Los Angeles County
Metropolitan Transportation Authority
California

Comprehensive Annual Financial Report

FY19

For the Fiscal Year Ended June 30, 2019

Metro

Los Angeles County Metropolitan
Transportation Authority
Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

Metro

Prepared by the
Accounting Department

Nalini Ahuja, Chief Financial Officer
Jesse Soto, Controller

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Metro

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

Metro

Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
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December 17, 2019

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

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2019 is submitted herewith. State law requires LACMTA to publish a complete set of audited financial statements within six months of the close of each fiscal year.

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

Crowe LLP, a firm of licensed Certified Public Accountants, has audited the LACMTA's financial statements. The main goal of the independent audit is to provide reasonable assurance that the financial statements of LACMTA as of and for the fiscal year ended June 30, 2019, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion on LACMTA's financial statements as of and for the fiscal year ended June 30, 2019. The independent auditor's report is located in the front of the financial section of this report.

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

Management's Discussion and Analysis (MD&A), shown on pages 16 to 36, provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

LACMTA was created by State of California Assembly Bill 152, *Los Angeles County Metropolitan Transportation Authority Reform Act of 1992*, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator and funding partner of the transportation network serving the most populous county in the nation. As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have about 377 million bus and rail boardings a year within its 1,807-square-mile service area.

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

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

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

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

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

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

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

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

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

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

Local Economy

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-term Financial Planning

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

Relevant Financial Policies

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

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

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

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

Major Initiatives

NextGen Bus Study

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

Congestion Relief Pricing

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

SEED School of Los Angeles

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

Women and Girls Governing Council (WGGC)

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

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

Acknowledgments

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

Respectfully submitted,

Nalini Ahuja

Nalini Ahuja
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County

Metropolitan Transportation Authority

California

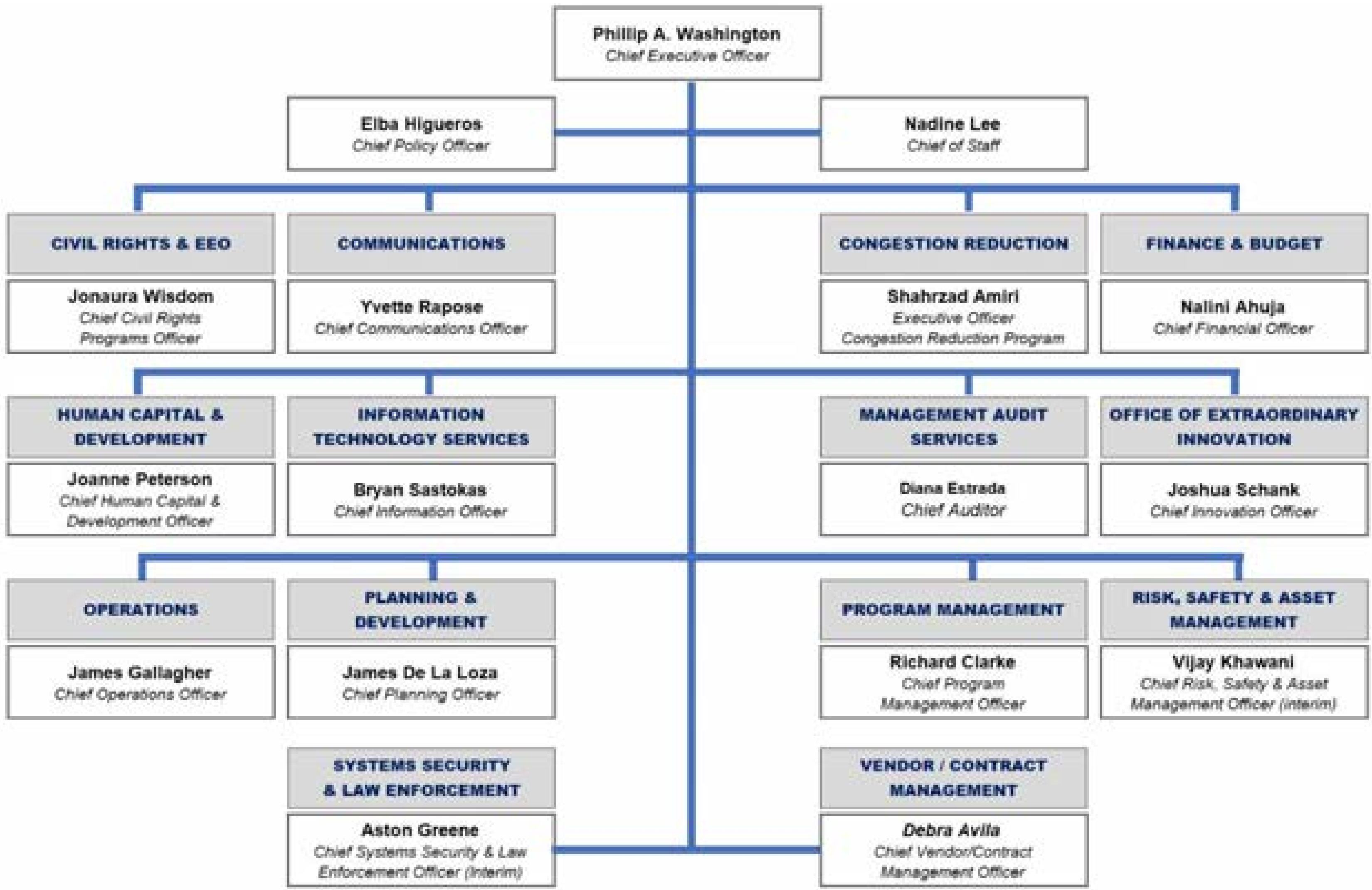
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

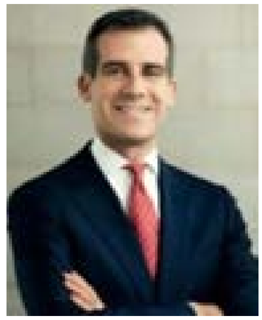
Executive Director/CEO

Los Angeles County Metropolitan Transportation Authority
Management Organizational Chart

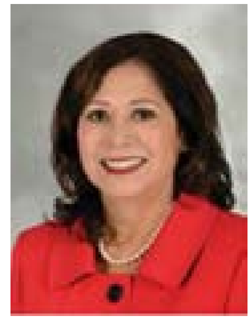


BOARD OF DIRECTORS
(Updated as of July 2019)

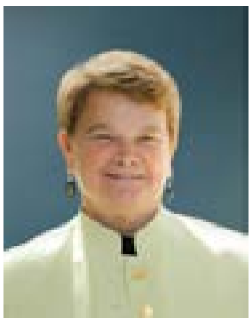
James Butts
Chair
Mayor, City of Inglewood



Eric Garcetti
First Vice Chair
Mayor, City of Los Angeles



Hilda L. Solis
Second Vice Chair
First Supervisorial District

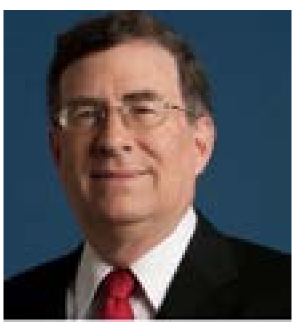


Sheila Kuehl
Los Angeles County Supervisor
Third Supervisorial District

Kathryn Barger
Los Angeles County Supervisor
Fifth Supervisorial District

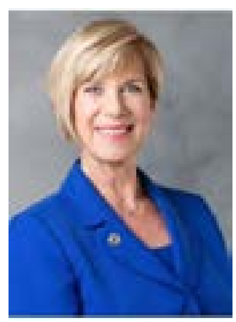
Mike Bonin
Council Member,
City of Los Angeles

Jacquelyn Dupont-Walker
City of Los Angles Appointee



John Fasana
Mayor Pro Tem, City of Duarte

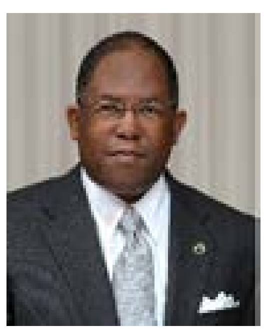
Robert Garcia
Mayor, City of Long Beach



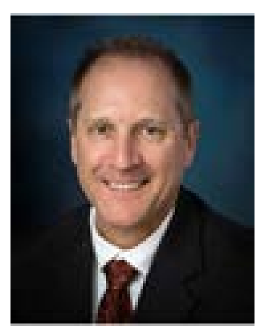
Janice Hahn
Los Angeles County Supervisor
Fourth Supervisorial District

Paul Krekorian
Council Member, City of Los Angeles

Ara Najarian
Council Member, City of Glendale



Mark Ridley-Thomas
Los Angeles County Supervisor
Second Supervisorial District



John Bulinski
District 7 Director,
California Department of Transportation

Los Angeles County Metropolitan Transportation Authority

List of Board Appointed Officials

Phillip A. Washington
Chief Executive Officer

Michele Jackson
Board Secretary

Karen Gorman
Inspector General - Chief Ethics Officer

Charles Safer
Assistant County Counsel

Executive Staff

Nadine Lee
Chief of Staff

Yvette Rapose
Chief Communications Officer

Nalini Ahuja
Chief Financial Officer

Richard Clarke
Chief Program Management Officer

Bryan Sastokas
Chief Information Technology Officer

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

Diana Estrada
Chief Auditor

Jonaura Wisdom
Chief Civil Rights Programs Officer

James Gallagher
Chief Operations Officer

Debra Avila
Chief Vendor/Contract Management Officer

Elba Higueros
Chief Policy Officer

Joanne Peterson
Chief Human Capital and Development Officer

James De La Loza
Chief Planning Officer

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

Joshua L Schank
Chief Innovation Officer

Sharhzad Amiri
Executive Officer - Congestion Reduction Programs

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Metro

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 73%, 74%, and 56% of the assets, net position, and revenues/additions, respectively, of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards.*

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

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

(Continued)

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of June 30, 2019, and the respective changes in its financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, schedule of contributions - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, the schedule of changes in net pension liability and related ratios - Employee Retirement Income Plans, the schedule of contributions to Employee Retirement Income Plans, the schedule of changes in net OPEB liability and related ratios, schedule of investments returns – OPEB Plan, schedule of contributions – OPEB Plan, and the budgetary comparison information for the general fund, Proposition A fund, Proposition C fund, Measure R fund, Measure M fund, Transportation Development Act fund and State Transit Assistance fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, budgetary comparison information - Service Authority for Freeway Emergencies fund and other special revenue funds, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

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

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer our readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2019. This discussion and analysis is designed to:

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

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 1-7 of this report.

