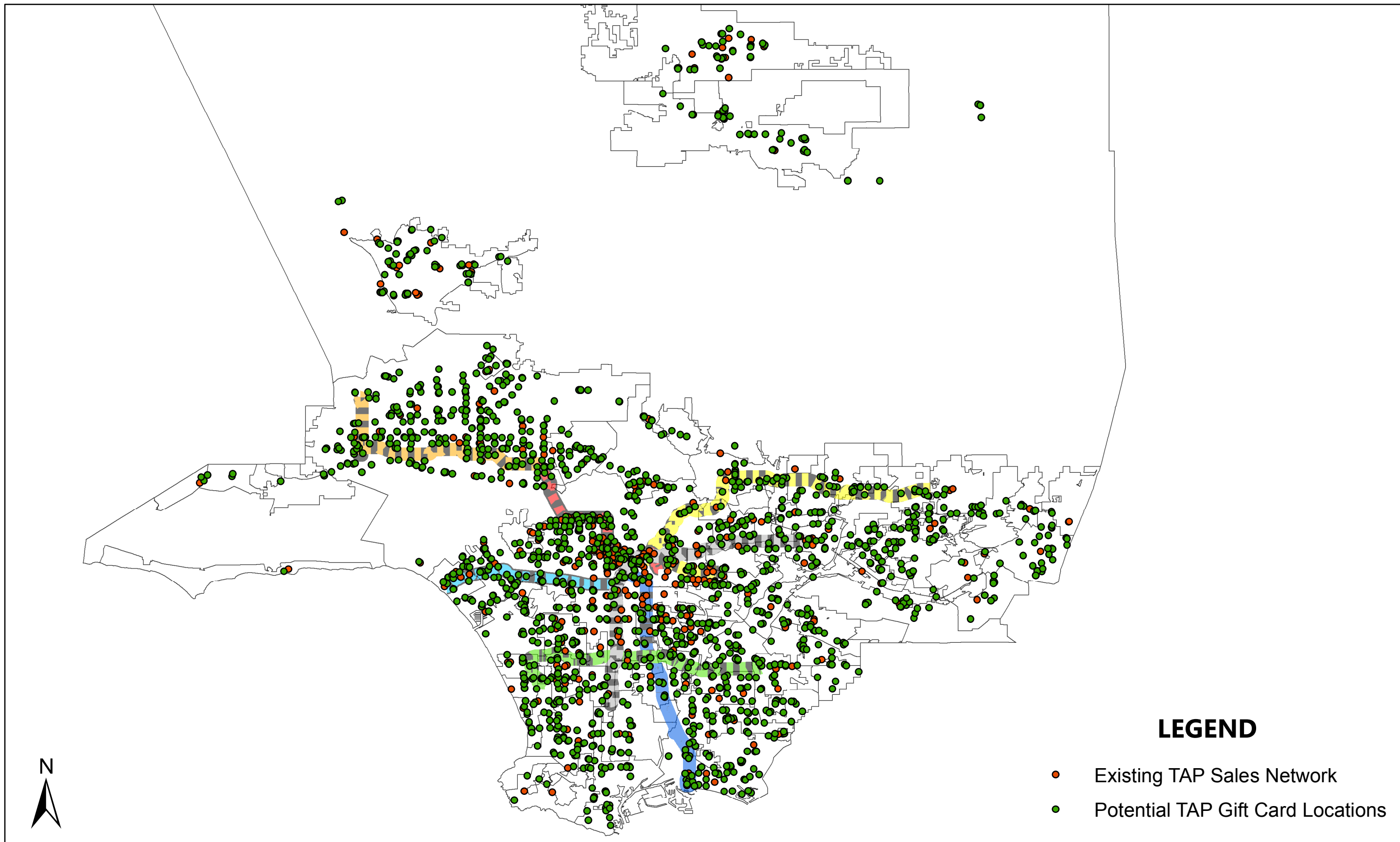
C. Prevailing Wage Applicability

Prevailing wage is not applicable to this Contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract.

Map of Existing TAP Sales Network + Potential TAP Gift Card Sales Locations



TAP Gift Card Program

Metro Board of Directors Meeting
David Sutton, Executive Officer, TAP
May 24, 2018

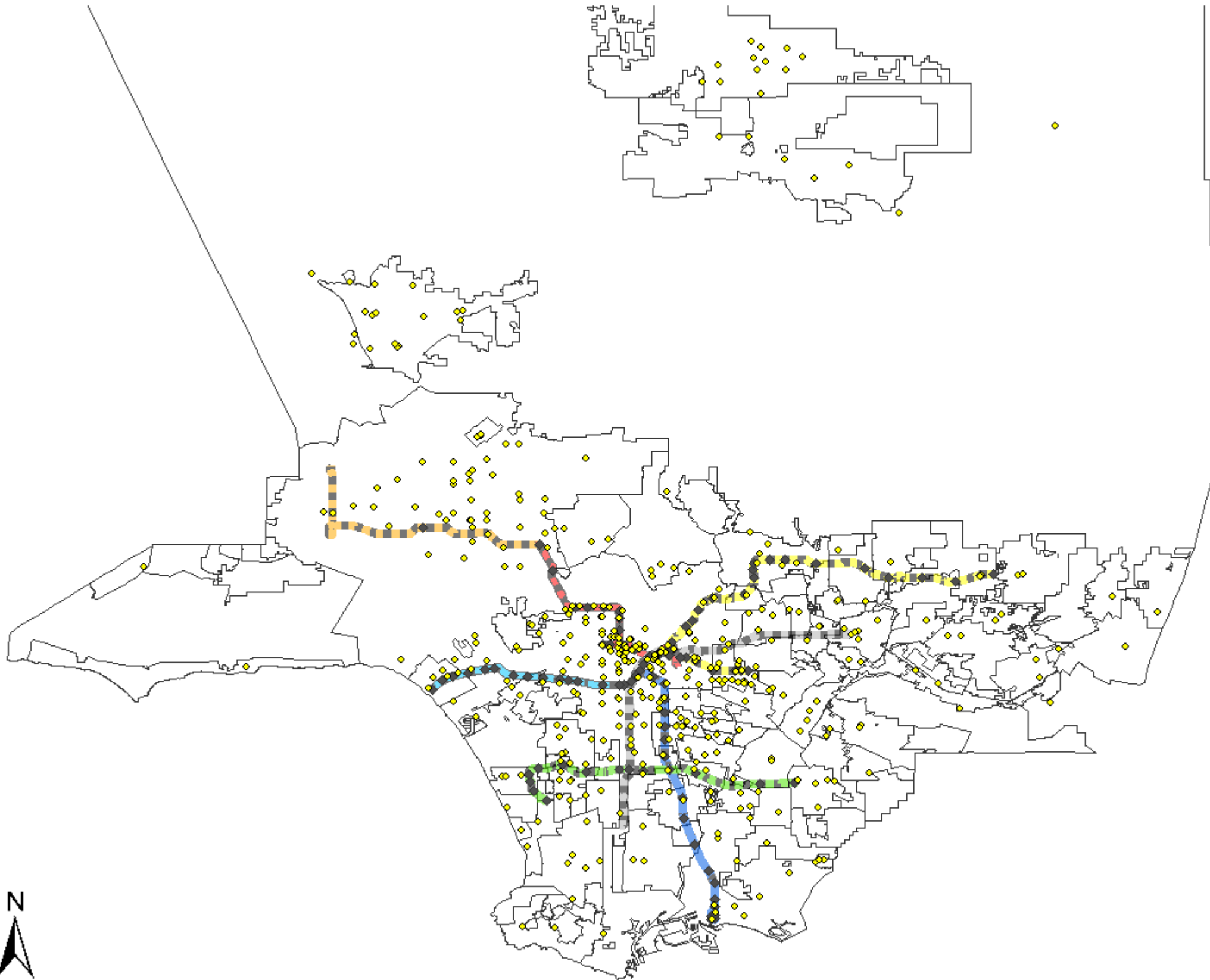


Project Overview

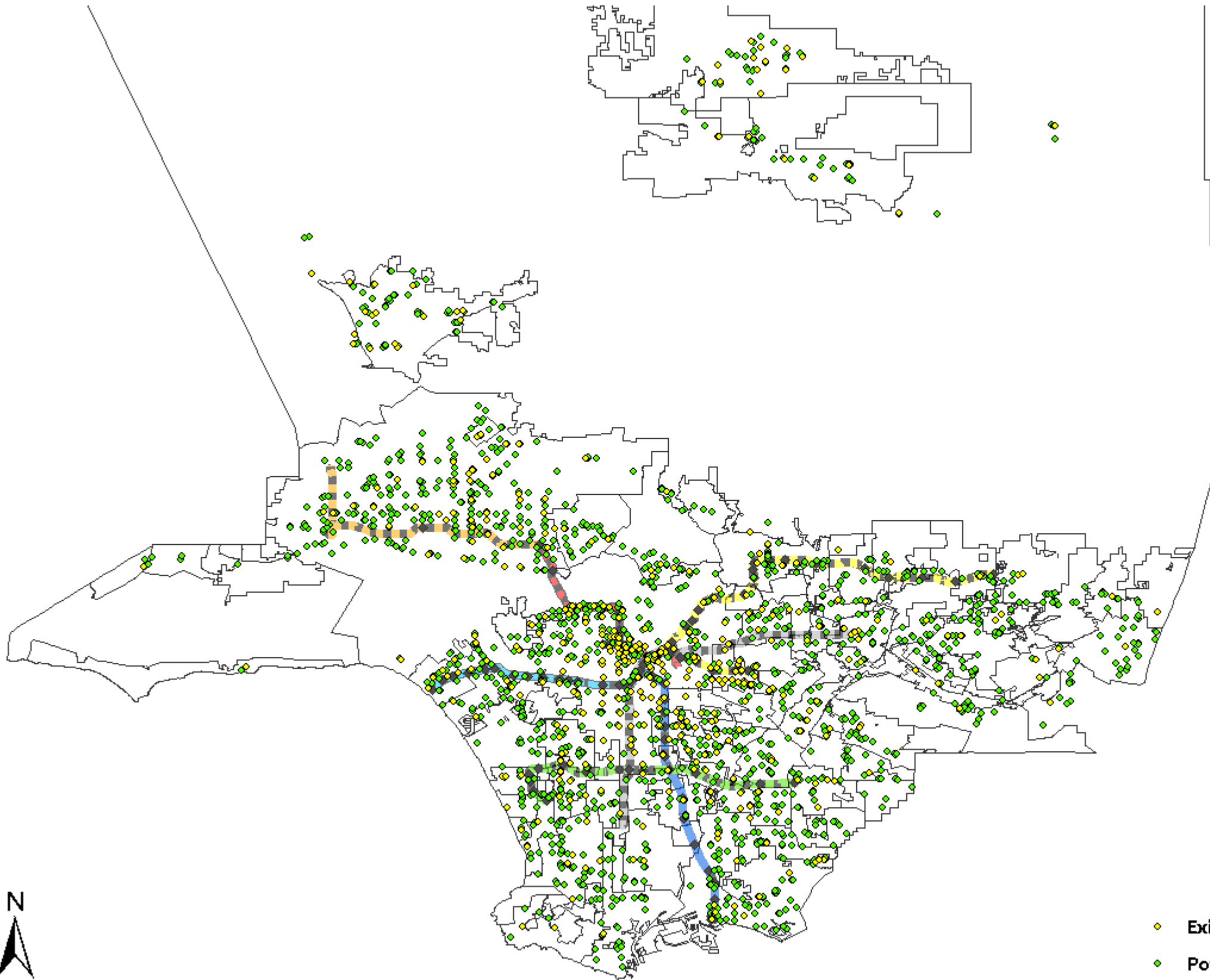
- TAP cards will be available on gift card kiosks at up to 2,000 locations in Los Angeles County
- Locations include: Walgreens, CVS, 7-Eleven, and Rite-Aid
- Phased approach
 - Phase 1: Concentrate in areas served by the 14 transit agencies with mobile validators that can activate card within 45 minutes and all Metro Rail Lines, Silver Line, Orange Line and Metro Rapid 720 and 754 Lines
 - Phase 2: Expand outreach to all areas once farebox refurbishment is complete within 2 years



Existing TAP Vendor Network



Existing TAP Vendor Network & Potential TAP Gift Card Locations



- ◆ Existing TAP Vendor Network
- ◆ Potential TAP Gift Card Locations

How It Works

1. Customer selects a TAP card from kiosk
2. Customer pays the cashier a \$2 card fee plus an amount between \$5 and \$100
3. Cashier scans and loads the dollar amount on the card and hands the card to the customer

Activation of the Card

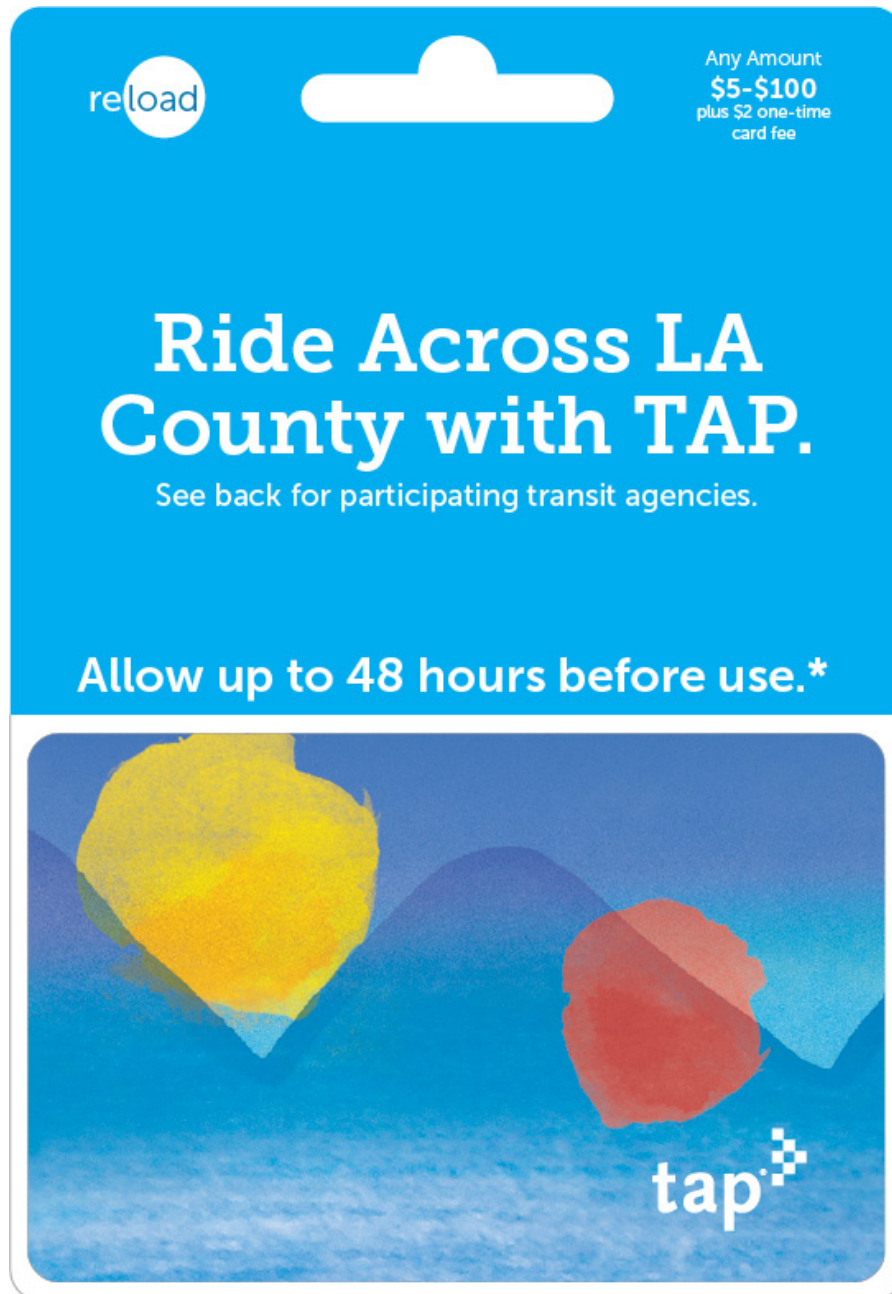
- Card is ready to use from 45 minutes to 48 hours depending on where the card is tapped

Bus Mobile Validators	Rail Station Validators	Bus Fareboxes
Less than 45 minutes	Less than 45 minutes	24-48 hours

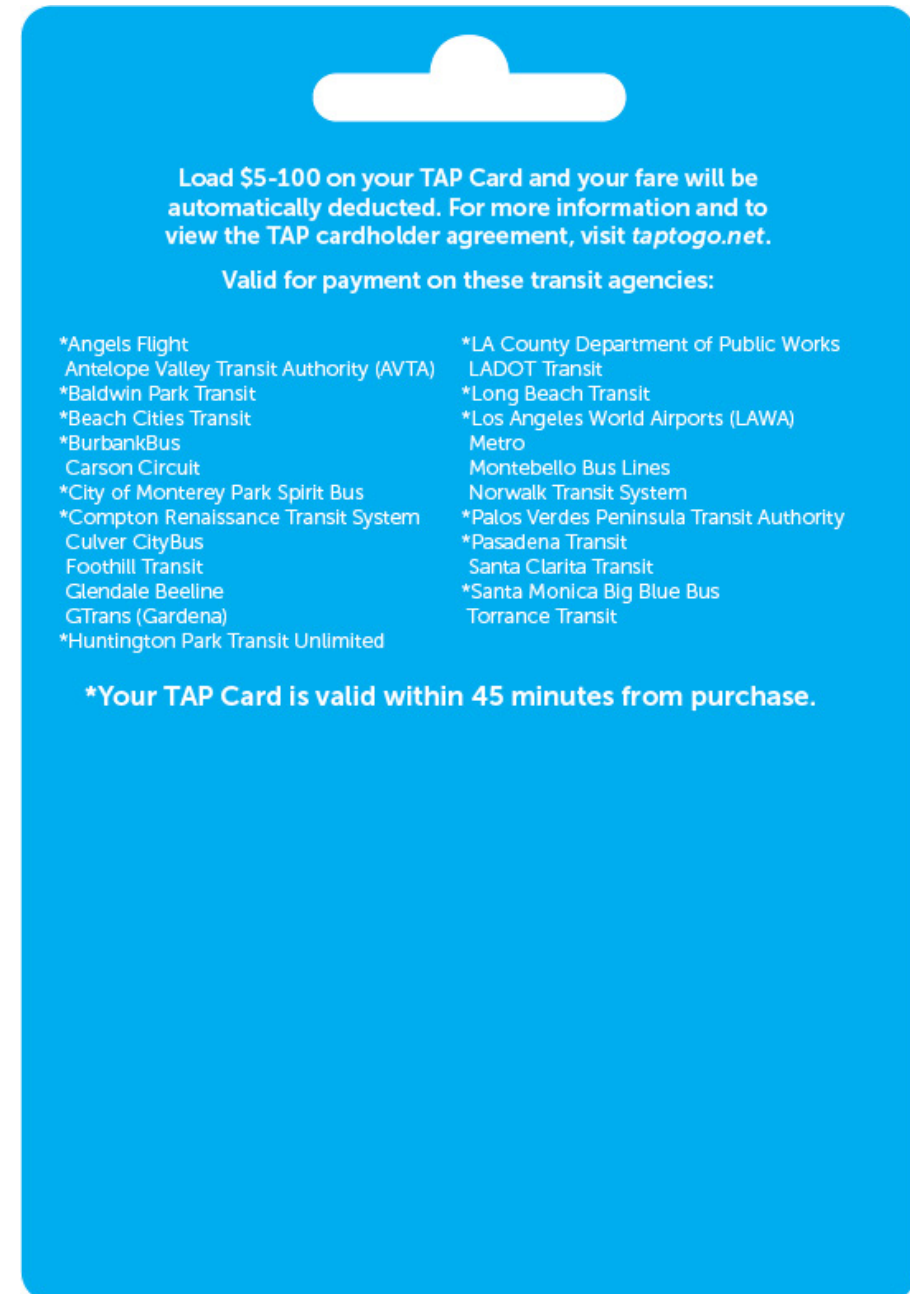
- 14 agencies with bus mobile validators - Less than 45 minutes
 - Burbank, Glendale, Long Beach, Pasadena, Santa Monica, Compton, Carson, Baldwin Park, Huntington Park, Monterey Park, LAWA, LA County Public Works, Palos Verdes, Redondo Beach,
 - Also All Metro Rail, Orange Line, Metro Silver Line, and soon Metro Rapid 754 and 720 lines

TAP Card Carrier

Front



Back



Commission Rate

- Contractor is paid \$1.00 per TAP card sold and 4% commission cash loaded to card
- No operational costs; card fee and commission will be deducted from gross TAP sales



Board Report

File #: 2017-0594, File Type: Policy

Agenda Number: 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 14, 2018**

SUBJECT: INVESTMENT POLICY

**ACTION: ANNUAL ADOPTION OF INVESTMENT POLICY AS REQUIRED BY CALIFORNIA
GOVERNMENT CODE**

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or his/her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

ISSUE

Section 53646 of the Code, requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolution to the Board annually for approval.

DISCUSSION

The Board approves the objectives and guidelines that direct the investment of operating funds. A redlined version of the investment policy is presented in Attachment A. Financial Institutions require Board authorization to establish custody, trustee and commercial bank accounts. A redlined version of the resolution is presented in Attachment B. The only changes to the Investment Policy and the Financial Institutions Resolution were made to reflect position title changes of key personnel and conform investment manager reporting requirements to current practice.

To streamline this board report, the following reference materials may be found on the Internet:

Current Investment Policy:

[<http://media.metro.net/about_us/finance/images/investment_policy.pdf>](http://media.metro.net/about_us/finance/images/investment_policy.pdf)

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

[http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1)

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY18 budget in cost center 5210 and project number 610340.

Impact to Budget

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These funds are not eligible for bus and rail operating and capital expenses.

ALTERNATIVES CONSIDERED

The Investment Policy and the Code require an annual review and adoption of the Investment Policy, the delegation of investment authority and the annual approval of the Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the Financial Institutions Resolution, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

NEXT STEPS

Upon Board approval, distribute the Investment Policy to external investment managers and broker-dealers. Issue copies of the Investment Policy and Financial Institutions Resolution to our financial institutions.

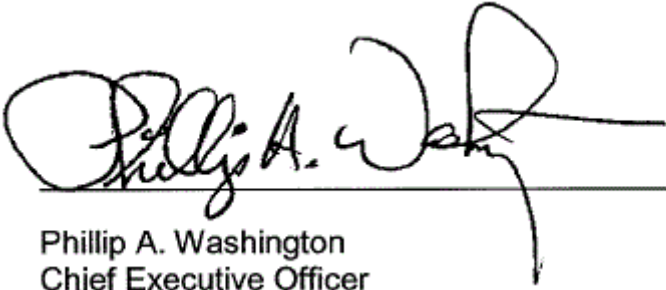
ATTACHMENTS

Attachment A - Investment Policy (redlined)

Attachment B - Financial Institutions Resolution (redlined)

Prepared by: Marshall M. Liu, Sr. Investment Manager, (213) 922-4285
Mary E. Morgan, DEO, Finance, (213) 922-4143
Donna R. Mills, Treasurer, (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922 3088



Phillip A. Washington
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority

INVESTMENT POLICY

Approved on ~~January 26, 2017~~ [February 22, 2018](#)

INVESTMENT POLICY

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1.0 Policy

It is the policy of the Los Angeles County Metropolitan Transportation Authority (LACMTA) to ensure that the temporarily idle funds of the agency are prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings, and conforming to state and local statutes governing the investment of public funds.

This investment policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this investment policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this investment policy. Changes to the Code that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).

2.0 Scope

- 2.1 This investment policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this investment policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District) and Pension Trust Funds.
- 2.2 Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this investment policy remain in compliance with this investment policy, and shall report to the Board regularly on compliance.

3.0 Investment Objectives

- 3.1 The primary objectives, in priority order, of investment activities shall be:
 - A. Safety: Safety of principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The LACMTA shall seek to ensure that capital losses are avoided whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - B. Liquidity: The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
 - C. Return on Investments: The LACMTA shall manage its funds to maximize the return on investments consistent with the two objectives above, with the goal of exceeding the performance benchmarks (Section 12.0) over a market cycle (typically a three to five year period).
- 3.2 It is policy to hold investments to maturity. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.

Internal and external investment managers shall report such losses to the Treasurer and [Chief Financial Officer](#)~~Executive Director, Finance and Budget~~ [immediately](#)quarterly.

- 3.3 Investments shall be made with the judgment, skill, and diligence of a prudent investor acting in like capacity under circumstances then prevailing, for the sole benefit of the LACMTA, and shall take into account the benefits of diversification in order to protect the investment from the risk of substantial loss.
- 3.4 The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy, written portfolio guidelines and procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment report to the Board, and appropriate action is taken to control adverse developments.

4.0 Delegation of Authority

- 4.1 The Board shall be the trustee of funds received by the LACMTA. In accordance with Code Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.
- 4.2 The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, including establishment of appropriate written agreements with financial institutions. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Treasurer may engage independent investment managers to assist in the investment of its financial assets.
- 4.3 No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.
- 4.4 Officers and employees involved in the investment process shall be governed by the standards regarding ethical behavior and conflicts of interest established in the Los Angeles County Metropolitan Transportation Authority Ethics Policy and annually shall file a Statement of Economic Disclosure with the Ethics Office.

5.0 Permitted Investments

- 5.1 All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A and as specifically authorized by the Code, (Sections 53600, et seq.).
- 5.2 In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment.
 - A. Percentage limitations where listed are only applicable at the date of purchase.
 - B. In calculating per issuer concentration limits commercial paper, bankers' acceptances, medium term notes, asset-backed securities, placement service assisted deposits, and negotiable

certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation.

- C. Credit requirements listed in this investment policy indicate the minimum credit rating (or its equivalent by any nationally recognized statistical rating organization) required at the time of purchase without regard to modifiers (e.g., +/- or 1,2,3), if any.

5.3 Maturities of individual investments shall be diversified to meet the following objectives:

- A. Investment maturities will be first and foremost determined by anticipated cash flow requirements.
- B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of purchase, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment. The Board hereby grants express authority for the purchase of new issue securities with a 5 year stated maturity with extended settlement of up to 30 days from date of purchase.
- C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years.

5.4 State and local government sponsored Investment Pools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12.

5.5 This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:

- A. Derivative securities, defined as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments, financial futures and options, and mortgage derived interest or principal only strips. Callable or putable securities with no other option features, securities with one interest rate step-up feature, and inflation indexed securities meeting all other requirements of this investment policy are excluded from this prohibition, as are fixed rate mortgage-backed securities and asset-backed securities.
- B. Reverse repurchase agreements and securities lending agreements.

6.0 Selection of Depository Institutions, Investment Managers and Broker-Dealers

6.1 To minimize the risk to the overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of Financial Institutions in which funds are deposited or invested. The LACMTA's Financial Advisor (FA) will conduct competitive processes to recommend providers of financial services including commercial banking, investment management, investment measurement and custody services.

- A. In selecting Depositories pursuant to Code Sections 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency. The main depository institutions will be selected on a periodic and timely basis.
- B. Deposits which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the collateralization requirements of Section 7.3 of this investment policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.
- C. The Treasurer shall seek opportunities to deposit funds with disadvantaged business enterprises, provided that those institutions have met the requirements for safety and reliability and provide terms that are competitive with other institutions.

6.2 In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this investment policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.

6.3 Pursuant to Code Section 53601.5, the LACMTA and its investment managers shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.

- A. Internal investment manager will only purchase or sell securities from broker-dealers that are Primary Dealers in U.S. Government Securities or are a direct affiliate of a Primary Dealer. Internal investment manager will only purchase securities from broker-dealers who have returned a signed Receipt of Investment Policy and completed the Broker-Dealer Questionnaire, and have been approved by the Treasurer (see Appendices B and C). A current copy of the Broker-Dealer's financial statements will be kept on file in the Treasury Department. Should market conditions limit access to inventory, the Treasurer may approve executing transactions through non-Primary Dealers who meet all of the criteria listed below:
 - a. The broker dealer must qualify under Securities Exchange Commission rule 15C3-1 (Uniform Net Capital Rule);
 - b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. FINRA, SEC, MSRB);
 - c. Have been in operation for more than five years; and
 - d. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies.

- B. In addition to Primary Dealers in U.S. Government Securities and direct affiliates of a Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a member of the Financial Industry Regulatory Authority. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.
- C. External investment managers must certify in writing that they will purchase securities in compliance with this investment policy, LACMTA Procedures, and applicable State and Federal laws.

6.4 Financial institutions and external investment managers conducting investment transactions with or for LACMTA shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity:

- A. Has read and is familiar with the Investment Policy and Guidelines as well as applicable Federal and State Law;
- B. Meets the requirements as outlined in this investment policy;
- C. Agrees to make every reasonable effort to protect the assets from loss;
- D. Agrees to notify the LACMTA in writing of any potential conflicts of interest.

Completed certifications shall be filed in the Treasurer's Office. Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by that financial institution, or investment manager and/or the rescission of any and all authority to act as an agent to purchase or invest funds.

6.5 All broker-dealers who do business with the LACMTA's internal investment managers shall sign a Receipt of Investment Policy. The Receipt of Investment Policy (see Appendix B) states that the broker dealer:

- A. Has received, read, and understands this investment policy;
- B. Has communicated the requirements of this investment policy to all personnel who may select investment opportunities for presentation.

Failure to submit a Receipt of Investment Policy shall preclude the LACMTA from purchasing or selling securities from such broker-dealer. Completed receipts shall be filed in the Treasurer's Office.

7.0 Custody and Safekeeping of Securities and LACMTA Funds

7.1 A Master Repurchase Agreement must be signed with the bank or dealer before any securities and collateral for repurchase agreements shall be purchased and maintained for the benefit of the LACMTA in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the LACMTA and the bank. Specific collateralization levels are defined in Section 5.1A.

- 7.2 All investment transactions shall be settled "delivery vs. payment", with the exception of deposits, money market mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.
- 7.3 Funds deposited shall be secured by a Depository in compliance with the requirements of Code Section 53652. Such collateralization shall be designated and agreed to in writing.

8.0 Reports and Communications

- 8.1 The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this investment policy.
- 8.2 The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved investment policy will remain in effect until the Board approves the recommended statement of investment policy.
- 8.3 The Treasurer shall render a quarterly cash, investment, and transaction report to the CEO and Board, and quarterly to the Internal Auditor within 30 days following the end of the quarter covered by the report. The report shall include a description of LACMTA's funds, investments, or programs that are under the management of contracted parties, including lending programs. The report shall include as a minimum:
- A. Portfolio Holdings by Type of Investment and Issuer
 - B. Maturity Schedule and Weighted Average Maturity (at market)
 - C. Weighted Average Yield to Maturity
 - D. Return on Investments versus Performance Benchmarks on a quarterly basis
 - E. Par, Book and Market Value of Portfolio for current and prior quarter-end
 - F. Percentage of the portfolio represented by each investment category
 - G. Total Interest Earned
 - H. Total Interest Received
 - I. A statement of compliance with this investment policy, or notations of non-compliance.
 - J. At each calendar quarter-end a subsidiary ledger of investments will be submitted with the exception listed in 8.3K.
 - K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this investment policy and the Code, the most recent

statement received from these institutions may be used in lieu of the information required in 8.3 J.

L. At each calendar quarter-end the report shall include a statement of the ability to meet expenditure requirements for the next six months.

M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.

8.4 Internal and external investment managers shall monitor investments and market conditions and report on a regular and timely basis to the Treasurer.

A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this investment policy. Portfolios shall be marked-to-market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.

B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this investment policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.

C. External and internal investment managers shall immediately inform the Treasurer, or the [Chief Financial Officer](#) ~~Executive Director, Finance and Budget~~ in writing of any major adverse market condition changes and/or major portfolio changes. The [Chief Financial Officer or the Treasurer](#) ~~Executive Director, Finance and Budget~~ shall immediately inform the Board in writing of any such changes.

D. External investment managers shall notify the LACMTA internal managers daily of all trades promptly, via fax or via email.

E. Internal investment managers will maintain a file of all trades.

9.0 Portfolio Guidelines

Portfolio Guidelines are the operating procedures used to implement this investment policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by this investment policy.

10.0 Internal Control

10.1 The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee or third party error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees or agents. Such internal controls shall be approved by the [Chief Financial Officer](#) ~~Executive Director, Finance and Budget~~ and shall include authorizations and procedures for investment transactions, custody/safekeeping transactions, opening and dosing accounts, wire transfers, and clearly delineate reporting responsibilities.

10.2 Treasury personnel and LACMTA officials with signature authority shall be bonded to protect against possible embezzlement and malfeasance, or at the option of the governing board self-insured.

- 10.3 Electronic transfer of funds shall be executed upon the authorization of two official signatories.
- 10.4 Transaction authority shall be separated from accounting and record keeping responsibilities.
- 10.5 All investment accounts shall be reconciled monthly with custodian reports and broker confirmations by a party that is independent of the investment management function. Discrepancies shall be brought to the attention of the investment manager, the Treasurer and Assistant Treasurer, the Controller, and if not resolved promptly, to the [Chief Financial Officer](#)~~Executive Director, Finance and Budget~~.
- 10.6 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide independent confirmation of compliance with policies and procedures.
- 10.7 The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.

Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this investment policy.

- 10.8 The Treasurer shall annually submit the Financial Institutions Resolution to the Board for approval. The existing resolution will remain in effect until the Board approves the recommended resolution.

11.0 Purchasing Guidelines

- 11.1 Investment managers shall purchase and sell securities at the price and execution that is most beneficial to the LACMTA. The liquidity requirements shall be analyzed and an interest rate analysis shall be conducted to determine the optimal investment maturities prior to requesting bids or offers. Investments shall be purchased and sold through a competitive bid/offer process. Bids/offers for securities of comparable maturity, credit and liquidity shall be received from at least three financial institutions, if possible.
- 11.2 Such competitive bids/offers shall be documented on the investment managers’ trade documentation. Supporting documentation from the Wall Street Journal, Bloomberg or other financial information system shall be filed with the trade documentation as evidence of general market prices when the purchase or sale was effected.

12.0 Benchmarks

Internal and external investment managers' performance shall be evaluated against the following agreed upon benchmarks. If the investment manager does not meet its benchmark over a market cycle (3 to 5 years), the Treasurer shall determine and set forth in writing reasons why it is in the best interests of the LACMTA to replace or retain the investment manager.

Portfolio
Intermediate Duration Portfolios

Investment Benchmarks
Bank of America/Merrill Lynch AAA-A 1-5
year Government & Corporate Index (BV10)

Short Duration Portfolios

Three month Treasury

Los Angeles County Metropolitan Transportation Authority
Section 5.1A
Statement of Investment Policy ^a

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

Investment Type	Maximum Maturity	Maximum Allowable Percentage of Portfolio *	Minimum Quality and Other Requirements
Bonds Issued by the LACMTA	5 years ^b	100%	None
U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for payment of principal and interest	5 years ^b	100%	None
Registered state warrants or treasury notes or bonds of the other 49 states in addition to California.	5 years ^b	25%	Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization
Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California	5 years ^b	25%	Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization
Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government –sponsored enterprises	5 years ^b	50% ^d	See Footnote d
Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances	180 days	40% ^c	The issuer’s short-term debt must have the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization
Commercial paper or “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization	270 days	25% ^c	See Footnote e
Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed branch of a foreign bank, or a federally licensed branch of a foreign bank.	5 years ^b	30% ^c	See Footnote f

Placement Service Assisted Deposits	5 years b	30% c	See Footnote g
Investments in repurchase agreements	90 days	20%	Limited to no more than 90 days. See Footnote h
United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank.	5 years b	30% c	Maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated "AA" or better by a nationally recognized statistical rating organization and shall not exceed 30% of the portfolio.
Medium-term notes issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States	5 years b	30% c	Must be rated "A" or better by a nationally recognized statistical rating organization. If rated by more than one rating agency, both ratings must meet the minimum credit standards.
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission, as authorized by Code Section 53601	Not applicable	20% c	See Footnote i
State of California Local Agency Investment fund (LAIF) Code Section 16429.1 through 16429.4 or other Local Government Investment Pool (LGIP) established by public California entities pursuant to Section 53684	Not applicable	Set by LAIF and LGIP	See Footnote j
Asset-backed Securities	5 years b	15% combined with mortgage-backed securities	See Footnote k
Mortgage-backed Securities	5 years b	15% combined with asset-backed securities	See Footnote l

**Los Angeles County Metropolitan Transportation Authority
Statement of Investment Policy**

Footnotes for Section 5.1A Statement of Investment Policy	
a	Sources: California Government Code Sections 16429.1, 53601, 53601.8, 53635 and 53638
b	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to the purchase. New issue securities with a stated 5 year maturity can be purchased in the primary market with extended settlements of up to 30 days from the date of purchase.
c	Limited to no more than 10% of the portfolio in any one issue (i.e. bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, and money market funds)
d	No more than 15% of portfolio in any one Federal Agency or government-sponsored issue
e	Eligible paper is further limited to 10% of the outstanding paper of an issuing corporation, the issuing corporation must be organized and operating within the United States and having total assets in excess of \$500,000,000 and have an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized statistical rating organization. Issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million dollars and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided by a nationally recognized statistical rating organization
f	The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union
g	Investments in placement services assisted deposits is authorized under Sections 53601.8, 53635.8, and 53601 (i) of the California Government Code.
h	Repurchase agreements shall be executed through Primary Broker-Dealers. The repurchase agreement must be covered by a master repurchase agreement. Repurchase agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager. Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The LACMTA shall obtain a first lien and security interest in all collateral
i	Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations, or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code 53601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies

j	<p>Maximum investment per individual pool limited to the amount for LAIF as set by the State Treasurer's Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool. Each pool must be evaluated and approved by the Treasurer, as to credit worthiness, security, and conformity to state and local laws. An evaluation should cover, but is not limited to establishing, a description of who may invest in the program, how often, what size deposit and withdrawal; the pool's eligible investment securities, obtaining a written statement of investment policy and objectives, a description of interest calculations and how it is distributed; how gains and losses are treated; a description of how the securities are safeguarded and how often the securities are priced and the program audited. A schedule for receiving statements and portfolio listings. A fee schedule, when and how fees are assessed</p>
k	<p>Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AAA", and issued by an issuer having an "A" or higher rating for the issuer's debt as provided for by a nationally recognized statistical rating organization. Further limited to fixed rate, publicly offered, generic credit card, automobile receivables, and equipment receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million</p>
l	<p>Pass-Through securities: Limited to Government Agency or Government Sponsored issuers, fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers "AAA" rated by a nationally recognized statistical rating organization. Planned Amortization Classes (PAC) only. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures</p>

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

CERTIFICATION OF UNDERSTANDING

The Los Angeles County Metropolitan Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers' conducting investment transactions with or for LACMTA sign a Certification of Understanding acknowledging that:

- 1. You have read and are familiar with the LACMTA's Investment Policy as well as applicable Federal and State laws.
2. You meet the requirements as outlined in Investment Policy.
3. You agree to make every reasonable effort to protect the assets from loss.
4. You agree to notify the LACMTA in writing of any potential conflicts of interest.
5. You agree to notify the LACMTA in writing of any changes in personnel with decision-making authority over funds within 24 hours of such event.

Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the LACMTA for the purchase of securities or investment of funds on behalf of LACMTA.

The Board of Directors is committed to the goals of the Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

SIGNED: _____ DATE: _____
Print Name and Title _____

After reading and signing this Certification of Understanding please return with any supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:
Approved: _____ Disapproved: _____ Date: _____
Signature: _____
LACMTA Treasurer

APPENDIX B

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

BROKER-DEALER RECEIPT OF INVESTMENT POLICY

We are in receipt of the Los Angeles County Metropolitan Transportation Authority's (LACMTA) Investment Policy.

We have read the policy and understand the provisions and guidelines of the policy. All salespersons covering LACMTA's account will be made aware of this policy and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to LACMTA.

Signed _____
Name Name

Title Title

Firm Name

Date Date

After reading and signing this Receipt of Investment Policy, please return with supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: _____ Disapproved: _____ Date: _____
Signature: _____
LACMTA Treasurer

9. Is your Firm owned by a Holding Company? If so, what is its name and net capitalization?

10. Please provide your Wiring and Delivery Instructions.

11. Which of the following instruments are offered regularly by your local desk?

- T-Bills Treasury Notes/Bonds Discount Notes NCD's
 Agencies (specify) _____
 BA's (Domestic) BA's (Foreign) Commercial Paper
 Med-Term Notes Repurchase Agreements

12. Does your Firm specialize in any of the instruments listed above?

13. Please identify your comparable government agency clients in the LACMTA's geographical area.

<u>Entity</u>	<u>Contact Person</u>	<u>Telephone No.</u>	<u>Client Since</u>
---------------	-----------------------	----------------------	---------------------

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

14. What reports, confirmations, and other documentation would LACMTA receive? Please include samples of research reports or market information that your firm regularly provides to government agency clients.

15. What precautions are taken by your Firm to protect the interests of the public when dealing with government agencies as investors?

16. Have you or your Firm been censored, sanctioned or disciplined by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities within the past five years? YES NO

17. If yes, please explain

18. Please provide your most recent audited financial statements within 120 days of your fiscal year-end.

19. Please indicate the current licenses of the LACMTA representatives:

Agent: _____ License or registration: _____

APPENDIX D
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
INVESTMENT POLICY GLOSSARY

ASKED: The price at which securities are offered from a seller.

BANKERS' ACCEPTANCE (BA): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (or issuer - the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BID: The price offered by a buyer of securities.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable (marketable or transferable).

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

CUSTODY or SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: Delivery of securities with a simultaneous exchange of money for the securities.

FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES (AGENCIES): U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). They include:

- ◆ Federal Home Loan Banks (FHLB)
- ◆ Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- ◆ Federal National Mortgage Association (FNMA or "Fannie Mae")
- ◆ Federal Farm Credit Banks (FFCB)
- ◆ Student Loan Marketing Association (SLMA or "Sallie Mae")
- ◆ Tennessee Valley Authority (TVA)

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Interest bearing, continuously offered debt, issued in the 9 month to ten year maturity range. Deposit notes, like Certificates of Deposit, actually represent an interest bearing deposit at a bank or other depository institution.

OFFER: The price asked by a seller of securities.

PAR VALUE: The face value, or principal amount payable at maturity.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

REPURCHASE AGREEMENT (RP OR REPO): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, whereby the security "buyer" in effect lends the "seller" money for the period of the agreement, and the difference between the purchase price and sale price determining the earnings. Dealers use RP extensively to finance their positions.

SECURITIES & EXCHANGE COMMISSION (SEC): An agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES AND BONDS: Long-term U.S. Treasury securities having initial maturities of 2 to 30 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

FINANCIAL INSTITUTIONS RESOLUTION

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA's name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Deputy Chief Executive Officer; Chief Financial Officer; Treasurer; [Deputy Executive Officer, Finance in Treasury](#); or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____.

Dated: _____

Michele Jackson
Board Secretary

(SEAL)

LACMTA Investment Policy Update and Approval

Finance, Budget and Audit Committee
Wednesday, February 14, 2018



1

Investment Policy Overview

- Governance- California Government Code
 - Requires annual adoption of investment policy
 - Establishes permitted investments
 - Sets objectives – 1) safety - preserve capital, 2) provide liquidity and 3) maximize earnings subject to 1) and 2)
- Recommended changes reflect title changes of key personnel and current practices



2

Investment Policy Overview

Investments not permitted

- Equities (Common Stock, Preferred Stock...)
- Real Estate
- Derivatives

Investments Permitted - Fixed Income Securities

- United States Treasuries (Bills and Notes)
- Municipals (issued by the 50 states, counties, cities and other local agencies, etc....)
- Long and Short term Corporate Bonds (Bank of America, Starbucks, Intel Corp etc...)
- Govt Sponsored Enterprises (Agencies-FNMA, FHLB, etc...)
- Money market funds, Certificates of Deposits and others



Metro

FNMA – Federal National Mortgage Association, FHLB – Federal Home Loan Bank

3

Investment Policy Overview

Strategy

Internally managed cash portfolio

- for daily/immediate needs (i.e. bi-weekly payroll, vendor payments and project expenses)
- Benchmark is 91 day Treasury Bill
- Market value approximately \$431 million as of 12/31/17

Externally managed portfolios

- Take advantage of higher yields on longer maturing securities
- Benchmark is BofA/ML 1-5 AAA - A Govt/Corp Index
- Market value approximately \$720 million as of 12/31/17

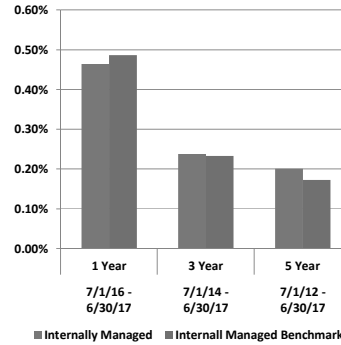
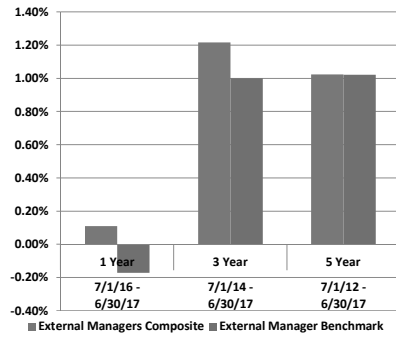


Metro

4

Investment Policy Overview

Performance Results



5

Investment Policy Overview

Recommendation

- Adopt the Investment Policy
- Approve Financial Institutions Resolution
- Delegate authority to Treasurer or his/her designees



6



Board Report

File #: 2017-0840, File Type: Resolution

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 14, 2018

SUBJECT: PROPOSITION C BONDS

ACTION: AUTHORIZE COMPETITIVE SALE OF BONDS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the issuance of bonds by competitive sale to refund the Proposition C Series 2008-A Bonds, consistent with the Debt Policy;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Continuing Disclosure Agreement, Escrow Agreement, and Preliminary Official Statement on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the resolution; and
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the refunding bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

ISSUE

Low interest rates offer an opportunity for Metro to lower its debt service costs by refunding on a current basis the outstanding Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2008-A (the "2008-A Bonds"). Approximately \$69 million of the outstanding 2008-A Bonds can be refunded. Under current market conditions, the issuance of the Proposition C Sales Tax Revenue Refunding Bonds (the "Refunding Bonds") would achieve approximately \$7.0 million in net present value savings over the four year life of the bonds.

DISCUSSION

IRS tax code regulates tax-exempt debt issuance. Tax-reform legislation enacted by Congress repeals tax-exempt advance refunding bonds effective January 1, 2018. An advance refunding is a refunding that closes more than 90 days prior to the date when the outstanding bonds are called for

redemption.

The 2008-A Bonds may be refunded on a current refunding basis in early April, 2018 as their call date is July 1, 2018. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the 2008-A Bonds is currently estimated to provide net present value savings in excess of the minimum 3% of the refunded par amount set forth in the Debt Policy criteria for evaluating refunding opportunities.

The Refunding Bonds will be sold as fixed rate bonds. The Refunding Bonds will be sold using a competitive process where prospective underwriters bid to purchase the Refunding Bonds on the date of sale. The Refunding Bonds will be sold to the underwriter offering the lowest true interest cost. The timing of the bond sale is contingent upon our ability to take advantage of favorable market conditions as they arise. In the event that bids do not meet our criteria, all bids will be rejected and the sale will be rescheduled.

FINANCIAL IMPACT

The costs of issuance for the Refunding Bonds will be paid from proceeds of the financing and will be budget neutral. Savings from the Refunding Bonds will be reflected in future budgets under principal account 51101 and the bond interest account 51121.

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the Refunding Bonds to a later time or indefinitely. This is not recommended because we cannot predict where interest rates will be in the following three to six months. Federal Reserve Bank actions, political and other market and economic conditions may push interest rates higher and may result in a loss of refunding savings.

NEXT STEPS

- Develop bond issuance documentation
- Obtain ratings
- Distribute the Preliminary Official Statement and Notice Inviting Bids to prospective underwriters and potential investors and publish the Notice of Intention to Sell Bonds
- Receive electronic bids from underwriters
- Finalize bond documentation and deliver the Refunding Bonds

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by:

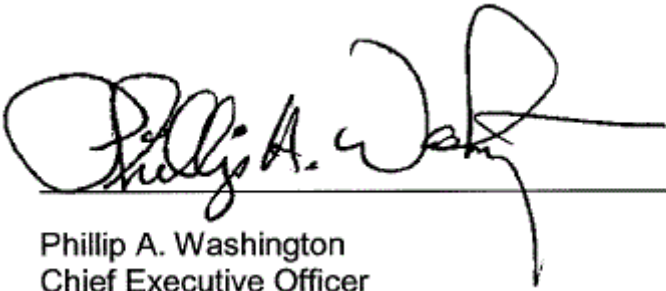
Danny Ray Jasper, Jr., Debt Manager, (213) 922-4047

LuAnne Edwards Schurtz, Deputy Executive Officer, Finance, (213) 922-2554

Donna R. Mills, Treasurer, (213) 922-4047

Reviewed by:

Nalini Ahuja, Chief Financial Officer (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Authorizing Resolution

**RESOLUTION OF THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
AUTHORIZING THE ISSUANCE AND SALE OF
PROPOSITION C SALES TAX REVENUE REFUNDING
BONDS, AND APPROVING OTHER RELATED MATTERS**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue bonds to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval by the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a ½ of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the transactions and use tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of the bonds and any premium, interest on the bonds and the costs of issuance of the bonds; and

WHEREAS, the LACMTA is planning and engineering a Countywide rail, bus and highway transit system (the "Rail, Bus and Highway Transit System") to serve the County and has commenced construction of portions of the Rail, Bus and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, the LACMTA, as authorized by the Act, pursuant to the terms of the Amended and Restated Trust Agreement, dated as of January 1, 2010, as amended and supplemented (the "Trust Agreement"), by and between the LACMTA and U.S. Bank National Association, as trustee (the "Trustee"), the LACMTA has issued multiple series of bonds, including its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A (the "Series 2008-A Bonds"); Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B; Proposition C Sales Tax Revenue

Refunding Bonds, Senior Bonds, 2013-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A and Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A; collectively, the “Prior Senior Lien Bonds”); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more Series from time to time and in one or more transactions of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds (the “Refunding Bonds”) to (a) refund all or a portion of the outstanding Series 2008-A Bonds; (b) fund or make provision for one or more reserve funds or accounts; and (c) pay the costs of issuance related thereto; and

WHEREAS, the LACMTA desires to sell the Refunding Bonds on a competitive basis in accordance with the Debt Policy of the LACMTA; and

WHEREAS, the forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the “Board”):

(a) a Supplemental Trust Agreement (the “Supplemental Trust Agreement”) by and between the LACMTA and the Trustee, which would supplement the Trust Agreement for purposes of providing the terms and conditions of the Refunding Bonds;

(b) a Preliminary Official Statement (the “Preliminary Official Statement”) to be used in connection with the offer and sale of the Refunding Bonds;

(c) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to be executed by the LACMTA to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and which will provide for the annual and periodic update of certain financial and operating information;

(d) a Notice Inviting Bids (the “Notice Inviting Bids”) setting forth the terms and the manner in which electronic bids from qualified bidders for the purchase of the Refunding Bonds shall be received;

(e) a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”) to be published in connection with any proposed sale of the Refunding Bonds; and

(f) an Escrow Agreement (the “Escrow Agreement”) between the Trustee, acting as escrow agent, and the LACMTA, which agreement would provide for the deposit, investment and expenditure of moneys to refund all or a portion of the Series 2008-A Bonds; and

WHEREAS, the LACMTA hereby acknowledges that such documents will be modified and amended to reflect the various details applicable to the Refunding Bonds, whether the

Refunding Bonds are issued in a single issuance or multiple issuances, and that such documents are subject to completion to reflect the results of the sale of the Refunding Bonds, whether in a single issuance or multiple issuances; and

WHEREAS, the Board of the LACMTA hereby acknowledges that Section V(B) of the Debt Policy of the LACMTA contemplates that the LACMTA will achieve certain levels of target savings on any issuance of refunding bonds; and

WHEREAS, the Board of the LACMTA desires to permit the issuance of the Refunding Bonds in one or more Series and from time to time so long as each issuance complies with the interest savings or other provisions of the Debt Policy of the LACMTA (including the provisions that give the Treasurer discretion with respect to various matters, including refunding savings on individual maturities); and

WHEREAS, the LACMTA has pledged the Proposition C Tax (less the 20% local allocation and the California Department of Tax and Fee Administration's costs of administering such tax) (the "Pledged Taxes") to secure the Prior Senior Lien Bonds; and

WHEREAS, the LACMTA desires to designate the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, a Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them as an "Authorized Authority Representative" for all purposes under the Trust Agreement and the Supplemental Trust Agreement; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the governing body of a public body obtain from an underwriter, financial advisor or private lender and disclose, prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS (THE "BOARD") OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

1. **Findings.** The LACMTA hereby finds and determines that:

(a) The issuance of the Refunding Bonds, and the application of other available funds, to refund all or any portion of the Series 2008-A Bonds, to fund or make provision for one or more reserve funds or accounts (as and to the extent determined by a Designated Officer) and to pay the costs of issuance related thereto is in the public interest.

(b) Under the provisions of Ordinance No. 49, all of the Pledged Taxes are revenues of the LACMTA available for rail, bus and highway transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Senior Lien Bonds were issued, pledged to secure the Prior Senior Lien Bonds and are pledged to secure the Refunding Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and to be set forth in the Supplemental Trust Agreement, are reasonable and proper for the security of the holders of the Refunding Bonds.

2. **Issuance of Refunding Bonds.** The Board of the LACMTA hereby authorizes the issuance of one or more Series of Refunding Bonds from time to time for the purpose of (a) refunding all or any portion of the Series 2008-A Bonds; (b) funding or making provision for one or more reserve funds or accounts as and to the extent determined by a Designated Officer; and (c) paying the costs of issuance related thereto; *provided, however*, that, as of the date of sale of the Refunding Bonds, the issuance of such Series of Refunding Bonds satisfies the requirements of the Debt Policy of the LACMTA as determined and calculated in the discretion of the Treasurer of the LACMTA, which shall be conclusive for all purposes of this Resolution. The LACMTA hereby specifies that the Refunding Bonds shall not mature later than July 1, 2022. The Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, a Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), acting in accordance with this Section 2, are each hereby authorized to determine the actual aggregate principal amount of each Series of Refunding Bonds to be issued and to direct the execution and authentication of the Refunding Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized.

3. **Terms of Refunding Bonds.** The Refunding Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the Supplemental Trust Agreement. The Refunding Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Supplemental Trust Agreement. Interest on the Refunding Bonds shall be paid on the dates set forth in the applicable Supplemental Trust Agreement. The Refunding Bonds may be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the Supplemental Trust Agreement, or not be subject to redemption. The Refunding Bonds may also be subject to mandatory sinking fund redemption as and to the extent set forth in the Supplemental Trust Agreement. Payment of

principal of, and interest and premium, if any, on the Refunding Bonds shall be made at the place or places and in the manner provided in the applicable Supplemental Trust Agreement.

Execution and delivery of the Supplemental Trust Agreement, which document contains the maturities, interest rates and the payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, interest rates and payment obligations.

4. **Pledge of Pledged Taxes.** The Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Trust Agreement to secure the Prior Senior Lien Bonds, the Refunding Bonds and any additional bonds which may subsequently be issued under and secured by the terms of the Trust Agreement.

5. **Special Obligations.** The Refunding Bonds shall be special obligations of the LACMTA secured by and payable from the Pledged Taxes and from the funds and accounts held by the Trustee under the Trust Agreement. The Refunding Bonds shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide.

6. **Form of Refunding Bonds.** The Refunding Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in the Supplemental Trust Agreement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Supplemental Trust Agreement or as appropriate to adequately reflect the terms of such Refunding Bonds and the obligation represented thereby.

7. **Execution of Refunding Bonds.** Each of the Refunding Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer(s) shall have the same force and effect as if such officer(s) had manually signed each of such Refunding Bonds.

8. **Good Faith Estimates.** In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Refunding Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Refunding Bonds, (c) the amount of proceeds of the Refunding Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Refunding Bonds, and (d) the sum total of all debt service payments on the Refunding Bonds calculated to the final maturity of the Refunding Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Refunding Bonds.

9. **Approval of Documents, Authorization for Execution.** Each of the Designated Officers is hereby authorized and directed to have prepared and to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Supplemental Trust Agreement, the Escrow Agreement, the Continuing Disclosure Certificate, the Notice Inviting Bids and the Notice of Intention to Sell Bonds, all in substantially the forms on file with the Secretary of the Board and made available to the Board and hereby approved, with such changes as any Designated Officer determines are appropriate or necessary, in each case, to the extent, in the

form, and with the terms and provisions as the Designated Officer executing the same shall determine are appropriate and necessary for the issuance of the Refunding Bonds, including, but not limited to, affirmative and negative covenants relating to the Refunding Bonds and the finances and operations of the LACMTA and any amendments, modifications and/or supplements to the Trust Agreement. The Supplemental Trust Agreement, Escrow Agreement, Preliminary Official Statement, Official Statement, Continuing Disclosure Certificate, Notice Inviting Bids and Notice of Intention to Sell Bonds are collectively referred to herein as the “Related Documents” and each a “Related Document.”

10. Sale of Refunding Bonds.

(a) Each Designated Officer is hereby authorized, from time to time, to choose such times and dates as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale of the Refunding Bonds, to receive proposals from qualified bidders for the purchase of the Refunding Bonds (through the use of computerized bidding systems) upon the terms and in the manner set forth in the Notice Inviting Bids.

(b) Each Designated Officer is hereby authorized and directed to execute the Notices Inviting Bids, from time to time, in such form as the Designated Officer executing the same shall approve and call for bids for the sale of the Refunding Bonds from qualified bidders in accordance with the Notice Inviting Bids.

(c) Each Designated Officer is hereby authorized and directed to cause the Notices of Intention to Sell Bonds to be published from time to time (after completion, modification or correction thereof reflecting the terms of the Refunding Bonds, as approved by such Designated Officer, such approval to be conclusively evidenced by such publication) in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer), a financial publication generally circulated throughout the State of California, at least five days prior to the sale of the Refunding Bonds in accordance with Section 53692 of the Government Code of the State of California and any such action previously taken is hereby confirmed, ratified and approved.

(d) Each Designated Officer is hereby authorized and directed for and on behalf of the LACMTA to accept the best bid for the Refunding Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the Notice Inviting Bids herein approved and to award the Refunding Bonds, from time to time, to such best bidder(s).

(e) Each Designated Officer is hereby authorized and directed to take any other action such Designated Officer determines is necessary or desirable to cause any such competitive sale to comply with the Debt Policy of the LACMTA and applicable law.

(f) Each Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause notice to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Refunding Bonds, such

notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with CDIAC, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Refunding Bonds, and any prior such notices are hereby ratified, confirmed and approved.

11. **Preliminary Official Statement and Official Statement.** In connection with the issuance of the Refunding Bonds, the LACMTA hereby authorizes the circulation in electronic and/or printed form of the Preliminary Official Statement. The Preliminary Official Statement shall contain a description of the finances and operations of the LACMTA, a description of the Proposition C Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board and hereby approved, with such changes as any Designated Officer determines are appropriate or necessary. The Preliminary Official Statement shall also contain a description of the applicable Refunding Bonds and the terms and conditions of the applicable Supplemental Trust Agreement together with such information and description as a Designated Officer determines is appropriate or necessary. The Preliminary Official Statement shall be circulated for use in selling the Refunding Bonds at such time or times as a Designated Officer shall deem the Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, such determination to be conclusively evidenced by a certificate signed by such Designated Officer to such effect.

Upon the sale of any Series of Refunding Bonds, the Designated Officers shall provide for the preparation, publication, execution and delivery in electronic and/or printed form of final Official Statement in substantially the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. Any Designated Officer is hereby authorized and directed to execute and deliver the final Official Statement in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement may be prepared and delivered reflecting updated and revised information as the Designated Officers deem appropriate or necessary. The Official Statement shall be circulated for use in selling the Refunding Bonds at such time or times as a Designated Officer deems appropriate.

12. **Paying Agent, Registrar and Escrow Agent.** The LACMTA hereby appoints the Trustee as Paying Agent for the Refunding Bonds, appoints the Trustee as Registrar for the Refunding Bonds, and appoints the Trustee as Escrow Agent under the Escrow Agreement. Such appointments shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

13. **Authorized Authority Representative.** The Board hereby designates the Executive Director, Finance and Budget of the LACMTA, the Treasurer of the LACMTA, each Assistant Treasurer of the LACMTA, and any such officer serving in an acting or interim capacity, as an "Authorized Authority Representative" for all purposes under the Trust Agreement, the Supplemental Trust Agreement, and any amendments or supplements to the

Trust Agreement or Supplemental Trust Agreement. Such appointment shall remain in effect until modified by resolution. The prior designation of officers, including the Chairperson and the Chief Executive Officer, as Authorized Authority Representatives under the Trust Agreement and any amendments or supplements thereto shall continue.

14. **Additional Authorization.** The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, are each authorized and directed to do any and all things necessary to effect the execution and delivery of the Refunding Bonds and the Related Documents and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution or the provisions of the Trust Agreement, the Supplemental Trust Agreement and the Related Documents or to evidence such authority and its exercise. The foregoing authorization includes, but is in no way limited to, the direction (from time to time) by a Designated Officer of the investments in Permitted Investments (defined in the Trust Agreement) of the proceeds of the Refunding Bonds and of the Pledged Taxes including the execution and delivery of investment agreements related thereto; the execution by a Designated Officer and the delivery of the Tax Certificate as required by the Supplemental Trust Agreement for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; and the execution and delivery of documents required by The Depository Trust Company in connection with book-entry bonds. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

15. **Continuing Authority of Designated Officers.** The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chief Executive Officer, the Chief Financial Officer, the Treasurer, a Deputy Executive Officer, Finance, or any Assistant Treasurer (or such other titles as the LACMTA may from time to time assign for such respective positions), shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

16. **Further Actions.** From and after the delivery of the Refunding Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify any Related Document at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement or modification, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

17. **Costs of Issuance.** The LACMTA authorizes funds of the LACMTA together with the proceeds of the Refunding Bonds to be used to pay costs of issuance of the Refunding Bonds, including but not limited to costs of attorneys, accountants, verification agents, escrow bidding agents, municipal advisors, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses, and any related filing fees.

18. **Investment Agreements.** In connection with the issuance of the Refunding Bonds, each of the Designated Officers is hereby authorized and directed to terminate, amend, assign or otherwise dispose of any investment agreement relating to the Series 2008-A Bonds, in such manner and on such terms and provisions as any such Designated Officer shall determine is appropriate or necessary.

19. **Severability.** The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

20. **Effective Date.** This Resolution shall be effective upon adoption.

21. **Contract.** This Resolution and the pledge of the Pledged Taxes contained herein shall constitute a contract between the LACMTA and the holders of the Refunding Bonds.

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CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2018.

LACMTA Board Secretary

DATED: _____, 2018

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Montague DeRose and Associates (the “Municipal Advisor”) with respect to the bonds (the “Refunding Bonds”) approved in the attached Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Refunding Bonds:

1. *True Interest Cost of the Refunding Bonds.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Refunding Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Refunding Bonds, is 1.72%.

2. *Finance Charge of the Refunding Bonds.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Refunding Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Refunding Bonds), is \$528,195.48, as follows:

a)	Underwriters’ Discount	\$195,580.00
b)	Credit Enhancement	0.00
c)	Bond Counsel and Disbursements	60,000.00
d)	Disclosure Counsel and Disbursements	50,000.00
e)	Municipal Advisor and Disbursements	48,000.00
f)	Rating Agency	100,000.00
g)	Other Expenses	<u>74,615.48</u>
Total		\$528,195.48

3. *Amount of Proceeds to be Received.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the LACMTA for sale of the Refunding Bonds less the finance charge of the Refunding Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Refunding Bonds, is \$55,870,771.53.

4. *Total Payment Amount.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the LACMTA will make to pay debt service on the Refunding Bonds plus the finance charge of the Refunding Bonds described in paragraph 2 above not paid with the proceeds of the Refunding Bonds, calculated to the final maturity of the Refunding Bonds, is \$66,306,716.67.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Refunding Bonds sales, the amount of Refunding Bonds sold, the amortization of the Refunding Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Refunding Bonds sold will be determined by the LACMTA based on need for escrow funds and other factors. The actual interest rates at which the Refunding Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Refunding Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the LACMTA's control. The LACMTA has approved the issuance of the Refunding Bonds with a maximum true interest cost of 3.80%.

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 \$_____ Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “Series 2018-A 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 Amended and Restated Trust Agreement, dated as of January 1, 2010, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and the Twenty-Eighth Supplemental Trust Agreement, dated as of April 1, 2018, 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 2018-A Bonds and any beneficial owner of Series 2018-A 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 _____, 2018, prepared and distributed in connection with the initial sale of the Series 2018-A Bonds.

“*Rule 15c2-12*” means Rule 15c2-12, 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 2018-A 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 ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, the Annual Information relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Information and later than the date required above for the filing of the Annual Information if they are not available by that

date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Authority does not provide the Annual Information to the MSRB by the time specified above, the Authority shall instead file a notice to the MSRB through the EMMA System stating that the Annual Information has not been timely completed and, if known, stating the date by which the Authority expects to file the Annual Information.

Section 4. Content of Annual Information. The Annual Information shall contain or incorporate by reference the following:

(a) The audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as in effect from time to time and as applied to governmental units. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed pursuant to Section 3(a) hereof, the Annual Information shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information when they become available.

(b) Updated historical information of the type set forth in "TABLE 3—Historic Net Proposition C Sales Tax Receipts, Local Allocations, Pledged Revenues and Debt Service Coverage" of the Official Statement; and

(c) Updated information of the type set forth in "TABLE 6—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule Senior Bonds" of the Official Statement, but only the information in the columns under the headings "Series 2018-A Bonds Debt Service" and the information under the column entitled "Combined Total Debt Service Senior Bonds" and only to the extent the information in these columns has changed.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018-A 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 2018-A 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 2018-A Bonds;

6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(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 2018-A 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 2018-A Bonds or other material events affecting the tax status of the Series 2018-A Bonds;
2. Modifications to rights of the Owners of the Series 2018-A Bonds;
3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Series 2018-A Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2018-A 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 2018-A 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 2018 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 2018-A 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 2018-A 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 2018-A 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 2018-A 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 THE STATE OF CALIFORNIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Certificate this ____ day of April, 2018.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Donna R. Mills
Treasurer

ESCROW AGREEMENT

by and between

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee and Escrow Agent

Dated _____, 2018

relating to:

The Outstanding
Proposition C Sales Tax Revenue Refunding Bonds
Second Senior Bonds
Series 2008-A

ESCROW AGREEMENT

THIS ESCROW AGREEMENT dated _____, 2018 (this "*Escrow Agreement*") is made by and between the **LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY** (the "*Authority*"), duly organized and existing pursuant to Chapter 2, Division 12 of the California Public Utilities Code (commencing with Section 130050.2), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as successor by merger to U.S. Bank Trust National Association, as trustee under the hereinafter defined Agreement and Fourteenth Supplemental Agreement, and as escrow agent (the "*Trustee/Escrow Agent*").

WITNESSETH:

WHEREAS, the Authority has previously issued its \$128,745,000 original principal amount of Bonds designated as "Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A," of which \$69,245,000 principal amount is currently outstanding (the "*Refunded Bonds*") pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2010, as amended and supplemented (the "*Agreement*"), by and between the Authority and the Trustee/Escrow Agent, as trustee, and the Fourteenth Supplemental Trust Agreement, dated as of June 1, 2008 (the "*Fourteenth Supplemental Agreement*"), by and between the Authority and the Trustee/Escrow Agent, as trustee;

WHEREAS, the Authority is, simultaneously with the execution of this Escrow Agreement, issuing \$_____ aggregate principal amount of its Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the "*Series 2018-A Bonds*") under the terms of the Agreement and a Twenty-Eighth Supplemental Trust Agreement, dated as of April 1, 2018, by and between the Authority and U.S. Bank National Association, as trustee; and

WHEREAS, the Series 2018-A Bond proceeds, together with other available funds, are being used to redeem the Refunded Bonds on July 1, 2018 (the "*Redemption Date*"), as set forth in Exhibit A attached hereto;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Appointment of Escrow Agent. The Authority hereby appoints the Trustee/Escrow Agent to serve as escrow agent hereunder with such duties and responsibilities as are set forth herein.

Section 2. Creation of Escrow Fund. There is hereby created and established with the Trustee/Escrow Agent a special and irrevocable escrow fund designated "Los Angeles County Metropolitan Transportation Authority, Proposition C Sales Tax Revenue Refunding Bonds, Series 2008-A Escrow Fund" (herein referred to as the "*Escrow Fund*") to be held in the custody of the Trustee/Escrow Agent in escrow under this Escrow Agreement for the benefit of the owners of the Refunded Bonds. Except as otherwise provided in Section 6 hereof, the Authority shall have no interest in the funds or investments held in the Escrow Fund.

Section 3. Deposit to the Escrow Fund.

- (a) Concurrently with the execution and delivery of this Escrow Agreement, the Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, deposit the sum of \$_____ to be derived from the proceeds of the sale of the Series 2018-A Bonds, which the Authority shall transfer or caused to be transferred to the Trustee/Escrow Agent on or before [Closing Date], to the Escrow Fund.
- (b) The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, on or before [Closing Date], transfer or cause to be transferred to the Escrow Fund \$_____ from the Series 2008-A Subaccount of the Senior Bond Interest Account of the Senior Debt Service Fund (as established and maintained pursuant to the Agreement and the Fourteenth Supplemental Agreement).
- (c) The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, on or before [Closing Date], transfer or cause to be transferred to the Escrow Fund \$_____ from the Series 2008-A Account of the Reserve Fund (as established and maintained pursuant to the Agreement and the Fourteenth Supplemental Agreement).
- (d) The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, on or before [Closing Date], transfer or cause to be transferred to the Escrow Fund \$_____ from the Series 2008-A Subaccount of the Senior Bond Principal Account of the Senior Debt Service Fund (as established and maintained pursuant to the Agreement and the Fourteenth Supplemental Indenture).
- (e) The Trustee/Escrow Agent hereby acknowledges receipt of \$_____, as described in paragraphs (a), (b), (c), and (d) above, and that such amounts were deposited in the Escrow Fund.
- (f) The Authority hereby directs the Trustee/Escrow Agent to invest in _____ and hold the remainder uninvested in cash.
- (g) The Trustee/Escrow Agent hereby confirms that all necessary and proper fees, compensation and expenses of the Trustee, Registrar and Paying Agent (all as defined in the Agreement) with respect to the Refunded Bonds have been paid or provision has been made for the payment thereof.

Section 4. Investment of Escrow Fund. The Trustee/Escrow Agent shall hold the cash balance in the Escrow Fund and disburse such amounts as provided herein.

Section 5. Creation of Lien on Escrow Fund. The deposit of the moneys in the Escrow Fund shall constitute an irrevocable deposit in escrow for the benefit of the holders of the Refunded Bonds. The holders of the Refunded Bonds are hereby granted an express lien on the

Escrow Fund and all moneys and investments from time to time held therein for the payment of amounts described in Section 6 below.

Section 6. Use of Escrow Fund. On the Redemption Date, the Trustee/Escrow Agent shall withdraw from the Escrow Fund the amount necessary to pay in full the redemption price of the Refunded Bonds pursuant to the Agreement and the Fourteenth Supplemental Agreement. The Trustee/Escrow Agent shall redeem the Refunded Bonds on the Redemption Date.

The Trustee/Escrow Agent shall retain all unclaimed moneys, together with interest thereon, in the Escrow Fund and shall invest such unclaimed moneys as directed in writing by an Authorized Authority Representative (as defined in the Agreement). At such time as the Authority delivers to the Trustee/Escrow Agent written notice that no additional amounts from the Escrow Fund will be needed to redeem the Refunded Bonds the Trustee/Escrow Agent shall transfer all amounts then remaining in the Escrow Fund to the Senior Bond Interest Account of the Senior Debt Service Fund, established under the Agreement to be used to pay interest on the Series 2018-A Bonds. At such time as no amounts remain in the Escrow Fund, such fund shall be closed.

Section 7. Notice of Redemption. The Trustee/Escrow Agent is hereby directed and instructed to send the notice of redemption set forth in Exhibit B on the [Closing Date] as provided in the Fourteenth Supplemental Trust Agreement, dated as of June 1, 2008.

Section 8. Reserved.

Section 9. Liability of Trustee/Escrow Agent.

- (a) The Trustee/Escrow Agent shall not under any circumstances be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Trustee/Escrow Agent shall have no lien whatsoever on the Escrow Fund or moneys on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Trustee/Escrow Agent under this Escrow Agreement or otherwise.
- (b) The Trustee/Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund to pay the redemption price of and the accrued and unpaid interest on the Refunded Bonds.
- (c) No provision of this Escrow Agreement shall require the Trustee/Escrow Agent to expend or risk its own funds.
- (d) The Trustee/Escrow Agent may consult with bond counsel to the Authority or with such other counsel of its own choice subject to reasonable approval by the Authority (which may but need not be counsel to the Authority) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.
- (e) Whenever in the administration of this Escrow Agreement the Trustee/Escrow Agent shall deem it necessary or desirable that a matter be proved or established

prior to taking or not taking any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or misconduct on the part of the Trustee/Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority, and such certificate shall, in the absence of negligence or misconduct on the part of the Trustee/Escrow Agent, be full warrant to the Trustee/Escrow Agent for any action taken or not taken by it under the provisions of this Escrow Agreement in reliance thereon. The Trustee/Escrow Agent hereby represents that, as of the date hereof, it does not need any further certificate or direction from any other party in order to carry out the terms of this Escrow Agreement.

- (f) The Trustee/Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified as set forth in Section 13 herein, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Trustee/Escrow Agent signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.
- (g) The Trustee/Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Trustee/Escrow Agent be liable for any special, indirect or consequential damages.
- (h) The Trustee/Escrow Agent shall not be responsible for any of the recitals or representations contained herein.
- (i) The Trustee/Escrow Agent's rights to indemnification hereunder shall survive its resignation or removal and the termination of the Agreement.

Section 10. Successor Trustee/Escrow Agent. Any company into which the Trustee/Escrow Agent may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion, consolidation or tax-free reorganization to which the Trustee/Escrow Agent shall be a party or any company succeeding to the corporate trust business of the Trustee/Escrow Agent, shall be the successor Trustee/Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding. The Trustee/Escrow Agent shall give written notice to the Authority upon or prior to the occurrence of such an event.

Section 11. Termination. This Escrow Agreement shall terminate when all transfers and payments required to be made by the Trustee/Escrow Agent under the provisions hereof shall have been made. Any deficiency in the amounts required to be paid hereunder shall be paid by the Authority. The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, distribute any moneys remaining in the Escrow Fund at the time of such termination to the Series 2018-A Subaccount of the Senior Bond Interest Account of the Senior Debt Service Fund.

Section 12. Tax-Exempt Nature of Interest on the Refunded Bonds. The Authority covenants and agrees for the benefit of the holders of the Refunded Bonds that it will not direct or permit any thing or act to be done in such manner as would cause interest on the Refunded Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Code, nor will it use any of the proceeds received from the sale of the Series 2018-A Bonds, directly or indirectly, in any manner which would result in the Series 2018-A Bonds being classified as “arbitrage bonds” within the meaning of the Code.

Section 13. Compensation and Indemnity of Trustee/Escrow Agent. For acting under this Escrow Agreement, the Trustee/Escrow Agent shall be entitled to payment of fees for its services as agreed between the Trustee/Escrow Agent and the Authority, including, without limitation, reasonable compensation for all services rendered in the execution, exercise and performance of any of the duties of the Trustee/Escrow Agent to be exercised or performed pursuant to the provisions of this Escrow Agreement, and all reasonable expenses, disbursements and advances incurred in accordance with any provisions of this Escrow Agreement (including the reasonable compensation and expenses and disbursements of independent counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder and out-of-pocket expenses including, but not limited to, postage, insurance, wires, stationery, costs of printing forms and letters and publication of notices of redemption); however, such amount shall never be payable from or become a lien upon the Escrow Fund, which funds shall be held solely for the purposes and subject to the liens set forth in Sections 5 and 6, respectively, of this Escrow Agreement. To the extent permitted by law, the Authority agrees to indemnify and hold the Trustee/Escrow Agent harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all costs, expenses (including reasonable attorneys’ fees of counsel reasonably acceptable to the Authority), losses and damages suffered by it as a result thereof, including the costs and expenses of defending against any such claims, suits or actions, where and to the extent such claim, suit or action arises out of the performance by the Trustee/Escrow Agent of its duties under this Escrow Agreement; provided, however, that such indemnification shall not extend to claims, suits and actions brought against the Trustee/Escrow Agent which result in a judgment being entered, settlement being reached or other disposition made based upon the Trustee/Escrow Agent’s negligence or willful misconduct. The indemnification provided for in this Escrow Agreement shall never be payable from or become a lien upon the Escrow Fund, which Escrow Fund shall be held solely for the purpose and subject to the liens set forth in Sections 5 and 6, respectively, of this Escrow Agreement. The obligations of the Authority under this Section 13 shall remain in effect and continue notwithstanding the termination of this Escrow Agreement and the resignation or the removal of the Trustee/Escrow Agent.

Section 14. Third-Party Beneficiaries and Amendments. The owners of the Refunded Bonds are hereby recognized as third-party beneficiaries of this Escrow Agreement to the extent of their interests in the Escrow Fund as set forth in Sections 5 and 6 hereof.

Section 15. Replacement and Resignation of Trustee/Escrow Agent. The Authority may remove the Trustee/Escrow Agent by notice in writing delivered to the Trustee/Escrow Agent fifteen (15) days prior to the proposed removal date. The Trustee/Escrow Agent may resign by notifying the Authority in writing at least fifteen (15) days prior to the proposed effective date of the resignation. No removal or resignation of the Trustee/Escrow Agent under

this Section shall be effective until a new Trustee/Escrow Agent, approved by the Authority, has taken office and delivered a written acceptance of its appointment to the retiring Trustee/Escrow Agent and to the Authority. Immediately thereafter, the retiring Trustee/Escrow Agent shall transfer all property held by it as Trustee/Escrow Agent to the successor Trustee/Escrow Agent, the removal or resignation of the Trustee/Escrow Agent shall then, but only then, become effective and the successor Trustee/Escrow Agent shall have all the rights, powers and duties of the Trustee/Escrow Agent under this Escrow Agreement. If the Trustee/Escrow Agent is removed or resigns or for any reason is unable or unwilling to perform its duties under this Escrow Agreement, the Authority shall promptly appoint a successor Trustee/Escrow Agent. If a successor Trustee/Escrow Agent has not been appointed and has not accepted such appointment by the end of the 15-day period, the Trustee/Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Trustee/Escrow Agent.

Section 16. Severability. If any one or more of the provisions of this Escrow Agreement should be determined by a court of competent jurisdiction to be contrary to law, such provision shall be deemed and construed to be severable from the remaining provisions herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 17. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Authority or the Trustee/Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 18. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

Section 19. Headings. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

Section 20. Amendments. The Authority and the Trustee/Escrow Agent shall not modify this Escrow Agreement in any manner that is materially adverse to the rights of the owners of the Refunded Bonds without the consent of all of the owners of the Refunded Bonds affected by such modification which have not been paid in full. No amendment to this Escrow Agreement shall be effective without the consent of Assured Guaranty Municipal Corp., insurer of the Refunded Bonds (which consent shall not be unreasonably withheld).

Section 21. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[End of Escrow Agreement]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

By: _____
Donna R. Mills
Treasurer

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee and Escrow Agent**

By: _____
Authorized Officer

EXHIBIT A

REFUNDED BONDS

**Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds
Second Senior Bonds
Series 2008-A**

Maturity Date <u>(July 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>CUSIP</u>
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EXHIBIT B

NOTICE OF REDEMPTION

**Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds
Second Senior Bonds
Series 2008-A**

NOTICE IS HEREBY GIVEN that, pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2010 (the “Trust Agreement”), by and between the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) and U.S. Bank National Association, as trustee (the “Trustee”), and the Fourteenth Supplemental Trust Agreement, dated as of June 1, 2008 (the “Fourteenth Supplemental Agreement” and, together with the Trust Agreement, the “Agreement”), by and between LACMTA and the Trustee, the LACMTA’s Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A described below (the “Series 2008-A Bonds”), shall be redeemed on July 1, 2018 (the “Redemption Date”), at the redemption price of 100% of the principal amount thereof (the “Redemption Price”), plus accrued interest thereon. The Series 2008-A Bonds were originally issued on June 24, 2008. The Series 2008-A Bonds selected for full redemption are as follows:

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal to Be</u> <u>Redeemed</u>	<u>Redemption</u> <u>Price</u>	<u>Redemption</u> <u>Date</u>	<u>CUSIP</u> <u>Number¹</u>
		100%		

¹ CUSIP numbers are provided only for the convenience of the reader. Neither LACMTA nor the Trustee undertakes any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP number.

HOLDERS OF THE SERIES 2008-A BONDS ARE FURTHER NOTIFIED THAT THE REDEMPTION OF THE SERIES 2008-A BONDS ON JULY 1, 2018 IS CONDITIONED UPON THE DEPOSIT OF MONEYS WITH THE TRUSTEE (IN ITS CAPACITY AS ESCROW AGENT FOR THE SERIES 2008-A BONDS) OF MONEYS SUFFICIENT TO REDEEM ALL OF THE SERIES 2008-A BONDS CALLED FOR REDEMPTION NOT LATER THAN THE OPENING OF BUSINESS FIVE BUSINESS DAYS (AS DEFINED IN THE FOURTEENTH SUPPLEMENTAL AGREEMENT) PRIOR TO THE SCHEDULED REDEMPTION DATE.

If such funds are not received by the Trustee by the opening of business on the fifth Business Day before the scheduled redemption date, this Notice shall be null and void and of no force and effect. The Series 2008-A Bonds delivered for redemption shall be returned to the Holders thereof, and said Series 2008-A Bonds shall remain outstanding as though this Notice had not been given. Notice of a failure to receive funds, and cancellation of this redemption, shall be given by the Trustee to the Holders in the same manner that this notice was given.

Provided that the necessary funds are received by the Trustee by the opening of business on the fifth Business Day before the scheduled redemption date, the principal amount of the Series 2008-A Bonds will become due and payable on the Redemption Date at the Redemption Price, plus accrued interest to the Redemption Date. From and after the Redemption Date, the Series 2008-A Bonds to be redeemed will cease to bear interest. Provided such funds are received no later than the opening of business five Business Days prior to the scheduled redemption date, for all purposes of the Agreement, the Series 2008-A Bonds called for redemption in accordance with the foregoing will be deemed to be no longer outstanding from and after the Redemption Date and no longer secured by or entitled to any lien, benefit or security under the Agreement except for purposes of payment from certain moneys held by the Trustee under the escrow agreement to be entered into with respect to the refunding of the Series 2008-A Bonds. Payment of the Redemption Price, and the accrued interest thereon, will become due and payable on the Redemption Date upon presentation and surrender thereof in the following manner:

BY MAIL:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107-2292

BY HAND OR OVERNIGHT:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107-2292

For Series 2008-A Bonds surrendered by mail, the use of registered or certified mail is suggested.

Holders presenting their Series 2008-A Bonds in person for same day payment must surrender their Series 2008-A Bond(s) by 1:00 p.m. California Time on the Redemption Date and a check will be available for pick up after 2:00 p.m. California Time. Checks not picked up by 4:30 p.m. California Time will be mailed out to the Holder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Series 2008-A Bonds, they are not required to endorse the Series 2008-A Bonds to collect the Redemption Price.

Under the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), a Trustee may be obligated to withhold 28% of the redemption price from any Bondholder who has failed to furnish that Trustee with a valid taxpayer identification number and a certification that such Holder is not subject to backup withholding under the Act. Holders who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Series 2008-A Bonds.

By: U.S. Bank National Association, as Trustee

Dated: _____, 2018

NOTICE INVITING BIDS

Approximately \$_____*

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds,
Senior Bonds, Series 2018-A
(the “Series 2018-A Bonds”)

NOTICE IS HEREBY GIVEN that electronic bids will be received by the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) for the purchase of \$_____ aggregate principal amount of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “Series 2018-A Bonds”). Electronic bids for the purchase of the Series 2018-A Bonds will be accepted through the use of the approved electronic bidding system, Ipreo’s BiDCOMP™/PARITY®. The bids will be received at the place and up to the time specified below:

Date and Time: _____, 2018
9:00 a.m., California Time

Submission
of Electronic Bids: Electronic bids may be submitted only through Ipreo’s BiDCOMP™/PARITY® electronic bid system (the “Approved Provider”). The Approved Provider will act as agent of the bidder and not of LACMTA in connection with the submission of bids and LACMTA assumes no responsibility or liability for bids submitted through the Approved Provider. **None of LACMTA, Montague DeRose and Associates LLC (“Municipal Advisor”) or Norton Rose Fulbright US LLP (“Bond Counsel”) shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted through the Approved Provider by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines or any other cause arising from delivery through the Approved Provider.** See “TERMS OF SALE—Information Regarding Electronic Bids” herein.

No written bids or facsimile bids will be accepted. All electronic bids shall be deemed to incorporate the provisions of the Bid Form. See instructions under “TERMS OF SALE—Form of Bid; Interest Rates” and “TERMS OF SALE—Additional Information” herein. Bids will be considered by LACMTA at the times set forth above at One Gateway Plaza, Treasury Department, 21st Floor, Los Angeles, California 90012. Action will be taken awarding the Series 2018 Bonds or rejecting all bids for the Series 2018-A Bonds as set forth herein.

* Preliminary; subject to change.

DESCRIPTION OF THE SERIES 2018-A BONDS

Security; Purpose

The Series 2018-A Bonds will be issued under the terms of the Amended and Restated Trust Agreement, dated as of January 1, 2010, as supplemented (the “Trust Agreement”), by and between LACMTA and U.S. Bank National Association, as trustee (the “Trustee”). In connection with the issuance of the Series 2018-A Bonds, LACMTA will enter into the Twenty-Eighth Supplemental Trust Agreement, to be dated as of _____, 2018 (the “Twenty-Eighth Supplemental Agreement”), by and between LACMTA and the Trustee to provide for the issuance of the Series 2018-A Bonds and related matters. This Notice Inviting Bids refers to the Trust Agreement and the Twenty-Eighth Supplemental Agreement as the “Agreement.”

The Series 2018-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and pledge of the “Pledged Revenues,” which are (a) moneys collected as a result of the imposition of a certain 1/2 of 1% retail transactions and use tax applicable in the County of Los Angeles (the “County”) pursuant to Ordinance No. 49, which the electors of the County approved on November 6, 1990 (the “Proposition C Sales Tax”), less 20% thereof paid to local jurisdictions and certain administrative fees; and (b) certain other limited amounts held under the Agreement, all as further described in the Preliminary Official Statement for the Series 2018-A Bonds (the “Preliminary Official Statement”). LACMTA is not obligated to make payments of principal of and interest on the Series 2018-A Bonds from any other source of funds.

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, will be pledged to the payment of the principal of or interest on the Series 2018-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2018-A Bonds.

The Series 2018-A Bonds are limited obligations of LACMTA and are payable, both as to principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, for the payment of the principal of or interest on the Series 2018-A Bonds.

The Series 2018-A Bonds will be issued for the purposes of (a) refunding all or a portion of the Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A (the “Refunded Bonds”), (b) funding the Series 2018-A Account of the Reserve Fund, and (c) paying the costs of issuance of the Series 2018-A Bonds. LACMTA has previously issued multiple series of its Proposition C Sales Tax Revenue Bonds payable from the Pledged Revenues on a parity with the Series 2018-A Bonds of which \$1,434,255,000 in aggregate principal amount remains outstanding as of March 1, 2018 (including the Refunded Bonds). Additional future series of parity bonds may be issued by LACMTA, from time to time, with a lien on the Proposition C Sales Tax revenues on a parity with the Series 2018-A Bonds subject to the terms and conditions set forth in the Agreement. Bidders are referred to the Agreement and the Preliminary Official Statement for further particulars.

Payment; Book-Entry-Only

The Series 2018-A Bonds will be issued in registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Series 2018-A Bonds will initially be

issued in book-entry form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive certificates from LACMTA representing their interests in the Series 2018-A Bonds. Payments of principal and interest will be made by the Trustee to DTC for subsequent disbursement to DTC participants to then be remitted to the beneficial owners of the Series 2018-A Bonds. See the discussion of the Book-Entry-Only System in Appendix H to the hereinafter described Preliminary Official Statement.

Interest Payment Dates

The Series 2018-A Bonds will be dated their date of delivery (_____, 2018).^{*} The Series 2018-A Bonds will bear interest from such date, and such interest shall be payable on July 1, 2018 and semiannually thereafter on each January 1 and July 1 until maturity or prior redemption. The Series 2018-A Bonds shall bear interest at the rates to be fixed upon the sale thereof.

Principal Amortization

The Series 2018-A Bonds will be issued in the aggregate principal amount of \$_____,^{*} with principal amounts payable either through serial maturities or by mandatory sinking fund redemption or a combination thereof on July 1 in years and in the amounts set forth in the Bid Form (subject to adjustments described below).

Adjustments of Principal Amounts

The principal amounts set forth in the Bid Form for the Series 2018-A Bonds will reflect certain estimates of LACMTA and the Municipal Advisor with respect to the likely interest rates of the winning bid and the premium/discount contained in the winning bid. After selecting the winning bid, the principal amortization schedule contained in the Bid Form may be adjusted as necessary in the determination of the Municipal Advisor in \$5,000 increments to reflect the actual interest rates and any premium/discount in the winning bid, to accommodate certain sizing and savings requirements or preferences of LACMTA. LACMTA reserves the right to increase or decrease the preliminary principal amount of the Series 2018-A Bonds by an amount not to exceed 10 percent following the opening of the bids. LACMTA reserves the right to increase or decrease the preliminary principal amount of any maturity by an amount no to exceed 15 percent of the preliminary principal amount of that maturity. The dollar amount bid for the Series 2018-A Bonds by the winning bidder will be adjusted, if applicable, to reflect any such adjustment in the amortization schedule. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the per bond underwriter’s discount provided in the winning bid. Any such adjustments will be communicated to the winning bidder within twenty-seven (27) hours after the opening of the bid. LACMTA will not be responsible in the event and to the extent that any adjustment affects the net compensation to be realized by the winning bidder.

Changes in the amortization schedule made as described above will not affect the determination of the winning bidder or give the winning bidder any right to reject the Series 2018-A Bonds.

Serial Bonds and/or Term Bonds

Bidders may provide that all of the Series 2018-A Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds.

^{*} Preliminary; subject to change.

Mandatory Sinking Fund Redemption

If the winning bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on July 1 of the first year which has been combined to form such term bond continuing on July 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the Bid Form as adjusted in accordance with the provisions described above under the caption “—Adjustments of Principal Amounts.” The Series 2018-A Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Series 2018-A Bonds then subject to redemption. LACMTA, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption, which have been purchased and cancelled by LACMTA or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

No Optional Redemption

The Series 2018-A Bonds are not subject to optional redemption prior to their maturity.

TERMS OF SALE

Form of Bid; Interest Rates

Bidders must bid to purchase all and not part of the Series 2018-A Bonds and must submit their bids through electronic means as provided in this Notice Inviting Bids. All electronic bids shall be deemed to incorporate the provisions of the Bid Form. Bidders must specify a rate of interest for each maturity of the Series 2018-A Bonds. Each interest rate must be expressed in multiples of 1/8 or 1/20 of 1%, and no interest rate shall exceed ____% per annum. All Series 2018-A Bonds of the same maturity must bear interest at the same rate.

No bid offering to pay an amount less than [__] percent or more than [__] percent of the par value of the Series 2018-A Bonds will be considered. LACMTA reserves the right to reject any and all bids. Except for electronic proposals submitted in accordance with the following paragraph, each bid must be enclosed in a sealed envelope addressed to LACMTA with the envelope and bid clearly marked as described above under the caption “—No bids will be accepted by facsimile, unless otherwise authorized by LACMTA.” Each bid must be in accordance with the terms and conditions set forth in this notice.

Information Regarding Electronic Bids

Electronic bids must be submitted through the Approved Provider. Any electronic bid submitted through any other means shall be disregarded.

LACMTA, the Municipal Advisor and Bond Counsel are not responsible for the proper operation of, and shall not have any liability for any delays or interruptions of or any damages caused by, the Approved Provider. Each bidder expressly assumes the risk of any incomplete, inaccurate or untimely bid submitted through the Approved Provider, including, without limitation, by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. LACMTA is using the Approved Provider as a communications mechanism and not as LACMTA’s agent to conduct electronic bidding for the Series 2018-A Bonds. LACMTA is not bound by any advice and determination of the Approved Provider to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in

connection with their submission of bids through the Approved Provider are the sole responsibility of the bidders and LACMTA is not responsible for any of such costs or expenses. Further information about the Approved Provider, including any fee charged, may be obtained from Ipreo, 2nd Floor, 1359 Broadway, New York, New York 10018, Telephone: (212) 849-5021. LACMTA assumes no responsibility or liability for bids submitted through the Approved Provider. To the extent any instructions or directions set forth by the Approved Provider conflict with this Notice Inviting Bids, the terms of this Notice Inviting Bids shall control.

LACMTA may regard the electronic submission of a bid through the Approved Provider (including information about the purchase price for the Series 2018-A Bonds and interest rate or rates to be borne by the various maturities of the Series 2018-A Bonds and any other information included in such transmission) as though the same information were submitted by the bidder on the Bid Form and executed on the bidder's behalf by a duly authorized signatory. If such bid is accepted by LACMTA, this Notice Inviting Bids, the Bid Form and the information that is electronically transmitted through the Approved Provider shall form a contract and the winning bidder shall be bound by the terms of such contract.

In the event of any conflict between the information represented by the Approved Provider and the terms set forth in this Notice Inviting Bids and the Bid Form, the terms set forth in this Notice Inviting Bids and the Bid Form shall control, as they may be modified or amended in accordance herewith.

Good Faith Deposit

A Good Faith Deposit (the "Deposit") for the Series 2018-A Bonds in the amount of \$500,000 is required of the winning bidder for the Series 2018-A Bonds. The winning bidder for the Series 2018-A Bonds is required to submit such Deposit payable to the order of "Los Angeles County Metropolitan Transportation Authority" in the form of a wire transfer as instructed by LACMTA or the Municipal Advisor not later than four (4) hours after LACMTA has notified the winning bidder of the award. If not so received, the bid of the winning bidder may be rejected and LACMTA may direct the second lowest bidder to submit a Deposit and thereafter may award the sale of the Series 2018-A Bonds to the same. **No interest on a Deposit will accrue to the winning bidder.** The Deposit will be deposited in an escrow fund and applied to the purchase price of the Series 2018-A Bonds at the time of delivery of the Series 2018-A Bonds.

If after the award of the Series 2018-A Bonds the winning bidder fails to complete the purchase on the terms stated in its bid, the Deposit received from such bidder by LACMTA will be retained by LACMTA as stipulated liquidated damages. No interest will be paid upon the Deposit made by any bidder. If the aggregate principal amount of the Series 2018-A Bonds is adjusted as described under the caption "DESCRIPTION OF THE SERIES 2018-A BONDS—Adjustments of Principal Amounts," the winning bidder will not be required to make an additional deposit and will not be entitled to the return of any portion of the wire transfer previously delivered except as described in this paragraph.

Best Bid

If a satisfactory bid is received, the Series 2018-A Bonds will be awarded to the lowest responsible bidder, considering the rate or rates specified and the discount bid or premium offered, if any. The lowest responsible bidder shall be the bidder submitting a price for the Series 2018-A Bonds that results in the lowest true interest cost to LACMTA. The true interest cost shall be computed by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the Series 2018-A Bonds and to the price bid (including any premium or discount) not including accrued interest, if any. For the purpose of calculating the true interest cost, the principal amount of Series 2018-A Bonds scheduled for mandatory sinking fund

redemption as part of a term bond shall be treated as serial maturity for such year. In the event two or more bids offer the same lowest true interest cost for the Series 2018-A Bonds, LACMTA reserves the right to exercise its own discretion and judgment in making the award. Upon accepting the best bid, LACMTA shall notify the bidder submitting such bid and shall reject all other bids. LACMTA's determination of the best bid shall be binding and final absent manifest error.

Opening of Bids; Award

The electronic bids for the Series 2018-A Bonds will be retrieved at the time and place shown above. LACMTA intends to take action awarding the Series 2018-A Bonds or rejecting all bids for the Series 2018-A Bonds not later than twenty-seven (27) hours after the time herein prescribed for the receipt of bids for the Series 2018-A Bonds, unless such time of award is waived by the winning bidder. LACMTA will notify the winning bidder of its decision to award the Series 2018-A Bonds to the winning bidder through delivery (via facsimile or other electronic means) of a signed Certificate of Award. Such Certificate of Award will be promptly delivered to the winning bidder after the award is made.

Establishment of Issue Price

[to come]

Right to Reject Bids; Waive Irregularities

LACMTA reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or nonconformity in any bid.

Delivery and Payment; Book-Entry-Only

Delivery of the Series 2018-A Bonds is expected to be made in the name of Cede & Co., as nominee of The Depository Trust Company in New York, New York on or about _____, 2018* ("Date of Delivery") and will be available to the winning bidder in book-entry form only, as more fully set forth in the Preliminary Official Statement for the Series 2018-A Bonds. The winning bidder shall pay for the Series 2018-A Bonds in immediately available federal funds on the Date of Delivery of such Series 2018-A Bonds to DTC. Any expense of providing federal funds shall be borne by the winning bidder.

Right of Cancellation

The winning bidder shall have the right, at its option, to cancel the contract of purchase if LACMTA shall fail to deliver the Series 2018-A Bonds within sixty (60) days from the date of sale thereof, and in such event the winning bidder shall be entitled to the return of the Deposit accompanying its bid.

List of Account Members

Prior to the time of its bid, each Bidder is requested to provide to the Municipal Advisor the members of the bidding group on whose behalf such bid is made. (See "—Additional Information" below for information regarding the Municipal Advisor.) Each bid shall constitute the joint and several obligation of all of the members of the bidding group.

* Preliminary; subject to change.

Equal Opportunity

IT IS THE POLICY OF LACMTA TO ENSURE THAT DISADVANTAGED BUSINESS ENTERPRISE (DBE) AND SMALL BUSINESS ENTERPRISE (SBE) AND DISABLED VETERAN

BUSINESS ENTERPRISE (“DVBE”) FIRMS AND ALL OTHER BUSINESS ENTERPRISES HAVE AN EQUAL OPPORTUNITY TO RECEIVE AND PARTICIPATE IN THE PERFORMANCE OF ALL LACMTA CONTRACTS. BIDDERS ARE REQUESTED TO ASSIST LACMTA IN IMPLEMENTING THIS POLICY BY TAKING ALL REASONABLE STEPS TO ENSURE THAT ALL BUSINESS ENTERPRISES, INCLUDING DBES AND SBES, HAVE AN EQUAL OPPORTUNITY TO PARTICIPATE IN ANY SYNDICATE SUBMITTING A BID.

CUSIP Numbers; Fees

It is anticipated that CUSIP numbers will be printed on the Series 2018-A Bonds, but neither failure to print such numbers on any Series 2018-A Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the winning bidder thereof to accept delivery of and pay for the Series 2018-A Bonds. It will be the responsibility of the winning bidder to ensure that CUSIP numbers are obtained for the Series 2018-A Bonds. All expenses of printing the CUSIP numbers on the Series 2018-A Bonds, including the CUSIP Service Bureau charge for the assignment of said numbers, shall be paid by the winning bidder.

Official Statement

LACMTA will deliver a Preliminary Official Statement relating to the Series 2018-A Bonds and has authorized the use of said Preliminary Official Statement in connection with the sale of the Series 2018-A Bonds. The Preliminary Official Statement will be “deemed final” by LACMTA for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). Upon the sale of the Series 2018-A Bonds, LACMTA will prepare an Official Statement substantially in the same form as the Preliminary Official Statement subject to such amendments as are necessary, and will deliver such Official Statement to the winning bidder within seven (7) business days of the acceptance of bids by LACMTA. An electronic copy of the Official Statement will be supplied to the winning bidder of the Series 2018-A Bonds for this purpose at the expense of LACMTA. Printed copies may be obtained at the expense of such winning bidder.

Continuing Disclosure

LACMTA will covenant and agree to enter into a written agreement or contract, constituting an undertaking to provide ongoing disclosure about LACMTA, for the benefit of the Bondholders on or before the Date of Delivery of the Series 2018-A Bonds as required by the Rule 15c2-12, which undertaking shall be in the form as summarized in the Preliminary Official Statement, with such changes as may be agreed to in writing by the winning bidder.

Digital Assurance Corporation, Inc. (“DAC”) has been engaged by LACMTA to review and prepare a report on LACMTA’s compliance with its continuing disclosure undertakings with respect to its bonds during the past five years. Prospective bidders may obtain access to DAC’s report on its website by sending a written request via email to LACMTA (TreasuryDept@metro.net), referencing “Prop. C. Series 2018-A Bonds” in the email subject line, by no later than 12:00 noon California time on _____, 2018. LACMTA will then request that DAC provide those bidders access to its online report. LACMTA can give no assurance as to the timeliness with which DAC will provide access to the report online or that the procedures performed by DAC in developing the report are sufficient for any purpose.

Ratings in Effect

Each bid will be understood to be conditioned upon there being in place at the date of delivery of the Series 2018-A Bonds the same (or higher) rating or ratings, if any, as were in place with respect to the Series 2018-A Bonds at the date and time fixed for receiving bids.

Change in Tax-Exempt Status

At any time before the Series 2018-A Bonds are tendered for delivery, the winning bidder may disaffirm and withdraw its proposal if the interest received by private holders of obligations of the same type and character of the Series 2018-A Bonds (as determined by Bond Counsel) shall be declared to be includible in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable by the terms of any federal income tax law enacted subsequent to the date of this Notice Inviting Bids.

Information Required From Winning Bidder; Reoffering Price

By making a bid for the Series 2018-A Bonds the winning bidder agrees to provide to LACMTA, via facsimile or e-mail, within two (2) hours of the acceptance of its bid, price and yield information for each maturity of the Series 2018-A Bonds, the aggregate production, the amount to be retained by the bidder as compensation (i.e., the underwriter's discount) and such other information as is reasonably requested by Bond Counsel.

Additionally, by making a bid for the Series 2018-A Bonds, the winning bidder agrees (a) to provide all information necessary to complete the Official Statement; (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by LACMTA; (c) to promptly file a copy of the final Official Statement, including any supplements prepared by LACMTA, with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system; and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and MSRB rules governing the offering, sale and delivery of the Series 2018-A Bonds to ultimate purchasers.

Before the delivery of the Series 2018-A Bonds, the winning bidder shall furnish to LACMTA and Bond Counsel a certificate substantially in the form attached hereto as Exhibit B, which shall be dated the date of the date of closing.

California Debt and Investment Advisory Commission Fee

All bidders are advised that pursuant to Section 8856 of the California Government Code, it will be the responsibility of the winning bidder to pay the statutory fee to the California Debt and Investment Advisory Commission ("CDIAC") with respect to the Series 2018-A Bonds. CDIAC will invoice the winning bidder.

DTC Fee

All fees due DTC with respect to the Series 2018-A Bonds shall be paid by the winning bidder.

Legal Opinion; Closing Documents

Each proposal will be understood to be conditioned upon LACMTA furnishing to the winning bidder, without charge, concurrently with payment and delivery of the Series 2018-A Bonds, the following closing papers, each dated the date of such delivery:

(a) ***Legal Opinion; Tax-Exempt Status.*** An opinion of Bond Counsel in substantially the form attached to the Preliminary Official Statement as Appendix F.

(b) ***No Litigation Certificate.*** A certificate of an official of LACMTA that there is no litigation pending concerning the validity of the Series 2018-A Bonds, the corporate existence of LACMTA or the entitlement of the officers legally responsible for the authorization, execution and delivery of the Series 2018-A Bonds to their respective offices.

(c) ***Official Statement Certificate.*** A certificate of an official of LACMTA stating that as of the date thereof and as of the date of delivery of the Series 2018-A Bonds, to the best of the knowledge and belief of said official after reading and reviewing the Official Statement and any amendments thereto, the Official Statement together with any amendments thereto does not contain an untrue statement of a material fact or omit to state any material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) ***Continuing Disclosure Certificate.*** A Continuing Disclosure Certificate, in substantially the form attached to the Preliminary Official Statement as Appendix G, pursuant to which LACMTA will agree to provide certain financial information and operating data annually and notice of certain enumerated events.

(e) ***Receipt.*** A receipt of the Trustee showing that the purchase price of the Series 2018-A Bonds has been received by the Trustee.

(f) ***Verification Report.*** A verification report to be received by LACMTA with respect to the refunding of the Refunded Bonds.

Right to Modify or Amend

LACMTA reserves the right to modify or amend this Notice Inviting Bids and the Bid Form, including, but not limited to, the right to adjust and change the principal amount of the Series 2018-A Bonds being offered and/or the structure of the offering; however, such notifications or amendments shall be made not later than 2:00 p.m., California Time, on the last business day prior to any date scheduled for receipt of bids and communicated through Thomson Municipal Market Monitor (www.tm3.com) (“TM3”) and by facsimile transmission to any bidder timely requesting such notice.

Postponement; Rejection of Bids

LACMTA reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced through TM3. If any date fixed for the receipt of bids and the sale of the Series 2018-A Bonds is postponed, any alternative sale date (either a Tuesday, Wednesday or Thursday) will be announced through TM3 at least twenty-four (24) hours prior to such alternative sale date and will be provided by facsimile transmission to any bidder timely requesting such notice. In addition, LACMTA reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids for purchase of the Series 2018-A Bonds will again

be received. If all bids are rejected and a subsequent date for receipt of bids is established, notice of the subsequent sale date will be announced via TM3 at least twenty-four (24) hours prior to such subsequent sale date and will be provided by facsimile transmission to any bidder timely requesting such notice. On any such alternative sale date, any bidder may submit a sealed written bid or electronic proposal for the purchase of the Series 2018-A Bonds in conformity in all respects with the provisions of this Notice Inviting Bids except for the date of sale and except for the changes announced through TM3 at the time the sale date and time are announced. The issuance of the Series 2018-A Bonds is subject to market conditions.

Blue Sky Laws

The winning bidder will be responsible for the clearance or exemption with respect to the status of the Series 2018-A Bonds for sale under the securities or “Blue Sky” laws of the several states and the preparation of any surveys or memoranda in connection therewith.

Governing Law

This Notice Inviting Bids and the Series 2018-A Bonds shall be governed by and construed in accordance with the laws of the State of California.

Additional Information

For further information respecting the terms and conditions of the Series 2018-A Bonds, bidders are referred to the Trust Agreement, the Twenty-Eighth Supplemental Agreement and the Preliminary Official Statement. A copy of the Preliminary Official Statement and other information concerning the proposed financing will be furnished upon request made to the Municipal Advisor: _____, _____, Telephone: _____. Additionally, a copy of the Preliminary Official Statement and a complete copy of this Notice Inviting Bids are expected to be available in electronic format at www.MuniOS.com on and after _____, 2018.

Given by order of the Los Angeles County Metropolitan Transportation Authority on _____, 2018.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Donna R. Mills
Treasurer

BID FORM

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2018-A
(the "Series 2018-A Bonds")

_____, 2018

The Honorable Board of Directors of
the Los Angeles County Metropolitan
Transportation Authority
c/o Treasurer
One Gateway Plaza
21st Floor
Treasury Department
Los Angeles, CA 90012

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice Inviting Bids, dated _____, 2018, of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") for its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the "Series 2018-A Bonds"), which is incorporated herein and hereby made a part hereof:

We hereby offer to purchase all, but not less than all, of the \$_____ * aggregate principal amount of the Series 2018-A Bonds described in the Notice Inviting Bids and to pay therefor the amount of \$_____. This offer is for the Series 2018-A Bonds bearing interest at the rates and in the form of serial bonds and term bonds as follows:

* Aggregate principal amount and principal amortization amounts may be adjusted as set forth in the Notice Inviting Bids.
24276487.4

Maturity Date July 1	Principal Amount¹	Interest Rate	Serial Maturity	Sinking Account Installment	Term Maturity Date
			(check one)		

¹ Aggregate principal amount and principal amortization amounts may be adjusted as set forth in the Notice Inviting Bids.

This bid is subject to acceptance not later than twenty-seven (27) hours after the expiration of the time established for the final receipt of bids.

In accordance with the Notice Inviting Bids, we agree that if we are the winning bidder, we will send a wire transfer of immediately available federal funds for the Good Faith Deposit in the amount of \$_____ not later than four (4) hours after being informed by LACMTA that we are the winning bidder.

We acknowledge and agree that after we submit this proposal, LACMTA may modify the aggregate principal amount of the Series 2018-A Bonds and/or the principal amounts of each maturity of the Series 2018-A Bonds, subject to the limitations set forth in the Notice Inviting Bids.

We further acknowledge and agree that in the event that any adjustments are made to the principal amount of the Series 2018-A Bonds, we agree to purchase all of the Series 2018-A Bonds, taking into account such adjustments on the above specified terms of this proposal for the Series 2018-A Bonds.

If we are the winning bidder, we will (a) within two (2) hours after being notified of the award of the Series 2018-A Bonds, advise LACMTA of the initial public offering prices of the Series 2018-A Bonds; and (b) timely furnish the additional information described under the caption “TERMS OF SALE—Information Required from Winning Bidder; Reoffering Price” in the Notice Inviting Bids.

If we are the winning bidder, we agree to provide to LACMTA as soon as possible after the sale of the Series 2018-A Bonds a complete list of syndicate members, the actual allocation of the Series 2018-A Bonds and the orders placed by the syndicate members.

We have noted that payment of the purchase price is to be made in immediately available funds at the time of delivery of the Series 2018-A Bonds.

This bid is a firm offer for the purchase of the Series 2018-A Bonds, on the terms set forth in this Bid Form and the Notice Inviting Bids, and is not subject to any conditions, except as permitted by the Notice Inviting Bids. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice Inviting Bids, this bid shall be cancelled and deemed to be withdrawn in the event that the competitive sale requirements are not satisfied

We understand that we may obtain printed copies of the Official Statement at our own expense.

We represent that we have full and complete authority to submit this bid on behalf of our bidding syndicate and that the undersigned will serve as the lead manager for the group if the Series 2018-A Bonds are awarded pursuant to this bid. We further certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for itself an advantage over any other bidder.

Respectfully submitted,

By _____

Account Manager

Company Name: _____

Telephone _____

Facsimile _____

(Names of account members are listed on next page)

Account Members

EXHIBIT B

WINNING BIDDER'S CERTIFICATE

[to come]

NOTICE OF INTENTION TO SELL BONDS

Approximately \$_____*

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2018-A
(the "Series 2018-A Bonds")

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") intends to receive electronic bids only for the above-referenced Series 2018-A Bonds until [8:30] a.m., California Time, on _____, 2018, through the electronic bidding services of Ipreo's BiDCOMP™/PARITY®.

LACMTA reserves the right to postpone from time to time the date established for the receipt of bids as more fully set forth in the Notice Inviting Bids. Any such postponement will be announced via Thomson Municipal Market Monitor (www.tm3.com) ("TM3"). If any date fixed for the receipt of bids and the sale of the Series 2018-A Bonds is postponed, any alternative sale date will be announced through TM3 at least 24 hours prior to such alternative sale date and will be provided by facsimile transmission to any bidder timely requesting such notice. The issuance of the Series 2018-A Bonds is subject to market conditions. LACMTA reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or nonconformity in any bid. LACMTA also reserves the right to modify or amend the Notice Inviting Bids as set forth therein, including to modify the size or structure of the transaction.

The Series 2018-A Bonds will be dated their Date of Delivery. The principal amount of such bonds sold may be adjusted after the award of the bonds, as set forth in the Notice Inviting Bids.

Copies of the Notice Inviting Bids, together with copies of the Preliminary Official Statement delivered in connection with the sale of the Series 2018-A Bonds, the Resolution of LACMTA authorizing the issuance of the Series 2018-A Bonds, the Amended and Restated Trust Agreement and the form of the Twenty-Eighth Supplemental Trust Agreement related thereto are available from the offices of LACMTA's municipal advisor: Montague DeRose and Associates LLC; Telephone: 805-496-2211. Additionally, copies of the Preliminary Official Statement and the Notice Inviting Bids are available in electronic format at www.MuniOS.com.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Donna R. Mills
Treasurer

* Subject to change as set forth in the Notice Inviting Bids.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2018

NEW ISSUE-BOOK-ENTRY-ONLY
[Insert DAC Bond Logo]

RATINGS: Moody's: "[__]"
S&P: "[__]"
(See "RATINGS" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in "TAX MATTERS" herein, interest on the Series 2018-A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income for the owners thereof for federal income tax purposes and is not included in the federal alternative minimum tax for individuals or, except as described herein, corporations. See "TAX MATTERS" herein. It is also the opinion of Bond Counsel that under existing law interest on the Series 2018-A Bonds is exempt from personal income taxes of the State of California.

[LACMTA
Logo]

\$[_____]*

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2018-A

Dated: Date of Delivery

Due: As shown on inside cover

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the "Series 2018-A Bonds") pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2010 (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"), and the Twenty-Eighth Supplemental Trust Agreement, to be dated as of April 1, 2018 (the "Twenty-Eighth Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series 2018-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of the "Pledged Revenues" and by other amounts held by the Trustee under the Agreement. "Pledged Revenues" are receipts from the Proposition C Sales Tax, less amounts described in this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS" herein. LACMTA will use the proceeds of the Series 2018-A Bonds and other available funds to (a) refund and defease the Refunded Bonds (as defined herein), (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series 2018-A Bonds.

The Series 2018-A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2018-A 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 2018-A Bonds. Individual purchases and sales of the Series 2018-A Bonds may be made in book-entry form only. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM." The Series 2018-A 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 2018-A Bonds on January 1 and July 1, commencing on July 1, 2018.

The Series 2018-A Bonds are not subject to optional redemption prior to maturity. Certain of the Series 2018-A Bonds are subject to mandatory sinking fund redemption prior to maturity.* See "DESCRIPTION OF THE SERIES 2018-A 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 agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2018-A Bonds. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2018-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2018-A Bonds.

Purchasers of the Series 2018-A Bonds will be deemed to have consented to certain amendments to the Trust Agreement. See "INTRODUCTION – Proposed Amendments to Trust Agreement" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the terms of, or the security for, the Series 2018-A Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of 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 2018-A Bonds when, as and if it issues the Series 2018-A Bonds. The issuance of the Series 2018-A 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. LACMTA anticipates that the Series 2018-A Bonds will be available for delivery through the facilities of DTC on or about April 17, 2018.* Electronic bids for the purchase of the Series

* Preliminary, subject to change.

2018-A Bonds will be received by LACMTA until [9:00] a.m., California time, on March 22, 2018 unless postponed as set forth in the Notice Inviting Bid.

Date of Official Statement: March __, 2018

MATURITY SCHEDULE

\$[_____]*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition C Sales Tax Revenue Refunding Bonds Senior Bonds, Series 2018-A

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.†</u>
2019				
2020				
2021				
2022				

* Preliminary, subject to change.

† 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 2018-A Bonds. LACMTA does not take any responsibility for the accuracy of the CUSIP numbers provided herein.

[INSERT MAP OF LACMTA SYSTEM – [USE REVISED MAP]

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

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

LACMTA Officers

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

LACMTA General Counsel

Office of the County Counsel
Los Angeles, California

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC
Westlake Village, California

BOND COUNSEL

Norton Rose Fulbright US LLP

DISCLOSURE COUNSEL

Nixon Peabody LLP

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP

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 2018-A 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 2018-A 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 2018-A Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series 2018-A 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 2018-A Bonds, including the merits and risks involved. The Series 2018-A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2018-A Bonds or the accuracy or completeness of this Official Statement. The Series 2018-A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

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

In connection with this offering, the Winning Bidder may overallocate or effect transactions which stabilize or maintain the market price of the Series 2018-A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing transactions, if commenced, may be discontinued at any time. The Winning Bidder may offer and sell the Series 2018-A Bonds to certain dealers and others at yields higher or prices lower than the public offering yields and/or prices stated on the inside cover page of this Official Statement, and such public offering yields and/or prices may be changed from time to time by the Winning Bidder.

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OFFICIAL STATEMENT

\$_[_____]*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition C Sales Tax Revenue Refunding Bonds Senior Bonds, Series 2018-A

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 \$\$_[_____]* aggregate principal amount of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “Series 2018-A Bonds”). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in this entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors should review this entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 2018-A Bonds. LACMTA is only offering the Series 2018-A 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; DEFINITIONS—DEFINITIONS.”

LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax. The Proposition C Sales Tax is a one-half of 1% sales tax and is not limited in duration. For more information regarding the Proposition C Sales Tax, see “PROPOSITION C SALES TAX AND COLLECTIONS—The Proposition C 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 2018-A Bonds are limited obligations of the LACMTA payable from Pledged Revenues, which consist primarily of proceeds of the Proposition C Sales Tax. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS. For certain economic and demographic data about the County, see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

* Preliminary, subject to change.