All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2019 by $10,599,794. Of this amount, a negative amount of $1,476,500 is reported as unrestricted net position.

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

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

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

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The Statement of Net Position on page 37 presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, and the difference is reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities on pages 38-39 presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs regardless of the timing of related cash flows using the total economic resources measurement focus. It shows the gross and net costs of LACMTA's functions.

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

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

Fund Financial Statements

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

Proprietary Funds

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

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The Proprietary fund financial statements can be found on pages 47-51.

Governmental Funds

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

The governmental fund financial statements can be found on pages 40-41 and 44-45.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 43 and 46 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

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

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major Special Revenue fund on pages 147-153, for the nonmajor funds on page 157, and for the aggregate remaining Special Revenue funds on page 158.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the Other Postemployment Benefits (OPEB) Trust fund that are administered by LACMTA. The fiduciary fund statements can be found on pages 52 - 53.

Notes to the Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to the financial statements are on pages 55-133.

Other Information

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

Government-wide Financial Analysis

Statement of Net Position

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

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

Los Angeles County Metropolitan Transportation Authority
Summary Statement of Net Position

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

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

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

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

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

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

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

Statement of Activities

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

Summary Statement of Activities

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

Business-type activities recovered from operating revenues 19.89% of total operating expenses, excluding depreciation, compared to 23.30% in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

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

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

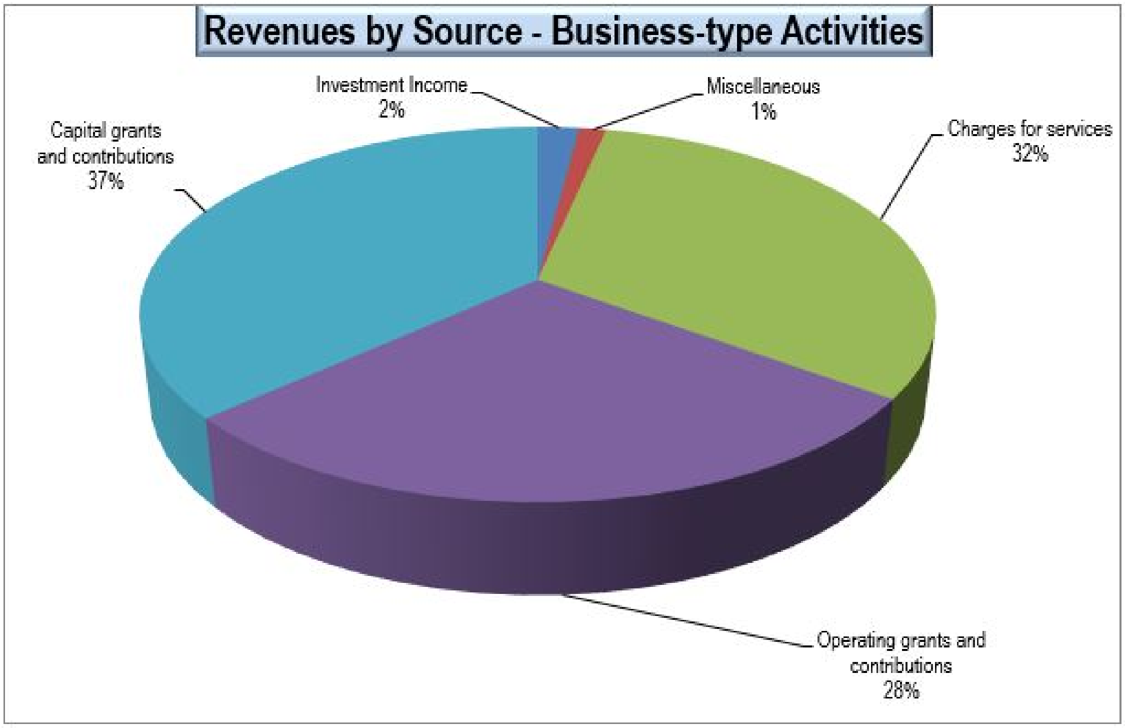
Most of the governmental program expenses relate to subsidies for countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies totaled $1,561,397, reflecting an increase of $41,623 or 2.74% over the prior year, and they represented the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

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

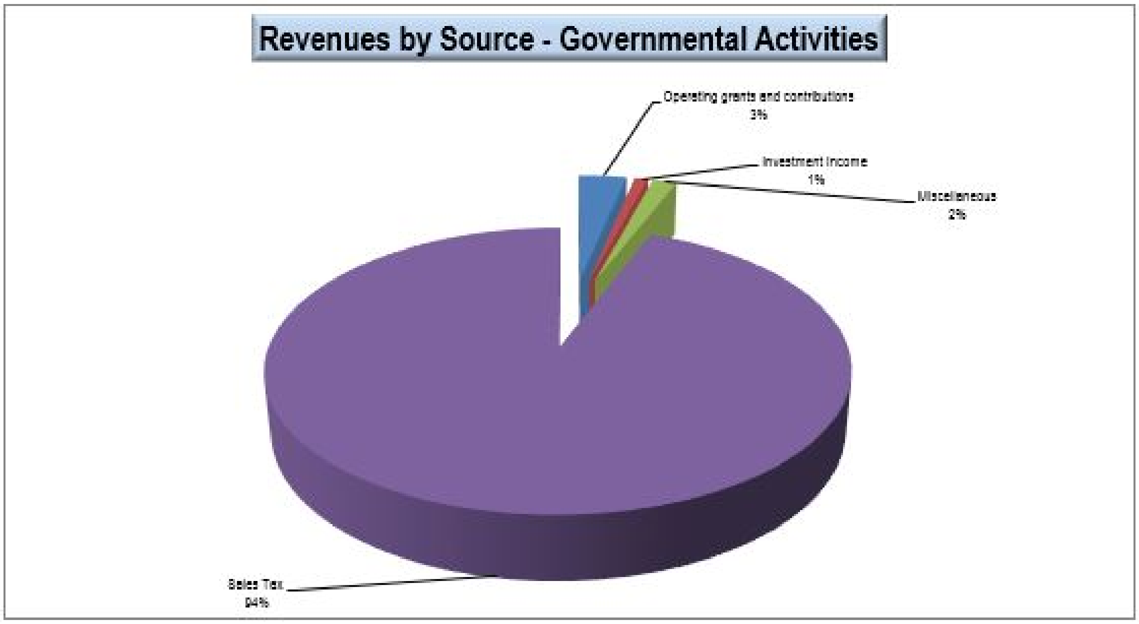
Highway project expenses in the governmental activities increased by $80,595, or 36.56%, compared to the previous year. The increase was mainly attributed to highway planning projects including expenditures related to the ACE grade separation Phase 2, Soundwall Package 11, the I-5 South 605 to Orange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

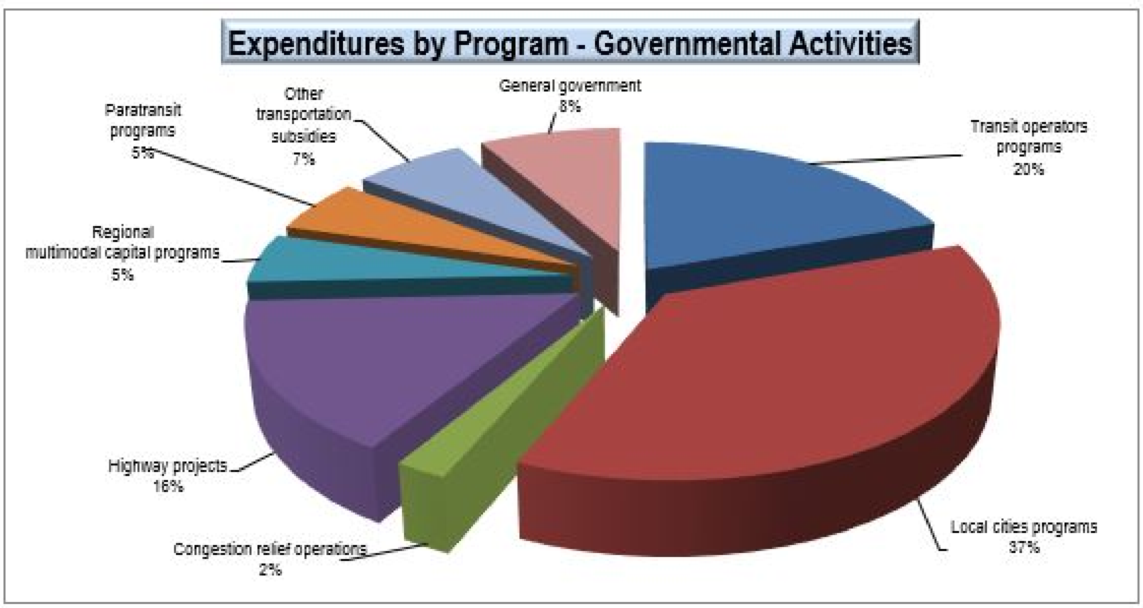
General government projects increased by $18,560 or 13.03% mainly due to the increase in state grants that partially funded system-wide connectivity projects.