Purpose of the Series 2018-A Bonds

LACMTA will use the proceeds of the Series 2018-A Bonds, together with certain other available moneys, to (a) refund and defease the Refunded Bonds (as defined herein), (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series 2018-A Bonds. For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series 2018-A Bonds, see "PLAN OF REFUNDING AND APPLICATION OF SERIES 2018-A BOND PROCEEDS."

Description of the Series 2018-A Bonds

The Series 2018-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Amended and Restated Trust Agreement, dated as of January 1, 2010, as supplemented (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"). In connection with the issuance of the Series 2018-A Bonds, LACMTA will enter into the Twenty-Eighth Supplemental Trust Agreement, to be dated as of April 1, 2018 (the "Twenty-Eighth Supplemental Agreement"), by and between LACMTA and the Trustee, to provide for the issuance of the Series 2018-A Bonds and related matters. The Trust Agreement, as supplemented by the Twenty-Eighth Supplemental Agreement, is referred to in this Official Statement as the "Agreement."

The Series 2018-A Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 2018-A 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 2018-A 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 2018-A Bonds. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series 2018-A Bonds

The Series 2018-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which is allocated to local jurisdictions for public transit, paratransit and related services (the "Local Allocation"), and less an administrative fee paid to the California Department of Tax and Fee Administration (formerly the California State Board of Equalization) (the "Department of Tax and Fee Administration") in connection with the collection and disbursement of the Proposition C Sales Tax (the "Pledged Tax"), plus interest, profits and other income received from the investment of such amounts held by the Trustee (other than amounts in the Rebate Fund). In addition, the Series 2018-A Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS."

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by a pledge of the Pledged Revenues. LACMTA may issue Senior Bonds and incur debt and other obligations payable on a parity with Senior Bonds ("Senior Parity Debt," described in greater detail in APPENDIX D), which are secured by a senior lien on the Pledged Revenues. The Series 2018-A Bonds are Senior Bonds and are payable on a parity with all other Senior Bonds and any Senior Parity Debt. LACMTA also may issue

Subordinate Lien Obligations, which are secured by a subordinate lien on the Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS—Proposition C Sales Tax Obligations.”

As of March 1, 2018, LACMTA had Senior Bonds outstanding in the aggregate principal amount of \$1,434,255,000, including the principal amount of the Refunded Bonds (as defined herein). See “PROPOSITION C SALES TAX OBLIGATIONS.” LACMTA presently does not have any Senior Parity Debt outstanding.

LACMTA may issue additional Senior Bonds and incur additional Senior Parity Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS—Proposition C Sales Tax Obligations.” LACMTA’S October 2017 Financial Forecast assumes the issuance of approximately \$652 million in additional Senior Bonds from Fiscal Year 2019 through Fiscal Year 2023. For further discussion of the October 2017 Financial Forecast, see “FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning” in APPENDIX A.

LACMTA has covenanted in the Trust Agreement not to issue or incur any obligations with a pledge of or lien on Pledged Revenues prior or superior to that of the Senior Bonds (including the Series 2018-A Bonds) and any Senior Parity Debt.

In addition, LACMTA has issued Subordinate Lien Obligations which are secured by a pledge of Pledged Revenues that is junior and subordinate to the Senior Bonds (including the Series 2018-A Bonds) and Senior Parity Debt as to the lien on and source and security for payment from the Pledged Revenues. LACMTA may issue additional Subordinate Lien Obligations upon the satisfaction of certain conditions. See “PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations.” In addition, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “PROPOSITION C SALES TAX OBLIGATIONS—Other Obligations.”

The Series 2018-A 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 agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2018-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2018-A Bonds.

The Series 2018-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2018-A Bonds.

Reserve Fund

The Agreement established the Reserve Fund, which is held by the Trustee and used to make payments of principal of and interest on all Senior Bonds, including the Series 2018-A Bonds, to the extent the amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the principal (including accreted value) of and interest on the Senior Bonds when due. For each series of Senior Bonds, the Reserve Fund is required to be funded in an amount equal to

the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such series of Senior Bonds, (b) the Maximum Annual Debt Service on such series of Senior Bonds, or (c) 125% of the average Annual Debt Service on such series of Senior Bonds. The Reserve Fund is required to be funded in an amount equal to the sum of such Reserve Fund Requirements.

Following the effective date of the amendments described under “—Proposed Amendments to Trust Agreement” below (the “Amendment Effective Date”), LACMTA intends to elect that the Series 2018-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “—Proposed Amendments to Trust Agreement” below and “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.”

Proposed Amendments to Trust Agreement

Pursuant to the Twenty-Sixth Supplemental Agreement, dated as of June 1, 2016 (the “Twenty-Sixth Supplemental Agreement,”), by and between LACMTA and the Trustee, certain amendments will be made to the Trust Agreement (the “Proposed Amendments”), which are described in Appendix E hereto. The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the Senior Bonds then Outstanding have consented to such Proposed Amendments and all other consents required under the Agreement, including those of providers of municipal bond insurance policies with respect to the Senior Bonds, and the opinion of bond counsel required by the Agreement have been obtained. Further, LACMTA does not intend to make the amendments effective until any other required consents have been obtained. ***By the purchase and acceptance of the Series 2018-A Bonds, the Bondholders and Beneficial Owners of the Series 2018-A Bonds will be deemed to have consented to the Proposed Amendments.*** As of March 1, 2018, the Bondholders of 37.5% of the Outstanding Bonds have consented to the Proposed Amendments and none of the other required consents have been obtained. As of the date of this Official Statement, LACMTA has no plans to solicit the consent of the Bondholders of the other currently Outstanding Senior Bonds to the Proposed Amendments. On the date of issuance of the Series 2018-A Bonds, LACMTA expects that 41.7%* of the Bondholders of the Outstanding Bonds (including the Bondholders of the Series 2018-A Bonds) will have consented to the Proposed Amendments.

The Proposed Amendments include, among other amendments, changes to the requirement under the Trust Agreement that the Series 2016-A Bonds and any additional Senior Bonds issued after the Series 2016-A Bonds, including the Series 2018-A Bonds, participate in and be secured by the Reserve Fund. The Proposed Amendments will allow the Series 2016-A Bonds and any additional Senior Bonds issued after the Series 2016-A Bonds, including the Series 2018-A Bonds, to either (i) participate in and be secured by the Reserve Fund, (ii) participate in and be secured by a separate debt service reserve fund, or (iii) not participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.” LACMTA intends to elect on or soon after the Amendment Effective Date that the Series 2018-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2018-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released. See “RISK FACTORS—After Amendment Effective Date Series 2018-A Bonds Are Not Expected to be Secured by Reserve Fund.”

* Preliminary, subject to change.

Continuing Disclosure

In connection with the issuance of the Series 2018-A Bonds, for purposes of assisting the Winning Bidder (as defined herein) in complying with Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, LACMTA will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to LACMTA and notice of certain enumerated events. See “CONTINUING DISCLOSURE” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Additional Information

Brief descriptions of the Series 2018-A Bonds, the Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of LACMTA since the date hereof. This Official Statement is not to be construed as a contract or agreement between LACMTA and the purchasers or Owners of any of the Series 2018-A Bonds. LACMTA maintains a website and social media accounts, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2018-A Bonds.

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

PLAN OF REFUNDING AND APPLICATION OF SERIES 2018-A BOND PROCEEDS

Use of Proceeds; Plan of Refunding

LACMTA will use the proceeds of the Series 2018-A Bonds, together with certain other available moneys, to (a) refund and defease the Refunded Bonds (as defined herein), (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series 2018-A Bonds.

LACMTA will apply a portion of the proceeds of the Series 2018-A Bonds, together with certain other available moneys, to refund and defease all or a portion of its outstanding Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A (the portion so refunded, the “Refunded Bonds”) as set forth in more detail in the following table. The specific maturities, if any, to be refunded will depend on market conditions.

Refunded Bonds

<u>Maturity Date (July 1)</u>	<u>Outstanding Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2018 ¹	\$420,000	N/A	N/A
2019	435,000	July 1, 2018	100%
2020	450,000	July 1, 2018	100
2021	8,105,000	July 1, 2018	100
2021	25,070,000	July 1, 2018	100
2022	34,765,000	July 1, 2018	100
	<u>\$69,245,000</u>		

¹ This maturity will be paid from funds transferred from the Principal Subaccount. See “—Sources and Uses of Funds” below.

A portion of the proceeds of the Series 2018-A Bonds, together with certain other available moneys to be released from funds and accounts related to the Refunded Bonds, will be deposited with U.S. Bank National Association, as trustee and escrow agent, and will be held in an escrow fund (the “Escrow Fund”) for the Refunded Bonds to be created under the terms of an escrow agreement to be entered into between LACMTA and U.S. Bank National Association, as trustee and escrow agent. All amounts deposited into the Escrow Fund will be invested in Federal Securities or held uninvested in cash. Amounts on deposit in the Escrow Fund will be used on July 1, 2018 (the “Redemption Date”) to pay principal and interest due on the Refunded Bonds and to pay the redemption price of the Refunded Bonds maturing after the Redemption Date at 100% of the principal amount thereof, plus accrued interest thereon.

Grant Thornton LLP, certified public accountants, will verify that the amounts deposited to the Escrow Fund will be sufficient to pay principal, interest and redemption price due on the Refunded Bonds on the Redemption Date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

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 2018-A Bonds.

Sources

Principal Amount	\$
Original Issue Premium/Discount	
Release of Funds from Refunded Bonds Interest and Principal Subaccounts	
Release of Funds from Reserve Fund	
Total Sources	<u>\$</u>

Uses

Deposit to Escrow Fund	\$
Deposit to Reserve Fund	
Costs of Issuance ¹	
Total Uses	<u>\$</u>

¹ Includes underwriters’ discount, legal fees, rating agency fees, verification agent fees, and other costs of issuance.

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 2018-A Bonds. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect LACMTA, the Proposition C Sales Tax revenues, or the Series 2018-A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Economic Factors May Cause Declines in Proposition C Sales Tax Revenues

The Series 2018-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of Pledged Revenues, consisting primarily of certain revenues of the Proposition C Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition C Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. In Fiscal Years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County, and correspondingly Proposition C Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in Fiscal Years 2011 through 2017. It is possible that Proposition C Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series 2018-A Bonds.

To project future Proposition C Sales Tax revenues for budgetary purposes, LACMTA incorporates actual long-term experience combined with forecasts from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the Department of Tax and Fee Administration does not provide LACMTA with any forecasts of Proposition C Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition C Sales Tax revenues. In addition, the County is located in a seismically active region. A major earthquake or other natural disaster could adversely affect the economy of the County and the amount of Proposition C Sales Tax revenues. Future significant declines in the amount of Proposition C Sales Tax revenues could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 2018-A Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Historical Proposition C Sales Tax Collections.” Also see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

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

With limited exceptions, the Proposition C 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 Proposition C Sales Tax. In 1991, the California State Legislature enacted legislation which expanded the transactions and items subject to the general statewide sales tax to include fuel for aviation and shipping, bottled water, rental equipment and newspapers and magazines. In 1992, the California State electorate approved an initiative which eliminated candy, gum, bottled water and confectionery items as items subject to the California State’s general sales tax. In each case, the same changes were made to transactions or items subject to the Proposition C Sales Tax. In the future, the California State Legislature or the California State electorate could further change the transactions and items upon which the statewide general sales tax and the Proposition C Sales Tax are

imposed. Such a change could either increase or decrease Proposition C Sales Tax revenues depending on the nature of the change. See “PROPOSITION C SALES TAX AND COLLECTIONS.”

Federal law may also cause transactions and items to be excluded from the State of California’s general sales tax, and, therefore, the Proposition C Sales Tax. For example, under federal law, local taxes on aviation fuel (except taxes in effect on December 30, 1987) must be used for airport-related purposes, as a condition for receiving federal funding for airports. On November 7, 2014, the Federal Aviation Administration (the “FAA”) adopted an amendment to its “Policy and Procedures Concerning the Use of Airport Revenue” (the “FAA Policy”), which clarifies that local sales taxes derived from aviation fuel are subject to the airport use restriction, the FAA definition of local sales tax includes the Proposition C Sales Tax, Measure R Sales Tax and Measure M Sales Tax. [The FAA Policy is illustrative of federal laws that may affect which transactions and items are subject to the State of California’s general sales tax.]

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

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

At the election held on November 8, 2016, more than two-thirds of the electors of the County voting on the issue approved an additional transportation and use tax (known as the Measure M Sales Tax). The Measure M Sales Tax is a new one-half cent sales tax starting July 1, 2017 that increases to one cent in 2039 when the Measure R Sales Tax expires. The Measure M Sales Tax does not have a scheduled expiration date. Additional increases in sales tax rates that will impact the County, while not currently pending, can be expected to be proposed and imposed, from time to time. Proposition A Sales Tax revenues, Measure R Sales Tax revenues and Measure M Sales Tax revenues are separate from Proposition C Sales Tax revenues and do not secure the Senior Bonds, including the Series 2018-A Bonds, or Senior Parity Debt. “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT.”

Increased Internet Use May Reduce Proposition C Sales Tax Revenues

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

Additional Senior Bonds

The LACMTA expects to issue additional debt secured by Proposition C Sales Tax revenues, including additional Senior Bonds. The LACMTA's October 2017 Financial Forecast assumes the issuance of approximately \$652 million of Senior Bonds between Fiscal Years 2019 and 2023. The LACMTA has several major transit projects under construction and has future plans for additional major capital projects. The LACMTA may ultimately issue more Senior Bonds to finance these projects than its current plans presently anticipate, particularly if costs of completing projects are higher than expected or other funding sources are not available as planned. In addition, the LACMTA is likely to undertake additional capital projects in the future, and additional Senior Bonds may be issued to finance these projects. The LACMTA may issue additional Senior Bonds only if the additional bonds tests described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS— Proposition C Sales Tax Obligations—Senior Obligations" are satisfied.

After Amendment Effective Date Series 2018-A Bonds Are Not Expected to be Secured by Reserve Fund

At the time of issuance of the Series 2018-A Bonds, the Series 2018-A Bonds will be secured by the Reserve Fund. However, LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2018-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See "INTRODUCTION—Proposed Amendments to Trust Agreement," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS— Reserve Fund for Senior Bonds" and "APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be authorized to file a petition for relief under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. Should LACMTA file for bankruptcy relief, there could be adverse effects on the holders of the Series 2018-A Bonds.

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

The results of Chapter 9 bankruptcy proceedings are difficult to predict. If a court determined that the Proposition C Sales Tax was levied to finance the general purposes of LACMTA rather than specific projects, then the Pledged Tax would not be special revenues. No assurance can be given that a court would hold that the Pledged Tax constitutes special revenues or that the Series 2018-A 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 were not "special revenues," then Pledged Tax collected after the commencement of the bankruptcy case would likely not be subject to the lien of the Agreement. If a bankruptcy court were to so hold, the owners of the Senior Bonds (including the Series 2018-A Bonds) would no longer be entitled to any special priority to the Pledged Tax and could be treated as general unsecured creditors of LACMTA without a lien as to the Pledged Tax.

If the revenues pledged under the Agreement are determined to be special revenues, the Bankruptcy Code provides (in order to maintain the revenue-generating capacity of the municipal entity) that a special revenues lien is subject to the necessary operating expenses of the project or system from which the special revenues are derived, which expenses are to be paid before other obligations (including to bondholders). This rule applies regardless of the provisions of the transaction documents. The law is not clear, however, (i) as to whether, or to what extent, the Pledged Tax 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 is determined to be derived from a project or system, LACMTA may be able to use Pledged Tax to pay necessary operating expenses, before the remaining Pledged Tax is turned over to the Trustee to pay amounts owed to the holders of the Series 2018-A Bonds.

If LACMTA files for relief under Chapter 9, the parties (including the Trustee and the holders of the Series 2018-A Bonds) may be prohibited from taking any action to collect any amount from LACMTA or to enforce any obligation of LACMTA, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2018-A Bonds from funds in the Trustee’s possession. In addition, the procedure pursuant to which the Pledged Tax is paid directly to the Trustee by the Department of Tax and Fee Administration may no longer be enforceable, and LACMTA may be able to require that the Pledged Tax be paid directly to it by the Department of Tax and Fee Administration.

If LACMTA has possession of Pledged Tax (whether collected before or after commencement of the bankruptcy case) and if LACMTA does not voluntarily pay such moneys to the Trustee, it is not entirely clear what procedures the Trustee or the holders of the Series 2018-A Bonds would have to follow to attempt to obtain possession of such Pledged Tax, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2018-A Bonds, are limited obligations and are payable solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Accordingly, if LACMTA filed for relief under Chapter 9, the owners of the Series 2018-A Bonds may not have any recourse to any assets or revenues of LACMTA other than the Pledged Revenues and other amounts.

In the event of 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), which lien could have priority over the lien of the Agreement, as long as the bankruptcy court determines that the rights of the owners of the Series 2018-A Bonds will be adequately protected. LACMTA may also be able to cause some of the Pledged Revenues to be released to it, free and clear of lien of the Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Series 2018-A 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 2018-A Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Agreement and the Series 2018-A Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted in its financial statements (see “Note III—DETAILED NOTES ON ALL FUNDS—I. Employees’ Retirement Plans” in the Notes to the Financial Statements and the related Required Supplementary Schedules in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE

FISCAL YEAR ENDED JUNE 30, 2017.” 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 2018-A Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or municipal law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State and have the right to enforce payment by injunction or other proceedings outside of an LACMTA bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of LACMTA would rule on these matters. In addition, this area of law is presently very unsettled. This is because, though the issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino, the relevant disputes have not been litigated to decision in the Federal circuit appellate courts, and thus there are no rulings from which definitive guidance can be taken on pension matters in Chapter 9.

There may be delays in payments on the Series 2018-A 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 2018-A Bonds. There may be other possible effects of a bankruptcy of LACMTA that could result in delays or reductions in payments on the Series 2018-A Bonds, or result in losses to the holders of the Series 2018-A Bonds. Regardless of any specific adverse determinations in an LACMTA bankruptcy proceeding, the fact of an LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2018-A Bonds.

Voter Initiatives and California State Legislative Action May Impair Proposition C 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 Proposition C Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 2018-A Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition C Sales Tax.”

DESCRIPTION OF THE SERIES 2018-A BONDS

General

The Series 2018-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 2018-A Bonds, LACMTA will enter into the Twenty-Eighth Supplemental Agreement to provide for the issuance of the Series 2018-A Bonds and related matters.

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

The Series 2018-A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series 2018-A Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2018-A Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2018-A Bonds will be evidenced by book-entry as described in “APPENDIX H—BOOK-ENTRY-ONLY SYSTEM.” Purchasers will not receive certificated Series 2018-A Bonds. So long as Cede & Co. is the registered owner of the Series 2018-A Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2018-A Bonds.

So long as Cede & Co. is the registered owner of the Series 2018-A Bonds, principal and redemption price of and interest on the Series 2018-A 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 2018-A Bonds cease to be held by DTC or by a successor securities depository, the principal and redemption price of the Series 2018-A Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2018-A Bonds at the corporate trust office or agency of the Trustee, and interest on the Series 2018-A Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series 2018-A Bonds as of the Record Date; provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series 2018-A 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*

Optional Redemption. The Series 2018-A Bonds are not subject to optional redemption prior to their maturity.

Mandatory Sinking Fund Redemption. The Series 2018-A Bonds maturing on July 1, 20__ are subject to mandatory sinking fund redemption in the amount of the principal thereof, without premium, plus accrued interest thereon to the redemption date, to be paid on July 1 of the years and in the amounts set forth below.

Year	Sinking Fund Installment
† Final Maturity	

On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from the Series 2018-A Bonds subject to such redemption, an aggregate principal amount of such Series 2018-A Bonds equal to the amount for such year as set forth in the table above and will call such Series 2018-A Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such redemption in accordance with the terms of the Agreement.

* Preliminary, subject to change.

At the option of LACMTA, it may (a) deliver to the Trustee for cancellation any Series 2018-A Bonds or portions thereof (in Authorized Denominations) of the stated maturity subject to such redemption purchased in the open market or otherwise acquired by LACMTA or (b) specify a principal amount of such Series 2018-A Bonds or portions thereof (in Authorized Denominations) subject to mandatory sinking fund redemption which prior to said date have been purchased and previously cancelled by the Trustee at the request of LACMTA and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2018-A Bond or portion thereof so delivered or previously purchased will be credited by the Trustee at 100% of the principal amount thereof against the obligation of LACMTA on such mandatory sinking fund redemption date.

Selection of Series 2018-A Bonds to Be Redeemed; Notice of Redemption. If less than all of the Series 2018-A Bonds of a maturity are to be redeemed, and the Series 2018-A Bonds are not held by DTC, the Trustee will select by lot, in such manner as the Trustee deems appropriate, the particular Series 2018-A Bonds or portions thereof to be redeemed. See also “APPENDIX H—BOOK-ENTRY-ONLY SYSTEM.”

The Trustee is required to give notice of redemption to the registered owners affected by such redemption at least 30 days but not more than 60 days before each redemption date, and to send such notice of redemption by first-class mail (or, with respect to Series 2018-A Bonds held by DTC, by an express delivery service for delivery on the next following Business Day). Each notice of redemption will specify the Series 2018-A Bonds to be redeemed; the redemption date; the CUSIP numbers of the Series 2018-A Bonds to be redeemed, the redemption price and the place or places where amounts due upon such redemption will be payable and if less than all of the Series 2018-A Bonds are to be redeemed, the numbers of the Series 2018-A Bonds and the portions of Series 2018-A Bonds to be redeemed; any condition to the redemption; and that on the redemption date, and upon the satisfaction of any such condition, the Series 2018-A Bonds to be redeemed shall cease to bear interest.

Failure to give any required notice of redemption or any defect therein will not affect the validity of the call for redemption of any Series 2018-A Bonds in respect of which no failure or defect occurs. Any notice sent as provided above will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Redemption. If notice is given as described above under “—Selection of Series 2018-A Bonds to be Redeemed; Notice of Redemption” and the moneys for payment of the redemption price are on deposit with the Trustee, the Series 2018-A Bonds called for redemption will be due and payable on the redemption date, interest on such Series 2018-A Bonds will cease to accrue after such date, such Series 2018-A Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series 2018-A Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series 2018-A Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS

Security for the Series 2018-A Bonds

The Series 2018-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and pledge of the “Pledged Revenues,” which consist of Pledged Tax plus interest, profits and other income received from the investment of such amounts held by the Trustee (other than amounts in the Rebate Fund). “Pledged Tax” consists of moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which constitutes the Local Allocation, less an administrative fee paid to the Department of Tax and Fee Administration in connection with the collection and disbursement of the Proposition C Sales Tax. In addition, the Series 2018-A Bonds are secured by all

other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. Additionally, the Agreement provides that Pledged Tax also includes any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series 2018-A Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 2018-A Bonds under a subsequent supplemental trust agreement. No local jurisdiction has pledged any of its Local Allocation to secure any Senior Bonds issued under the Agreement, including the Series 2018-A Bonds. Pledged Revenues do not include any Proposition C Sales Tax revenues that are released by the Trustee to (a) the payment of the Proposition C Commercial Paper Notes or the Proposition C Revolving Obligations (as defined herein); (b) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein); or (c) LACMTA for any other lawful purposes of LACMTA. For a description of the Proposition C Sales Tax and collections related thereto, see “PROPOSITION C SALES TAX AND COLLECTIONS.”

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2018-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2018-A Bonds.

The Series 2018-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2018-A Bonds.

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by Pledged Revenues. LACMTA may issue Senior Bonds and incur Senior Parity Debt, which are secured by a senior lien on the Pledged Revenues. The Series 2018-A Bonds are Senior Bonds. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues.

Pursuant to the 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 (including the Series 2018-A Bonds) or any Senior Parity Debt.

Senior Obligations. LACMTA is authorized to issue Senior Bonds and incur Senior Parity Debt, which would be payable from and secured by Pledged Revenues on a parity basis with the Series 2018-A Bonds.

LACMTA may issue additional Senior Bonds or incur Senior Parity Debt if LACMTA delivers to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of such Senior Bonds or incurrence of Senior Parity Debt, as applicable, was at least equal to 130% of Maximum Annual Debt Service for all Senior Bonds and Senior Parity Debt which will be Outstanding immediately after the proposed issuance of Senior Bonds or incurrence of Senior Parity Debt. This certificate need not be delivered if the Senior Bonds or Senior Parity Debt are being issued or incurred for the purpose of refunding Outstanding Senior Bonds or Senior Parity Debt and certain conditions are met as described in

“APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—TRUST AGREEMENT—Additional Senior Bonds.”

Under the Trust Agreement, “Maximum Annual Debt Service” generally means the greatest amount of principal and interest becoming due and payable on all Senior Bonds and Senior Parity Debt in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year. However, if LACMTA issues variable rate bonds and enters into an interest rate swap agreement related to any Senior Bonds or Senior Parity Debt, the Agreement permits LACMTA to use the fixed rate it pays under the interest rate swap agreement for purposes of determining the maximum amount of interest becoming due and payable on such Senior Bonds or Senior Parity Debt. LACMTA does not presently have any such swap agreements relating to any Senior Bonds. For the full definition of Maximum Annual Debt Service, see “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

For a description of the Senior Bonds currently outstanding, see “PROPOSITION C SALES TAX OBLIGATIONS—Senior Bonds and Senior Parity Debt.” LACMTA does not presently have any Senior Parity Debt outstanding.

Subordinate Lien Obligations. Under the Agreement, LACMTA may issue Subordinate Lien Obligations secured by Pledged Revenues that are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See “PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations.” In addition, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “PROPOSITION C SALES TAX OBLIGATIONS—Other Obligations.”

Flow of Funds

Pursuant to an agreement between LACMTA and the Department of Tax and Fee Administration, the Department of Tax and Fee Administration directly remits Proposition C Sales Tax receipts monthly to the Trustee after deducting the Department of Tax and Fee Administration’s costs of administering the Proposition C Sales Tax. The Trustee immediately transfers to LACMTA the Local Allocation (20% of net Proposition C Sales Tax cash receipts) for disbursement. Under the Agreement, the Trustee is required to deposit and to apply the remaining moneys received from the Department of Tax and Fee Administration, as needed (80% of net Proposition C Sales Tax cash receipts), taking into consideration any other funds previously deposited or applied in such month for such purposes, as follows:

FIRST, to the credit of the Senior Bond Interest Account, an amount equal to the Aggregate Accrued Senior Interest for the current calendar month less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Senior Deficiency existing on the first day of the calendar month plus any amount of interest which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Interest Account or in the special account to be used to make such payment;

SECOND, to the credit of the Senior Bond Principal Account, an amount equal to the Aggregate Accrued Senior Principal for the current calendar month (which, in general, is equal to 1/12 of the principal maturing in the next year (see “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS”)) less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Senior Premium and Senior Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Principal Account or another special account to be used to make such payment;

THIRD, to the credit of the Reserve Fund, such portion of the balance, if any, remaining after making the deposits to the interest and principal accounts as described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts will be used to reimburse draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

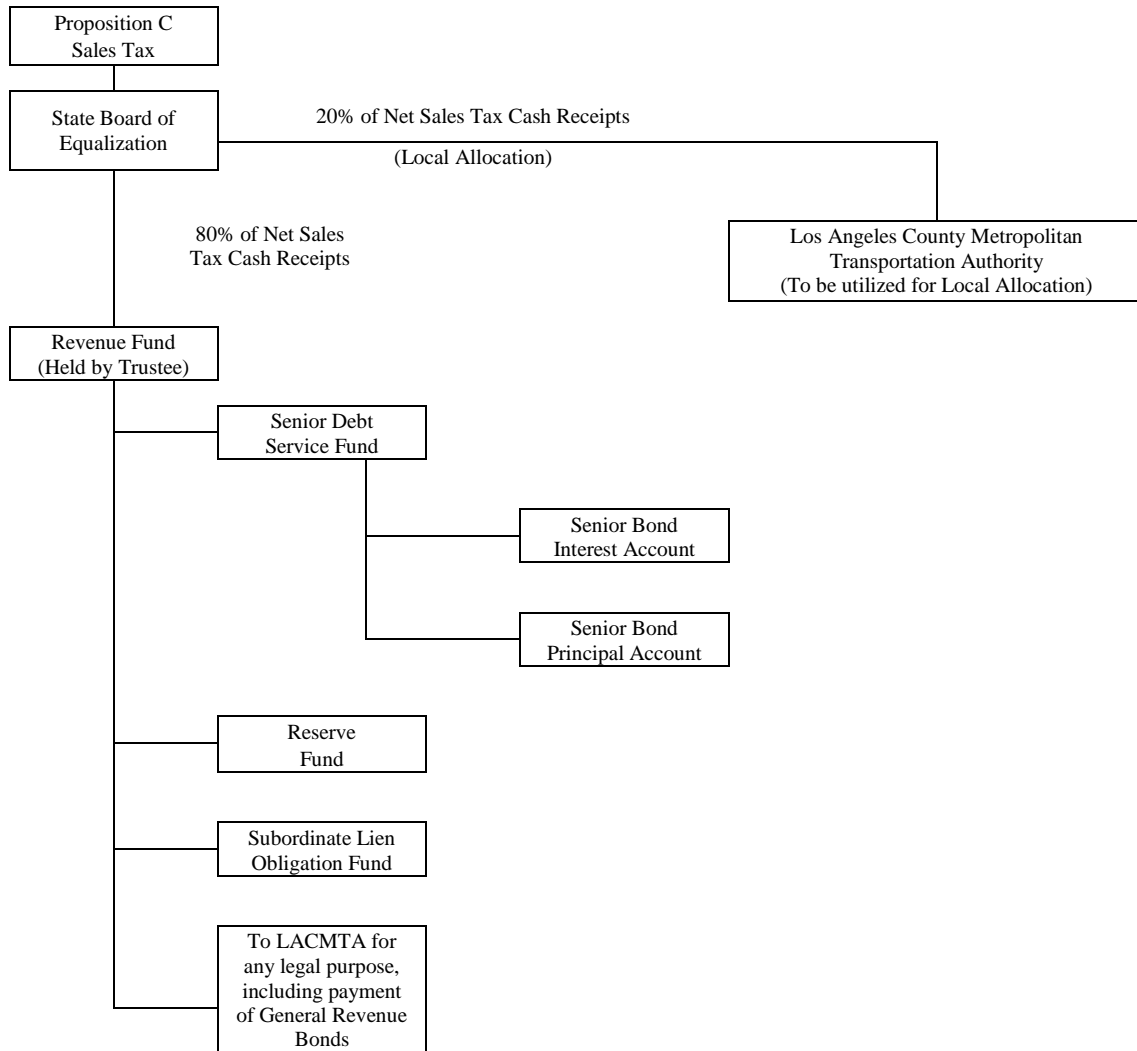
FOURTH, if LACMTA has incurred a Subordinate Lien Obligation, to the Subordinate Lien Obligation Fund to the credit of accounts to be created within the Subordinate Lien Obligation Fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, if there are insufficient Pledged Revenues in any Fiscal Year to make all of the foregoing deposits, such Pledged Revenues will be allocated to the accounts within the Subordinate Lien Obligation Fund on a pro rata basis based on the amounts required to be deposited therein during such Fiscal Year among all such Subordinate Lien Obligations issued or entered into on a parity basis and in accordance with the rank of the pledge created by such Subordinate Lien Obligations.

After setting aside amounts to be deposited in the Rebate Fund, any remaining funds will then be transferred to LACMTA and will be available to be used for any lawful purpose (including the payment of General Revenue Bonds), and will no longer be pledged to pay debt service on the Senior Bonds.

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The following table provides a graphic presentation of the flow of funds for Proposition C Sales Tax cash receipts.

TABLE 1
Proposition C Sales Tax
Flow of Funds



Reserve Fund for Senior Bonds

Currently, the Agreement requires the Trustee to establish and hold the Reserve Fund to make payments of principal and interest with respect to all Senior Bonds, including the Series 2018-A Bonds. Amounts on deposit in the Reserve Fund are to be used to pay principal of and interest on Senior Bonds, including the Series 2018-A Bonds, to the extent amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the interest on or principal (including accreted value) of the Senior Bonds when due. For each Series of Senior Bonds, an amount is required to be deposited into the Reserve Fund equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such Series of Senior Bonds, (b) the Maximum Annual Debt Service on such Series of

Senior Bonds, or (c) 125% of the average Annual Debt Service on such Series of Senior Bonds. The Reserve Fund is required to be funded in an amount equal to the sum of such Reserve Fund Requirements. The Reserve Fund Requirement for the Series 2018-A Bonds as of their date of issuance is \$_____.

Under the terms of the Agreement, LACMTA may deposit a Reserve Fund Insurance Policy, which is an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy must be rated in one of the two highest rating categories by Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). The Trust Agreement provides that any Reserve Fund Insurance Policy deposited with the Trustee is deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy. See "APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS."

As of the date of issuance of the Series 2018-A Bonds, the Reserve Fund is expected to contain approximately \$___ million of cash and investments, which will satisfy the Reserve Fund Requirement for all Senior Bonds after giving consideration to the issuance of the Series 2018-A Bonds and the refunding of the Refunded Bonds.

LACMTA has proposed the Proposed Amendments, which would allow the Series 2016-A Bonds and additional Senior Bonds issued after the date of issuance of the Series 2016-A Bonds, including the Series 2018-A Bonds, not to be secured by the Reserve Fund or any other debt service reserve fund. LACMTA intends to elect on or soon after the Amendment Effective Date that the Series 2018-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2018-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released. By the purchase and acceptance of the Series 2018-A Bonds, the Bondholders and Beneficial Owners thereof will be deemed to have consented to the Proposed Amendments. See "INTRODUCTION – Proposed Amendments to Trust Agreement" and "APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

PROPOSITION C SALES TAX AND COLLECTIONS

The Proposition C Sales Tax

Under the California Public Utilities Code, LACMTA is authorized to adopt retail transactions and use tax ordinances applicable in the incorporated and unincorporated territory of the County in accordance with California's Transaction and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.), upon authorization by a specified percentage of the electors voting on the issue. LACMTA has three of such tax ordinances. In accordance with the County Transportation Commissions Act (Section 130000 et seq. of the California Public Utilities Code (the "Transportation Commissions Act")), the Commission, on August 8, 1990, adopted Ordinance No. 49 ("Ordinance No. 49") which imposed a retail transactions and use tax for public transit purposes. Ordinance No. 49 was submitted to the electors of the County in the form of Proposition C ("Proposition C") and approved at an election held on November 6, 1990. Ordinance No. 49 imposes a tax, effective April 1, 1991, of ½ of 1% of the gross receipts of retailers from the sale of tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County 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 Ordinance No. 49 and approved by the voters with the

passage of Proposition C is referred to in this Official Statement as the “Proposition C Sales Tax.” As approved by the voters, the Proposition C Sales Tax is not limited in duration. The validity of the Proposition C Sales Tax was upheld in 1992 by the California Court of Appeal in *Vernon v. State Board of Equalization*. See “LITIGATION.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS.”

Collection of the Proposition C Sales Tax is administered by the Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the Department of Tax and Fee Administration in connection with the administration of the collection of the Proposition C Sales Tax. In accordance with Ordinance No. 49, LACMTA is required to allocate the proceeds of the Proposition C Sales Tax as follows:

TABLE 2
Allocation of Proposition C Sales Tax

Uses	Percentage
To local jurisdictions for local transit based on population (Local Allocation)	20%
To LACMTA for construction and operation of the bus transit and rail system ¹	40
To LACMTA to expand rail and bus security	5
To LACMTA for commuter rail, construction of transit centers, park and ride lots and freeway bus stops	10
To LACMTA for transit related improvements to freeways and state highways	<u>25</u>
Total	<u>100%</u> ²

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

² Up to 1.5% of the non-Local Allocation portion of the Proposition C Sales Tax received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition C Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS—Flow of Funds” above.

Source: LACMTA

As described below, the Department of Tax and Fee Administration has agreed to remit directly on a monthly basis the remaining Proposition C Sales Tax Revenues to the Trustee, after deducting the costs of administering the Proposition C Sales Tax and disbursing the Local Allocation to LACMTA. After application of such Proposition C Sales Tax revenues to certain funds and accounts in accordance with the Agreement, the Trustee is required to transfer the remaining unapplied Proposition C Sales Tax revenues for deposit to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations. Any Proposition C Sales Tax revenues remaining after the deposits described above are released to LACMTA to be used by LACMTA first, if necessary, to pay debt service on the General Revenue Bonds, and second, for any lawful purposes (subject to the allocation requirements set forth in Ordinance No. 49). The Senior Bonds do not have a lien on and are not secured by any Proposition C Sales Tax revenues that are released by the Trustee and deposited to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes, the Proposition C Revolving Obligations, the General Revenue Bonds or transferred to LACMTA to be used for any lawful purposes of LACMTA.

The amount retained by the Department of Tax and Fee Administration from collections of Proposition C Sales Tax after July 1993 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 the Department of Tax and Fee Administration. The amount retained by the Department of Tax and Fee Administration is adjusted to account for the difference between the Department of Tax and Fee Administration’s recovered costs and its actual costs during the prior two Fiscal Years. For Fiscal Years 2013 through 2017, the Department of Tax and Fee Administration’s fee for administering the Proposition C Sales Tax was as follows:

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

Source: LACMTA

The Department of Tax and Fee Administration has advised LACMTA that its fee for Fiscal Year 2018 is estimated to be \$9.2 million. LACMTA assumes that the Department of Tax and Fee Administration fees may continue to increase over time. The Department of Tax and Fee Administration can change the fee at its discretion in the future.

Under the Agreement, LACMTA covenants that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the owners of the Senior Bonds, including the Series 2018-A Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the Senior Bonds, including the Series 2018-A Bonds, are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of October 1, 1992), to pay from the Pledged Revenues the principal of and interest on the Senior Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

Under the Act, the State pledges to, and agrees with, the holders of any bonds issued under the Act and with those parties who may enter into contracts with LACMTA pursuant to the Act that the State will not limit or alter the rights vested by the 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 Proposition C Sales Tax collected. See “RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Proposition C Sales Tax.”

The ½ of 1% Proposition C 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 30-year ½ of 1% sales tax approved by County voters in November 2008 to fund LACMTA transportation projects and operations known as the “Measure R Sales Tax,” the ½ of 1% sales tax approved by County voters in November 2016 to fund

LACMTA transportation projects and operations known as the “Measure M Sales Tax,” the 10-year ¼ of 1% sales tax approved by County voters in March 2017 to help the 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, Culver City, Downey, El Monte, Inglewood, San Fernando, and South El Monte in the County have each enacted a sales tax of ½ of 1% applicable to transactions within their respective city limits, and the cities of Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate in the County have each enacted a sales tax of 1% applicable to transactions within their respective city limits. The combined various sales taxes described above results in (a) transactions within the County, and outside the cities of Avalon, Commerce, Compton, Culver City, Downey, El Monte, Inglewood, La Mirada, Long Beach, Lynwood, Pico Rivera, San Fernando, Santa Monica, South El Monte, and South Gate, currently being taxed at an effective rate of 9.50%, (b) transactions within the cities of Avalon, Commerce, Culver City, Downey, El Monte, Inglewood, San Fernando, and South El Monte currently being taxed at an effective rate of 10.00%, and (c) transactions within the cities of Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate currently being taxed at an effective rate of 10.25% (The Measure H Sales Tax does not apply to transactions in Compton, La Mirada, 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 Proposition C Sales Tax are subject to change. See “RISK FACTORS—California State Legislature or Electorate or Federal Law May Change Items Subject to Proposition C Sales Tax” and “—Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT.”

Initiatives and Changes to Proposition C Sales Tax

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

The Act of 1998. One such initiative was approved by the voters of the County in 1998 in the form of the “Metropolitan Transportation Authority Reform and Accountability Act of 1998” (the “Act of 1998”). The Act of 1998 prohibits the use of Proposition C Sales Tax and Proposition A Sales Tax (but not the use of Measure R Sales Tax or the Measure M Sales Tax) to pay any costs of planning, design, construction or operation of any “New Subway,” including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. “New Subway” is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth’s surface (including any extension or operating segment thereof), except for Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition C Sales Tax or Proposition A Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition C Sales Tax or the Proposition A Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition C Sales Tax and/or the Proposition A Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA’s ability to continue to use the Proposition C Sales Tax or the Proposition A Sales Tax to secure payment of its outstanding obligations secured by the Proposition C Sales Tax or the Proposition A Sales Tax. Additionally, LACMTA will covenant not to use the proceeds of the Series 2018-A Bonds in a manner inconsistent with the provisions of the**

Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series 2018-A Bonds with a pledge of the Proposition C Sales Tax.

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax between the effective dates of Proposition A and Proposition C and June 30, 1998. The independent auditor completed the audit in November 1999. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent Fiscal Year to determine LACMTA's compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For Fiscal Years 1999 through 2017, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective Fiscal Year (the "Annual Act of 1998 Audit").

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

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

Historical Proposition C Sales Tax Collections

The following table presents, among other things, collections of net Proposition C Sales Tax revenues and corresponding Pledged Revenues and Senior Bonds debt service coverage ratios for the Fiscal Years ending June 30, 2008 through June 30, 2017.

TABLE 3
Historic Net Proposition C Sales Tax Receipts,
Local Allocations, Pledged Revenues and Debt Service Coverage
(Dollars in Millions)¹

Fiscal Year Ended June 30	Net Sales Tax Revenue	Annual Percentage Change	Allocations to Local Governments²	Pledged Revenues³	Senior Bonds Debt Service Coverage⁴
2008	\$683.5	(0.40)%	\$136.7	\$546.8	5.30x
2009	620.9	(9.17)	124.2	496.7	4.22
2010	565.8	(8.87)	113.2	452.6	4.29
2011	601.9	6.39	120.4	481.5	4.28
2012	648.8	7.78	129.8	519.0	4.62
2013	687.3	5.94	137.5	549.9	4.81
2014 ⁵	717.2	4.34	143.4	573.7	4.46
2015	745.6	3.96	149.1	596.5	4.40
2016	763.6	2.41	152.7	610.9	4.52
2017	789.3	3.37	157.9	631.4	4.44

¹ Reflects Proposition C Sales Tax revenues, reported according to accrual basis accounting, as presented in LACMTA's audited financial statements, less the administrative fee paid to the Department of Tax and Fee Administration but before required allocations to local governments for transit purposes. Rounded to the closest \$100,000.

² Rounded to the closest \$100,000.

³ Proposition C Sales Tax receipts for the Fiscal Years shown, reported according to accrual basis accounting, less required allocations to local governments for transit purposes and less the administrative fee paid to the Department of Tax and Fee Administration. Rounded to the closest \$100,000.

⁴ Based on Senior Bonds debt service for the 12 months ending the immediately following July 1.

⁵ LACMTA's Fiscal Year 2014 audited financial statements include an increase in Proposition C Sales Tax revenues of \$61.4 million due to an accounting accrual adjustment resulting in a one-time increase to the reported amount. Amounts shown for Fiscal Year 2014 are reported and calculated excluding the \$61.4 million accounting accrual adjustment.

Source: LACMTA

The following table sets forth the amount of Proposition C 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 4
Selected Actual Proposition C Sales Tax Revenue Information¹
 (values are cash basis)

Quarter Ended	Quarterly Receipts (\$ millions)	Change From Same Period Prior Year	Rolling 12 Months Receipts (\$ millions)	Change From Same Period Prior Year
December 31, 2017	\$205.8	4.4%	\$798.8	4.1%
September 30, 2017	203.4	6.0	790.2	3.5
June 30, 2017	188.7	1.5	778.8	2.1
March 31, 2017	200.9	4.4	775.9	2.6
December 31, 2016	197.1	2.0	767.5	2.0
September 30, 2016	191.9	0.3	763.6	2.0
June 30, 2016	185.9	3.9	763.0	2.9
March 31, 2016	192.5	2.1	756.1	2.7
December 31, 2015	193.2	1.9	752.2	3.0

¹ Unaudited.
 Source: LACMTA

The Proposition C Sales Tax receipts on a cash basis for a quarterly period are determined by sales tax revenues generated by sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter. For example, for the three-month period ended December 31, 2017, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately \$798.8 million, which receipts generally represented sales activity occurring in August, September and October, 2017. Total Proposition C Sales Tax receipts on a cash basis for Fiscal Year 2017 were approximately \$778.8 million, compared to \$763.0 million in Fiscal Year 2016. LACMTA’s Fiscal Year 2018 budget assumes total Proposition C Sales Tax revenues of \$802.0 million (net of the Department of Tax and Fee Administration’s administrative fee).

Proposition C Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition C 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, the Department of Tax and Fee Administration does not provide LACMTA with any forecasts of Proposition C Sales Tax receipts for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Proposition C Sales Tax receipts. See “RISK FACTORS—Economic Factors May Cause Declines in Proposition C Sales Tax Revenues” above.

PROPOSITION C SALES TAX OBLIGATIONS

General

LACMTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Senior Bonds (which includes the Series 2018-A Bonds) and Senior Parity Debt and its Subordinate Lien Obligations. In addition, LACMTA has incurred other obligations, which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “—Other Obligations” below.

Senior Bonds and Senior Parity Debt

Senior Bonds. LACMTA had the following Senior Bonds outstanding as of March 1, 2018:

TABLE 5
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Senior Bonds
(Outstanding as of March 1, 2018)

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

¹. The Refunded Bonds shall no longer be outstanding after the date of issuance of the Series 2018-A Bonds.
Source: LACMTA

LACMTA may issue additional Senior Bonds upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS—Proposition C Sales Tax Obligations—Senior Obligations.” LACMTA’s October 2017 Financial Forecast assumes the issuance of approximately \$652 million in additional Senior Bonds from Fiscal Year 2019 through Fiscal Year 2023. For further discussion of the October 2017 Financial Forecast, see “FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning” in APPENDIX A.

Senior Parity Debt. “Senior Parity Debt” would consist of indebtedness, installment sale obligations, lease obligations or other obligations for borrowed money, or payment obligations under interest swaps or other arrangements having an equal lien and charge upon Pledged Revenues and payable on parity with the Senior Bonds. LACMTA currently has no Senior Parity Debt outstanding. LACMTA may incur Senior Parity Debt upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS—Proposition C Sales Tax Obligations—Senior Obligations.”

Subordinate Lien Obligations

Proposition C Commercial Paper Notes. On June 9, 1993, LACMTA received authorization to issue and have outstanding, at any one time, up to \$150,000,000 (principal of and interest thereon) of commercial paper notes (the “Proposition C Commercial Paper Notes”) payable from and secured by Proposition C Sales Tax revenues. The Proposition C Commercial Paper Notes are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Senior Bonds, including the Series 2018-A Bonds, and any Senior Parity Debt. As of

March 1, 2018, the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$5,309,000. The Proposition C Commercial Paper Notes are supported by a letter of credit (the “Proposition C CP Letter of Credit”) issued by Bank of America, N.A. LACMTA’s reimbursement obligations with respect to the Proposition C CP Letter of Credit are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes.

In addition, LACMTA is authorized to issue and have outstanding, from time to time, up to \$75,000,000 in aggregate principal amount of its Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the “Proposition C Revolving Obligations”), which are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes and which are considered part of the \$150,000,000 authorization for Proposition C Commercial Paper. As of March 1, 2018, LACMTA has \$45,000,000 Proposition C Revolving Obligations outstanding.

[In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to \$45,000. In September 2013, LACMTA borrowed \$20,000 from its taxable Proposition C revolving credit facility and another \$25,000 from its tax-exempt Proposition C revolving credit facility in November 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last \$75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.]

All Proposition C Revolving Obligations issued by LACMTA are purchased by the Wells Fargo Bank, National Association, in accordance with the terms of a revolving credit agreement (the “Proposition C Revolving Credit Agreement”). The Proposition C Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement.

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

Proposition C CP Letter of Credit		Proposition C Revolving Obligations	
Letter of Credit Provider	Bank of America, N.A.	Revolving Obligations Bank	Wells Fargo Bank, National Association
Principal Amount	\$68,885,000 ¹	Principal Amount	\$75,000,000
Expiration Date	April 5, 2019	Expiration/Maturity Date	March 28, 2019 ¹

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

Source: LACMTA

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

Other Obligations

General Revenue Bonds. As of March 1, 2018, 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 \$32,840,000 aggregate principal amount of LACMTA’s General Revenue Refunding Bonds (Union Station Gateway Project), Series 2010-A (the “Series 2010-A General Revenue Bonds,” and together with the Series 2015 General Revenue Bonds, the

“General Revenue Bonds”) outstanding. The General Revenue Bonds are secured by a pledge of farebox revenues, fee and advertising revenues (collectively, “General Revenues”) and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on certain Proposition A Sales Tax-secured obligations, in the case of the Proposition A Sales Tax, and the Senior Bonds (including the Series 2018-A Bonds), any Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations), in the case of the Proposition C Sales Tax (the “Proposition A Remaining Sales Tax” and the “Proposition C Remaining Sales Tax,” respectively). LACMTA’s obligation to pay principal of and interest on the General Revenue Bonds is secured by a lien on Proposition C Sales Tax that is junior and subordinate to the Senior Bonds (including the Series 2018-A Bonds), any Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations) as to the lien on and source and security for payment from Pledged Revenues.

Policy Limits on Additional Bonds

Besides the limitations of the additional bonds test noted above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS – Proposition C Sales Tax Obligations – Senior Bonds,” the Board-adopted debt policy sets additional limits on the amount of debt secured by the Proposition C Sales Tax it can issue. 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 Ordinance No. 49, 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 its current debt policy, debt service on LACMTA obligations is limited to 43.75% of its share of Proposition C Sales Tax revenues, which would require a minimum of 2.28 times coverage of debt service. LACMTA annually monitors its compliance with its debt policy limits. LACMTA’s Board is not obligated to maintain its current debt policy and may modify it to allow the issuance of a greater amount of debt secured by the Proposition C Sales Tax in the future.

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COMBINED SENIOR BONDS DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA's Senior Bonds.

TABLE 6
Los Angeles County Metropolitan Transportation Authority
Combined Proposition C Debt Service Schedule
Senior Bonds¹

Bond Years Ending July 1	Previously Issued Senior Bonds Debt Service ²	Series 2018-A Bonds Debt Service			Combined Total Debt Service Senior Bonds
		Principal	Interest	Total Debt Service	
2018	\$ 164,893,166				
2019	164,516,429				
2020	159,843,779				
2021	155,162,529				
2022	155,151,019				
2023	155,699,669				
2024	98,719,294				
2025	98,670,844				
2026	83,749,594				
2027	83,805,594				
2028	83,806,294				
2029	76,104,763				
2030	72,338,794				
2031	63,950,944				
2032	63,948,194				
2033	63,953,194				
2034	63,955,444				
2035	54,484,694				
2036	54,483,944				
2037	54,482,444				
2038	54,482,475				
2039	32,271,750				
2040	32,274,250				
2041	32,270,250				
2042	32,271,750				
Total	\$2,155,291,096				

¹ Totals may not add due to rounding.

² Includes debt service on the Refunded Bonds, which will be defeased on the date of issuance of the Series 2018-A Bonds.

Source: LACMTA and Montague DeRose and Associates LLC

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 2018-A Bonds, the imposition and collection of the Proposition C Sales Tax or the pledge of the Pledged Revenues. 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. Various claims of other types have been asserted against LACMTA. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS.”

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2018-A Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to LACMTA. The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix F. As Bond Counsel, Norton Rose Fulbright US LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. 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.

TAX MATTERS

General

The delivery of the Series 2018-A Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Series 2018-A Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Series 2018-A Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the Series 2018-A Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State that interest on the Series 2018-A Bonds is exempt from personal income taxes of the State. A form of Bond Counsel’s anticipated opinion is included as Appendix F. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

For taxable years that began before January 1, 2018, interest on the Series 2018-A Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of LACMTA made in a certificate of even date with the initial delivery of the Series 2018-A Bonds pertaining to the use, expenditure and investment of the proceeds of the Series 2018-A Bonds and will assume continuing compliance with the provisions of the Indenture by LACMTA subsequent to the issuance of the Series 2018-A Bonds. The Indenture and the Tax Certificate contain covenants by LACMTA with respect to, among other matters, the use of the proceeds of the Series 2018-A Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Series 2018-A Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series 2018-A Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Series 2018-A Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the

receipt or accrual of interest on, or the acquisition or disposition of, the Series 2018-A Bonds. Prospective purchasers of the Series 2018-A Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2018-A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of LACMTA described above. No ruling has been sought from the Internal Revenue Service (the "Service") or the State with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2018-A Bonds is commenced, under current procedures, the Service is likely to treat LACMTA as the "taxpayer," and the owners of the Series 2018-A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2018-A Bonds, LACMTA may have different or conflicting interests from the owners of the Series 2018-A Bonds. Public awareness of any future audit of the Series 2018-A Bonds could adversely affect the value and liquidity of the Series 2018-A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to Owners of the exclusion of interest on the Series 2018-A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2018-A Bonds. Prospective purchasers of the Series 2018-A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Series 2018-A Bonds

The initial public offering [price] of certain of the Series 2018-A Bonds (the "Discount Bonds") may be less than the amount payable on such Series 2018-A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2018-A Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the

branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Series 2018-A Bonds (the “Premium Bonds”) may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such 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 a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

MUNICIPAL ADVISOR

LACMTA has retained Montague DeRose and Associates LLC, as Municipal Advisor (the “Municipal Advisor”) for the sale of the Series 2018-A 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, 2017 and the Management’s Discussion and Analysis and certain supplementary information, and the Independent Auditors’ Report of Crowe Horwath LLP, independent accountants, dated December 19, 2017 (collectively, the “2017 Financial Statements”) are included as “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.” LACMTA’s financial statements as of June 30, 2017 and for the year then ended, included in this Official Statement, have been

audited by Crowe Horwath LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has Crowe Horwath LLP given, Crowe Horwath LLP's consent to the inclusion in Appendix B of its Report on such financial statements. In addition, Crowe Horwath LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, certified public accountants, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Fund will be sufficient to pay principal, interest and redemption price due on the Refunded Bonds on the Redemption Date. Grant Thornton LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series 2018-A Bonds

CONTINUING DISCLOSURE

At the time of issuance of the Series 2018-A 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 2018-A Bonds to provide certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior Fiscal Year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. See "APPENDIX G— FORM OF CONTINUING DISCLOSURE CERTIFICATE." LACMTA has become aware that some information that was made available in a timely manner on the EMMA System pursuant to LACMTA's continuing disclosure obligations was not linked to the CUSIP numbers for all affected series of bonds. LACMTA has corrected this issue. In addition, LACMTA has become aware that in a few instances, notices of changes in ratings on some of its bonds were not filed in a timely manner. LACMTA has made corrective filings regarding these ratings changes.

SALE OF SERIES 2018-A BONDS

The Series 2018-A Bonds were sold at competitive sale on _____, 2018 and awarded to _____ (the "Winning Bidder") at a purchase price of \$_____ (consisting of the par amount of the Series 2018-A Bonds, [plus/less an] original issue [premium/discount] of \$_____, and less an underwriter's discount of \$_____). The Winning Bidder will purchase all of the Series 2018-A Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated March 22, 2018, the approval of certain legal matters by counsel, and certain other conditions.

RATINGS

Moody's and S&P have assigned the Series 2018-A Bonds ratings of "[]" (stable outlook) and "[]" (stable outlook), respectively. In addition to Moody's and S&P, Fitch Ratings has assigned ratings to other Senior 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, which are current as of the date of this Official Statement: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. LACMTA undertakes no responsibility to bring to the attention of the Owners of the Series 2018-A Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2018-A Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2018-A 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 and 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 2018-A Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Treasurer

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

Prospective purchasers of the Series 2018-A Bonds should be aware that the following discussion of the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”) is intended as general information only. The Series 2018-A Bonds are limited obligations of the LACMTA payable from Pledged Revenues, which consist primarily of proceeds of the Proposition C Sales Tax.

Establishment; Jurisdiction

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is the largest public transit operator west of Chicago. As the principal transit provider in the southern California region, LACMTA serves about 75% of all transit trips within its 1,433 square mile service area, carrying an estimated 1.0 million passengers per day on buses and nearly 360,000 passengers on rail. LACMTA operates four light rail lines, serving 80 stations along 80 miles of track and two heavy rail lines that serve 16 stations along 17.4 miles of track. In addition to the transit services provided by LACMTA, it also provides funding to 40 other municipal operators that offer fixed route service and more than 100 other local return and non-profit agencies that provide community-based transportation. LACMTA also provides highway construction funding and traffic flow management.

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax pursuant to Ordinance No. 49. The Proposition C 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 30-year ½ of 1 percent sales tax imposed by LACMTA beginning in 2009 known as the “Measure R Sales Tax,” and a ½ of 1 percent sales tax imposed by LACMTA beginning 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. From 2001 until taking office as Mayor, Mr. Garcetti served on the Los Angeles City Council representing the Thirteenth District and was elected to serve as President of the Los Angeles City Council four times from 2006 to 2012. Mr. Garcetti earned his B.A. and M.A. from Columbia University. He has also studied as a Rhodes Scholar at Oxford and the London School of Economics and taught at Occidental College and University of Southern California.

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

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

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

Mike Bonin. Mr. Bonin was elected to Los Angeles City Council in July 2013 to represent the Eleventh District. He was appointed to the Board by Mayor Garcetti in July 2013 and acts as Chair of the

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

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

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

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

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

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

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

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

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

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

Management

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

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

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

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

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

Public Transportation Services Corporation

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

TRANSPORTATION SERVICES

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

Bus System

LACMTA operates the second largest bus system in the United States. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,400 buses. LACMTA's bus system covers over 170 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide approximately 7.0 million revenue service hours annually with an average of approximately 898,000 weekday boardings on a system-wide basis for the fiscal quarter ended December 31, 2017 and total boardings of 70.8 million for the fiscal quarter ended December 31, 2017, including Orange Line busway ridership. In addition, LACMTA contracts with outside service providers, with approximately 42,200 average weekday boardings for the fiscal quarter ended December 31, 2017. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. As of January 1, 2018, the average age of LACMTA's bus fleet was approximately 8.18 years. At the October 27, 2016 Board meeting, the Board approved a motion calling for staff to draw up plans to fully electrify LACMTA's Orange Line by 2020. LACMTA received a \$4.3 million grant from the US Department of Transportation to partially fund the acquisition of five new 60-foot electric buses and eight new charging stations to be utilized on the Orange Line. In July, 2017, the LACMTA Board approved the purchase of approximately 95 electric buses to be added to its fleet and committed to converting the entire fleet to zero emission vehicles by 2030.

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

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

Highway System

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

Rail System

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

Metro Blue Line. The Metro Blue Line is an approximately 22 mile light rail line that extends from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. The Metro Blue Line consists of a dual-track line with 22 stations, with a fleet of 54 articulated rail cars and a primary maintenance facility (which also supports vehicles from the Metro Green Line) and yard located in Long Beach adjacent to the Long Beach Freeway with a storage and maintenance capacity of 89 vehicles. Passenger service began in July 1990. The Metro Blue Line had estimated ridership of approximately 5.6 million for the fiscal quarter ended December 31, 2017.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has 14 stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. The Metro Green Line began operations in August 1995, and had estimated ridership of approximately 2.5 million for the fiscal quarter ended December 31, 2017.

Metro Gold Line. The Metro Gold Line is a 13.7-mile light rail line which extends from downtown Los Angeles (where it links to the Metro Red Line) to the City of Pasadena. The Metro Gold Line consists of a dual-track line with 13 stations. The Metro Gold Line began operations in July 2003. The Gold Line Eastside Extension, which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. In March 2016, service began on an 11-mile extension of the Gold Line from Pasadena to Azusa. Estimated ridership for the entire Metro Gold Line was approximately 4.1 million for the fiscal quarter ended December 31, 2017.

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

Exposition Line. The Exposition Line is an approximately 15 mile long light rail line that runs from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. The first portion of the Exposition Line opened in June 2012 and extended approximately 8.6 miles from downtown Los Angeles to Culver City. The second portion, which began revenue operations in May 2016, extends 6.6 miles westward from Culver City to downtown Santa Monica and adds seven stations to the Exposition Line. Estimated ridership for the Exposition Line was approximately 4.8 million for the fiscal quarter ended December 31, 2017.

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

The Metro Red Line was constructed in segments. Segment 1 from Union Station to Alvarado Street opened in January 1993. Segment 2 extended west from Alvarado Street to Vermont Avenue where it branches north to Hollywood Boulevard/Vine Street and west to Wilshire Boulevard/Western Avenue. The west branch became operational in July 1996 and was renamed the Purple Line in August 2006. Segment 3 extending the north branch from Hollywood/Vine to North Hollywood opened in June 2000. The Red Line is 14.9 miles long with 14 stations. LACMTA is in the process of extending the Metro Purple Line from its current terminus at Wilshire/Western to the westside of Los Angeles. This project is described under “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” below. Estimated ridership for the entire Metro Red and Purple Lines was approximately 11.0 million for the fiscal quarter ended December 31, 2017.

Commuter Rail. The Southern California Regional Rail Authority (“SCRRA”) oversees commuter rail services in the region that includes Los Angeles, Riverside, Ventura, Orange, San Bernardino and San Diego Counties. SCRRA operates the Metrolink system, which consists of seven lines totaling 512 miles and 55 stations and is primarily geared toward providing commuter rail service from outlying communities to downtown Los Angeles. Average weekday boardings were approximately 39,000 for the first quarter of Fiscal Year 2018. 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, 2017.” As indicated in Appendix B and as is generally true with large transit systems, the operating expenses for LACMTA’s transit system greatly exceed operating revenues. The Proposition A, Proposition C, Measure R and Measure M Sales Tax revenues are a primary source of funding for the transit system. Additionally, LACMTA relies heavily on other local, State and federal sources to pay for operating expenses and capital improvements. LACMTA is currently undertaking future transit improvements to the transit system, which require substantial investment and increase operating costs. As the system expands, the LACMTA is committed to looking for additional revenue sources, to re-prioritize existing and new programs, and to regularly reassessing the service provided to minimize duplication and improve efficiency. Proposition C Sales Tax revenues are available to pay operating expenses only after debt service on the Senior Bonds and certain other amounts are paid. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds.”

FUTURE TRANSPORTATION IMPROVEMENTS

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

Capital Planning

In October 2009, the Board approved a 2009 Long Range Transportation Plan (“2009 LRTP”) which updated the prior Long Range Transportation Plan. LACMTA’s capital program is built on two major planning documents, the Long Range Transportation Plan Financial Forecast, which has a 40-year vision and which is updated annually [(as updated, the “LRTP Financial Forecast”)], and the Short-Range Transportation Plan (“SRTP”), a ten-year plan last updated in 2014 and guiding capital investment through 2024. These plans incorporate the mix of projects approved by voters in concert with the four sales tax measures that fund a large share of Metro’s operations and capital programs. Annually, LACMTA’s Office of Management and Budget reviews the projects called for in the LRTP Financial Forecast and the SRTP, and prepares a proposed budget recommending project appropriations as part of the annual Capital Program, which is incorporated within the overall annual agency budget.

The LRTP Financial Forecast identifies projected costs of planning, constructing and running the transportation system based on a financial forecast of future revenue assumptions through 2057. During the 2009 LRTP planning process, data was reviewed that predict where and what the current challenges are on the existing transportation system, where mobility issues could arise, and how the transportation system could be improved with new investments.

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, and incorporates Measure R and Measure M projects, including the funding provisions in each of the [retail transactions and use tax] ordinances. The LRTP Financial Forecast is now the guiding policy behind funding decisions on subsequent transportation projects and programs in the County and guides the programming of fund in the federally-mandated transportation improvement program. Major capital projects and programs that are identified in the LRTP Financial Forecast have priority for future programming of funds. While these projects and programs require

further Board approval at various stages of their development, they are priorities for further planning, design, construction and the pursuit of additional funding.

The Board-approved 2009 LRTP, and the [LRTP Financial Forecast] includes projections of debt financing by LACMTA composed of a combination of Proposition A, Proposition C, Measure R and Measure M-secured debt. The [LRTP Financial Forecast] updates the assumptions about debt issuance and assumes approximately \$4.5 billion (excluding commercial paper notes) in new debt financing from Fiscal Year 2019 through Fiscal Year 2023, not including the TIFIA loans described under “—Transit Projects” below. The October 2017 update of the LRTP assumes the funding of approximately \$745.0 million, \$652.0 million, and \$1.0 billion, and \$2.0 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 2019 through Fiscal Year 2023. The October 2017 financial update also forecasts bond issuance from Fiscal Year 2019 through Fiscal Year 2057 of approximately \$35.2 billion, of which approximately \$5.9 billion is projected to be Proposition C First Tier Senior Lien Bonds.

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

Transit Projects

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

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

Regional Connector. The Regional Connector is a 1.9-mile light rail line with three underground stations in downtown Los Angeles. The Project will provide a direct connection from the 7th/Metro Center Station to the existing Metro Gold Line tracks to the north and east of 1st and Alameda. This connection will provide through service between the Metro Blue Line, Metro Gold Line and Metro Exposition Line corridors. The total project budget is currently \$1.77 billion. LACMTA has been awarded a \$669.9 million federal grant for the Regional Connector project. Additionally, the project has received a \$160 million TIFIA loan, which is to be repaid from Measure R Sales Tax revenues. As of March 1, 2018, LACMTA has drawn down \$117.8 million of the TIFIA loan proceeds. The remaining project costs are expected to be paid from other Federal, State and local sources (other than Proposition C Sales Tax Revenues).

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

Section 1 is currently under construction and extends the existing Metro Purple Line by 3.92 miles beginning at the Wilshire/Western Station and adds three stations to the Phase 1 terminus at Wilshire/La Cienega. The total budget for Section 1 of the Purple Line Extension is \$2.53 billion, excluding finance charges and unallocated contingency. LACMTA has been awarded a \$1.25 billion federal grant and has entered into an agreement for an \$856 million TIFIA loan, to be repaid from Measure R Sales Tax revenues, with respect to Section 1 of the Purple Line Extension. As of March 1, 2018, LACMTA had drawn down \$340.6 million of the 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 Proposition C Sales Tax Revenues).

Section 2 of the Purple Line Extension is located entirely underground, primarily following Wilshire Boulevard, and includes the design and construction of approximately 2.59 miles of double-track heavy rail and two new stations. The estimated total project cost is \$2.16 billion, excluding finance charges and unallocated contingency. LACMTA has been awarded a \$1.187 billion federal grant and has entered into an agreement for a TIFIA loan for \$307 million to be repaid from Measure R Sales Tax revenues. As of March 1, 2018, LACMTA had drawn down \$207.0 million of the TIFIA loan proceeds. The remaining project costs for Section 2 are expected to be paid from Measure R Sales Tax revenues, other Federal sources, and State sources.

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

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

LABOR RELATIONS

General

[As of February 1, 2018, LACMTA had approximately 9,772 employees, of which approximately 86% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (formerly UTU) (“SMART-TD”); LACMTA mechanics and service attendants are members of the Amalgamated Transit Union (“ATU”); LACMTA clerks are members of the Transportation Communications Union (“TCU”); bus and rail transportation and maintenance supervisors are members of the American Federation of State County and Municipal Employees (“AFSCME”); and LACMTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by the labor

agreements of LACMTA with each of its employee bargaining units as of February 1, 2018 and the current expiration dates of the labor agreements. In July 2017, LACMTA signed five new contracts with our labor unions, the longest contracts in LACMTA’s history. Most of these contracts provide for annual salary increases of 4.2% over the five year life of the contracts.]

<u>Employee Bargaining Unit</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
United Transportation Union (Sheet Metal, Air, Rail and Transportation Division)	4,251	06/30/22
Amalgamated Transit Union	2,349	06/30/22
Transportation Communications Union	857	06/30/22
Am. Fed. of State, County and Municipal Employees	760	06/30/22
Teamsters Union	149	06/30/22

Defined Benefit Pension Plan

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the “Plans”) that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by State statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to members of the Teamsters Union. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. For a description of these defined benefit plans and LACMTA’s obligations to make contributions to these plans, see “Note III—DETAILED NOTES ON ALL FUNDS—I. Employees’ Retirement Plans” in the Notes to the Financial Statements and related Required Supplementary Schedules in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and their families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB),” LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA’s obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see “Note III—DETAILED NOTES ON ALL FUNDS—J. Other Postemployment Benefits (OPEB)” in the Notes to the Financial Statements and the related Required Supplementary Schedules in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

OUTSTANDING DEBT

General

In addition to obligations issued by LACMTA that are secured by Proposition C Sales Tax, LACMTA has issued debt secured by the Proposition A Sales Tax, the Measure R Sales Tax, and other revenues of LACMTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable trust agreements governing such debt. See “FUTURE TRANSPORTATION IMPROVEMENTS—Capital Planning” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018-A BONDS” in the front part of this Official Statement for a discussion of obligations secured by the Proposition C 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. As of the date of this Official Statement, LACMTA has 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.

First Tier Senior Lien Bonds. LACMTA had the following Proposition A First Tier Senior Lien Bonds outstanding As of March 1, 2018.

**Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding As of March 1, 2018)**

Proposition A First Tier Senior Sales Tax Revenue Bonds¹	Outstanding Principal Amount
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	163,350,000
Senior Sales Tax Revenue Refunding Bonds, Series 2015-A	24,310,000
Senior Sales Tax Revenue Refunding Bonds, Series 2014-A	124,120,000
Senior Sales Tax Revenue Refunding Bonds, Series 2013-A	219,355,000
Senior Sales Tax Revenue Refunding Bonds, Series 2012-A	46,810,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	5,010,000
Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	127,355,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	18,710,000
Total	\$1,285,870,000

¹ The Proposition A First Tier Senior Lien Bonds are payable from, and secured by a prior first lien on, Proposition A Sales Tax revenue.

Source: LACMTA.

Second Tier Obligations. [On October 6, 1993, the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A (the “Housing Bonds”) and its Grand Central Square Qualified Redevelopment Bonds, 1993 Series A (the “Redevelopment Bonds”). The Redevelopment Bonds were refunded on April 30, 2002 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Qualified Redevelopment Bonds, 2002 Refunding Series A (the “Refunding Redevelopment Bonds”). The Housing Bonds were refunded on June 21, 2007 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A (the “2007 Series A Refunding Housing Bonds”) and Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series B (the “2007 Series B Refunding Housing Bonds”) and, together with the 2007 Series A Refunding Housing Bonds, the “Refunding Housing Bonds”). LACMTA was obligated (but only from LACMTA’s 40% discretionary share of Proposition A Sales Tax revenues) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds had sufficient revenues and other funds, the trustee would reimburse LACMTA to the extent of its payment from such funds. LACMTA’s payment obligations with respect to the Refunding Redevelopment Bonds and the Refunding Housing Bonds constituted “Proposition A Second Tier Obligations,” and were payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds described above. The Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds were defeased with cash in December 2016 and are no longer outstanding.]

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 March 1, 2018, \$107,500,000 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 three letters of credit (the “Proposition A CP Letters of Credit”) issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, MUFG Union Bank, N.A., and Citibank, N.A. LACMTA’s reimbursement obligations with respect to the Proposition A CP Letters of Credit are payable from Proposition A Sales Tax revenues on parity with the Proposition A Commercial Paper Notes and on a subordinate basis to the 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 Letters of Credit.

Proposition A CP Letters of Credit

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

¹ Supports \$114,808,000 of principal and \$10,191,176 of interest.

² Supports \$68,885,000 of principal and \$6,114,724 of interest.

³ Supports \$137,770,001 of principal and \$12,229,447 of interest.

Source: LACMTA

The Proposition A Commercial Paper Notes and the reimbursement obligations with respect to the Proposition A CP Letters 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.

Measure R

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

Measure R Senior Sales Tax Revenue Bonds. On November 16, 2010, LACMTA issued \$732,410,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A and Series 2010-B (the “Series 2010 Measure R Senior Bonds”) to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. On November 30, 2016, LACMTA issued \$522,120,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2016-A (the “Series 2016 Measure R Senior Sales Tax Revenue Bonds,” and together with the Series 2010 Measure R Senior Bonds, the “Measure R Senior Bonds”) to finance certain transportation projects and to refund certain outstanding Measure R Subordinate Revolving Obligations (defined below). As of March 1, 2018, there was \$1,145,995,000 aggregate principal amount of Measure R Senior Sales Tax Revenue Bonds outstanding. LACMTA may incur additional debt secured by and payable from the Measure R Sales Tax.

Measure R Subordinate Obligations. LACMTA is authorized to issue and have outstanding, from time to time, up to \$150,000,000 in aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Revolving Obligations (the “Measure R Subordinate Revolving Obligations”), which are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Series C Bonds (defined below), and on a senior basis to the TIFIA Loans. As of March 1, 2018, LACMTA had approximately \$65,422,743.45 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	State Street Public Lending Corporation	Bank of the West
Principal Amount	\$100,000,000 ¹	\$50,000,000 ²
Expiration Date	November 20, 2020 ³	November 20, 2020 ³

¹ As of March 1, 2018, \$15,212,743.45 aggregate principal amount of State Street Measure R Revolving Obligations were outstanding.

² As of March 1, 2018, \$50,000,000.00 aggregate principal amount of Bank of the West Measure R Revolving Obligations were outstanding.

³ Can be converted to term loan payable in twelve equal quarterly installments

Source: LACMTA

In addition to the Measure R Subordinate Revolving Obligations, LACMTA entered into a bond purchase agreement dated November 23, 2015 with RBC Capital Markets LLC (the “Series C Measure R Underwriter”) to sell, from time to time, up to \$150,000,000 aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Drawdown Bonds, Subseries C-1 (Tax-Exempt) and Subseries C-2 (Taxable) (the “Measure R Subordinate Series C Bonds,” and together with the Measure R Subordinate Revolving Obligations, the “Measure R Subordinate Obligations”) to the Series C Measure R Underwriter. The Series C Measure R Underwriter in turn sells the Measure R Subordinate Series C Bonds to RBC Municipal Products, LLC. The Measure R Subordinate Series C Bonds are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Revolving Obligations, and on a senior basis to the TIFIA Loans. As of March 1, 2018, LACMTA had \$210,000 aggregate principal amount of Measure R Subordinate Series C Bonds outstanding. The Measure R Subordinate Series C Bonds bear interest at variable rates. Except as otherwise provided in the Third Supplemental Subordinate Trust Agreement, dated as of November 1, 2015, by and between LACMTA and U.S. Bank National Association, as trustee, and the Bondholder’s Agreement, dated as of November 1, 2015, by and between LACMTA and RBC Municipal Products,

LLC, the principal of all Measure R Subordinate Series C Bonds outstanding are due and payable on November 20, 2020.

Measure R Junior Subordinate Obligations (TIFIA Loans). LACMTA has entered into agreements for four TIFIA loans in the aggregate principal amount of \$1,869,000,000, which will be repaid from Measure R Sales Tax revenues. As of March 1, 2018, LACMTA had drawn \$1,211,303,044 in proceeds across the four TIFIA loans. All four TIFIA loans are payable from Measure R Sales Tax revenues on a subordinate basis to the Measure R Senior Bonds and the Measure R Subordinate Obligations. See “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” above for additional information on the TIFIA loans.

Measure M

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

INVESTMENT POLICY

General

Certain features of LACMTA’s Investment Policy are summarized in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

Investment Balances

As of December 31, 2017 (based on unaudited financial information), LACMTA had approximately \$1.047 billion in market value deposited in non-discretionary bond proceeds and debt service trust accounts, primarily invested in U.S. Treasury securities, Federal Agencies, money market funds, forward purchase agreements and the County of Los Angeles Pooled Surplus Investments maintained by the County of Los Angeles Treasurer and Tax Collector. LACMTA had approximately \$2.252 billion in additional non-discretionary trust accounts, primarily for pension and OPEB.

Additionally, as of December 31, 2017, LACMTA had approximately \$1.346 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 December 31, 2018
Local Agency Investment Fund	9.7%
Bank Deposits	<u>4.3</u>
Subtotal	14.0%
Managed Investments	
U.S. Treasuries	17.5
Federal Agencies	26.3
Corporate Notes	15.6
Commercial Paper	8.9
Municipal securities	4.2
Money Market Funds	8.5
Asset Backed Securities	3.0
Certificates of Deposit	0.2
Medium Term Notes	<u>1.8</u>
Subtotal Managed Investments	86.0%
 Total Cash and Investments *	 100.0%

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

As of December 31, 2017, the liquid reserve of the discretionary accounts, which totaled approximately \$431.03 million in market value, was managed internally by LACMTA and had an average maturity of 22 days. LACMTA’s Investment Policy prohibits investing in reverse repurchase agreements.

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

Additional information regarding LACMTA’s investments are included in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

LITIGATION AND OTHER REGULATORY ACTIONS

Sales Tax Litigation

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

Other Litigation

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

APPENDIX B

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C

LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The Proposition C Sales Tax derives from a retail transaction and use tax applicable to all taxable sales throughout Los Angeles County. As such, sales tax revenues reflect a number of economic factors that influence taxable transactions, including population, employment and income. Some of those factors are described below.

The economic and demographic information provided below has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of Los Angeles County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

Los Angeles County

As of January 1, 2016, the County had an estimated population of over 10 million. Los Angeles County is the largest County in the country by population, and includes over a quarter of the State of California's population. The County covers 4,084 square miles, and includes 88 incorporated cities as well as unincorporated communities with over one million residents.

Population

The table below summarizes the populations of the County and State of California (the "State"), estimated as of January 1 of each year. The population estimates for 2010 and later incorporate 2010 Census counts as the benchmark.

**Table C-1
COUNTY AND STATE POPULATION STATISTICS**

	<u>County of Los Angeles</u>	<u>Annual Growth Rate¹</u>	<u>State of California</u>	<u>Annual Growth Rate¹</u>
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	9,847,887	0.30	37,536,835	0.76
2012	9,956,722	1.11	37,881,357	0.92
2013	10,023,753	0.67	38,239,207	0.94
2014	10,093,053	0.69	38,567,459	0.86
2015	10,155,069	0.61	38,907,642	0.88
2016	10,241,335	0.85	39,255,883	0.90

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, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records.

The California Employment Development Department has reported preliminary unemployment figures for November 2016 of 5.0% statewide and 4.8% for Los Angeles County (not seasonally adjusted).