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



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





Financial Analysis of LACMTA's Funds

Proprietary Funds

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

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

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact the short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of $200,787 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $2,177,474 in total fund balance.

The major governmental funds are discussed below:

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

The General fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 1.65% of LACMTA's total governmental fund revenues, while expenditures represent 7.58% of total governmental fund expenditures.

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

Revenues

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

Expenditures

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

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

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

Capital Assets Administration

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

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

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

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

Gold Line Foothill Extension Project

The Metro Gold Line Foothill Extension Project includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas, La Verne, Pomona, Claremont, and Montclair in the counties of Los Angeles and San Bernardino. The Gold line Foothill extension is being built in two segments, Segment 2A and 2B.

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

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

Regional Connector Transit Corridor Project

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

Crenshaw/LAX Transit Project

The Crenshaw/LAX Transit Project (Project) has an approved LOP budget of $2.1 billion. The Project covers the design and construction of a new 8.5-mile double-track light rail line, including eight new stations, the procurement of a minimum of 22 light rail vehicles, and 49% of the cost of the construction of the Division 16 Southwestern Yard (SWY) full-service operations and maintenance facility. The Project has received a TIFIA Loan Agreement from USDOT. The Project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Line light rail line near the existing Aviation/LAX Station. In May 2015, the Board approved a revision to the Project alignment to include accommodations for the future 96th Street Station as part of the Airport Metro Connector project. The expected revenue operation for the Project is 2020. As of June 30, 2019, $1.9 billion has been expended.

Westside Purple Line Extension Project

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

- The Westside Purple Line Extension Section 1 Project (Project) has an approved LOP budget of $2.8 billion. The Project will extend 3.9 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire and La Cienega Boulevards. The Project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and procurement of 34 heavy rail vehicles. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, a Joint Venture for tunneling, stations, track work, systems, and systems integration testing. The Design/Build Contract of $52.8 million was awarded to Clark Construction Group for the construction of Division 20 Rail Maintenance and Operation Facility is substantially complete. This Project has received a FFGA from the FTA and a TIFIA Loan Agreement from the USDOT. The Project is expected to begin revenue operation in November 2023. As of June 30, 2019, $1.7 billion has been expended.

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

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

Light Rail Vehicle Acquisition Project

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved LOP budget including the four executed Options is $972 million. In April 2012, the Board approved a contract with KI to manufacture and deliver 78 new LRVs as base order vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. In April 2015, the Board approved to execute Option 2 for an additional 39 vehicles, and Option 3 for another 21 vehicles. The 78 base order vehicles are intended for use on the Foothill Gold Line

Extension and the EXPO light rail extensions and delivery was completed on April 2017. A portion of the Option 1 of the contract of 28 LRVs will be used on the Crenshaw/LAX light rail line expansion project while the remaining, along with all LRVs in Option 4, will be used for system-wide fleet replacement. Options 2 and 3 of the contract are intended for the Regional Connector, future service improvements, and for the replacement of the existing P865 and P2020 fleets. As of June 30, 2019, a total of one hundred eighty-one (181) new P3010 LRVs have been conditionally accepted and placed into revenue service; forty-six (46) at Gold line Foothill Extension line and one hundred thirty-five (135) at the Blue, EXPO and Green lines. As of June 30, 2019, $708 million has been expended.

Bus Acquisition Project

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

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

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

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

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

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

Long-term Debt Administration

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

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

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

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

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

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

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

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

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

Bond Ratings

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

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

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

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

Economic Factors and Next Year's Budget

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

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

The budget assumes the following major revenue sources and expenditures:

REVENUE SOURCES

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

EXPENDITURES

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

For details of LACMTA's FY20 budget, please visit LACMTA's website at www.metro.net.

Further Information

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Additional information can be obtained by visiting LACMTA's website at www.metro.net.

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

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

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

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

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

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

Net position – beginning of year
Net position – end of year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Amounts expressed in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 95-station Metro Rail system. The first phase of the project runs 8.6 miles from the Metro Rail Station at 7th and Flower Streets in downtown Los

Angeles to Washington and National Boulevards in Culver City. The second phase is approximately 6.6 miles and is continuing from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012. The second phase commenced revenue operations in May 2016.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LACMTA also has the following nonmajor Special Revenue funds:

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and Investments

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

Cash and Cash Equivalents

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

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

Restricted Cash and Cash Equivalents

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

Restricted Investments

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

Non-current Restricted Cash, Cash Equivalents, and Investments

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

Receivables

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

Internal Balances

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Asset Type	Useful Life in Years
Buildings and improvements	30
Rail cars	25
Buses	7 - 14
Equipment and other furnishings	5 - 10
Other vehicles	5

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

Compensated Absences

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

Employees' Retirement Plans

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

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

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

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

Other Postemployment Benefits Trust Fund

On February 22, 2007, the MTA Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust ("Plan"). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters, and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. Generally, eligibility for coverage is based on employee's service and age.

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources Related to Pensions

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

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

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

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

Deferred Outflows/Inflows of Resources Related to OPEB

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

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

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

Deferred Outflows of Resources Related to Asset Retirement Obligations (ARO)

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

Deferred Outflows/Inflows of Resources on Debt Refunding

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

Deferred Revenues

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

Unearned Revenues

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

Other Revenues

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

Fund Balances

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

> ***Nonspendable fund balances*** include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Prepayments and inventories in the governmental funds are included in the nonspendable fund balances.
>
> ***Restricted fund balances*** include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, by the creditors, or by the regulations of other governments. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from PTMISEA, TDA, STA, SAFE, and other grants are restricted by the grantors providing the funds.
>
> ***Committed fund balances*** are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of Directors, the primary government's highest decision-making authority. Those committed amounts cannot be

used for any other purposes unless the Board removes or changes the specific use of the funds.

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

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

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

E. Effects of New Pronouncements

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

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

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

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

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

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

B. Encumbrances

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

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

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

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

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

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

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Investment Policy

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

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

LACMTA's most recent investment policy, adopted by the Board on March 1, 2018, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety** - preservation of capital, diversification, and the protection of investment principal; **Liquidity** - investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated. **Return on Investments** - LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

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

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer	Minimum Ratings
Bonds issued by LACMTA	5 years	100%	100%	None
U.S. Treasury obligations	5 years	100%	100%	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
Local Agency within the State of California	5 years	25%	25%	A1 short term or AA long term
U.S. Agency securities	5 years	50%	15%	None
Registered state warrants or treasury notes or bonds of other 49 states	5 years	25%	25%	A1 short term or AA long term
Bankers acceptance	180 days	40%	10%	A1 + /P1 short term
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	None
Placement Service Assisted Deposits	5 years	30%	10%	None
Repurchase agreements	90 days	20%	20%	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	Not	20%	10%	AAA
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	15%	AAA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	15%	AAA
Local Agency Investment Fund (LAIF)	Not applicable	Set by LAIF	Set by LAIF	Not applicable
Local Government Investment Pool (LGIP)	Not applicable	Set by LGIP	Set by LGIP	Not applicable

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

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

Cash Deposits

As of June 30, 2019, LACMTA's carrying amount of cash comprises $976 in cash on hand and $63,505 in checking accounts for a combined total of $64,481. LACMTA's total bank balance was $63,403 with the difference representing primarily outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $250,000 (amount not in thousands) per financial institution and uninsured amounts are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.
LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $130,000. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for the LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $259,887 as of June 30, 2019. The County Board of Supervisors provides regulatory oversight for LACIP.

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

Cash equivalents and Investments

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

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

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

Risk

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

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA did not have any holdings meeting or exceeding these threshold levels as of June 30, 2019.

As of June 30, 2019, with the exception of investments that are explicitly guaranteed by the U.S. government, LACMTA did not have any investments with more than 5% of the total investments under one issuer except for the following U.S. Agency securities:

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

Custodial Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2019, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. Receivables

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

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

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

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

C. Internal Balances

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

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

Internal balances represent receivables from/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered or services rendered. The loans will be repaid when sufficient cash is available. Any outstanding balances between the governmental funds and business-type activities were reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2019 were as follows:

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

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

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

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

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

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

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

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

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

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

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

D. Capital Assets

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

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

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

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

E. Long-Term Liabilities

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

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

F. Claims Payable (Risk Management)

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

Capital

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

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

Operations

The reserves for the public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2019 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

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

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately $12.3 billion on a probable maximum loss basis with policy limits of $400,000 for damages ($150,000 for flood damages). Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

As of June 30, 2019, a designated investment has been set aside in the amount of $125,636 equal to the property and casualty liabilities.

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

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

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2019 and 2018:

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

As of June 30, 2019, $78,709 of the total claims liability is considered current. Claims payable is reported in the Statement of Net Position in the Proprietary fund.

G. Compensated Absences

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

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

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

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

The following is a summary of the compensated absences payable for the year ended June 30, 2019:

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

As of June 30, 2019, $86,873 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Proprietary fund.

H. Deferred Compensation Plans

457 Deferred Compensation Plan

LACMTA has a deferred compensation plan for all employees established in accordance with Internal Revenue Code (IRC) Section 457, which permits employees to defer a portion of their current salary to future years.

Under this plan, employees may contribute up to the lesser of $19,000 (not in thousands) or 100% of their earnings, in calendar year 2019. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2019, and employees eligible for retirement within three years can avail of the “catch-up provision” totaling $38,000 (not in thousands).

The plan is managed by a third-party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to the employee until termination, retirement, age 59-1/2, death, or unforeseeable emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees’ contributions to the deferred compensation plan. As of June 30, 2019, the deferred compensation plans had assets stated at fair value of $399,726.

401(k) Savings Plan

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to the lesser of $19,000 (not in thousands) or 100% of their earnings in calendar year 2019. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2019.

The 401(k) Savings Plan is managed by a third-party plan administrator, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or unforeseen emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees' contributions to the 401(k) savings plan. As of June 30, 2019, the 401(k) savings plan had assets at fair value totaling $524,468.

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

I. Employees' Retirement Plans

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

California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan

Plan Description

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

Benefits Provided

Most full-time employees of PTSC are covered under the Plan. There are two classes of plan members. Those hired before the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect on January 1, 2013 are known as Classic Members. Members hired after that date are known as PEPRA members. Classic Members are eligible for retirement at age 50, while PEPRA members must be 52 years of age. In both cases, at least 5 years of service credit is needed to retire. Benefits for the defined benefit plan are based on the member's year of service, age, final compensation, and benefit formula. The benefit factor is actuarially reduced or increased prior to or after age 60 for Classic Members and for PEPRA members prior to or after age 62. The Plan also provides optional benefits for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

Employees Covered by Benefit Terms

The following employees were covered based on the CalPERS actuarial valuation report dated June 30, 2017:

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

Contributions

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of a change in the rate in accordance with Section 20814(C) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered payroll, which is based on pensionable earnings. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the reporting fiscal year 2019, the contribution rate was 14.98% of covered payroll and contributions totaled $37,859. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.75% of covered-employee payroll which is 50% of the total normal cost of 12.50%. Employer and Classic Members mandatory contributions are paid by PTSC.

Net Pension Liability

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table (1)	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2017 valuation report were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates.

Changes of Assumptions

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

Discount Rate

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

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

The table below shows the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

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

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

Changes in the Net Pension Liability

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

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

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The table below shows the sensitivity of the Plan's net pension liability as of the measurement date, calculated using the discount rate of 7.15%, and the changes of 1 percentage-point lower (6.15%) and 1 percentage-point higher (8.15%):

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

Pension Plan Fiduciary Net Position

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

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

For the reporting fiscal year ended June 30, 2019, the plan recognized pension expense of $38,770. Pension expenses represent the changes in net pension liability recognized in the current reporting period adjusted for employee actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

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

The following are the sources of deferred outflows and deferred inflows of resources as of the measurement date at June 30, 2018:

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

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

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

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources	
2020	$	17,548
2021		12,475
2022		(256)
2023		(1,386)
2023		—
Total	$	28,381

Expected Average Remaining Service Lifetime (EARSL)

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

LACMTA Administered Pension Plans

Plans Description

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

The table below shows the number (not in thousands) of active employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2017, and January 1, 2018 for ATU:

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

Contributions

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

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

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

Net Pension Liability

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

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

All Plans projected total pension liabilities were rolled forward to the June 30, 2018 measurement date taking into consideration adjustments for benefit payments, expected growth in benefit obligations, changes in key assumptions, plan provisions, and any significant changes in plan demographics events.

Actuarial Assumptions

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2018 as applicable to the plans:

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

Change of Assumptions

For the measurement date of June 30, 2018, there were no change in assumptions.

Discount Rate

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

The SMART-TD, TCU, AFSCME, and NC retirement plans long-term expected rate of return on pension plan investments was based on the actuary's proprietary January 1, 2016 capital market simulation model, where each return represents a 20-year geometric real return, (i.e. net of inflation).

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

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

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

Changes in the Net Pension Liability

Presented below is the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2017 to June 30, 2018.

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

There are no subsequent events or significant changes in population covered or assumptions or methods that the management is aware of that would impact the results between the measurement date of the net pension liabilities and LACMTA reporting date for the year ended June 30, 2019.

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

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

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

Pension Plans Fiduciary Net Position

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

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

For reporting fiscal year ended June 30, 2019, LACMTA recognized pension expense of $44,742, which represents the change in net pension liability during the measurement period, adjusted for employee contributions and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

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

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

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2019:

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

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

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

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

	Deferred Outflows (Inflows)					
Measurement Period Ended June 30, 2018	SMART-TD	TCU	AFSCME	NC	ATU	Total
2020	$ 13,655	$ 3,295	$ 702	$ 1,477	$ 13,594	$ 32,723
2021	4,893	1,856	2	36	5,758	12,545
2022	(7,209)	(103)	(846)	(1,743)	(3,327)	(13,228)
2023	(2,466)	540	(261)	(533)	449	(2,271)
2024	—	587	—	—	2,221	2,808
2025	—	108	—	—	1,221	1,329
Total	$ 8,873	$ 6,283	$ (403)	$ (763)	$ 19,916	$ 33,906

Payable/Receivable to the Pension Plan

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

Aggregate Amounts

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

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

J. Other Postemployment Benefits (OPEB)

Plan Description

Plan Administration

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (Plan). The Plan is a single-employer defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA for Non-Contract employees and employees represented by AFSCME and the Teamsters and for the contractual obligations to the respective Union Health and Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. The benefits, coverage levels, employee contributions and employer contributions are either governed/amended by the policies established by the LACMTA's Board, collective bargaining agreements, or the Union Health and Welfare Trusts. Generally, eligibility for coverage is based on the employee's service and age.

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

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

Plan Accounting Practices

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

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

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

The statement of fiduciary net position and statement of changes in fiduciary net position of the OPEB Plan is presented in the Other Supplementary Information on page 159. An annual unaudited stand-alone financial report is prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952

Benefits Provided

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

Funding Policy (Contributions)

Member Contribution

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

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

LACMTA Contribution

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

Changes in Net OPEB Liability and Related Ratios

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

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

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

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

Actuarial Assumptions

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

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

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

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

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

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

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

Discount rate

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

Investments

Investment policy

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

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

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

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

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

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

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

The Plan categorizes its fair value investments within the fair value hierarchy established by GASB 72, "*Fair Value Measurement and Application*", that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3) as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

Investments measured at the net asset value:

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

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

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

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

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

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

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

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

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

Risk

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

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. OPEB Plan maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations and maintaining diversified investments using target asset allocation ranges encompassing a long-term perspective.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, OPEB Plan maintains investment policies that establish thresholds for holdings of individual securities. OPEB Plan did not have any holdings meeting or exceeding these threshold levels as of June 30, 2018.

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

Custodial Credit Risk

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

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

Interest Rate Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2018, there was no exposure to foreign currency risk as all OPEB investments are denominated in U.S. dollar currency.

Rate of Return

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

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

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

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

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

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

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

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

For reporting fiscal year ended June 30, 2019, LACMTA recognized OPEB expense of $37,717, which represents the change in net OPEB liability during the measurement period, adjusted for employee contribution and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

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

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2018:

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

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

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

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

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

Payable/Receivable to the Pension Plan

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

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high cost plans (Cadillac Plans) beginning in 2018. Under this act, 40% excise tax applies to plans with costs exceeding certain thresholds: $11,850 (not in thousands) - single; $30,950 (not in thousands) - family for early retirees. The estimated impact of the 40% excise tax provision on high cost plans beginning in 2018, under the healthcare reform, is reflected in the actuarial valuation report of January 1, 2017.

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

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

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

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

K. Pollution Remediation Obligation

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

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

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely, external remediation costs, internal administration costs, and litigation and settlement costs, where each cost category has a different way to estimate the costs.

External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or using a forecasted, year-by-year scope of the remaining project life cycles to the point of No Further Action (NFA), i.e. closure. The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start on July 1, 2018.

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

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

The remediation obligation estimates as of June 30, 2019 are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations, and other factors that could result in revisions to these estimates.

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

As of June 30, 2019, LACMTA has an estimated pollution remediation obligation of $14,847 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any liabilities for pollution remediation activities for possible liabilities which are not reasonably estimable.

L. Certain Asset Retirement Obligations

In FY19, LACMTA implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Under GASB Statement No. 83, recognition of an ARO is to occur when the liability is incurred and reasonably estimable. LACMTA has incurred an ARO liability with respect to the removal of seventy-six (76) underground storage tanks (USTs) since both of the following obligating events have occurred:

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

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

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

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

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

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

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

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

M. Long-term Debt

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

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

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

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

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

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

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

Direct Borrowings/Placements

Measure R Junior Subordinate Bonds

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

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

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

In October 2013, the USDOT approved a TIFIA loan for the design and construction of the Regional Connector Transit Corridor Project (the Project) in an aggregate principal amount not to exceed $160,000. In February 2014, the USDOT through the Federal Highway Administration (FHA) and LACMTA entered into a Full Funding Grant Agreement (FFGA) to secure a grant of up to $669,900 of the $1.4 billion budgeted cost for the Project and issued Series 2014A of Measure R Junior Subordinated Bonds to evidence the obligation of LACMTA to repay the $160,000 loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.5% per annum with a final maturity on June 1, 2036. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balance are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2019, LACMTA has drawn $135,710 of the TIFIA loan.