Table C-2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE¹

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force					
County of Los Angeles					
Employed	4,326,100	4,378,800	4,495,700	4,610,800	4,674,800
Unemployed	603,400	535,800	486,600	415,100	336,900
Total	<u>4,929,500</u>	<u>4,914,600</u>	<u>4,982,300</u>	<u>5,025,900</u>	<u>5,011,700</u>
Unemployment Rates					
County	12.2%	10.9%	9.8%	8.3%	6.7%
State	11.7	10.5	8.5	7.5	6.2
United States	8.9	8.1	7.4	6.2	5.3

¹ March 2015 Benchmark report; not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S. Items may not add to totals due to rounding.

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The table below summarizes the California Employment Development Department’s estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table C-3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE¹

	County		State of California	
	2015	% of Total	2015	% of Total
Total Farm	5,000	0.1%	423,300	2.6%
Mining and Logging	3,900	0.1	29,100	0.2
Construction	126,100	2.9	727,400	4.4
Manufacturing	360,800	8.4	1,291,900	7.8
Trade, Transportation and Utilities	817,800	19.1	2,938,300	17.8
Information	202,700	4.7	483,000	2.9
Financial Activities	214,200	5.0	797,400	4.8
Professional and Business Services	600,300	14.0	2,493,800	15.1
Educational and Health Services	742,200	17.3	2,456,200	14.9
Leisure and Hospitality	488,100	11.4	1,830,000	11.1
Other Services	151,700	3.5	545,700	3.3
Government	<u>566,400</u>	<u>13.2</u>	<u>2,458,800</u>	<u>14.9</u>
Total ²	4,279,200	100.0%	16,474,800	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 2015 Benchmark report released April 15, 2016.

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.

[Remainder of page intentionally left blank.]

The following table sets forth the estimate of personal income for the County, State and United States from 2011 to 2015.

**Table C-4
COUNTY, STATE AND U.S.
PERSONAL INCOME**

Year and Area	Personal Income¹ (thousands of dollars)	Per Capita Personal Income¹ (dollars)
2011		
County ²	\$ 454,935,533	\$45,969
State ³	1,727,433,579	45,820
United States ³	13,233,436,000	42,453
2012		
County ²	\$ 486,733,508	\$48,818
State ³	1,838,567,162	48,312
United States ³	13,904,485,000	44,267
2013		
County ²	\$ 483,578,594	\$48,140
State ³	1,861,956,514	48,471
United States ³	14,068,960,000	44,462
2014		
County ²	\$ 512,846,779	\$50,730
State ³	1,977,923,740	50,988
United States ³	14,801,624,000	46,414
2015		
County	\$ 544,324,900	\$53,521
State ³	\$ 2,103,669,473	\$53,741
United States ³	15,463,981,000	48,112

¹ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population.

² Last updated: November 17, 2016—new estimates for 2015; revised estimates for 2011 - 2014 for the County. Estimates for 2011-2015 reflect county population estimates available as of March 2016. Source: U.S. Bureau of Economic Analysis, “Table CA1 - Personal Income Summary,” (accessed December 12, 2016).

³ Last updated: September 28, 2016—revised estimates for 2011-2015 for the State and United States. Estimates for 2011-2014 reflect Census Bureau midyear state population estimates available as of December 2015. Source: U.S. Bureau of Economic Analysis, “Table SA1 - Personal Income Summary,” (accessed December 12, 2016).

Retail Sales

The following table sets forth taxable sales for the County for calendar years 2010 through 2014, with 2014 being the last full year for which data are currently available.

Table C-5
COUNTY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Motor Vehicle and Parts Dealers	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657	\$ 16,564,553
Furniture and Home Furnishings Stores	2,158,334	2,321,830	2,441,922	2,568,630	2,734,737
Electronics and Appliance Stores	3,454,412	3,416,744	3,570,668	3,576,308	4,040,534
Bldg, Materials & Garden Equipment & Supplies	6,129,586	6,306,814	6,510,966	6,558,312	6,971,149
Food and Beverage Stores	5,405,254	5,591,250	5,824,815	6,051,754	6,279,795
Health and Personal Care Stores	2,773,004	2,998,946	3,163,312	3,306,274	3,414,941
Gasoline Stations	11,012,642	13,394,467	14,037,507	13,817,056	13,265,979
Clothing and Clothing Accessories Stores	7,607,711	8,356,612	9,166,549	9,926,558	10,560,952
Sporting Goods, Hobby, Book, and Music Stores	2,448,246	2,478,020	2,454,806	2,487,061	2,460,392
General Merchandise Stores	10,369,383	10,866,531	11,157,997	11,463,750	11,557,051
Miscellaneous Store Retailers	4,449,560	4,649,598	4,798,211	4,953,245	5,204,656
Nonstore Retailers	790,565	897,596	1,200,322	1,906,573	2,170,084
Food Services and Drinking Places	14,291,264	15,286,655	16,512,136	17,481,996	18,964,996
Total Retail and Food Services	<u>82,175,416</u>	<u>89,251,447</u>	<u>95,318,603</u>	<u>99,641,174</u>	<u>104,189,819</u>
All other outlets ¹	34,766,918	37,189,291	39,976,979	40,438,534	43,257,109
TOTAL ALL OUTLETS²	<u>\$116,942,334</u>	<u>\$126,440,737</u>	<u>\$135,295,582</u>	<u>\$140,079,708</u>	<u>\$147,446,927</u>

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.

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APPENDIX D

SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the principal documents relating to the Series 2018-A Bonds and is supplemental to the summary of 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 summarized documents. Copies of such documents are available from the Authority.

DEFINITIONS

[To come from BC]

APPENDIX E

PROPOSED AMENDMENTS TO TRUST AGREEMENT

*Pursuant to the Twenty-Sixth Supplemental Agreement, certain amendments will be made to the Trust Agreement (the “Proposed Amendments”) once specified conditions are satisfied. By the purchase and acceptance of the Series 2018-A Bonds, the Bondholders and Beneficial Owners of the Series 2018-A Bonds will be deemed to have consented to the Proposed Amendments. The Proposed Amendments will not become effective until the Amendment Effective Date. For further discussion, see “INTRODUCTION—Proposed Amendments to Trust Agreement” in this Official Statement. **By the purchase and acceptance of the Series 2018-A Bonds, the Bondholders and Beneficial Owners of the Series 2018-A Bonds will be deemed to have consented to the Proposed Amendments.***

The Proposed Amendments are set forth in this Appendix E. Additions to the Trust Agreement are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

Article I – Definitions; Interpretation.

(a) The definition of "Amendment Effective Date" shall be added to Article I of the Agreement and shall read as follows:

“Amendment Effective Date” shall mean the date the amendments to this Agreement set forth in Article IX of the Twenty-Sixth Supplemental Trust Agreement, dated as of June 1, 2016, by and between the Authority and the Trustee, become effective.

(b) The definition of “Debt Service Reserve Fund” shall be added to Article I of the Agreement and shall read as follows:

“Debt Service Reserve Fund” shall mean a special fund created by the Authority pursuant to a Supplemental Agreement in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of this Agreement and as specified in any Supplemental Agreement. The Reserve Fund shall be a Debt Service Reserve Fund.

(c) The definition of “Debt Service Reserve Fund Requirement” shall be added to Article I of the Agreement and shall read as follows:

“Debt Service Reserve Fund Requirement” shall have the meaning set forth in a Supplemental Agreement pursuant to which a Debt Service Reserve Fund (other than the Reserve Fund) is created.

(d) The last paragraph of the definition of “Permitted Investments” contained in Article I of the Agreement shall be amended and restated in full to read as follows:

Notwithstanding anything herein to the contrary with respect to provisions in this definition which describe the long-term debt rating assigned to a Permitted Investment or to the unsecured obligations of the provider of a Permitted Investment, as the case may be, in no event shall such long-term debt rating be less than the long-term debt rating

assigned to the Senior Bonds with respect to the investment of amounts held in the Senior Debt Service Fund ~~or~~, **or less than the long-term debt rating assigned to the Reserve Fund Participating Bonds with respect to amounts held in the Reserve Fund.**

(e) The definition of “Reserve Fund Insurance Policy” contained in Article I of the Agreement shall be amended and restated in full to read as follows:

“Reserve Fund Insurance Policy” shall mean an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund **or such other Debt Service Reserve Fund** in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy **for deposit (a) in the Reserve Fund** shall be rated in one of the two highest Rating Categories by Moody’s and S&P **both Moody’s and S&P and (b) in another Debt Service Reserve Fund shall satisfy the ratings requirements set forth in the Supplemental Agreement pursuant to which such Debt Service Reserve Fund was created.**

(f) The definition of “Reserve Fund Participating Bonds” shall be added to Article I of the Agreement and shall read as follows:

“Reserve Fund Participating Bonds” shall mean the Outstanding Bonds originally issued prior to June 15, 2016, any Outstanding Bonds originally issued between June 15, 2016 and the Amendment Effective Date (unless otherwise released from participating in the Reserve Fund as provided below), and all other Outstanding Bonds the Authority has elected to have participate in the Reserve Fund.

On and after the Amendment Effective Date, the Authority may elect that one or more series of the Outstanding Bonds originally issued between June 15, 2016 and the Amendment Effective Date shall no longer constitute Reserve Fund Participating Bonds and shall no longer be secured by the Reserve Fund. The Outstanding Bonds originally issued prior to June 15, 2016 shall always constitute Reserve Fund Participating Bonds and under no circumstances shall the Outstanding Bonds originally issued prior to June 15, 2016 be released from participating in the Reserve Fund. At such time as the Authority elects that any Outstanding Bonds issued between June 15, 2016 and the Amendment Effective Date shall no longer constitute Reserve Fund Participating Bonds, such Bonds shall no longer be secured by or have a lien on the Reserve Fund. Prior to releasing any Outstanding Bonds from participating in the Reserve Fund, the Authority shall provide:

(a) Written notice to the Trustee, the Bondholders of the applicable Outstanding Bonds being released from the Reserve Fund, the Bondholders of the Bonds that will remain as Reserve Fund Participating Bonds after the release date, and the Rating Agencies then rating the Reserve Fund Participating Bonds that it has elected to release the applicable Outstanding Bonds from participating in the Reserve Fund and that such Outstanding Bonds will no longer constitute Reserve Fund Participating Bonds or be secured by or have a lien on the Reserve Fund.

(b) Directions to the Trustee to (i) calculate the Reserve Fund Requirement on the applicable release date, and (ii) if the amounts on deposit in the Reserve Fund are greater than the Reserve Fund Requirement on the applicable

release date, transfer such excess to the Senior Debt Service Fund or such other fund or account as directed by the Authority; and

(c) An opinion of Bond Counsel to the Trustee to the effect that the release of the applicable Outstanding Bonds from the Reserve Fund and from the pledge and lien on the Reserve Fund will not, in and of itself, cause the interest on any of the Outstanding Bonds to be included in the gross income of the Bondholders of such Outstanding Bonds for purposes of federal income taxes.

(g) The definition of “Reserve Fund Requirement” contained in Article I of the Agreement shall be amended and restated in full to read as follows:

“Reserve Fund Requirement” shall mean, with respect to an Account within the Reserve Fund related to any Series of ~~Senior~~Reserve Fund Participating Bonds Outstanding, as of any date of calculation, the least of (i) 10% of the proceeds of such Series of ~~Senior~~Reserve Fund Participating Bonds; (ii) Maximum Annual Debt Service on such ~~Senior~~Reserve Fund Participating Bonds; or (iii) 125% of average Annual Debt Service on such ~~Senior~~Reserve Fund Participating Bonds. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement for all ~~Senior~~Reserve Fund Participating Bonds Outstanding, any Reserve Fund Insurance Policy deposited ~~within~~ the ~~Trustee~~Reserve Fund shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.

Section 2.09

Clause (ii) of Section 2.09(b) of the Agreement shall be amended and restated in full to read as follows:

(ii) an original executed counterpart or a copy, certified as correct and complete by an Authorized Authority Representative, of the Supplemental Agreement providing for the issuance of such Series of Bonds and setting forth the terms of such Bonds and, among other matters, the amount, if any, to be deposited to the credit of the Reserve Fund or another Debt Service Reserve Fund to increase the amount therein to an amount equal to the Reserve Fund Requirement, or the Debt Service Reserve Fund Requirement, as applicable (or a statement that such Bonds will not be secured by the Reserve Fund or any other Debt Service Reserve Fund) and the amount, if any, of Bond proceeds to be deposited to the credit of the Senior Bond Interest Account as Capitalized Interest;

Section 4.01

The first sentence of Section 4.01 of the Agreement shall be amended and restated in full to read as follows:

The Bonds and Parity Debt authorized and issued under the provisions of this Agreement shall be secured by a prior lien on and pledge of Pledged Revenues and all amounts

(including proceeds of Bonds and Parity Debt) held by the Trustee hereunder or under any Supplemental Agreement, including earnings thereon, and all proceeds of Bonds and Parity Debt, including earnings thereon, held by the Authority in any Fund, Account or Subaccount (except for amounts held in the Rebate Fund and the Redemption Fund ~~and, with respect to Senior Parity Debt;~~ **except for amounts held in the Reserve Fund, which amounts are pledged on a first lien basis only to the payment of the Reserve Fund Participating Bonds; and** except for amounts held in ~~the~~ **any other Debt Service Reserve Fund, which Reserve Fund amounts are pledged on a first lien basis only to the payment of the Senior Bonds identified in a Supplemental Agreement as being secured thereby**), and such Bonds and Parity Debt shall be of equal rank without preference, priority or distinction of any Bond or Parity Debt over any other Bonds or Parity Debt within such lien priority.

Section 4.05

Clause (v) of Section 4.05 of the Agreement shall be amended and restated in full to read as follows:

(v) to the credit of the Reserve Fund **and any other Debt Service Reserve Funds** such portion of the balance, if any, remaining after making the deposits described in clauses (i) through (iv) above to increase the amount on deposit in the Reserve Fund **and such other Debt Service Reserve Funds** to an amount equal to the Reserve Fund Requirement for all ~~Senior~~ **Reserve Fund Participating Bonds Outstanding and the applicable Debt Service Reserve Fund Requirements, respectively** (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance shall be deposited into the Reserve Fund **and the Debt Service Reserve Funds on a pro-rata basis with respect to the Outstanding principal amounts of the applicable Bonds secured by the Reserve Fund and the other Debt Service Reserve Funds**, and such amounts shall be used to reimburse draws on ~~any~~ **the applicable** Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

Section 4.06

Section 4.06(b) of the Agreement shall be amended and restated in full to read as follows:

(b) If amounts in the Senior Debt Service Fund are insufficient to pay such interest, principal or premium with respect to any Senior Bonds as the same shall fall due, or on any earlier day as provided in any Reserve Fund Insurance Policy, the Trustee shall immediately transfer amounts available in the Reserve Fund to the Senior Debt Service Fund to pay such deficiency **on the Reserve Fund Participating Bonds and immediately transfer amounts available in any other Debt Service Reserve Fund to the Senior Debt Service Fund to pay such deficiency on the Senior Bonds secured thereby**, and shall immediately notify the Authority of such transfer. If amounts in the **Reserve Fund or other Debt Service** Reserve Fund consist of both cash and one or more Reserve Fund Insurance Policies, the Trustee shall first transfer all of such cash prior to making a draw on any Reserve Fund Insurance Policy, and thereafter shall make

pro-rata draws upon each of such ~~the~~ Reserve Fund Insurance Policies on deposit in the Reserve Fund or other applicable Debt Service Reserve Fund.

Section 4.06(c) of the Agreement shall be amended and restated in full to read as follows:

(c) Moneys held in the Reserve Fund shall be used for the purpose of paying principal and/or interest on the ~~Senior~~ Reserve Fund Participating Bonds if the amounts in either of the Accounts mentioned in clauses (iii) and (iv) of Section 4.05(a) shall on any date be insufficient to pay in full the interest and principal due on such date. Investments in the Reserve Fund may not have maturities extending beyond five years. On or about July 1 of each year, commencing July 1, 1993, the Trustee shall value the Reserve Fund at the then-current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund shall exceed the Reserve Fund Requirement for all ~~Senior~~ Reserve Fund Participating Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any ~~Senior~~ Reserve Fund Participating Bonds shall be paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, the Trustee shall value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such ~~Senior~~ Reserve Fund Participating Bonds are paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, exceeds the Reserve Fund Requirement for all ~~Senior~~ Reserve Fund Participating Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. If, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for all ~~Senior~~ Reserve Fund Participating Bonds Outstanding, deposits shall be made into the Reserve Fund from and to the extent of Pledged Revenues as provided in Section 4.05(a)(v) (after deposits provided in clauses (i) through (iv) of Section 4.05(a) have been made) until the Reserve Fund Requirement for all ~~Senior~~ Reserve Fund Participating Bonds Outstanding is met.

Section 4.11

Section 4.11 of the Agreement shall be amended and restated in full to read as follows:

Section 4.11. Creation of Debt Service Reserve Fund: Additional Funds and Accounts. Notwithstanding anything in this Agreement to the contrary, instead of making or causing a deposit to be made to the Reserve Fund, the Authority may, at the time of issuance of any Series of Bonds, provide by Supplemental Agreement for the creation of a Debt Service Reserve Fund as additional security for such Series of Bonds, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Debt Service Reserve Fund, or provide that such Series of Bonds participate in a Debt Service Reserve Fund previously created for an Outstanding Series of Bonds. Any Debt Service Reserve Fund established under a Supplemental Agreement shall be funded, at the time of issuance of such Series of Bonds or over such other period of time as set forth in a Supplemental Agreement, in an amount equal to the Debt Service Reserve Fund Requirement with respect to such Debt Service Reserve Fund. The Authority shall, by such Supplemental Agreement, provide for the manner of funding and replenishing of such Debt Service Reserve Fund and shall establish such other terms with respect to such Debt Service Reserve

Fund as the Authority may deem to be appropriate, including providing a Reserve Fund Insurance Policy in lieu thereof.

Notwithstanding anything in this Agreement to the contrary, at the time of issuance of any Series of Bonds, the Authority may provide pursuant to a Supplemental Agreement that neither a deposit to the Reserve Fund nor to a Debt Service Reserve Fund shall be required and that such Series of Bonds shall not be secured by the Reserve Fund or a Debt Service Reserve Fund.

In addition, the Authority may, by Supplemental Agreement, create additional Funds, Accounts and Subaccounts under this Agreement and for such purposes as the Authority deems appropriate, including separate Funds available only for specified Bonds ~~of~~ Series of Bonds; however, the Pledged Revenues shall, in all events, first be used to make the deposits set forth in ~~clauses~~ (i), (ii), (iii), (iv) and (v) of Section 4.05(a) before any amounts of Pledged Revenues are used to fund any other Funds, Accounts or Subaccounts.

Section 6.01

Section 6.01 of the Agreement shall be amended and restated in full to read as follows:

(a) Moneys held by the Trustee in Funds, Accounts and Subaccounts shall be invested and reinvested as directed by the Authority solely in Permitted Investments, subject to the restrictions set forth in this Article VI and in any Supplemental Agreement and subject to the investment restrictions imposed upon the Authority by the laws of the State. The Authority shall direct such investments by written certificate of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative. If the Authority fails to direct the investment of such moneys as required by this Article, the Trustee shall invest moneys in investments described in clause (xiv) of the definition of Permitted Investments. The Trustee shall be under no obligation to determine or inquire into the legality of any investment made at the direction of the Authority. The maturities of investments in the Senior Bond Interest Account and the Senior Bond Principal Account shall not extend beyond the time when funds will be needed therefrom to make payment on the Senior Bonds. Investments in the Reserve Fund **and any other Debt Service Reserve Fund** shall be sold or otherwise converted to cash by the Trustee as needed to make payment of principal and interest on the ~~Senior Bonds~~ **secured thereby**, and the Trustee shall have no liability for the selection and liquidation of such investments or for any losses which may be incurred as a result thereof. Investments in the Construction Fund (if held by the Trustee) shall be sold or otherwise converted to cash by the Trustee at the direction of the Authority. The Authority shall direct such sales or conversions of investments in the Construction Fund by written certificates of an Authorized Authority Representative or by telephone instructions followed by prompt written confirmation by an Authorized Authority Representative.

(b) Investments of moneys in any Fund, Account or Subaccount shall be deemed at all times to be a part of such Fund, Account or Subaccount, and the interest accruing thereon and any profit realized from such investment shall be credited to such Fund, Account or Subaccount, and any loss resulting from such investment shall be

charged to such Fund, Account or Subaccount; provided, however, that any interest accruing on the investment of moneys in the Reserve Fund and any profit realized from the investments in the Reserve Fund shall, if and to the extent such earnings or profits would cause the amount in the Reserve Fund to exceed the Reserve Fund Requirement for all ~~Senior Bonds Outstanding~~ **Reserve Fund Participating Bonds Outstanding, be paid to the Authority for use for any lawful purpose; and provided, further, that any interest accruing on the investment of moneys in any other Debt Service Reserve Fund shall, if and to the extent such earnings or profits would cause the amount in such Debt Service Reserve Fund to exceed the applicable Debt Service Reserve Fund Requirement,** be paid to the Authority for use for any lawful purpose.

APPENDIX F

FORM OF BOND COUNSEL APPROVING OPINION

[to be updated by Bond Counsel]

[Closing Date]

Los Angeles County Metropolitan
Transportation Authority
Los Angeles, California

Re: \$[_____] Los Angeles County Metropolitan Transportation Authority Proposition C
 Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A

Ladies and Gentlemen:

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Los Angeles County Metropolitan Transportation Authority (the “Authority”) in connection with the issuance of its \$_____ Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “Series 2018-A 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 Amended and Restated Trust Agreement, dated as of January 1, 2010, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and the Twenty-Eighth Supplemental Trust Agreement, dated as of April 1, 2018, 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 2018-A Bonds and any beneficial owner of Series 2018-A 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 March __, 2018, prepared and distributed in connection with the initial sale of the Series 2018-A 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 2018-A 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 ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and

accompanied by identifying information all as prescribed by the MSRB, the Annual Information relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Information and later than the date required above for the filing of the Annual Information if they are not available by that date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Authority does not provide the Annual Information to the MSRB by the time specified above, the Authority shall instead file a notice to the MSRB through the EMMA System stating that the Annual Information has not been timely completed and, if known, stating the date by which the Authority expects to file the Annual Information.

Section 4. Content of Annual Information. The Annual Information shall contain or incorporate by reference the following:

(a) The audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as in effect from time to time and as applied to governmental units. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed pursuant to Section 3(a) hereof, the Annual Information shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information when they become available.

(b) Updated historical information of the type set forth in "TABLE 3—Historic Net Proposition C Sales Tax Receipts, Local Allocations, Pledged Revenues and Debt Service Coverage" of the Official Statement; and

(c) Updated information of the type set forth in "TABLE 6—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule Senior Bonds" of the Official Statement, but only the information in the columns under the heading "Series 2018-A Bonds Debt Service" and the information under the column entitled "Combined Total Debt Service Senior Bonds" and only to the extent the information in these columns has changed.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018-A 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 2018-A 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 2018-A Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the Authority.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018-A 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 2018-A Bonds or other material events affecting the tax status of the Series 2018-A Bonds;
2. Modifications to rights of the Owners of the Series 2018-A Bonds;
3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Series 2018-A Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2018-A 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 2018-A 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 2018-A 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 2018-A 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 2018-A 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 2018-A 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 2018-A 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 __th day of ____, 2017.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: _____
Donna R. Mills
Treasurer

APPENDIX H

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 2018-A 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 2018-A 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 2018-A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2018-A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2018-A 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 2018-A Bonds. The Series 2018-A 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 Series 2018-A Bond certificate will be issued for each maturity of the Series 2018-A 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 2018-A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018-A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018-A 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 2018-A 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 2018-A Bonds, except in the event that use of the book-entry system for the Series 2018-A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018-A 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 2018-A 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 2018-A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018-A 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.

While the Series 2018-A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2018-A 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 2018-A 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 2018-A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2018-A 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 2018-A 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 2018-A 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 2018-A Bond certificates will be printed and delivered to DTC.

The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but LACMTA takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2018-A 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 2018-A Bonds will be payable as described in the front part of this Official Statement under the caption "DESCRIPTION OF THE SERIES 2018-A BONDS—General."

TWENTY-EIGHTH SUPPLEMENTAL TRUST AGREEMENT

by and between

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

relating to:

\$ _____
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2018-A

Dated as of April 1, 2018

(Supplemental to the Amended and Restated Trust Agreement dated as of January 1, 2010)

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TWENTY-EIGHTH SUPPLEMENTAL TRUST AGREEMENT

\$ _____

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2018-A

This **TWENTY-EIGHTH SUPPLEMENTAL TRUST AGREEMENT** (this “*Twenty-Eighth Supplemental Agreement*”), dated as of April 1, 2018, is made by and between the **LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY** (the “*Authority*”), the successor agency to the Southern California Rapid Transit District (the “*District*”) and the Los Angeles County Transportation Commission (the “*Commission*”), duly organized and existing pursuant to Chapter 2, Division 12 of the California Public Utilities Code (commencing with Section 130050.2 thereof) (the “*Act*”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as trustee (the “*Trustee*”), and supplements that certain Amended and Restated Trust Agreement, dated as of January 1, 2010 (the “*Agreement*”), by and between the Authority and the Trustee;

WITNESSETH:

WHEREAS, Section 130051.13 of the Act provides that the Authority shall succeed to any or all of the powers, duties, obligations, liabilities, indebtedness, bonded and otherwise, immunities and exemptions of the District and the Commission;

WHEREAS, Section 2.09 of the Agreement provides for the issuance of Bonds, and Section 9.02 of the Agreement provides for the execution and delivery of a Supplemental Agreement setting forth the terms of the Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “*Series 2018-A Bonds*”);

WHEREAS, for the purpose of (a) refunding the Refunded Bonds (as hereinafter defined), (b) funding the Series 2018-A Account of the Reserve Fund and (c) paying the Costs of Issuance (as hereinafter defined), by execution and delivery of this Twenty-Eighth Supplemental Agreement and in compliance with the provisions of the Agreement, the Authority hereby sets forth the terms of its Series 2018-A Bonds, provides for the deposit and use of the proceeds of the Series 2018-A Bonds and makes other provisions relating to the Series 2018-A Bonds;

WHEREAS, Section 9.03 of the Agreement permits the Authority, from time to time, to execute and deliver supplemental agreements modifying, altering, amending, supplementing or rescinding, any of the terms or provisions contained in the Agreement with the consent of the holders of not less than 60% in aggregate principal amount of the Bonds then Outstanding;

WHEREAS, the Authority wishes to amend the Agreement pursuant to Section 9.03 thereof, to provide the Authority the ability to issue Bonds that may or may not be supported by a debt service reserve fund (including the Reserve Fund, as defined in the Agreement); and

NOW, THEREFORE, the Authority and the Trustee, each in consideration of the representations, warranties, covenants and agreements of the other as set forth herein, mutually represent, warrant, covenant and agree as follows:

ARTICLE I

DEFINITIONS; AMENDMENTS

Section 1.01. **Definitions.** The following definitions shall apply to the terms used in this Twenty-Eighth Supplemental Agreement unless the context clearly requires otherwise.

“*Act of 1998*” means the Metropolitan Transportation Authority (MTA) Reform and Accountability Act of 1998, as approved by the voters of the County of Los Angeles on November 3, 1998.

“*Agreement*” means the Amended and Restated Trust Agreement, dated as of January 1, 2010, by and between the Authority and the Trustee, under which the Series 2018-A Bonds are authorized and secured.

“*Authorized Denomination*” means, with respect to the Series 2018-A Bonds, \$5,000 or any integral multiple thereof.

“*Beneficial Owner*” means, whenever used with respect to a Series 2018-A Bond, the person in whose name such Series 2018-A Bond is recorded as the beneficial owner of such Series 2018-A Bond by a Participant on the records of such Participant or such person’s subrogee.

“*Bond Register*” means the book or books of registration kept by the Trustee in which are maintained the names and addresses and principal amounts registered to each registered Owner.

“*Book-Entry Bonds*” means the Series 2018-A Bonds held by DTC (or its nominee) as the registered Owner thereof pursuant to the terms and provisions of Section 3.02 hereof.

“*Business Day*” means any day other than (a) a Saturday or Sunday; or (b) a day on which commercial banks in New York, New York or Los Angeles, California are authorized or required by law to close.

“*Continuing Disclosure Certificate*” means the Continuing Disclosure Certificate, dated _____, 2018, entered into by the Authority in order to assist the underwriters of the Series 2018-A Bonds in complying with Securities and Exchange Commission Rule 15c2-12.

“*Corporate Trust Office*” means the corporate trust office of the Trustee in Los Angeles, California; provided, however, for transfer, registration, exchange, payment and surrender of the Series 2018-A Bonds, it shall mean the corporate trust office of the Trustee in St. Paul, Minnesota. The Trustee may hereafter designate alternate Corporate Trust Offices and any successor Trustee shall designate its Corporate Trust Office by written notice delivered to the Authority.

“*Costs of Issuance*” means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2018-A Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2018-A Bonds, and the fees, costs and expenses of rating agencies, the Trustee, bond counsel, disclosure counsel, verification agents, accountants, financial advisors and other consultants.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*EMMA System*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission.

“*Escrow Agent*” means U.S. Bank National Association, as escrow agent under the Escrow Agreement, and its successors.

“*Escrow Agreement*” means the Escrow Agreement, dated _____, 2018, by and among the Authority, the Trustee and the Escrow Agent.

“*Escrow Fund*” means the fund held by the Escrow Agent under the terms of the Escrow Agreement, which fund is established and held for the purpose of providing for the payment of the Refunded Bonds.

“*Holder*” or “*Bondholder*” or “*Owner*” means the registered owner of any Series 2018-A Bond, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“*Interest Payment Date*” means each January 1 and July 1, commencing _____ 1, 201____, the dates upon which interest on the Series 2018-A Bonds becomes due and payable.

“*Opinion of Bond Counsel*” means a written opinion of a law firm of recognized national standing in the field of public finance selected by the Authority.

“*Participant*” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“*Prior Bonds*” means the Series 2008-A Bonds.

“*Rebate Requirement*” shall have the meaning as set forth in the Tax Certificate.

“*Record Date*” means for a January 1 Interest Payment Date the immediately preceding December 15 and for a July 1 Interest Payment Date the immediately preceding June 15. Such dates shall be Record Dates notwithstanding if such dates are not a Business Day.

“*Refunded Bonds*” means the Series 2008-A Bonds set forth in Exhibit B hereto.

“*Registrar*” means, for purposes of this Twenty-Eighth Supplemental Agreement, the Trustee.

“*Representation Letter*” means the Blanket Issuer Letter of Representations from the Authority to DTC as supplemented and amended from time to time.

“*Securities Depositories*” means The Depository Trust Company, 55 Water Street, New York, New York 10041, Telephone: (212) 855-1000, Facsimile: (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a certificate of the Authority delivered to the Trustee.

“*Series 2008-A Bonds*” means the \$128,745,000 original principal amount of Senior Bonds issued under the Agreement and the Fourteenth Supplemental Agreement and designated as “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A.”

“*Series 2018-A Account of the Reserve Fund*” means the account of that name established under and pursuant to Section 6.04 hereof.

“*Series 2018-A Bonds*” means the \$_____ original principal amount of Senior Bonds issued under the Agreement and this Twenty-Eighth Supplemental Agreement and designated as “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A” and described in Article II hereof.

“*Series 2018-A Subaccount of the Senior Bond Interest Account*” means the subaccount of that name established within the Senior Bond Interest Account of the Senior Debt Service Fund pursuant to Section 6.02 hereof.

“*Series 2018-A Subaccount of the Senior Bond Principal Account*” means the subaccount of that name established within the Senior Bond Principal Account of the Senior Debt Service Fund pursuant to Section 6.03 hereof.

“*Series 2018-A Costs of Issuance Fund*” means the fund of that name established under and pursuant to Section 6.01 hereof.

“*Series 2018-A Rebate Fund*” means the fund of that name established under and pursuant to Section 7.01 hereof.

“*Tax Certificate*” means the Tax Certificate executed and delivered by the Authority at the time of issuance and delivery of the Series 2018-A Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Trustee*” means U.S. Bank National Association, and its successors.

Section 1.02. Incorporation of Definitions Contained in the Agreement. Capitalized terms not otherwise defined in Section 1.01 hereof or elsewhere in this Twenty-Eighth Supplemental Agreement shall have the same meanings as set forth in the Agreement.

Section 1.03. **Article and Section References.** Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Twenty-Eighth Supplemental Agreement.

ARTICLE II

THE SERIES 2018-A BONDS

Section 2.01. **Designation of Series 2018-A Bonds; Principal Amount; Purpose of Issue.** The Series 2018-A Bonds authorized to be issued under the Agreement and this Twenty-Eighth Supplemental Agreement shall be designated as “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A” and shall be issued in the original principal amount of \$_____.

The Series 2018-A Bonds are being issued for the purposes of (a) refunding the Refunded Bonds, (b) funding the Series 2018-A Account of the Reserve Fund and (c) paying the Costs of Issuance.

Section 2.02. **Series 2018-A Bonds Under the Agreement; Security; Lien Priority.** The Series 2018-A Bonds are issued under and subject to the terms of the Agreement and are secured by and payable solely from Pledged Revenues as Senior Bonds on a parity with the Prior Bonds and the Parity Debt in accordance with the terms of the Agreement.

Section 2.03. **Terms of the Series 2018-A Bonds.** The Series 2018-A Bonds shall, upon initial issuance, be dated the date of delivery thereof. Each Series 2018-A Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, unless such Interest Payment Date is a date of authentication, in which event such Series 2018-A Bond shall bear interest from the date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2018-A Bond shall bear interest from such succeeding Interest Payment Date, or unless no interest thereon has been paid or duly provided for such Series 2018-A Bond, in which event such Series 2018-A Bond shall bear interest from the dated date thereof. If interest on the Series 2018-A Bonds shall be in default, Series 2018-A Bonds issued in exchange for Series 2018-A Bonds surrendered for transfer or exchange shall bear interest from the last Interest Payment Date on which interest has been paid in full on such Series 2018-A Bonds surrendered. The Series 2018-A Bonds shall be issued in registered form in Authorized Denominations.

Interest on the Series 2018-A Bonds shall be paid on _____ 1, 201__ and semiannually thereafter on each January 1 and July 1. Interest on the Series 2018-A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2018-A Bonds shall mature in the years and in the amounts and bear interest at the annual rates set forth in the following schedule:

Maturity Date (July 1)	Principal Amount	Interest Rate
-----------------------------------	-------------------------	--------------------------

Payment of the principal of the Series 2018-A Bonds shall be made upon surrender of the Series 2018-A Bonds to the Trustee or its agent at its Corporate Trust Office; provided that with respect to Series 2018-A Bonds which are Book-Entry Bonds, the Trustee may make other arrangements for payment of principal as provided in the Representation Letter. Payment of interest on Series 2018-A Bonds which are not Book-Entry Bonds shall be paid by check of the Trustee mailed by first-class mail to the person who is the registered Owner thereof on the Record Date, and such payment shall be mailed to such Owner at his address as it appears on the registration books of the Registrar, provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series 2018-A Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least fifteen (15) days prior to the applicable Interest Payment Date. The payment of interest on Book-Entry Bonds shall be made as provided in Section 3.02 hereof with respect to all Series 2018-A Bonds and interest due and payable on any Interest Payment Date shall be paid to the person who is the registered Owner as of the Record Date. The Series 2018-A Bonds shall be substantially in the form of Exhibit A attached hereto.

If the principal of a Series 2018-A Bond becomes due and payable, but shall not have been paid, or provision shall not have been made for its payment, then such Series 2018-A Bond shall bear interest at the same rate after such default as on the day before such default occurred.

ARTICLE III

EXCHANGE OF SERIES 2018-A BONDS; BOOK-ENTRY BONDS

Section 3.01. **Exchange of Series 2018-A Bonds.** Series 2018-A Bonds which are delivered to the Registrar for exchange may be exchanged for an equal total principal amount of Series 2018-A Bonds of the same maturity but of different Authorized Denominations.

The Registrar will not, however, be required to transfer or exchange any such Series 2018-A Bond during the period beginning on a Record Date and ending on the next Interest Payment Date.

Section 3.02. Book-Entry Bonds.

(a) Except as provided in paragraph (c) of this Section, the registered Owner of all of the Series 2018-A Bonds shall be DTC, and the Series 2018-A Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal of or interest on any Series 2018-A Bond registered in the name of Cede & Co. shall be made by wire transfer of New York Clearing House or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. at the address indicated on the regular Record Date or special record date for Cede & Co. in the registration books of the Registrar.

(b) The Series 2018-A Bonds shall be initially issued in the form of a separate single authenticated fully registered bond for each separate stated maturity and interest rate of the Series 2018-A Bonds. Upon initial issuance, the ownership of such Series 2018-A Bonds shall be registered in the registration books of the Registrar in the name of Cede & Co., as nominee of DTC. The Trustee, the Registrar and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2018-A Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2018-A Bonds, giving any notice permitted or required to be given to Bondholders under the Agreement or this Twenty-Eighth Supplemental Agreement, registering the transfer of Series 2018-A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and none of the Trustee, the Registrar or the Authority shall be affected by any notice to the contrary. None of the Trustee, the Registrar or the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2018-A Bonds under or through DTC or any Participant or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal of or interest on the Series 2018-A Bonds; any notice which is permitted or required to be given to Bondholders under the Agreement or this Twenty-Eighth Supplemental Agreement; or any consent given or other action taken by DTC as a Bondholder. The Trustee shall pay, from funds held under the terms of the Agreement or otherwise provided by the Authority, all principal of and interest on the Series 2018-A Bonds only to DTC as provided in the Representation Letter and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to the principal of and interest on the Series 2018-A Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2018-A Bond evidencing the obligation of the Authority to make payments of principal and interest pursuant to the Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the name "Cede & Co." in this Twenty-Eighth Supplemental Agreement shall refer to such new nominee of DTC.

(c) In the event the Authority determines that it is in the best interest of the Beneficial Owners that they be able to obtain Series 2018-A Bond certificates and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify

the Participants of the availability through DTC of Series 2018-A Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Series 2018-A Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2018-A Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee shall be obligated to deliver Series 2018-A Bond certificates as described in this Twenty-Eighth Supplemental Agreement. In the event Series 2018-A Bond certificates are issued, the provisions of the Agreement and this Twenty-Eighth Supplemental Agreement shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2018-A Bond to any Participant having Series 2018-A Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2018-A Bonds.

(d) Notwithstanding any other provision of the Agreement and this Twenty-Eighth Supplemental Agreement to the contrary, so long as any Series 2018-A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Series 2018-A Bond and all notices with respect to such Series 2018-A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Agreement and this Twenty-Eighth Supplemental Agreement by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Such notice to DTC shall be given only when DTC is the sole Bondholder.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2018-A BONDS; THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2018-A BONDS.

Section 3.03. **Transfers Outside Book-Entry System.** In the event (a) the Securities Depository determines not to continue to act as securities depository for the Series 2018-A

Bonds; or (b) the Authority determines that the Securities Depository shall no longer so act, and delivers a written certificate to the Trustee and the Securities Depository to that effect, then the Authority will discontinue the book-entry system with the Securities Depository. If the Authority determines to replace the Securities Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new, single, separate, fully registered Series 2018-A Bond for each of the maturities and interest rates of the Series 2018-A Bonds registered in the name of such successor or substitute qualified securities depository or its nominee or make such other arrangement acceptable to the Authority and the Securities Depository as are not inconsistent with the terms of the Agreement or this Twenty-Eighth Supplemental Agreement. If the Authority fails to identify another qualified securities depository to replace the Securities Depository, then the Series 2018-A Bonds shall no longer be restricted to being registered in the Register in the name of the Nominee, but shall be registered in such authorized denominations and names as the Securities Depository shall designate in accordance with the provisions of this Article III.

Section 3.04. **Bond Register.** The Trustee shall keep or cause to be kept at its Corporate Trust Office sufficient books for the registration of, and registration of transfer of, the Series 2018-A Bonds, which Bond Register shall at all times during regular business hours be open to inspection by the Authority. Upon presentation for registration of transfer, the Trustee shall, as provided herein and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Series 2018-A Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such Bond Register.

ARTICLE IV

RESERVED

[sinking fund payments to come, if applicable at pricing]

ARTICLE V

APPLICATION OF PROCEEDS AND PAYMENT OF SERIES 2018-A BONDS

Section 5.01. Application of Proceeds and Other Funds.

(a) The Trustee shall deposit or transfer the proceeds of the sale of the Series 2018-A Bonds received by the Trustee equal to \$_____ (which is equal to the par amount of the Series 2018-A Bonds of \$_____, [plus/minus] original issue [premium/discount] of \$_____ and less a purchaser's discount of \$_____), together with \$_____ from the Series 2008-A Account of the Reserve Fund, \$_____ from the Series 2008-A Subaccount of the Senior Bond Interest Account, and \$_____ from the Series 2008-A Subaccount of the Senior Bond Principal Account, to the following funds, accounts and third-parties:

(i) \$_____ shall be deposited into the Series 2018-A Costs of Issuance Fund;

(ii) \$_____ shall be deposited in the Series 2018-A Account of the Reserve Fund, which amount is required in order for the Reserve Fund Requirement to be met; and

(i) \$_____ shall be transferred to the Escrow Agent for deposit into the Escrow Fund to redeem the Refunded Bonds on _____.

(b) The Trustee may, in its discretion, establish temporary funds or accounts on its books and records to facilitate the deposits and transfers described above under (a).

Section 5.02. **Sources of Payment of Series 2018-A Bonds.** The Series 2018-A Bonds shall be secured by a prior lien on, and are payable from, Pledged Revenues as provided in the Agreement. The Authority may, but is not obligated to, provide for payment of principal of and interest on the Series 2018-A Bonds from any other source or from any other funds of the Authority.

ARTICLE VI

CREATION OF SERIES 2018-A BOND ACCOUNTS AND SUBACCOUNTS; USE OF DEBT SERVICE SUBACCOUNT

Section 6.01. **Creation of Series 2018-A Costs of Issuance Fund; Payment of Costs of Issuance.** The “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A Costs of Issuance Fund” (the “*Series 2018-A Costs of Issuance Fund*”) is hereby established, which shall be held by the Trustee as provided in the Agreement and this Twenty-Eighth Supplemental Agreement, and all moneys and securities in such fund shall be pledged to secure the Series 2018-A Bonds, until expended in accordance with the provision of this Section. As provided in Section 5.01(a)(i) hereof, at the time of issuance of the Series 2018-A Bonds, a portion of the proceeds of the Series 2018-A Bonds shall be deposited into the Series 2018-A Costs of Issuance Fund. Other amounts may be deposited into the Series 2018-A Costs of Issuance Fund as directed by the Authority. Amounts on deposit in the Series 2018-A Costs of Issuance Fund shall be used to pay or to reimburse the Authority for the payment of Costs of Issuance of the Series 2018-A Bonds. Amounts in the Series 2018-A Costs of Issuance Fund shall be disbursed by the Trustee upon written requisition executed by an Authorized Authority Representative. Each such requisition shall state:

- (a) the requisition number;
- (b) the amount to be paid to the Authority or to its designee and the method of payment;
- (c) that each item to be paid with the requisitioned funds represents either incurred or due and payable Costs of Issuance which constitute Costs of the Project as permitted by the Act;
- (d) that such Costs of Issuance have not been paid from other funds withdrawn from the Series 2018-A Costs of Issuance Fund; and

(e) to the best of the signatory's knowledge, no Event of Default has occurred and is continuing under the Agreement or any Supplemental Agreement thereto.

Each such written requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Upon the earlier of (a) 180 days from the delivery date of the Series 2018-A Bonds; or (ii) at such time as the Authority delivers to the Trustee written notice that all Costs of Issuance have been paid or otherwise notifies the Trustee in writing that no additional amounts from the Series 2018-A Costs of Issuance Fund will be needed to pay Costs of Issuance, the Trustee shall transfer all amounts then remaining in the Series 2018-A Costs of Issuance Fund to the Series 2018-A Subaccount of the Senior Bond Interest Account and held pursuant to this Twenty-Eighth Supplemental Agreement. At such time as no amounts remain in the Series 2018-A Costs of Issuance Fund, such fund shall be closed.

Section 6.02. Creation of Series 2018-A Subaccount in the Senior Bond Interest Account of the Senior Debt Service Fund. A separate Subaccount to be held by the Trustee is hereby created within the Senior Bond Interest Account of the Senior Debt Service Fund to be designated as the "*Series 2018-A Subaccount of the Senior Bond Interest Account.*" Amounts in the Series 2018-A Subaccount of the Senior Bond Interest Account shall be disbursed to pay interest on the Series 2018-A Bonds pursuant to the Agreement and this Twenty-Eighth Supplemental Agreement.

The Trustee shall deposit into the Series 2018-A Subaccount of the Senior Bond Interest Account (a) amounts with respect to interest on the Series 2018-A Bonds received from the Authority, as provided in the Agreement; and (b) any other amounts deposited with the Trustee for deposit in the Series 2018-A Subaccount of the Senior Bond Interest Account or transferred from other funds and accounts for deposit therein. Earnings on all other amounts in the Series 2018-A Subaccount of the Senior Bond Interest Account shall be retained in such Subaccount. The Trustee shall establish separate sub-accounts in the Series 2018-A Subaccount of the Senior Bond Interest Account for each source of deposit (including any investment income thereon) made into the Series 2018-A Subaccount of the Senior Bond Interest Account so that the Trustee may at all times ascertain the date of deposit, the amounts, and the source of the funds in each sub-account.

Section 6.03. Creation of Series 2018-A Subaccount in the Senior Bond Principal Account of the Senior Debt Service Fund. A separate Subaccount to be held by the Trustee is hereby created within the Senior Bond Principal Account of the Senior Debt Service Fund to be designated as the "*Series 2018-A Subaccount of the Senior Bond Principal Account.*" Amounts in the Series 2018-A Subaccount of the Senior Bond Principal Account will be disbursed to pay principal of the Series 2018-A Bonds pursuant to the Agreement and this Twenty-Eighth Supplemental Agreement.

The Trustee shall deposit into the Series 2018-A Subaccount of the Senior Bond Principal Account (a) amounts with respect to principal on the Series 2018-A Bonds received from the Authority, as provided in the Agreement; and (b) any other amounts deposited with the Trustee

for deposit in the Series 2018-A Subaccount of the Senior Bond Principal Account or transferred from other funds and accounts for deposit therein. Earnings on all other amounts in the Series 2018-A Subaccount of the Senior Bond Principal Account shall be retained in such Subaccount. The Trustee shall establish separate sub-accounts in the Series 2018-A Subaccount of the Senior Bond Principal Account for each source of deposit (including any investment income thereon) made into the Series 2018-A Subaccount of the Senior Bond Principal Account so that the Trustee may at all times ascertain the date of deposit, the amounts, and the source of the funds in each sub-account.

Section 6.04. **Creation of Series 2018-A Account of the Reserve Fund.** A separate account to be held by the Trustee is hereby created within the Reserve Fund to be designated as the “*Series 2018-A Account of the Reserve Fund.*” The Series 2018-A Account of the Reserve Fund shall be established for purposes of calculating and accounting for the amount of earnings upon the portion of the Reserve Fund related to the Series 2018-A Bonds for rebate purposes as set forth in the Tax Certificate, but for all other purposes shall be held, invested and used as an integral part of the Reserve Fund as provided in Sections 4.04 and 4.06 of the Agreement and shall be available to make payments on Senior Bonds as if no separate Account had been created. Notwithstanding anything in the Agreement to the contrary, interest earnings on amounts in the Series 2018-A Account of the Reserve Fund shall be retained therein to the extent necessary to cause the balance on deposit in the Reserve Fund to equal the Reserve Fund Requirement for all Senior Bonds Outstanding. Unless the Trustee is otherwise directed by the Authority in writing, interest earnings on amounts in the Series 2018-A Account of the Reserve Fund which are not required to be retained therein shall be transferred to the Series 2018-A Subaccount of the Senior Bond Interest Account.

ARTICLE VII

TAX COVENANTS

Section 7.01. **Series 2018-A Rebate Fund.**

(a) The Authority hereby agrees that it will instruct the Trustee to establish and maintain a fund, if necessary, separate from any other fund established and maintained hereunder designated as the “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue and Refunding Bonds, Senior Bonds, Series 2018-A Rebate Fund” (the “*Series 2018-A Rebate Fund*”), which will be funded if so required under the Tax Certificate, and amounts in the Series 2018-A Rebate Fund will be held and disbursed in accordance with the terms and requirements of the Tax Certificate. The Trustee shall not be required to create and establish the Series 2018-A Rebate Fund until the Authority gives written instruction to the Trustee to do so. Subject to the transfer provisions provided in paragraph (d) below, all money at any time deposited in the Series 2018-A Rebate Fund, if created, shall be held by the Trustee for the account of the Authority in trust, to the extent required to pay the Rebate Requirement applicable to the Series 2018-A Bonds, for payment to the federal government of the United States of America, and neither the Trustee nor any Owner of Series 2018-A Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Series 2018-A Rebate Fund shall be governed by this Twenty-Eighth Supplemental

Agreement and by the Tax Certificate (which is incorporated herein by reference). The Authority hereby covenants to comply with the directions contained in the Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to the Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Series 2018-A 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 7.01(a) 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 the Tax Certificate nor to make computations in connection therewith.

(b) Amounts shall be deposited in the Series 2018-A Rebate Fund as provided in this Article VII and the Tax Certificate so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement for the Series 2018-A Bonds. Computations of the Rebate Requirement for the Series 2018-A Bonds shall be furnished by or on behalf of the Authority to the Trustee in accordance with the Tax Certificate.

(c) The Trustee shall invest all amounts held in the Series 2018-A Rebate Fund pursuant to written instructions of the Authority in accordance with Article VI of the Agreement, and subject to the restrictions set forth in the Tax Certificate.

(d) Upon receipt of the instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balances in the Series 2018-A Rebate Fund to the federal government of the United States of America, as so directed. In addition, if such instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Series 2018-A Rebate Fund from or into such accounts or funds. Any funds remaining in the Series 2018-A Rebate Fund after payment of all of the Series 2018-A Bonds and payment and satisfaction of the Rebate Requirement applicable to the Series 2018-A Bonds shall be withdrawn and remitted to the Authority in accordance with a request of the Authority.

(e) Notwithstanding any other provision of the Agreement and this Twenty-Eighth Supplemental Agreement, the obligation to pay the Rebate Requirement applicable to the Series 2018-A Bonds to the federal government of the United States of America and to comply with all other requirements of this Article VII and the Tax Certificate shall survive the defeasance or payment in full of the Series 2018-A Bonds. The Authority shall retain all records with respect to the calculations and instructions required by this Section 7.01 for at least four years after the date on which the last of the principal of and interest on the Series 2018-A Bonds has been paid.

Section 7.02. Tax Covenants. In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2018-A Bonds, the Authority hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the “*Code*”). In furtherance of these covenants, the District agrees to comply with the covenants contained in the Tax Certificate with respect to the Series 2018-A Bonds. The Authority hereby agrees to deliver instructions to the Trustee as may be necessary in order to comply with the Tax Certificate. The Trustee, by

acceptance of its duties hereunder, agrees to comply with any instructions received from the Authority which the Authority indicates must be followed in order to comply with the Tax Certificate. The failure of the Authority to comply with the Tax Certificate, Section 7.01 hereof, or this Section 7.02 shall be an Event of Default.

Notwithstanding any provision of this Section 7.02 and Section 7.01 hereof, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required under this Section 7.02 and Section 7.01 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Series 2018-A 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 hereunder shall be deemed to be modified to that extent.

ARTICLE VIII

COMPLIANCE WITH ORDINANCE NO. 49 AND ACT OF 1998

The Authority hereby covenants to comply with and to carry out the provisions of Ordinance No. 49 and the Act of 1998, including, without limitation, to allocate the Proposition C Sales Tax (including the proceeds of bonds secured by Proposition C Sales Tax) for the uses and in accordance with the percentages specified in Section 4(b) of Ordinance No. 49.

ARTICLE IX

MISCELLANEOUS

Section 9.01. **Limited Obligation.** Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or agency thereof, other than the Authority to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement and this Twenty-Eighth Supplemental Agreement, is pledged to the payment of the principal of or interest on the Series 2018-A Bonds. The Authority has no power to levy property taxes to pay the principal of or interest on the Series 2018-A Bonds.

The Series 2018-A Bonds are limited obligations of the Authority and are payable, both as to principal and interest, solely from the Pledged Revenues and by certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such amounts, the general fund of the Authority is not liable, and neither the credit nor the taxing power of the Authority is pledged, for the payment of the Series 2018-A Bonds or their interest.

Section 9.02. **Trustee's Agents.** The Trustee or the Authority (with written notice to the Trustee) may from time to time appoint other banks, trust companies or other financial institutions to perform functions described in this Twenty-Eighth Supplemental Agreement. Such agents may include, but shall not be limited to, authenticating agents and paying agents. Any reference in this Twenty-Eighth Supplemental Agreement to the Trustee shall also refer to any agent appointed by the Trustee or the Authority to such duty in addition to the Trustee or shall, instead, refer only to any agent appointed by the Trustee or the Authority to perform such duty in place of the Trustee.

Section 9.03. **Notices.**

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver, or other communication required or permitted by this Twenty-Eighth Supplemental Agreement or the Series 2018-A Bonds must be in writing except as expressly provided otherwise in this Twenty-Eighth Supplemental Agreement or the Series 2018-A Bonds.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when delivered by hand or mailed by first-class mail, postage prepaid, addressed to the Authority or the Trustee at the addresses set forth below. Any addressee may designate additional or different addresses for purposes of this Section.

to the Authority: Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012
Attention: Treasurer

to the Trustee: U.S. Bank National Association
24th Floor
633 West Fifth Street
Los Angeles, CA 90071
Attention: Global Corporate Trust Services
Ref. Los Angeles County MTA Prop. C Bonds

(c) The Trustee shall give written notice to Moody's and S&P if at any time a successor Trustee is appointed under the Agreement, if there is any amendment to the Agreement or this Twenty-Eighth Supplemental Agreement or if the defeasance of the Series 2018-A Bonds shall occur. Notice in the case of an amendment shall include a copy of any such amendment. Notices sent to Moody's shall be addressed to Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: Public Finance Department, or to such other address as Moody's shall supply to the Trustee. Notices sent to S&P shall be addressed to S&P Global Ratings, 55 Water Street, New York, New York 10041, or to such other address as S&P shall supply to the Trustee.

Section 9.04. **Investments.** Notwithstanding anything to the contrary in the Agreement, any moneys held by the Trustee in the funds and accounts created under this Twenty-Eighth Supplemental Agreement may be invested (a) in any investments permitted by the California Government Code; and (b) in any investment agreement, deposit agreement or any such other similar agreement as approved by any Authorized Authority Representative.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority

periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Section 9.05. **Limitation of Rights.** Nothing expressed or implied in this Twenty-Eighth Supplemental Agreement or the Series 2018-A Bonds shall give any person other than the Trustee, the Authority and the Bondholders any right, remedy or claim under or with respect to this Twenty-Eighth Supplemental Agreement.

Section 9.06. **Severability.** If any provision of this Twenty-Eighth Supplemental Agreement shall be determined to be unenforceable, such determination shall not affect any other provision of this Twenty-Eighth Supplemental Agreement.

Section 9.07. **Payments or Actions Occurring on Nonbusiness Days.** If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period.

Section 9.08. **Governing Law.** This Twenty-Eighth Supplemental Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 9.09. **Captions.** The captions in this Twenty-Eighth Supplemental Agreement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Twenty-Eighth Supplemental Agreement.

Section 9.10. **Counterparts.** This Twenty-Eighth Supplemental Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 9.11. **Continuing Disclosure.** The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of this Twenty-Eighth Supplemental Agreement, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, however, any Series 2018-A Bondholder may take such actions, as provided in the Continuing Disclosure Certificate, as may be necessary and appropriate to cause the Authority to comply with its obligations under the Continuing Disclosure Certificate.

Section 9.12. **Effectiveness of Remainder of Agreement.** Except as otherwise amended herein, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Twenty-Eighth Supplemental Trust Agreement by their officers thereunto duly authorized as of the date first above written.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Donna R. Mills
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

[Signature page to Twenty-Eighth Supplemental Trust Agreement]

EXHIBIT A

FORM OF SERIES 2018-A BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Los Angeles County Metropolitan Transportation Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Refunding Bond
Senior Bonds, Series 2018-A

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any public agency, other than the Los Angeles County Metropolitan Transportation Authority to the extent of Pledged Revenues, is pledged to the payment of the principal of, or interest on, this Bond.

No. R-__ \$_____

Interest Rate Per Annum	Maturity Date	Dated Date	CUSIP
%	July 1, 20__	____, 20__	544712__

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, a public entity, duly organized and existing under and pursuant to the laws of the State of California (the “Authority”), for value received, hereby promises to pay to the registered owner named above, or registered assigns, but solely from the sources hereinafter mentioned, on the Maturity Date specified above, the Principal Amount shown above and to pay interest hereon, but solely from the sources hereinafter referred to, at the rate set forth above from the most recent Interest Payment Date (as defined in the Twenty-Eighth Supplement, as defined below) to which interest has been paid or duly provided for, or from the date of authentication hereof if such Interest Payment Date is a date of authentication, or from the next succeeding Interest Payment Date if such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, or from the Dated Date specified above if no interest has been paid or duly provided for, such payments of interest to be made on each January 1 and July 1, commencing on ____ 1, 20__, until the principal hereof has been paid or duly provided for as

aforesaid. The principal of and interest on this Bond may be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public or private debts. The principal of this Bond is payable to the registered owner hereof upon presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association, as trustee (together with any successor as trustee under the Agreement, as defined below, the “Trustee”), in St. Paul, Minnesota, or such other place as designated by the Trustee, in lawful money of the United States of America. Capitalized terms used in this Bond and not defined herein shall have the meanings given them in the Agreement (as defined below).

This Bond is one of a duly authorized issue of the Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (the “Series 2018-A Bonds”). This Bond is issued pursuant to an Amended and Restated Trust Agreement, dated as of January 1, 2010 (the “Trust Agreement”), by and between the Authority and the Trustee, and a Twenty-Eighth Supplemental Trust Agreement, dated as of April 1, 2018 (the “Twenty-Eighth Supplement”), by and between the Authority and the Trustee, setting forth the terms and authorizing the issuance of the Series 2018-A Bonds (said Trust Agreement as amended and supplemented, including as supplemented by the Twenty-Eighth Supplement, being the “Agreement”). Said authorized issue of Bonds is limited in aggregate principal amount as provided in the Agreement, and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in said Agreement provided, all issued and to be issued pursuant to the provisions of Section 130500 *et seq.* of the California Public Utilities Code, as amended from time to time (the “Act”). The Series 2018-A Bonds constitute Senior Bonds under the Agreement. Reference is hereby made to the Agreement and to the Act for a description of the terms on which the Series 2018-A Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Pledged Revenues (as that term is defined in the Agreement), and the rights of the Registered Owners of the Series 2018-A Bonds. All the terms of the Agreement and the Act are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner from time to time of this Bond, and to all the provisions thereof the Registered Owner of this Bond, by its acceptance hereof, consents and agrees.

Additional Senior Bonds and Senior Parity Debt may be issued or incurred on a parity with the Series 2018-A Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Agreement.

The Senior Bonds currently outstanding and hereafter issued by the Authority, and the interest thereon, are payable from, and are secured by a charge and lien on, the Pledged Revenues derived by the Authority from the Proposition C Sales Tax. All of the Senior Bonds, including the Series 2018-A Bonds, and Senior Parity Debt are equally secured by a pledge of, and charge and lien upon, all of the Pledged Revenues, and the Pledged Revenues constitute a trust fund for the security and payment of the interest on and principal of the Series 2018-A Bonds; but nevertheless out of Pledged Revenues certain amounts may be applied for other purposes as provided in the Agreement.

The Series 2018-A Bonds are limited obligations of the Authority and are payable, both as to principal and interest, solely from the Pledged Revenues and by certain other amounts held by the Trustee under the Agreement.

The general fund of the Authority is not liable, and neither the credit nor the taxing power of the Authority is pledged (other than as described above), for the payment of the Series 2018-A Bonds or their interest. The Series 2018-A Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Pledged Revenues.

This Bond shall be issued pursuant to a book-entry system administered by DTC (together with any successor thereto, "Securities Depository"). The book-entry system will evidence beneficial ownership of the Series 2018-A Bonds with transfers of ownership effected on the register held by the Securities Depository pursuant to rules and procedures established by the Securities Depository. So long as the book-entry system is in effect, transfer of principal and interest payments, and provisions of notices or other communications, to beneficial owners of the Series 2018-A Bonds will be the responsibility of the Securities Depository as set forth in the Agreement.

This Bond is transferable or exchangeable for other Authorized Denominations upon surrender of this Bond at the corporate trust office of the Trustee in St. Paul, Minnesota, or such other place as designated by the Trustee, accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Authority and the Registrar, duly executed by the registered owner hereof or by his duly authorized attorney, but only in the manner, subject to the limitations and upon payment of the charges provided in the Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new fully authenticated and registered Series 2018-A Bond or Series 2018-A Bonds without coupons, of Authorized Denomination or Authorized Denominations, of the same series, tenor, maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Authority, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority, the Trustee and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the Authority and of the holders and registered owners of the Series 2018-A Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of the Series 2018-A Bonds.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Bond, together with all other indebtedness of the Authority pertaining to the Pledged Revenues, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Agreement or the Act.

This Bond shall not be entitled to any benefit under the Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, THE LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY has caused this Bond to be executed in its name and on its
behalf as of the ___ day of _____, 20__.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
[_____] , [_____]

AUTHENTICATION CERTIFICATE

This Bond is one of the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A of the Los Angeles County Metropolitan Transportation Authority, described in the within-mentioned Agreement.

Dated: _____, 20__

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Representative

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers to

(Please insert Social Security or Identification Number of Transferee)

(Please print or typewrite name and address, including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to register the transfer of the within Bond on the books kept for registration thereof, all power of substitution in the premises.

Dated:

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

REFUNDED BONDS

Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds
Second Senior Bonds
Series 2008-A

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal to Be</u> <u>Redeemed</u>	<u>Redemption</u> <u>Price</u>	<u>Redemption</u> <u>Date</u>	<u>CUSIP</u> <u>Number</u>
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Board Report

File #: 2017-0841, **File Type:** Policy

Agenda Number: 13.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 14, 2018**

SUBJECT: DEBT MANAGEMENT

ACTION: APPROVE ADOPTION OF DEBT POLICY

RECOMMENDATION

ADOPT the Debt Policy (Attachment A).

ISSUE

The Debt Policy requires that it be reviewed annually and presented to the Board for approval if changes are needed. State law requires California issuers submit a report of proposed debt issuance to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue. Effective 2017, California legislation requires the report of proposed debt issuance include a certification by the issuer that it has adopted a debt policy.

DISCUSSION

The purpose of the Debt Policy is to establish guidelines for the issuance and management of our debt. The proposed changes to the Debt Policy reflect changes in debt issuance and disclosure standards and practices, as well as the inclusion of internal controls to track and report the use of debt proceeds as required by the passage of SB 1029. The revised policy also incorporates the governance of future Measure M debt obligations in addition to Metro's existing sales tax debt. Other changes include edits to reflect appropriate titles and edits made to clarify language and improve readability. A redlined version of the Debt Policy showing comprehensive changes from the last board approved Debt Policy is included as Attachment A.

POLICY IMPLICATIONS

The Debt Policy governs the management of our overall debt program. The policy sets the guidelines to be used when considering the use of debt, as well as in the on-going management of existing obligations. Guidance is provided specifying appropriate uses, selection of acceptable debt and lease products and debt issuance limits. The processes for selection of professional services and financial products are also specified.

As of January 1, 2018, we had \$4.0 billion of bonds outstanding in 28 transactions, \$1.1 billion of

TIFIA loan draws in four transactions and three short term borrowing programs for Prop A, Prop C and Measure R with \$223.2 million outstanding, all subject to the Debt Policy.

DETERMINATION OF SAFETY IMPACT

The adoption of the updated policy will have no safety impact.

FINANCIAL IMPACT

There is no direct financial impact on the FY18 budget associated with implementing or not implementing the updates to this policy.

ALTERNATIVES CONSIDERED

The California Government Code requires an issuer certify that it has adopted a Debt Policy prior to issuing debt. The Government Finance Officers Association ("GFOA") recommends the adoption of a comprehensive Debt Policy as a Debt Management Best Practice. Properly updated policies governing the management of debt are essential to sound financial management and provide guidance to effectively obtain the lowest cost of capital.

The Board could elect not to approve the proposed revisions to the Debt Policy. The existing Debt Policy would remain in effect until a revised Debt Policy is adopted.

NEXT STEPS

Following adoption of the Debt Policy we will make it available on the Investor Relations section of our website and distribute it to rating agencies and other interested parties as part of our investor relations outreach.

ATTACHMENTS

Attachment A - Debt Policy (Redlined)

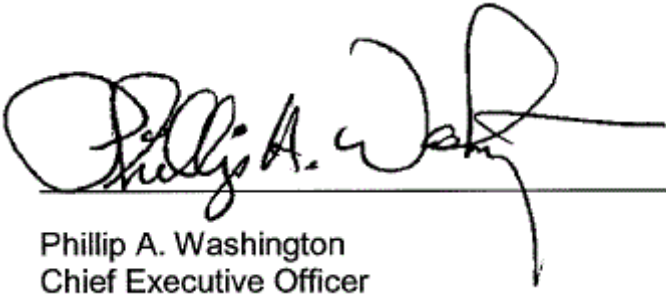
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Phillip A. Washington
Chief Executive Officer

DEBT POLICY

~~April 2015~~
February 2018

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DEBT POLICY

I. Introduction

The purpose of the Debt Policy is to establish guidelines for the issuance and management of ~~our debt.~~ debt issued by the Los Angeles County Metropolitan Transportation Authority (“LACMTA”). This Debt Policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, achieving the lowest possible cost of capital within prudent risk parameters and encouraging the use of small business enterprises (“SBE”), service disabled veteran business enterprises (“DVBE”), local and disadvantaged business enterprises (“DBE”) advisors and underwriters when appropriate and in accordance with the LACMTA procurement policy. ~~Priorities of the~~ The Debt Policy goals are as follows:

1. Achieve the lowest cost of capital
2. Maintain a prudent level of financial risk
3. Preserve future financial flexibility
4. Maintain strong credit ratings and good investor relations
5. Ensure that SBE, DVBE, local and DBE investment banking and financial firms will be considered for, and utilized in, lead and senior manager roles in accordance with the LACMTA procurement policy.

II. Scope and Authority

This Debt Policy shall govern, except as otherwise covered by the Investment Policy, Gas Hedging Guidelines, Defeased Lease Policy or Interest Rate Swap Policy, the issuance and management of ~~all debt bonds and lease financings funded from the capital markets, including the selection~~ other forms of indebtedness of LACMTA, together with any credit, liquidity or other security instruments and ~~management of related financial services agreements that may be executed in connection with the issuance of bonds and products, and investment of bond and lease proceeds.~~ other forms of indebtedness (collectively referred to as “Bonds” or “Debt”).

While adherence to this Debt Policy is generally required, it is recognized that changes in the capital markets, our programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Debt Policy and will require modifications or exceptions to best achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the Board is obtained or is authorized in this policy. The Chief Executive Officer, the Chief Financial Officer, the Treasurer, a Deputy Executive Director/ ~~Officer,~~ Finance and ~~Budget, the Treasurer and an~~ Assistant Treasurer, each, an “Authorized Signatory,” are each individually authorized to take all reasonable actions necessary to issue the debt and administer the debt on an ongoing basis. The administration is herein defined as “Administrative

Actions.” Administrative Actions may be taken when in the reasonable judgment of an Authorized Signatory such action will be beneficial and consistent with the original objectives for entering into the transaction. Administrative Actions include both day-to-day administrative activities as well as actions that need to be taken to correct problems, such as with providers of services or financial facilities, agreements, insurance policies or surety policies. Such Administrative Actions may include, but are not limited to, amendment of terms and pricing, replacement of providers, amendment or replacement of agreements and facilities and substitution using different products and providing for the issuance of commercial paper, all to achieve the original purpose ~~in~~[of](#) the transaction.

The Debt Policy shall be reviewed at least annually and presented to the Board for approval of any changes as needed excluding changes to position titles. If no changes are needed, the existing approved Debt Policy will remain in effect until the Board approves the recommended update to the Debt Policy. The Treasurer shall have the day-to-day responsibility and authority for structuring, implementing and managing the debt and finance program. The Debt Policy requires that the Board specifically authorize each long-term debt and lease financing. However, as detailed in the following section, the authority is ongoing regarding issuance of commercial paper and other short term borrowings in support of Board authorized capital projects and expenditures, and to remedy matters being addressed as Administrative Actions.

III. Capital Budgeting and Debt Issuance Process

A. Capital Budgeting

1. The Capital Plan:

~~1.~~ A Capital Plan (~~the “CP”~~), shall be developed for consideration and adoption by the Board. The ~~CP~~[Capital Plan](#) should have a planning horizon of at least a 5-year period and shall be updated at least annually. It is our current practice to include the ~~CP~~[Capital Plan](#) in the Annual Budget for consideration and adoption.

2. Authorization for Issuance of Bonds and Leases:

~~2.~~ Each bond issue or financial lease shall be presented to the Board for authorization. The Board’s adoption of the Annual Budget does not constitute authorization for issuance of bonds or a financing lease.

3. Authorization for Interim Financing Programs :

~~3.~~ Issuance of commercial paper and similar short-term borrowings such as revolving credit facilities are authorized by the Board approval of short-term borrowing programs. The Authorized Signatories may then take all actions necessary to cause the issuance of such short-term notes or draws on similar short-term borrowing facilities, to fund, refund or reimburse expenditures related to Board approved capital

projects and expenditures, as well as to remedy matters being addressed as Administrative Actions.

B. Types of Debt Financing

1. ~~Appropriate~~ Use of Long-Term Debt

a) Purpose for Long-Term Debt:

~~a)~~ Long-term debt is appropriate for financing essential capital projects and certain capital equipment where paying over time, with interest, allows us to meet certain public policy goals. Those goals may include accelerating the completion of improvements to increase mobility, taking advantage of available federal or other funding, and matching the payment for improvements with their use in recognition that future taxpayers can benefit from the capital investment. The use of long-term debt will be evaluated with pay-as-you-go capital investment and will not be used to fund non-capital operational expenditures or operating deficits.

In order to achieve strong credit ratings and the lowest cost of funding, the debt secured by Proposition A, Proposition C, Measure R or Measure ~~R~~M sales tax shall allow for each of the respective bond trust agreements to pledge the entire amount of the sales taxes received, except for the Local Return portion of that sales tax. Debt service attributable to the financing of a project will be charged to one or more ordinance categories in accordance with the applicable ordinance.

b) Lease Financing:

~~b)~~ Lease obligations are an appropriate means of financing capital equipment where lease financing will be more beneficial, either economically or from a policy perspective. The useful life of the capital equipment, the terms and conditions of the lease, the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Capital equipment will generally be purchased on a pay-as-you-go basis where feasible. Cash flow sufficiency, capital program requirements, lease program structures and cost, and market factors will be considered in conjunction with a pay-as-you-go strategy in lieu of lease financing. All leases providing tax-exempt financing are subject to this policy, as are all leases, master leases and leasing programs having a cumulative value exceeding \$10 million. All tax-exempt leases shall be implemented and maintained by the Treasury Department.

c) ~~Alternative Financing Programs.~~ ~~Federally subsidized~~

⇒ Federal loans, as well as federally subsidized taxable and tax-exempt bond programs may be utilized to provide funding when such loans or bonds provide an attractive funding cost or provide other features deemed desirable for the circumstances, such as deep subordination of the repayment obligation, an unusually long repayment term, or other desirable features. Staff will evaluate these programs for any new risks and costs, and account for such factors in considering their use.

2. Use of Short-Term and Variable Rate Debt

a) ~~Interim Financing:~~

a) Commercial paper, and similar short-term borrowing programs as well as short-term fixed rate bond or grant anticipation notes, which generally have maturities of less than 3 years, are cash management tools that are primarily used to provide interim funding for capital expenditures that will ultimately be funded from another source such as a grant, a long-term bond issue, or a ~~TIFIA~~ Federal loan program. The Board has previously authorized the ongoing use of ~~both~~ the Proposition A ~~and~~ Proposition C and Measure R commercial paper or similar short-term borrowing programs, respectively, to fund Board approved programs and expenditures. The Board may also authorize the ongoing use of interim financing for Measure ~~R~~ M programs.

b) ~~Variable Rate Debt:~~

b) In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it ~~is~~ often may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, reduce interest costs, and improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of unhedged variable rate debt will generally not exceed 20% of all outstanding debt, and the total of hedged and un-hedged variable rate debt will not exceed 50% of all outstanding debt. Under no circumstances will variable rate debt be issued solely for the purpose of earning interest through arbitrage. If unhedged variable rate debt is outstanding, at least annually, it shall be determined whether it is appropriate to convert the debt to fixed interest rates.

IV. Debt Affordability Policy Limits

A. LACMTA Borrowings

The maximum amounts of revenues to be used to pay debt service are listed as percentages of the respective revenue sources. These limits in combination with the [GP Capital Plan](#) and multi-year planning documents ensure that we will be able to continue providing our essential operational services while planning for replacement, rehabilitation and expansion of our capital investments.

Proposition A Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses & Status	Debt Policy Maximum
Prop A Rail 35%	<i>Rail Operations & Capital.</i>	87% of Prop A 35% Rail revenues. <u>35%</u> .
Discretionary 40%	<i>Any transit purpose. Current state law directs these funds to bus subsidies and incentives.</i>	No further issuance.
Local Return 25%	<i>Any transit purpose. Distributed to localities based on population.</i>	N/A

Proposition C Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses & Status	Debt Policy Maximum
Discretionary 40%	<i>Bus & Rail, Capital & Operating.</i>	40% of Prop C 40% Discretionary revenues. <u>40%</u> .
Highway 25%	<i>Streets, Highways and Fixed Guideway Projects on Railroad Right-of-Way.</i>	60% of Prop C 25% Highway. <u>25%</u> .
Commuter Rail 10%	<i>Commuter Rail and Park and Ride. Operations or capital.</i>	40% of Prop C 10% Commuter Rail. <u>10%</u> .
Security 5%	<i>Transit Security. Operations or capital.</i>	No debt issuance.
Local Return 20%	<i>Any transit purpose and certain roadways heavily used by transit. Distributed to localities based on population.</i>	N/A

Measure R Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses & Status	Debt Policy Maximum
Transit Capital 35% – New Rail and/or Bus Rapid Transit	<i>New Rail and/or Bus Rapid Transit. Initial issuance occurred in CY2010.</i>	87% of MR Transit Capital <u>35%</u> – New Rail and/or Bus Rapid Transit revenues.
Transit Capital 3% – Metrolink Capital Improvement Projects Within LA County	<i>Operations, Maintenance and Expansion for system improvements, rail yards and rail cars. Currently no debt service. Issuance likely in the future.</i>	87% of MR Transit Capital <u>3%</u> – Metrolink Capital Improvements in <u>within</u> LA County.
Transit Capital 2% – Metro Rail Capital	<i>System improvements, rail yards and rail cars. Initial issuance occurred in CY2010.</i>	87% of MR Transit Capital <u>2%</u> – Metro Rail Capital.
Highway Capital 20%—	<i>Carpool lanes, highways, goods movement, grade separations and soundwalls. Currently no debt service. Issuance likely in the future.</i>	60% of MR Highway Capital <u>20%</u> .
Operations 5% – Rail Operations	<i>Rail operations for new transit project operations and maintenance. Currently no debt service. No debt issuance permitted.</i>	No debt issuance.
Operations 20% – Bus Operations	<i>Bus operations for countywide bus service and maintenance. Currently no debt service. No debt issuance permitted.</i>	No debt issuance.
Local Return 15% –	<i>Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways, pedestrian improvements; streetscapes; signal synchronization; and transit. Distributed to localities based on population.</i>	N/A

<u>Measure M Sales Tax Revenue Debt Affordability Limits</u>		
<u>Category</u>	<u>Allowable Uses</u>	<u>Debt Policy Maximum</u>
<u>Transit, First/Last Mile (Capital) 35% - Transit Construction</u>	<u>Includes system connectivity projects-Airports, Union Station, and Countywide BRT.</u>	<u>87% of Transit First/Last Mile (Capital) 35% – Transit Construction.</u>
<u>Transit Operating & Maintenance 20% – Transit Operations</u>	<u>Operations for transit service, maintenance, and expansion.</u>	<u>No debt issuance.</u>
<u>Highway, Active Transportation, Complete Streets (Capital) 17% – Highway Construction</u>	<u>Includes System Connectivity Projects-Ports, Highway Congestion Programs, Goods Movement.</u>	<u>87% of Highway, Active Transportation, Complete Streets (Capital) 17% – Highway Construction.</u>
<u>Local Return/Regional Rail 16% – Local Return</u>	<u>Streets and roads, traffic control measures, active transportation, public transit services, public transit capital, transit oriented community investments, transportation marketing, congestion management program, transportation administration, and local funding contributions. Distributed to localities based on population.</u>	<u>N/A</u>
<u>Transit Operating & Maintenance 5% – Metro Rail Operations</u>	<u>Operating, regular and preventative maintenance for existing and new Metro Rail Lines, as well as the repair, replacement, and rehabilitation of Metro assets required for its rail transit vehicle fleet, systems and engineering, and stations.</u>	<u>No debt issuance.</u>
<u>Highway, Active Transportation, Complete Streets (Capital) 2% – Metro Active</u>	<u>Bicycle, Pedestrian, Complete Streets.</u>	<u>87% of Highway, Active Transportation, Complete Streets (Capital) 2% – Metro Active Transportation.</u>

Measure M Sales Tax Revenue Debt Affordability Limits (continued from previous page)

<u>Category</u>	<u>Allowable Uses</u>	<u>Debt Policy Maximum</u>
<u>Transit, First/Last Mile (Capital) 2% – Metro State of Good Repair</u>	<u>Repair, replacement, and rehabilitation of Metro Rail assets.</u>	<u>87% of Transit, First/Last Mile (Capital) 2% – Metro State of Good Repair. Issuance unlikely in the future.</u>
<u>Transit Operating & Maintenance 2% – ADA Paratransit</u>	<u>ADA Paratransit for the Disabled; Metro Discounts for Seniors and Students.</u>	<u>No debt issuance.</u>
<u>Local Return/Regional Rail 1% – Regional Rail</u>	<u>Regional commuter rail operations and services for L.A. County.</u>	<u>87% of Local Return/Regional Rail 1% – Regional Rail. Issuance unlikely in the future.</u>

Other Revenue Debt Affordability Targets

<u>Category</u>	<u>Allowable Uses & Status</u>	<u>Debt Policy Maximum</u>
Fare Box Revenue	<i>Any transit purpose.</i>	No further issuance.
Federal Grant Revenues	<i>In accordance with grant.</i>	No further <u>Limited</u> issuance. ⁽¹⁾
State Grant Revenues	<i>In accordance with grant.</i>	No debt issuance.
TDA	<i>Various transit purposes.</i>	No further <u>Limited</u> issuance. ⁽¹⁾
Benefit Assessment Levies	<i>Historically to support rail construction.</i>	100% of levies. <u>Limited</u> issuance. ⁽¹⁾
Lease Revenues	<i>Any transit purpose.</i>	Limited issuance <u>for special projects.</u> ⁽¹⁾
<u>Toll Revenues</u>	<u>Permitted expenditures within the Corridor, as so determined.</u>	<u>Limited issuance.</u> ⁽¹⁾
Other System Revenues	<i>Any transit purpose.</i>	Limited issuance <u>for special projects.</u> ⁽¹⁾

⁽¹⁾ Based on revenue availability and capital program needs.