In May 2014, LACMTA secured a TIFIA loan for its Westside Purple Line Extension Section 1 Project (the Project) in an aggregate principal amount not to exceed $856,000 and entered into an FFGA with the USDOT through the FHA pursuant to which the Project, budgeted at $2.6 billion, has received a grant of $65,000 with up to $1.25 billion in total grant funds. LACMTA issued Series 2014B of Measure R Junior Subordinated Bonds to evidence LACMTA's obligation to repay the loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.23% per annum with final maturity date of June 1, 2037. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 commencing December 1, 2019. LACMTA has drawn $490,766 of the TIFIA loan as of June 30, 2019.

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

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

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

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

Notes Payable

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

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

In September 2012, LACMTA secured a direct loan of $545,900 from the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) to partially finance the construction of the Crenshaw/LAX Transit Corridor. The loan, secured by a portion of LACMTA's Measure R sales tax revenue allocated to the Crenshaw/LAX Transit Corridor project, bears interest at 2.43% per annum on the outstanding balance with a maturity date of June 1, 2034. As of June 30, 2019, LACMTA has drawn $545,900, the full amount of the TIFIA loan. The outstanding balance of $594,799 includes $48,899 interest accretion through June 30, 2019. Interest on the note is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2020, and principal is due and payable annually on June 1 of each year beginning June 1, 2022.

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

Revolving Lines of Credit and Bond Purchase Agreement

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

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

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

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

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

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

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

In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to $45,000. In September 2013, LACMTA borrowed $20,000 from its taxable Proposition C revolving credit facility and another $25,000 from its tax-exempt Proposition C revolving credit facility in November 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last $75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.

LACMTA's Board also authorized up to $300,000 of short-term borrowings for which obligations are payable from the Measure R sales tax revenues on a subordinate basis to the Measure R Senior obligations and on a senior basis to the Measure R Junior Subordinate obligations to provide interim financing and to fund cash flow requirements for construction payments until funding sources are received or until long-term financing is arranged. The short-term borrowing program includes subordinate revolving credit obligations with two banks for an aggregate maximum principal amount of $150,000 and a bond purchase agreement with another bank that will sell from time to time up to an aggregate principal amount of $150,000 subordinate bonds. The Measure R Subordinate Revolving obligations are purchased by State Street Public Lending Corporation, in a principal amount not to exceed $100,000, and by Bank of the West, in a principal amount not to exceed $50,000 in accordance with the terms of a revolving credit agreement. The obligations issued under the revolving credit lines bear variable interest at rates based on the LIBOR Index as determined pursuant to the terms of the revolving credit agreements. Except as otherwise provided under the terms of the credit agreements, all principal amounts outstanding are due and payable on November 20, 2020 at which time, LACMTA has the option to convert any outstanding balance to term loans that will be payable in twelve equal quarterly installments following November 20, 2020.

In addition, LACMTA entered into a bond purchase agreement with an underwriter, RBC Capital Markets, Inc. to sell from time to time up to $150,000 aggregate principal amount of Subordinate Series C Bonds, which, in turn, sells the bonds to RBC Municipal Products, LLC. The Subordinate Series C Bonds bear variable interest rates. Under the terms of the agreements, the principal of all Subordinate Series C Bonds outstanding is due and payable on November 20, 2020.

Other Debt

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

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

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

* *Years stated are calendar year*

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes, net of administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refunding may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants.

The principal amount is payable in annual installments on July 1 for Proposition A and Proposition C bonds, and on June 1 for Measure R bonds. Interest is payable semi-annually on January 1 and July 1 for Proposition A and Proposition C bonds, and on December 1 and June 1 for Measure R bonds.

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

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

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

General Revenue Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. Both bonds were issued at a fixed rate.

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

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

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

Commercial Paper Notes

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

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

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

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A and Proposition C CPN, to maintain access to a low cost and flexible source of capital financing. LACMTA taxable and tax-exempt CPN are issued with maturity dates ranging from one to 270 days at various interest rates.

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

The Proposition A commercial paper programs are supported by direct-pay irrevocable letters of credit issued by Barclays and Citibank. Both banks are required to have a short-term credit rating of at least A-1/P-1. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable reimbursement agreement.

Annual Debt Service Requirement

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

Business-type Activities

Direct Borrowings/Placements

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

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

Other Debt

Sales Tax Revenue and Refunding Bonds

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

General Revenue Refunding Bonds

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

Lease/leaseback Obligations

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

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

Total Debt Service - Business-type Activities

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

Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, and sales tax revenue refunding bonds. These bonds were used to finance the acquisition of revenue vehicles, and construction and renovation of major capital facilities. Farebox revenues are pledged for the payment of the general revenue refunding bonds. LACMTA is subject to maximum annual debt service policy limits set forth in its Debt Policy adopted by LACMTA's Board.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2019:

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

(1) Sales tax revenues are reported using the accrual basis of accounting, net of the State Board of Equalization administrative fees. Gross receipts on General Revenue bonds represent farebox revenues, advertising, revenues derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise fund.
(2) Total Debt Service represents actual principal and interest paid.

Significant Changes to Long-Term Bond and Note Obligations

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

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

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

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

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

Measure R Junior Subordinate Bonds

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

Commercial Paper Notes and Revolving Lines of Credit

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

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

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

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

N. Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "Lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head-lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized $64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements provided LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from various finance obligations have been recorded as lease accounts in the Statement of Net Position of the Enterprise Fund. LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust. As of June 30, 2019, these lease/leaseback agreements totaled $176,036. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. (AIG) or its affiliates provided a fixed income investment product known as a “payment undertaking agreement" (PUA) that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (AGM, as successor to Financial Security Assurance Inc.) for several of the transactions. As a result of declines in AIG’s and AGM’s credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight transactions. The remaining two were unaffected.

LACMTA has terminated six of the eight affected leases and has entered into collateral posting agreements for one other lease. Issues remain with one of the affected leases and LACMTA continues to discuss potential solutions with the lessor. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to $7,185 plus legal costs.

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

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

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

O. Leases

Operating Leases

LACMTA has entered into various lease agreements as “Lessor” of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 and 99 years. These leases are considered operating leases for accounting purposes and reported as period costs in the statement of revenues of the proprietary and governmental funds.

The carrying value of the land held for lease as of June 30, 2019, is $94,983 and is included under the Land caption in the capital assets section of the notes to the financial statements found on page 84.

LACMTA is committed under various leases as the “Lessee” of building and office spaces. These leases are considered for accounting purposes to be operating leases and reported as business-type activities. Lease expenditures for the year ended June 30, 2019 totaled $8,630.

Future minimum lease payments for these leases are as follows:

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

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

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

P. Capital and MOU Commitments

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

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

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

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

Q. Joint Powers

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the Counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. LACMTA provides funding for the majority of Metrolink's operating and capital costs. As of June 30, 2019, the total outstanding payables and commitments were $1,222 and $74,690, respectively.

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

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

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

R. Litigation and Other Contingencies

Litigation

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

Federal, State, and Other Governmental Funding

LACMTA receives significant funding from federal, state, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. Based on Section 4965 and the final Treasury Regulations thereunder, LACMTA believes that the Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Notes to Schedule:

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

Benefit Changes

The figures presented above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credits (a.k.a. Golden Handshakes).

Changes of Assumptions

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

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

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

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

Notes to Schedule:

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

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

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

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

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

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

Notes to Schedule:

In FY2016, for the SMART-TD plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump-sum was decreased from 35% to 30%, the age-based termination rates were increased, and the retirement rates were increased at service levels for 23 to 29 years.

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

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

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

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

Notes to Schedule:

In FY2016, for the TCU plan, which is a single-employer defined benefit plan, retirement rates changed at services levels of less than 25 years. The retirement rate at exactly 23 years of services was increased and the retirement rates levels were decreased.

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

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan
American Federation of State, County and Municipal Employee Plan (AFSCME)
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019
Total pension liability – beginning of year	$ 64,607	$ 66,226	$ 70,656	$ 70,372	$ 70,178
Service cost	391	318	235	192	125
Interest	4,384	4,438	4,790	4,778	4,690
Difference between expected and actual experience	872	1,839	(999)	(460)	429
Changes of assumptions	—	3,358	—	—	(1,568)
Benefit payments paid from trust	(4,835)	(6,393)	(5,018)	(5,594)	(8,527)
Transfer of contributions between plans	807	870	708	890	1,813
Net change in total pension liability	1,619	4,430	(284)	(194)	(3,038)
Total pension liability – end of year	66,226	70,656	70,372	70,178	67,140
Fiduciary net position – beginning of year	54,938	61,926	58,392	55,149	58,520
Contributions - LACMTA	1,964	1,455	1,638	1,576	1,378
Net investment income	9,219	690	(251)	6,675	5,206
Benefit payments	(4,835)	(6,393)	(5,018)	(5,594)	(8,527)
Administrative expenses	(167)	(156)	(320)	(176)	(254)
Transfer of contributions between plans	807	870	708	890	1,813
Net change in fiduciary net position	6,988	(3,534)	(3,243)	3,371	(384)
Fiduciary net position – end of year	61,926	58,392	55,149	58,520	58,136
Net pension liability – end of year	$ 4,300	$ 12,264	$ 15,223	$ 11,658	$ 9,004
Funded ratio	93.51%	82.64%	78.37%	83.39%	86.59%
Covered payroll	$ 3,822	$ 3,338	$ 2,936	$ 2,199	$ 1,547
Net pension liability as a percentage of covered payroll	112.51%	367.41%	518.49%	530.15%	582.03%

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

Notes to Schedule:

In FY2016, for the AFSCME plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the age-based termination rates were increased, and age-based rates previously not applied to participants with less than 30 years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate of 30 years of services was increased (now only applied to the Old Plan participants).