B. Local Return Borrowings

California law prevents LACMTA from borrowing against the Local Return funds. LACMTA provides guidance to recipients of Local Return funds for borrowing against those funds through the Local Return Borrowing Guidelines. The borrowings are generally consistent for all four sales tax measures.

V. Purpose of Financing

A. New Money Financing

New money issues are ~~these~~ financings that generate additional funding to be available for expenditure on capital projects. These financings may be long-term financings, or short-term financings for interim funding pending a long-term financing or receipt of funds. These funds will be used for acquisition, construction and major rehabilitation of capital assets. New money bond proceeds may not be used to fund non-capital operational expenditures. The funding requirement by sales tax ordinance category is determined in the context of the [GPCapital Plan](#) and Annual Budget. The financial advisor will recommend the financing structure based on the type of financial products available and in consideration of market conditions at the time of the sale.

B. Refunding Bonds

Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Most typically this is done to refinance at a lower interest rate to reduce debt service. Alternatively, some refundings are executed for a reason 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~~[restrictive](#) covenants. In any event, a present value analysis must be prepared that identifies the economic effects of any refunding being proposed to the Board. The target savings amounts listed below are not applicable for refunding transactions that are not solely undertaken to achieve cost savings.

The target savings amount shall be measured using either a call option pricing model or the savings as percentage of the refunded par.

—The traditional methodology of measuring the effectiveness of a refunding is to divide the net present value savings as a percentage of the refunded par amount. This policy incorporates the standard rule of thumb that a refunding should generate, at a minimum, net present value savings of at least 3% of the refunded par amount for a current refunding, where the outstanding bonds can be prepaid within 90 days. A higher savings requirement may be appropriate for an advance refunding, where the proceeds are placed in an escrow to call bonds in the future. In addition, the efficiency of the investments in the refunding escrow should be considered in recommending an advance refunding.

Alternatively, the value of the call option (using an option pricing model) can be used to evaluate a refunding whose sole purpose will be to achieve cost savings. The target savings from any particular refunding candidate, by

maturity, shall be no less than 80% of the calculated value of the call option, net of all transaction expenses.

While the Treasurer will evaluate refunding savings for each outstanding maturity, these policy minimums recognize that individual maturities, particularly short maturities, may be appropriate to refund even at lower savings thresholds, recognizing that the value of the call option “asset” will be reduced with the passage of time. The Treasurer shall have discretion in making the final determination to include individual refunding candidates that are above or below the target in order to optimize the policy and/or financial objectives.

In the event that an interest rate swap or other derivative product is to be used as part of a refunding, the target savings shall be increased to account for any additional ongoing administrative costs, financial risk beyond that of a traditional fixed rate refunding, and loss of future financial flexibility.

VI. Types of Products

A. Current Coupon Bonds

Current coupon bonds are bonds that pay interest periodically and principal at maturity. They may be used for both new money and refunding transactions. Bond features may be adjusted to accommodate the market conditions at the time of sale, including changing the dollar amounts for annual principal maturities, offering discount and premium bond pricing, modifying the terms of the call provisions, and utilizing bond insurance.

B. Zero Coupon and Capital Appreciation Bonds

Zero coupon bonds and capital appreciation bonds have principal amortization that is much slower than level debt service resulting in increased interest expenditure over the life of the bond and, therefore, shall only be recommended in limited situations.

C. Lease Purchase Financing

Lease purchase financing represents a long-term financing lease that is suitable for financing capital expenditures, including the acquisition and/or construction of land, facilities, equipment and rolling stock.

1. Equipment

We shall have the ability to consider lease purchase transactions, including certificates of participation, long-term vendor leases, and the use of master lease programs. Financing of equipment will be limited to contracts of at least \$20,000 and a useful life that is greater than 3 years. The final maturity of equipment lease financings will be limited to the remaining useful life of the equipment.

2. Real Property

The final maturity of the financing shall not exceed the remaining useful life of the facility. A lease financing generally should not have a final maturity exceeding 30 years. Principal payments related to real property acquisition or construction are to be amortized so that there will be level debt service payments, although a more rapid amortization may be used to accelerate the repayment.

D. Derivative Products

Derivative products will be considered appropriate in the issuance or management of debt only in instances where it has been demonstrated that the derivative product will either provide a hedge that reduces risk of fluctuations in expense or revenue, or alternatively, where it is expected to reduce total financing cost. The Board approved Interest Rate Swap Policy sets forth the guidelines for interest rate swaps. For derivatives not addressed in the Interest Rate Swap Policy, an analysis of early termination costs and other conditional terms given certain financing and marketing assumptions will be completed. Such analysis will document the risks and benefits associated with the use of the particular derivative product. Derivative products will only be utilized with prior Board approval except as otherwise specified in the Interest Rate Swap Policy.

VII. Structural Features

A. Maturity of Debt

The final maturity of the debt shall be equal to or less than the remaining useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average life of the assets being financed. [In no event shall the final maturity exceed 50 years, per the Public Utilities Code Section 130534.](#)

B. Debt Service Structure

In most cases, combined principal and interest payments for any particular bond issue will be structured to have approximately level annual debt service payments over the life of the bond issue. Nevertheless, the debt service of an individual bond issue can be structured to produce level aggregate debt service for each lien.

C. Lien Levels

Senior and Junior Liens for each revenue source will be utilized in a manner that will maximize the most critical constraint -- typically either cost or capacity -- thus allowing for the most beneficial use of the revenue source securing the bond.

D. Capitalized Interest

Unless required by a particular financing, interest on debt will not be capitalized out of debt proceeds. This avoids unnecessarily increasing the

bond size. Certain types of financings such as lease-secured financings, direct federal loans, and certain revenue bond projects may require that interest on the debt be paid from capitalized interest until we have constructive use of the project and project related revenues are expected to be available to pay debt service.

E. Discount and Premium Bonds

Discount or premium bonds may reduce the interest cost of the bonds by better matching investors' desires in certain markets. We may limit the amount of discount or premium coupons to reduce the negative impact on any subsequent refunding of the bonds for interest savings.

F. Debt Service Reserve Fund

The debt service reserve fund "DSRF," is generally cash funded with bond proceeds. The trustee maintains the DSRF throughout the life of the bonds. A cash funded DSRF is invested pursuant to investment of proceeds guidelines within the respective indenture and interest earnings are generally used to offset debt service payments. In the final year of the bond issue, the cash available in the DSRF is usually used to make the final debt service payment. Since a cash funded DSRF generates interest income, the DSRF has the potential to be cost neutral if the interest earnings equal or exceed the interest rate of the bonds.

An alternative to having a cash funded DSRF is to use a DSRF surety policy obtained from a highly rated bond insurer. The surety policy requires an up-front fee payment to the insurer and results in a loss of future income to the DSRF. The Treasurer will evaluate and document the DSRF funding decision. Factors to be considered in this evaluation include: arbitrage yield restrictions, current interest rates, availability and cost of a surety policy, foregone interest and capital gains from a cash funded DSRF, the relative size of the reserve requirement compared to the prior reserve requirement (refunding issues only), and opportunities for the use of the funds withdrawn from the DSRF including additional capital projects or investment opportunities.

To the extent a DSRF is not required under the authorizing documents for a bond issue, the financial advisor will be consulted to advise whether a DSRF should be included. The analysis will consider the anticipated net cost of carry for the DSRF, loss of additional bonding capacity, and impacts on ratings and bond pricing.

G. Amortization

Debt will be amortized within each lien to achieve overall level debt service or may utilize more accelerated repayment schedules after giving consideration to bonding capacity constraints. The use of heavily back-loaded principal repayment, bullet and balloon maturities should be avoided, except to achieve wrapped debt service so as to level the aggregate

outstanding debt service.

If debt is issued under an alternative structure, such as a direct federal loan, the amortization schedule may be modified in order to meet specific requirements of the financing program or utilize advantageous alternative repayment schedules.

H. Financial and Risk Analysis of Issuance

Net present value cost analysis, assessment of structural risks and complexities, and consideration of restrictions to future financing flexibility will be assessed and documented to determine the most efficient bond type and structuring features. Our long-term pooled investment rate will be used as the discount rate when comparing alternatives.

I. Call Provisions

In general, bonds issued should include a 10 year par-call feature. However, if determined to be financially advantageous, bonds may be issued that have make-whole calls, are non-callable or include a par-call for periods longer or shorter than 10 years. Prior to the use of any such call provision, the option-adjusted yields on the bonds with and without a non-call provision will be analyzed to determine which is most ~~financially~~ beneficial.

J. Credit Enhancement

1. Bond Insurance

Bond insurance will be used when it provides an economic advantage to a particular bond maturity or entire issue. ~~Bond insurance from the highest-rated insurers may provide improved credit quality for the bonds as a result of the insurance provider's guarantee of the payment of principal and interest on the bonds~~ may be secured from third-party credit providers to the extent such credit enhancement is available upon competitive and cost effective terms. Selection of credit enhancement providers shall be subject to a competitive bid process. Credit enhancement may be used to improve or establish a credit rating on a debt obligation even if such credit enhancement is not cost effective if the use of such credit enhancement meets the organization's debt financing goals and objectives.

- ~~a) — Benefit analysis. The decision to use bond insurance is an economic decision. The analysis compares the present value of the interest savings to the cost of the insurance premium. Insurance may be purchased if the premium cost is less than the present value of the projected interest savings through the optional call date.~~
- ~~b) — Provider selection. The financial advisor will undertake a competitive selection process when soliciting pricing for bond~~

~~insurance, or in the case of a competitive bond sale, may facilitate the pre-qualification of bonds by highly-rated insurance providers. Generally, the winning underwriter in a competitive bond sale will determine whether it will purchase insurance for the issue. For a negotiated sale, the Treasurer shall have the authority to purchase bond insurance when deemed advantageous and the terms and conditions governing the guarantee are satisfactory.~~

2. Bank Facilities:

The issuance of most variable rate debt, including variable rate demand bonds and commercial paper, requires the use of some form of bank facility, to ensure that the investor can sell their bond or note back when the interest rate is reset, in the form of a letter of credit, line of credit or standby bond purchase agreement. Alternatively, banks provide for variable rate direct lending to us such as through a revolving credit facility or direct purchase agreement.

a) ~~Provider~~ Selection:

Depending on market conditions, the financial advisor will conduct a competitive process to recommend a bank facility provider. Banks will have short-term ratings of at least P-1/A-1, or equivalent ratings, by any two nationally recognized rating agencies including Moody's Investors Service, S&P Global Ratings, Fitch Ratings and Standard & Poor's, respectively, Kroll Bond Rating Agency, Inc., in order to be solicited for bank liquidity or credit enhancement, such as letters of credit or standby bond purchase agreements. Minimum short-term ratings are not required for bank facilities where the bank lends directly to us. Selection criteria for Bank Facilities will include the following:

- i) i. The bank's acceptance of terms and conditions acceptable to us. A term sheet will be provided along with the request for qualifications and any requested modifications will be highlighted by the bank;
- ii) ii. A review of a representative list of clients for whom the bank has provided Bank Facilities; and
- iii. iii) — Evaluation of fees; specifically, cost of credit and/or liquidity facility, draws, bank counsel and other administrative charges, index (e.g., SIFMA or ~~LIBOR~~, LIBOR, or if LIBOR shall no longer be in general use, any successor index determined by the Alternative Reference Rates Committee) and the spread to the index for direct lending, and an estimate of the trading differential for a

given bank.

VIII. Documentation of Transactions

The decision processes used in each financing process will be fully documented. ~~The documentation~~The Treasurer and the Deputy Executive Officer, Finance overseeing the debt program will ~~capture~~be responsible for maintaining information regarding the selection of the financing team, decisions on product selection and structuring features, selection of vendors providing ancillary services and selection of investment securities or products. This information will be compiled into a post-pricing book “transaction file,” which will be retained along with the bond closing transcript for each financing.

Additionally, copies of all material documents related to the capital expenditures financed or refinanced by bond proceeds, copies of all contracts and arrangements involving the use of bond proceeds, copies of all contracts and arrangements involving the use of bond financed or refinanced assets, and copies of all records of investments, investment agreements, arbitrage reports and underlying documents including Trustee statements in connection with any investment agreements, and copies of bidding documents shall be maintained.

The documents shall be maintained for the term of each issue of bonds plus five years in accordance with LACMTA’s record keeping policies.

IX. Credit Objectives

We will actively seek to:

1. Maintain and improve the credit ratings of our outstanding bonds.
2. Adhere to benchmarks, overall debt ratios and affordability targets.
3. Have frequent communications with the credit rating agencies.

X. Method of Bond Sale

~~A.~~—The competitive bond sale process will be utilized when it is expected to provide the lowest interest cost for the bonds. -However, there are three methods of sale: -competitive, negotiated and private placement. -Each type of bond sale has the potential to provide the lowest cost given the right conditions. The conditions under which each type of bond sale is best used are provided below.

1A. Competitive Sale

- ~~a)~~1. Bond prices are stable and/or demand is strong.
- ~~b)~~2. Market timing and interest rate sensitivity are not critical to the pricing.
- ~~c)~~3. Participation from DBE / SBE firms is best efforts only and not required for winning bid.
- ~~d)~~4. Issuer has a strong credit rating.

- e) 5. Issuer is well known to investors.
- f) 6. There are no complex explanations required during marketing regarding the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
- g) 7. The bond type and structural features are conventional.
- h) 8. Manageable transaction size.

2B. Negotiated Sale

- a) 1. Bond prices are volatile.
- b) 2. Demand is weak or supply of competing bonds is high.
- c) 3. Market timing is important, such as for marginal refundings.
- d) 4. Coordination of multiple components of the financing is required.
- e) 5. Participation from DBE / SBE firms is enhanced.
- f) 6. Issuer has lower or weakening credit rating.
- g) 7. Issuer or the particular credit is not well known to investors.
- h) 8. Sale and marketing of the bonds will require complex explanations about the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
- i) 9. The bond type and/or structural features are non-standard, such as for a forward delivery bond sale, issuance of variable rate bonds ~~or where there is~~ use of derivative products or there is a specific structural feature required or desired which benefits from the negotiated process.
- j) ~~Bond insurance is not available or not offered.~~
- k) 10. Early structuring and market participation by underwriters are desired.
- l) 11. The par amount for the transaction is significantly larger and would limit competition.
- m) 12. Demand for the bonds by retail investors is expected to be high.

~~Underwriter Selection~~—For a negotiated bond sale, the financial advisor will conduct a competitive process to select underwriters, either for a specific bond issue or through the establishment of a pool of underwriters to be used for bond issues over a defined time period. Selection scoring will include the local preference criteria in accordance with the LACMTA procurement policy.

3-C. Private Placement

Private placement is a sale that is structured specifically for one purchaser such as a bank. A direct purchase agreement or a revolving credit facility are forms of private placement. If a private placement is the preferred method of sale, depending on market conditions, the financial advisor will conduct a competitive process to recommend the purchaser of the obligations. Selection criteria will include the following:

- a) 1. A term sheet will be provided along with the request for qualifications and any requested modifications will be highlighted by the bank. The bank's acceptance of terms and conditions acceptable

to us will be a factor in selection;

- b) 2. A review of a representative list of clients for whom the bank has provided similar agreements; and
- c) 3. Evaluation of fees; specifically, cost of the agreement including index, and spread and other administrative charges. The evaluation of fees, terms and conditions will be compared to other alternative financing methods.

In the event a private placement is utilized, Metro will provide information to the rating agencies currently rating our long term debt and will post on EMMA.

XI. Internal Controls

When issuing debt, in addition to complying with the terms of this Debt Policy, LACMTA shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds.

LACMTA will periodically review the requirements of and will remain in compliance with the following:

1. Any continuing disclosure undertakings under SEC Rule 15c2-12 such as filing our annual financial statements and other financial and operating data for the benefit of our bondholders within 195 days of the close of the fiscal year and file material event notices in a timely manner,
2. Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
3. LACMTA investment policies as they relate to the investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee, which will disburse such proceeds to LACMTA upon the submission of one or more written requisitions, or (b) by LACMTA, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by LACMTA.

XII. Investment of Bond Proceeds

A. Purchase and Sale of Investments:

~~A.~~ Compliance shall be maintained with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds as well as restrictions on the time period over which some bond proceeds may be invested. The Treasurer may direct the investment of bond and lease proceeds in accordance with the permitted investments for any particular bond issue or lease. Providers of structured investment products and professional services required to implement the product or agreement

will be recommended based on a competitive process conducted by the financial advisor or investment advisor.

B. Diversification:

~~B.~~ Investment contracts shall be diversified in order to reduce risk exposure to investment providers, types of investment products and types of securities held.

C. Disclosure:

It shall be required that all fees resulting from investment services or sale of products to us be fully disclosed to ensure that there are no conflicts of interest and investments are being purchased at a fair market price. Underwriters of the bonds, but not the financial or investment advisor, may bid on the sale of investment products for the proceeds. The financial or investment advisor shall document the bidding process and results and shall certify in writing that a competitive and fair market price was received.

XIIII. Market Relationships

A. Rating Agencies:

~~A.~~ The Chief Executive Officer, the ~~Executive Director, Finance and Budget,~~Chief Financial Officer and the Treasurer shall be primarily responsible for maintaining our relationships with Moody's Investors Service, Standard & Poor's and Fitch Ratings. In addition to general communications, the Chief Executive Officer, the ~~Executive Director, Finance and Budget,~~Chief Financial Officer, and the Treasurer, or their appropriate designees, shall communicate with the analysts of each agency providing an underlying rating at least annually, and prior to each competitive or negotiated sale.

B. Investor Relations:

~~B.~~ An Investor Relations section on or linked to our website shall be maintained and updated on a regular basis with relevant financial and debt information. Timely and accurate information shall be provided in response to inquiries from investors in order to maintain positive ongoing investor relations.

C. Board Communication:

~~C.~~ As a means of providing feedback from rating agencies and/or investors regarding our financial strengths and weaknesses as perceived by the marketplace, information will be provided to the Board as material information develops.

~~XIII~~XIV. Initial Disclosure

For each public offering of long-term bonds, we are generally required to prepare a preliminary official statement (“POS”) and final official statement (“FOS”). Along with our legal counsel and financial advisor, we will review and discuss necessary disclosure information in drafting the official statement (“OS”) and utilize appropriate disclosure procedures in order to comply with Federal Securities Law, including SEC Rule 10b-5. A draft of the POS will be provided to the Board for its review and comment prior to the posting of the POS. In connection with each bond issue, we should retain legal counsel for assistance and advice regarding our disclosure responsibilities with respect to the OS. This legal counsel may be the Bond Counsel for the issue or it may be separately engaged Disclosure Counsel. Disclosure policies and procedures will be maintained to assist in the disclosure process.

~~XIV.~~ Continuing Disclosure

~~It is our policy to remain in compliance with Rule 15c2-12 by filing our annual financial statements and other financial and operating data for the benefit of our bondholders within 195 days of the close of the fiscal year and file material event notices in a timely manner.~~

XV. Consultants

The financial advisors and bond and disclosure counsel will be selected by competitive process through a Request for Proposals (“RFP”). Our contracting policies that are in effect at the time will apply to the contracts with finance professionals. Selection may be based on a best value approach for professional services or the lowest responsive cost effective bid based upon pre-determined criteria, in accordance with LACMTA’s procurement policy.

A. Financial Advisor:

~~A.~~ At least three financial advisors will be selected to assist in the debt issuance and debt administration processes. Additionally, the financial advisors will conduct competitive processes to recommend providers of financial services and products, including but not limited to: bond underwriters, remarketing agents, trustees, credit providers, investment advisors and managers, investment measurement services, and custody services.

Selection of the financial advisors should, at a minimum, be based on the following:

1. Experience in providing consulting services to complex issuers.
2. Knowledge and experience in structuring and analyzing complex issues.
3. Ability to conduct competitive selection processes to obtain investment products and financial services.

4. Experience and reputation of assigned personnel.
5. Independence of the advisor from the firms and industries that will be affected by the advice the advisor provides to LACMTA. The firm should be free from actual conflict of interest and free from any potential or perceived conflict of interest. For example, an advisor for a bond transaction should not be a bond underwriter or bond broker/dealer.
6. Fees and expenses.
7. Registered with the Municipal Securities Rulemaking Board and in good standing.
8. [The financial advisor shall be an Independent Registered Municipal Advisor \(IRMA\) as defined by the Securities and Exchange Commission.](#)

Financial advisory services provided to us shall include, but shall not be limited to the following:

1. Evaluation of risks and opportunities associated with debt issuance.
2. Monitoring of the debt portfolio and bond proceeds investments to alert us to opportunities to refund or restructure bond issues or modify investments.
3. Evaluation and recommendation regarding proposals submitted by investment banking firms.
4. Structuring and pricing bond issues, financial instruments and investments.
5. Preparation of requests for proposals and selection of providers for bond counsel, underwriters, remarketing agents, letter of credit banks, investment products, financial products and financial services (trustee and paying agent services, printing, credit facilities, remarketing agent services, investment management services, custody services etc.).
6. Provide advice, assistance and preparation for presentations with rating agencies and investors.

B. Bond Counsel:

Transaction documentation for debt issues shall include a written opinion by legal counsel affirming we are authorized to issue the proposed debt, that we have met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. A nationally recognized bond counsel firm with extensive experience in public finance and tax issues will prepare this approving opinion and other documents relating to the issuance of debt. The counsel will be selected from the pool of bond counsel firms.

C. Disclosure Counsel:

When undertaking a bond sale, disclosure counsel may be retained to prepare the official statement if additional independence or expertise is needed. Disclosure counsel will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines.

Disclosure counsel will be a nationally recognized firm with extensive experience in public finance. The disclosure counsel will typically be selected from the pool of bond counsel firms. Most frequently, the disclosure counsel function will be administered by either bond counsel or underwriter's counsel.

D. Disclosure by Financing Team Members:

~~D.~~ We expect that all of our financial advisory team will at all times provide us with objective advice and analysis, maintain the confidentiality of our financial plans, and be free from any conflicts of interest. All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties that could compromise any firm's ability to provide independent advice that is solely in our best interests or that could be perceived as a conflict of interest. The extent of disclosure may vary depending on the nature of the transaction.

XVI. Post-Issuance Compliance Procedures

We will establish and document procedures to ensure that LACMTA is in compliance [with annual reporting requirements under California Government Code Section 8855\(k\) and](#) with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to tax-exempt bonds and other obligations after the bonds are issued so that interest on the bonds is and will remain tax-exempt. [Additionally, as part of the post issuance compliance procedures, LACMTA will ensure that proceeds of the debt issuance are directed to the intended use.](#) The Post-Issuance Compliance Procedures will be reviewed at least every three years.

###

Debt Policy Overview

Finance, Budget & Audit Committee
February 14, 2018



Debt Policy Overview

Debt Policy establishes guidelines for the use, issuance and management of debt.

- Government Finance Officers Association recommends as “Best Practice” state and local governments/authorities adopt a debt policy that reflects local, state and federal laws and regulations.
- Effective in 2017, California Government Code Section 8855 requires that state and local governments/authorities issuing debt certify that they have adopted a debt policy.



Debt Policy Overview

Metro Debt Policy Goals:

- Provide liquidity at lowest cost of borrowed capital
- Maintain a prudent level of risk
- Preserve financial flexibility in Metro's capital structure
- Maintain strong credit ratings and good investor relations
- Encourage small and disadvantaged investment banking and financial firms participation in lead and senior manager roles in accordance with the LACMTA procurement policy



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Debt Policy Overview

Debt Policy addresses:

Use of debt – to *finance essential capital projects and certain capital equipment*

Authorization – Board must approve borrowing

Revenue Sources – Sales Tax (Prop A, Prop C, Measure R, Measure M)

Affordability Limits – borrowing restricted primarily to capital allocation categories of ordinances



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Debt Policy Overview

Section IV: Affordability Limits – Debt Policy restricts borrowing primarily to *capital allocation categories of ordinances*

Sales Tax Ordinances	Categories Available for Bonding	Maximum Revenue used for Debt Service per Debt Policy
Proposition A	35% Rail Capital Revenues	87% of 35%
Proposition C	40% Discretionary; 25% Highway; 10% Commuter Rail	40% of 40%; 60% of 25%; 40% of 10%
Measure R	35% Transit Capital; 20% Highway Capital; 3% Metrolink Capital; 2% Metro Rail Transit Capital	87% of 35%; 60% of 20%; 87% of 3%; 87% of 2%
Measure M	35% Transit Construction; 17% Highway Construction; 2% Metro Active Transportation; 2% State of Good Repair; 1% of Regional Rail	87% of 35%; 87% of 17%; 87% of 2%; 87% of 2%; 87% of 1%



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Debt Policy Overview

- Debt issuance largely limited to ordinance capital allocation categories, in recognition of system operating requirements
- Debt Policy further constrains how much debt we issue to provide protection in economic downturns
- Affordability limits coordinate with Additional Bonds Test (ABT), legal covenants that limit additional debt

	Proposition A	Proposition C	Measure R	Measure M
Bondable Percentage under Debt Policy	30%	35%	47%	50%
Non-Bondable Percentage	45%	45%	38%	34%
Local Return	25%	20%	15%	16% ⁽¹⁾
Legal ABT	2.46x MADs	1.3x MADs	2.5x MADs	2.0x MADs ⁽²⁾



⁽¹⁾ Local return set to increase to 19% in FY 2040

⁽²⁾ Proposed ABT.

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Debt Policy Overview

Long-Term Debt (as of 01/01/2018)				
Issuer Type	Principal Outstanding	Moody's	S&P	Fitch
Proposition A Senior Bonds	\$1,285,870,000	Aa1	AAA	NR
Proposition C Bonds	\$1,434,255,000	Aa2	AA+	AA
Measure R Bonds	\$1,145,995,000	Aa1	AAA	NR
Measure R TIFIA Loans	\$1,150,303,044	NR	Private	Private
General Revenue	\$97,610,000	Aa2	AA	NR
Total Long-term Debt	\$5,114,033,044			
Short-term Debt				
Proposition A CP	\$107,500,000	P-1	A-1	NR
Proposition C CP	\$5,309,000	P-1	A-1	NR
Proposition C Revolving Credit	\$45,000,000	NR	NR	NR
Measure R Short-term Obligations	\$65,422,743	NR	NR	NR
Total Short-term Debt	\$223,231,743			
Total Debt Outstanding	\$5,337,264,788			



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Debt Policy Overview

Recommendation

- Adopt the revised Debt Policy



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Board Report

File #: 2017-0842, File Type: Program

Agenda Number:

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 14, 2018

SUBJECT: LOCAL RETURN BORROWING

ACTION: APPROVE ADOPTION OF LOCAL RETURN BORROWING GUIDELINES

RECOMMENDATION

APPROVE Local Return Borrowing Guidelines to establish procedures for borrowings secured by Proposition A (Prop A), Proposition C (Prop C), Measure R and Measure M Local Return (LR) funds as described in Attachment A. Approve incorporating the Local Return Borrowing Guidelines into the Guidelines for Prop A, Prop C, Measure R, and Measure M local return programs.

ISSUE

The California Public Utilities Code and the respective sales tax Ordinances/Measures permit Jurisdictions to issue debt secured by their LR allocation to provide for the financing of local transit needs, but is silent about how such borrowing is to be accomplished.

DISCUSSION

The Board has approved borrowings that were secured by a Jurisdiction's share of Prop C and Measure R LR funds (see Attachment B). In order to facilitate Measure R LR borrowing, in 2013 the Board approved Measure R guidelines that codified the procedures previously used to accomplish borrowings. The proposed Local Return Borrowing Guidelines model those adopted for Measure R. Approval of this item will standardize the LR borrowing procedures for all four sales taxes, create consistency and equitable treatment of local Jurisdictions with respect to LR borrowing.

The Local Return Borrowing Guidelines reference three basic methods used to borrow against LR funds:

- Method 1) Jurisdiction issues its own debt - only Metro local return program/project approval required with little financing oversight.
- Method 2) Metro issues the bonds on the Jurisdiction's behalf - requires Metro Board approval and staff oversight.
- Method 3) Jurisdiction borrows directly from Metro - requires Metro Board approval and Metro full control of any bond sale.

The specific procedures for each type of borrowing are shown in Attachment A.

The respective sales tax' Local Return Guidelines address project eligibility, timely use of funds, reporting and compliance requirements. A Jurisdiction seeking to borrow against its LR funds must adhere to the Local Return Guidelines for the respective sales tax pledged to secure the borrowing. Measure R and Measure M LR funds are under the purview of their respective Oversight Committee (s) and require Metro Board approval of the request to borrow.

Adoption of this item delegates the authority to approve a Jurisdiction's request to borrow on its own (Method 1) to the Local Return Program Manager with notification to the Board. When Metro issues the bonds for the Jurisdiction, the guidelines require that the bond terms are sufficient to achieve ratings of at least A- or its equivalent from any nationally recognized statistical rating organization. To the extent a Jurisdiction issues its own tax-exempt debt, compliance with Federal and State restrictions and requirements related to the issuance of tax-exempt debt would be the sole responsibility of the Jurisdiction.

Staff distributed the proposed guidelines to the Bus Operations Subcommittee (BOS), the Local Transit Systems Subcommittee (LTSS) and to the Independent Cities Finance Authority (ICFA) for review and incorporated feedback from the groups. The Technical Advisory Committee will review the guidelines at their meeting on February 7, 2018.

DETERMINATION OF SAFETY IMPACT

Approval of the Local Return Borrowing Guidelines will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Method 1 has minimum direct financial impact to Metro because all costs are borne by the local Jurisdiction. Under Methods 2 and 3 there is a potential financial impact, depending on the volume and timing of bond requests from local Jurisdictions. Should Metro issue debt to provide a direct loan, Metro's borrowing capacity for the respective sales tax would be reduced by that amount. Methods 2 and 3 involve Metro staff time to sell bonds and complete all the related administrative actions. These costs can be recovered by billing the local Jurisdiction for Metro staff time.

ALTERNATIVES CONSIDERED

The Board could choose to consider each LR borrowing individually without establishing borrowing guidelines. This is not recommended as the borrowing guidelines contribute to consistency with respect to the review and approval of requests and contribute to equitable treatment across Jurisdictions.

NEXT STEPS

Make the Local Return Borrowing Guidelines available to all interested parties.

ATTACHMENTS

Attachment A - Borrowing Guidelines for Local Return Programs

Attachment B - Examples of Prior Local Return Borrowings

Prepared by:

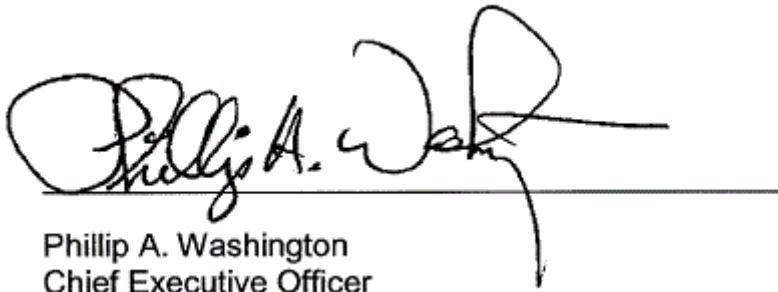
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Phillip A. Washington
Chief Executive Officer

Borrowing Guidelines for Prop A, Prop C, Measure R and Measure M Local Return Programs

The following guidelines are provided to establish consistency for Local Return borrowing under Los Angeles County Metropolitan Transportation Authority's ("Metro") four sales taxes, facilitate the review and approval of Local Return Borrowings, and ensure equitable treatment of local jurisdictions. A Jurisdiction borrowing against its Local Return funds must adhere to the Local Return Guidelines for the respective sales tax/taxes committed to secure the borrowing.

Structures

There are three basic methods that a Jurisdiction may use to borrow against its Local Return funds:

- Method 1) Issue its own debt – only Metro local return program/project approval with little financing oversight
- Method 2) Metro issues the bonds on the Jurisdiction's behalf – requires Metro Board approval and staff oversight
- Method 3) Borrow directly from Metro – requires Metro board approval and Metro controls the execution of any bond sale

Approval Process and Issuance Procedures

- Method 1) Direct Issuance by the Jurisdiction
 - A. The Jurisdiction requests approval for it to borrow via the normal Local Return approval process.
 - B. The Local Return Program Manager ("Program Manager") is delegated the authority to approve the borrowing. The Program Manager also has the authority to approve eligible Local Return projects.
 - C. The Program Manager notifies the Jurisdiction and the Board in writing within 30 days of the jurisdiction request for approval to borrow that the projects were in compliance with the LR Guidelines and the borrowing has been approved.
 - D. The Jurisdiction selects its debt issuance team, including conduit issuer (if applicable), municipal advisor, bond counsel, and underwriters if the debt is sold through negotiated sale or a private placement.
 - E. Metro Treasury staff assists the Jurisdiction by reviewing its borrowing documents as to information related to Metro.
 - F. The Jurisdiction issues the debt and is solely responsible for the repayment from its Local Return over the life of the bonds and compliance with Federal and State restrictions and requirements related to the issuance of tax-exempt or taxable debt.

Method 2) Issuance by Metro on Behalf of the Jurisdiction

- A. The Jurisdiction takes the necessary legal actions to authorize the debt issuance, such as through an authorizing resolution by the governing body. The authorization should include the terms and conditions of the sale and the delegation of authority to enter into required agreements.
- B. The Jurisdiction selects its financing team and determines whether to sell through competitive or negotiated sale. For a negotiated bond sale, the Jurisdiction approves selection of bond underwriters.
- C. The Jurisdiction requests approval from Metro to borrow on its behalf via normal Local Return approval process. The Program Manager reviews the projects to be bonded to ensure compliance with the Local Return Guidelines.
- D. Local Programs/Treasury with assistance from the Jurisdiction prepares an item for the Oversight Committee findings as required by Measure R or Measure M.
- E. The Program Manager notifies the Jurisdiction that findings have been made by the Oversight Committee.
- F. The Program Manager and Treasury staff request authorization from the Board to approve the borrowing and enter into the MOU and Master Trust Agreement. Board authorization will include terms and conditions of the bond issue and concurrence with the financing team selected by the Jurisdiction. Any subsequent Local Return bonds will be issued under the master trust and a supplemental trust agreement.
- G. The Jurisdiction and Metro enter into a memorandum of understanding (“MOU”) and a trust agreement with a trustee bank. The MOU will cover the following points:
 - a. Metro will issue the bonds on behalf of the Jurisdiction for the Jurisdiction’s benefit to be used for approved Local Return projects.
 - b. The Jurisdiction and Metro will determine reasonable security features such as debt service coverage ratios and debt service reserve requirement sufficient to obtain ratings of A- from Standard & Poor’s or A3 from Moody’s.
 - c. Negotiate associated fees provided that all fees are reimbursed by the Jurisdiction.
 - d. The Jurisdiction will repay the bonds by pledging its share of the respective Local Return.
 - e. One-twelfth of annual debt service will be withheld from the Jurisdiction’s monthly Local Return allocation and be transferred to the Trustee. The balance will be remitted to the Jurisdiction.
 - f. The Jurisdiction will reimburse Metro for any and all costs incurred in the issuance and administration of these bonds.
 - g. The Jurisdiction will indemnify the Metro against all other possible expenses, liabilities, or required actions resulting from the outstanding bonds that would not otherwise have been incurred by the Metro.
- H. Following the sale of bonds the Jurisdiction is responsible for on-going debt management including arbitrage rebate calculations, annual continuing disclosure requirements and for spending bond proceeds in a timely manner.

Method 3) Direct Loan between Metro and the Jurisdiction

This method is reserved for circumstances where the Jurisdiction is unable to borrow under the first two methods. Should Metro choose to borrow through the capital markets to advance the funds, it would generally be part of a larger Metro bond issue. This method reduces the total amount of borrowing available for Metro's own capital program.

- A. The Jurisdiction requests approval to borrow via the normal Local Return approval process.
- B. The Program Manager notifies the Jurisdiction in writing that the projects submitted for bonding are in compliance with the LR Guidelines.
- C. The Jurisdiction and Metro negotiate the loan terms and develop required documentation.
- D. The Jurisdiction obtains authorization from its governing body for the loan and to enter into the necessary legal documents to secure repayment of the loan.
- E. The Program Manager and Treasury staff request authorization from the Board to approve the loan and to enter into all appropriate legal agreements (i.e., MOU/Assignment Agreement/Promissory Note, other required documents) required to provide for repayment of the loan to Metro.

The MOU/ Promissory Note will cover at a minimum the following:

- A. Project description.
- B. Principal amount, interest rate, term.
- B. The Local Return committed by the Jurisdiction to repay the loan.
- C. Amortization/ repayment schedule. Typically one-twelfth of annual debt service will be withheld from the Jurisdiction's monthly Local Return allocation by Metro. The balance will be remitted to the Jurisdiction.
- D. Jurisdiction to reimburse its allocable share of costs incurred in the issuance and administration of the outstanding debt if the advance is part of a larger Metro bond issue.
- E. Other terms and conditions as appropriate.

Examples of Prior Local Return Borrowings

Method 1) Jurisdiction issues its own debt

In December 2012, the City of Lynwood issued certificates of participation secured by its Measure R Local Return through the California Statewide Communities Development Authority. The Board authorized the Local Return Program Manager to write a letter of concurrence for the City of Lynwood to use the funds as the City requested. The Lynwood debt issue required very little direct assistance from Metro staff.

Method 2) Metro issues bonds on the Jurisdiction's behalf

In 1998, Prop C Local Return bonds were issued by the MTA at the request of the City of Los Angeles and were secured by the City's Prop C Local Return. Under an MOU between the MTA and the City, the City was obligated to take all necessary actions for the issuance, sale and administration of the bonds and was also responsible for the costs of issuing the bonds

Method 3) Jurisdiction borrows directly from Metro

In October 2004, the City of Covina borrowed \$3.725 million as a part of Metro's \$176.345 million Prop C Sales Tax Bonds. Covina entered into an Assignment Agreement with Metro and the Trustee that allowed the City's Prop C local return to be used for payment of Covina's share of its debt service.

In December 2012, the Board approved a loan to the City of Inglewood, which will be repaid from Inglewood's Measure R Local Return.