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

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

	2015	2016	2017	2018	2019
Total pension liability – beginning of year	$147,574	$148,935	$156,795	$158,813	$159,490
Service cost	628	536	466	376	246
Interest	10,011	10,062	10,675	10,697	10,770
Difference between expected and actual experience	587	191	(68)	2,577	(883)
Changes of assumptions	—	8,044	—	—	(4,604)
Benefit payments paid from trust	(10,540)	(11,661)	(9,697)	(13,762)	(12,774)
Transfer of contributions between plans	675	688	642	789	799
Net change in total pension liability	1,361	7,860	2,018	677	(6,446)
Total pension liability – end of year	148,935	156,795	158,813	159,490	153,044
Fiduciary net position – beginning of year	113,454	127,728	122,215	116,864	122,180
Contributions - LACMTA	5,074	4,186	4,531	4,566	4,195
Net investment income	19,276	1,493	(505)	13,936	10,941
Benefit payments	(10,540)	(11,661)	(9,697)	(13,762)	(12,774)
Administrative expenses	(211)	(219)	(322)	(213)	(275)
Transfer of contributions between plans	675	688	642	789	799
Net change in fiduciary net position	14,274	(5,513)	(5,351)	5,316	2,886
Fiduciary net position – end of year	127,728	122,215	116,864	122,180	125,066
Net pension liability – end of year	$ 21,207	$ 34,580	$ 41,949	$ 37,310	$ 27,978
Funded ratio	85.76%	77.95%	73.59%	76.61%	81.72%
Covered payroll	$ 3,953	$ 3,460	$ 3,522	$ 3,447	$ 3,172
Net pension liability as a percentage of covered payroll	536.48%	999.42%	1,191.06%	1,082.39%	882.03%

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

Notes to Schedule:

For the NC plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect the lump sums decreased from 30% to 25%, the age-based termination rates were increased, and age-based rates previously not applied to participants with less than 30 years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

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

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

	2015	2016	2017	2018	2019
Total pension liability – beginning of year	$417,566	$445,951	$505,143	$542,889	$582,087
Service cost	12,428	13,928	17,098	15,337	16,081
Interest	31,401	33,785	35,877	38,249	40,835
Changes to benefit terms	—	—	—	7,692	—
Difference between expected and actual experience	(1,823)	1,060	4,176	(1,418)	3,642
Changes of assumptions	8,999	29,243	—	2,976	10,906
Benefit payments paid from trust	(22,251)	(18,366)	(19,233)	(23,365)	(29,220)
Transfer of contributions between plans	(369)	(458)	(172)	(273)	(406)
Net change in total pension liability	28,385	59,192	37,746	39,198	41,838
Total pension liability – end of year	445,951	505,143	542,889	582,087	623,925
Fiduciary net position – beginning of year	318,802	379,275	394,655	406,188	468,536
Contributions - LACMTA	20,126	21,257	22,782	25,423	27,157
Contributions - Employees	7,648	8,607	9,272	9,696	10,159
Net investment income	55,695	4,736	(731)	51,241	42,711
Benefit payments	(22,251)	(18,366)	(19,233)	(23,365)	(29,220)
Administrative expenses	(376)	(396)	(385)	(374)	(360)
Transfer of contributions between plans	(369)	(458)	(172)	(273)	(406)
Net change in fiduciary net position	60,473	15,380	11,533	62,348	50,041
Fiduciary net position – end of year	379,275	394,655	406,188	468,536	518,577
Net pension liability – end of year	$ 66,676	$110,488	$136,701	$113,551	$105,348
Funded ratio	85.05%	78.13%	74.82%	80.49%	83.12%
Covered payroll	$113,462	$118,355	$127,258	$142,665	$152,397
Net pension liability as a percentage of covered payroll	58.77%	93.35%	107.42%	79.59%	69.13%

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

Notes to Schedule:

In FY2016, for the ATU plan, which is a single-employer defined benefit plan, the amount reported as assumption of changes reflects a change in the discount rate assumption from 7.50% to 7.00%. The discount rate better reflects the long-term return expectations for the plan over a 30-year horizon. The salary assumption was updated to reflect the negotiated rate increases over the next 3 years (4.25%, 2015-2017).

Changes to benefit terms reflects a negotiated benefit increase of a one-time 4% COLA for participants in payment status and a one-time 2% COLA for participants in DROP with an assumed payment effective date in September 2017.

In FY2019, there were no changes in assumptions.

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan
Total for the Four Union Groups and Non-Contract (NC)
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019
Total pension liability – beginning of year	$ 1,418,221	$ 1,481,009	$ 1,632,714	$ 1,709,688	$ 1,797,949
Service cost	35,843	37,539	42,046	38,902	40,604
Interest	100,939	105,591	114,484	119,252	125,252
Changes of benefit terms	—	—	—	7,692	—
Difference between expected and actual	565	23,752	(1,339)	10,584	11,150
Changes of assumptions	8,999	68,974	—	2,976	446
Benefit payments paid from trust	(83,558)	(84,151)	(78,217)	(91,145)	(99,677)
Net change in total pension liability	62,788	151,705	76,974	88,261	77,775
Total pension liability – end of year	1,481,009	1,632,714	1,709,688	1,797,949	1,875,724
Fiduciary net position – beginning of year	1,040,009	1,217,498	1,225,243	1,228,336	1,378,921
Contributions - LACMTA	56,198	51,419	55,935	59,535	60,415
Contributions - Employees	25,337	27,435	30,319	30,595	31,754
Net investment income	180,910	14,659	(3,238)	152,988	125,430
Benefit payments	(83,558)	(84,151)	(78,217)	(91,145)	(99,677)
Administrative expenses	(1,398)	(1,617)	(1,706)	(1,388)	(1,603)
Net change in fiduciary net position	177,489	7,745	3,093	150,585	116,319
Fiduciary net position – end of year	1,217,498	1,225,243	1,228,336	1,378,921	1,495,240
Net pension liability – end of year	$ 263,511	$ 407,471	$ 481,352	$ 419,028	$ 380,484
Funded ratio	82.21%	75.04%	71.85%	76.69%	79.72%
Covered payroll	$ 328,430	$ 363,976	$ 380,421	$ 398,331	$ 427,029
Net pension liability as a percentage of covered payroll	80.23%	111.95%	126.53%	105.20%	89.10%

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

Each plan is a single-employer defined benefit plan.

Los Angeles County Metropolitan Transportation Authority
Schedule of Contributions to Employee Retirement Income Plans
Last Ten Fiscal Years*
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019
SHEET METAL, AIR, RAIL,TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)					
Actuarially determined contribution	$ 19,780	$ 21,369	$ 22,011	$ 21,467	$ 21,080
Contributions in relation to the actually determined	(19,780)	(21,369)	(22,011)	(21,467)	(21,080)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$187,395	$193,246	$192,346	$198,718	$208,173
Contributions as a percentage of covered payroll	10.56%	11.06%	11.44%	10.80%	10.13%
TRANSPORTATION COMMUNICATION UNION PLAN					
Actuarially determined contribution	$ 4,741	$ 5,615	$ 5,955	$ 6,218	$ 7,752
Contributions in relation to the actually determined	(4,741)	(5,615)	(5,955)	(6,218)	(7,752)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 34,512	$ 37,014	$ 39,764	$ 42,497	$ 47,235
Contributions as a percentage of covered payroll	13.74%	15.17%	14.98%	14.63%	16.41%
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)					
Actuarially determined contribution	$ 1,455	$ 1,638	$ 1,575	$ 1,378	$ 1,038
Contributions in relation to the actually determined	(1,455)	(1,638)	(1,575)	(1,378)	(1,038)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,338	$ 2,936	$ 2,199	$ 1,547	$ 1,399
Contributions as a percentage of covered payroll	43.59%	55.79%	71.62%	89.08%	74.20%
NON-CONTRACT (NC)					
Actuarially determined contribution	$ 4,186	$ 4,531	$ 4,565	$ 4,195	$ 3,369
Contributions in relation to the actually determined	(4,186)	(4,531)	(4,565)	(4,195)	(3,369)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,460	$ 3,522	$ 3,447	$ 3,172	$ 3,092
Contributions as a percentage of covered payroll	120.98%	128.65%	132.43%	132.25%	108.96%
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)					
Actuarially determined contribution	$ 21,257	$ 22,782	$ 25,422	$ 27,157	$ 29,783
Contributions in relation to the actually determined	(21,257)	(22,782)	(25,422)	(27,157)	(29,783)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$118,355	$127,258	$142,665	$152,397	$167,130
Contributions as a percentage of covered payroll	17.96%	17.90%	17.82%	17.82%	17.82%
TOTAL					
Actuarially determined contribution	$ 51,419	$ 55,934	$ 59,531	$ 60,415	$ 63,022
Contributions in relation to the actually determined	(51,419)	(55,934)	(59,531)	(60,415)	(63,022)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$347,060	$363,976	$380,421	$398,331	$427,029
Contributions as a percentage of covered payroll	14.82%	15.37%	15.65%	15.17%	14.76%

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

Each plan is a single-employer defined benefit plan.

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2018	2019
Total OPEB Liability		
Service cost	$ 86,058	$ 69,912
Interest cost	55,924	61,050
Differences between expected and actual experience	(179,706)	—
Changes of assumptions	(191,475)	(72,824)
Benefit payments	(23,558)	(42,757)
Net change in total OPEB Liability	(252,757)	15,381
Total OPEB Liability - Beginning of year	1,854,031	1,601,274
Total OPEB Liability - Ending of year	1,601,274	1,616,655
Plan Fiduciary Net Position		
Contributions - Employer	31,933	49,806
Net investment income	35,666	29,016
Benefit payments	(23,558)	(42,757)
Administrative expense	(167)	(295)
Net change in Plan Fiduciary Net Position	43,874	35,770
Plan Fiduciary Net Position - Beginning of year	295,066	338,940
Plan Fiduciary Net Position - Ending of year	338,940	374,710
Net OPEB Liability - Ending of year	$ 1,262,334	$ 1,241,945
Net Position as a Percentage of OPEB Liability	21.17%	23.18%
Covered-employee payroll	$ 747,036	$ 743,277
Net OPEB Liability as a Percentage of Covered-employee payroll	168.98%	167.09%

Note to schedule:

There were no changes in benefit terms in fiscal year 2018 and 2019.

Fiscal year 2018 was the first year of implementation of GASB 75 for the Plan. Additional years will be presented as they become available.

Changes in assumptions

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

Los Angeles County Metropolitan Transportation Authority
Schedule of Investment Returns - Other Postemployment Benefits Plan
Last Ten Fiscal Years

	2017	2018	2019
Annual money-weighted rate of return, net of investment expense	11.92%	8.47%	5.64%

Note to schedule:

Only three years are shown. Years presented are the reporting for the fiscal year ended. GASB 74 was implemented for the Plan in fiscal year 2017 and GASB 75 was implemented in fiscal year 2018. Additional years will be presented as they become available.

Los Angeles County Metropolitan Transportation Authority
Schedule of Contributions - Other Postemployment Benefits Plan
Last Ten Fiscal Years
(Amounts expressed in thousands)

	2017	2018	2019
Pay-as-you-go contribution (*)	$ 26,203	$ 25,671	$ 31,295
Contribution in relation to pay-as-you-go contribution	31,203	30,671	28,687
Contribution deficiency (excess)	$ (5,000)	$ (5,000)	$ 2,608

(*) LACMTA's funding is not based on actuarially determined contributions nor is it statutorily established. Annual contributions are based on estimated pay-as-you-go costs plus $5 million as a liability reduction contribution. Pay-as-you-go costs are the premiums paid for retiree health benefits (NC and AFSCME) plus the contractual contributions to ATU, TCU, and SMART Health & Welfare Trusts per each union's Collective bargaining agreement.

Note to Schedule:

GASB 74 was implemented in fiscal year 2017. Additional years will be presented as they become available.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 36,958	$ 36,958	$ 20,036	$ (16,922)
Investment income	4,110	4,110	6,643	2,533
Net appreciation in fair value of investments	—	—	4,224	4,224
Lease and rental	14,308	14,308	14,649	341
Licenses and fines	500	500	822	322
Other	28,398	28,398	23,814	(4,584)
TOTAL REVENUES	84,274	84,274	70,188	(14,086)
EXPENDITURES				
Current:				
Administration and other	197,613	203,712	121,449	82,263
Transportation subsidies	50,545	50,581	24,984	25,597
TOTAL EXPENDITURES	248,158	254,293	146,433	107,860
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(163,884)	(170,019)	(76,245)	93,774
OTHER FINANCING SOURCES (USES)				
Transfers in	86,730	86,730	94,605	7,875
Transfers out	(152,820)	(152,820)	(99,261)	53,559
TOTAL OTHER FINANCING SOURCES (USES)	(66,090)	(66,090)	(4,656)	61,434
NET CHANGE IN FUND BALANCES	(229,974)	(236,109)	(80,901)	155,208
Fund balances – beginning of year	354,558	354,558	354,558	—
FUND BALANCES – END OF YEAR	$ 124,584	$ 118,449	$ 273,657	$ 155,208

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition A Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
REVENUES				
Sales tax	$ 844,000	$ 844,000	$ 846,548	$ 2,548
Investment income	—	—	388	388
Net appreciation in fair value of investments	—	—	403	403
Other	—	—	3,308	3,308
TOTAL REVENUES	844,000	844,000	850,647	6,647
EXPENDITURES				
Current:				
Transportation subsidies	333,026	333,026	328,897	4,129
TOTAL EXPENDITURES	333,026	333,026	328,897	4,129
EXCESS OF REVENUES OVER EXPENDITURES	510,974	510,974	521,750	10,776
OTHER FINANCING SOURCES (USES)				
Transfers out	(460,804)	(460,804)	(510,584)	(49,780)
TOTAL OTHER FINANCING SOURCES (USES)	(460,804)	(460,804)	(510,584)	(49,780)
NET CHANGE IN FUND BALANCES	50,170	50,170	11,166	(39,004)
Fund balances – beginning of year	127,125	127,125	127,125	—
FUND BALANCES – END OF YEAR	$ 177,295	$ 177,295	$ 138,291	$ (39,004)

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition C Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
REVENUES				
Sales tax	$ 844,000	$ 844,000	$ 846,546	$ 2,546
Intergovernmental	18,068	18,068	8,993	(9,075)
Investment income	—	—	2,449	2,449
Net appreciation in fair value of investments	—	—	1,405	1,405
TOTAL REVENUES	862,068	862,068	859,393	(2,675)
EXPENDITURES				
Current:				
Administration and other	52,300	120,660	79,091	41,569
Transportation subsidies	495,907	493,104	493,992	(888)
TOTAL EXPENDITURES	548,207	613,764	573,083	40,681
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	313,861	248,304	286,310	38,006
OTHER FINANCING SOURCES (USES)				
Transfers in	123,932	123,932	118,897	(5,035)
Transfers out	(340,600)	(340,600)	(304,243)	36,357
TOTAL OTHER FINANCING SOURCES (USES)	(216,668)	(216,668)	(185,346)	31,322
NET CHANGE IN FUND BALANCES	97,193	31,636	100,964	69,328
Fund balances – beginning of year	178,945	178,945	178,945	—
FUND BALANCES – END OF YEAR	$ 276,138	$ 210,581	$ 279,909	$ 69,328

**Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure R Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 844,000	$ 844,000	$ 846,793	$ 2,793
Intergovernmental	30,226	30,226	22,138	(8,088)
Investment income	—	—	8,896	8,896
Net appreciation in fair value of investments	—	—	3,972	3,972
TOTAL REVENUES	874,226	874,226	881,799	7,573
EXPENDITURES				
Current:				
Administration and other	219,502	213,294	144,929	68,365
Transportation subsidies	354,241	362,543	344,913	17,630
TOTAL EXPENDITURES	573,743	575,837	489,842	85,995
EXCESS OF REVENUES OVER EXPENDITURES	300,483	298,389	391,957	93,568
OTHER FINANCING SOURCES (USES)				
Transfers in	55,431	55,431	4,720	(50,711)
Transfers out	(396,280)	(396,280)	(475,864)	(79,584)
TOTAL OTHER FINANCING SOURCES (USES)	(340,849)	(340,849)	(471,144)	(130,295)
NET CHANGE IN FUND BALANCES	(40,366)	(42,460)	(79,187)	(36,727)
Fund balances – beginning of year	414,565	414,565	414,565	—
FUND BALANCES – END OF YEAR	$ 374,199	$ 372,105	$ 335,378	$ (36,727)

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure M Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 844,000	$ 844,000	$ 836,173	$ (7,827)
Investment income	—	—	10,160	10,160
Net appreciation in fair value of investments	—	—	4,706	4,706
TOTAL REVENUES	844,000	844,000	851,039	7,039
EXPENDITURES				
Current:				
Administration and other	27,768	32,843	20,682	12,161
Transportation subsidies	197,188	198,618	198,481	137
TOTAL EXPENDITURES	224,956	231,461	219,163	12,298
EXCESS OF REVENUES OVER EXPENDITURES	619,044	612,539	631,876	19,337
OTHER FINANCING SOURCES (USES)				
Transfers in	2,403	2,403	—	(2,403)
Transfers out	(549,095)	(549,095)	(382,763)	166,332
TOTAL OTHER FINANCING SOURCES (USES)	(546,692)	(546,692)	(382,763)	163,929
NET CHANGE IN FUND BALANCES	72,352	65,847	249,113	183,266
Fund balances – beginning of year	429,568	429,568	429,568	—
FUND BALANCES – END OF YEAR	$ 501,920	$ 495,415	$ 678,681	$ 183,266

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Development Act Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 422,000	$ 422,000	$ 420,793	$ (1,207)
Investment income	—	—	4,445	4,445
TOTAL REVENUES	422,000	422,000	425,238	3,238
EXPENDITURES				
Current:				
Transportation subsidies	141,161	141,161	137,549	3,612
TOTAL EXPENDITURES	141,161	141,161	137,549	3,612
EXCESS OF REVENUES OVER EXPENDITURES	280,839	280,839	287,689	6,850
OTHER FINANCING SOURCES (USES)				
Transfers out	(272,325)	(272,325)	(266,502)	5,823
TOTAL OTHER FINANCING SOURCES (USES)	(272,325)	(272,325)	(266,502)	5,823
NET CHANGE IN FUND BALANCES	8,514	8,514	21,187	12,673
Fund balances – beginning of year	197,005	197,005	197,005	—
FUND BALANCES – END OF YEAR	$ 205,519	$ 205,519	$ 218,192	$ 12,673

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Transit Assistance Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 150,487	$ 150,487	$ 195,872	$ 45,385
Investment income	—	—	2,126	2,126
TOTAL REVENUES	150,487	150,487	197,998	47,511
EXPENDITURES				
Current:				
Transportation subsidies	25,918	25,918	30,104	(4,186)
TOTAL EXPENDITURES	25,918	25,918	30,104	(4,186)
EXCESS OF REVENUES OVER EXPENDITURES	124,569	124,569	167,894	43,325
OTHER FINANCING SOURCES (USES)				
Transfers out	(191,076)	(191,076)	(193,452)	(2,376)
TOTAL OTHER FINANCING SOURCES (USES)	(191,076)	(191,076)	(193,452)	(2,376)
NET CHANGE IN FUND BALANCES	(66,507)	(66,507)	(25,558)	40,949
Fund balances – beginning of year	105,429	105,429	105,429	—
FUND BALANCES – END OF YEAR	$ 38,922	$ 38,922	$ 79,871	$ 40,949

* *Budget prepared in accordance with GAAP*

Note:

The actual subsidies was more than the budgeted amount due to prior year reserves and FY18 allocations claimed in FY19. Jurisdictions have the option to reserve their claim on the year of allocation and have three years after that to claim their allocations.

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OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Service Authority For Freeway Emergencies	Other	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 16,698	$ 62,135	$ 78,833
Investments	9,720	83,029	92,749
Receivables			
Interest	68	287	355
Intergovernmental	1,446	7,666	9,112
Due from other funds	—	14,916	14,916
TOTAL ASSETS	$ 27,932	$ 168,033	$ 195,965
LIABILITIES			
Accounts payable and accrued liabilities	$ 667	$ 885	$ 1,552
Due to other funds	—	20,918	20,918
TOTAL LIABILITIES	667	21,803	22,470
FUND BALANCES			
Restricted	27,265	146,230	173,495
TOTAL FUND BALANCES	27,265	146,230	173,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 27,932	$ 168,033	$ 195,965

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

	Special Revenue Funds		
	Service Authority For Freeway Emergencies	Other	Total Nonmajor Governmental Funds
REVENUES			
Sales Taxes	$ —	$ —	$ —
Intergovernmental	—	65,807	65,807
Investment income	479	3,256	3,735
Net appreciation in fair value of investments	289	158	447
Licenses and fines	8,337	30,870	39,207
TOTAL REVENUES	9,105	100,091	109,196
EXPENDITURES			
Current:			
Administration and other	5,416	—	5,416
Transportation subsidies	—	2,477	2,477
TOTAL EXPENDITURES	5,416	2,477	7,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,689	97,614	101,303
OTHER FINANCING SOURCES (USES)			
Transfers out	—	(74,484)	(74,484)
TOTAL OTHER FINANCING USES	—	(74,484)	(74,484)
NET CHANGE IN FUND BALANCES	3,689	23,130	26,819
Fund balances – beginning of year	23,576	123,100	146,676
FUND BALANCES – END OF YEAR	$ 27,265	$ 146,230	$ 173,495

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual
Service Authority for Freeway Emergencies Fund
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Investment income	$ 100	$ 100	$ 479	$ 379
Net appreciation in fair value of investments	—	—	289	289
Licenses and fines	7,750	7,750	8,337	587
TOTAL REVENUES	7,850	7,850	9,105	1,255
EXPENDITURES				
Current:				
Administration and other	8,193	8,193	5,416	2,777
TOTAL EXPENDITURES	8,193	8,193	5,416	2,777
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(343)	(343)	3,689	4,032
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(1,000)	—	1,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	(1,000)	—	1,000
NET CHANGE IN FUND BALANCES	(1,343)	(1,343)	3,689	5,032
Fund balances – beginning of year	23,576	23,576	23,576	—
FUND BALANCES – END OF YEAR	$ 22,233	$ 22,233	$ 27,265	$ 5,032

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales Tax	$ 31,689	$ 31,689	$ —	$ (31,689)
Intergovernmental	53	53	65,807	65,754
Investment income	—	—	3,256	3,256
Net appreciation in fair value of investments	—	—	158	158
License and fines	—	—	30,870	30,870
TOTAL REVENUES	31,742	31,742	100,091	68,349
EXPENDITURES				
Current:				
Administration and other	53	553	—	553
Transportation subsidies	4,673	4,673	2,477	2,196
TOTAL EXPENDITURES	4,726	5,226	2,477	2,749
EXCESS OF REVENUES OVER EXPENDITURES	27,016	26,516	97,614	65,600
OTHER FINANCING SOURCES (USES)				
Transfers out	(83,704)	(83,704)	(74,484)	9,220
TOTAL OTHER FINANCING SOURCES (USES)	(83,704)	(83,704)	(74,484)	9,220
NET CHANGE IN FUND BALANCES	(56,688)	(57,188)	23,130	80,318
Fund balances – beginning of year	123,100	123,100	123,100	—
FUND BALANCES – END OF YEAR	$ 66,412	$ 65,912	$ 146,230	$ 80,318

* *Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Combining Schedule of Fiduciary Net Position
June 30, 2019
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund	Total
ASSETS			
Cash and cash equivalents	$ 59	$ 8,990	$ 9,049
Investments:			
Bonds	155,839	70,660	226,499
Domestic stocks	218,210	176	218,386
Non-domestic stocks	8,530	—	8,530
Pooled investments	1,216,661	321,354	1,538,015
Receivables			
Member contributions	1,516	303	1,819
Securities sold	913	—	913
OPEB Trust Fund	1,160	—	1,160
Interest and dividends	1,375	539	1,914
Prepaid items and other assets	39	—	39
Total assets	1,604,302	402,022	2,006,324
LIABILITIES			
Accounts payable and other liabilities	1,643	266	1,909
Payable to Employee Retirement Trust Funds	—	1,160	1,160
Securities purchased	3,960	—	3,960
Total liabilities	5,603	1,426	7,029
NET POSITION RESTRICTED FOR PENSIONS AND OPEB			
Held in trust for pension and OPEB benefits	$ 1,598,699	$ 400,596	$ 1,999,295

Note: Receivable/payable between the fiduciary trust funds were eliminated in the Statement of Net Position - Employee Retirement and OPEB Trust Funds on page 52.

Los Angeles County Metropolitan Transportation Authority
Combining Schedule Of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund	Total
ADDITIONS			
Contributions			
Employer	$ 63,022	$ 28,687	$ 91,709
Member	34,121	905	35,026
Total contributions	97,143	29,592	126,735
From investing activities			
Net appreciation in fair value of investments	83,347	14,153	97,500
Investment income	26,370	7,672	34,042
Investment expense	(5,331)	(574)	(5,905)
Other income	386	—	386
Total investing activities	104,772	21,251	126,023
Total additions	201,915	50,843	252,758
DEDUCTIONS			
Retiree benefits	96,477	24,655	121,132
Administrative expenses	1,979	195	2,174
Total deductions	98,456	24,850	123,306
Net increase	103,459	25,993	129,452
Net position - beginning of year	1,495,240	374,603	1,869,843
Net position - end of year	$ 1,598,699	$ 400,596	$ 1,999,295

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

	Sheet Metal, Air, Rail, Transportation, Transportation Division	Transportation Communication Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Amalgamated Transportation Union Plan	Total
ASSETS						
Cash and cash equivalents	$ 25	$ 6	$ 2	$ 5	$ 21	$ 59
Investments						
Bonds	67,713	15,141	5,442	12,228	55,315	155,839
Domestic stocks	94,813	21,202	7,620	17,122	77,453	218,210
Non-domestic stocks	3,706	829	298	669	3,028	8,530
Pooled investments	528,645	118,211	42,487	95,467	431,851	1,216,661
Receivables						
Member contributions	862	144	—	—	510	1,516
Contribution transfer from other plans	—	—	994	437	112	1,543
Securities sold	396	89	32	72	324	913
Interest and dividends	598	133	48	108	488	1,375
Receivable from OPEB Trust Fund		80	169	678	233	1,160
Prepaid items and other assets	17	4	2	3	13	39
Total assets	696,775	155,839	57,094	126,789	569,348	1,605,845
LIABILITIES						
Contribution transfers to other plans	1,041	502			—	1,543
Accounts payable and other liabilities	657	161	82	154	589	1,643
Securities purchased	1,721	385	138	310	1,406	3,960
Total liabilities	3,419	1,048	220	464	1,995	7,146
NET POSITION						
Restricted for pension benefits	$ 693,356	$ 154,791	$ 56,874	$ 126,325	$ 567,353	$ 1,598,699

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 159.

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

	Sheet Metal, Air, Rail, Transportation, Transportation Division	Transportation Communication Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Amalgamated Transportation Union Plan	Total
ADDITIONS						
Contributions:						
Employer	$ 21,079	$ 7,752	$ 1,039	$ 3,369	$ 29,783	$ 63,022
Member	19,550	3,206	—	—	11,365	34,121
Transfers between plans	(1,041)	(502)	994	437	112	—
Total contributions	39,588	10,456	2,033	3,806	41,260	97,143
From investing activities:						
Net appreciation in fair value of investments	36,247	8,089	2,892	6,589	29,530	83,347
Investment income	11,495	2,517	965	2,142	9,251	26,370
Investment expense	(2,321)	(510)	(194)	(430)	(1,876)	(5,331)
Other income	253	19	6	22	86	386
Total investing activities	45,674	10,115	3,669	8,323	36,991	104,772
Total additions	85,262	20,571	5,702	12,129	78,251	201,915
DEDUCTIONS						
Retiree benefits	44,120	6,162	6,669	10,548	28,978	96,477
Administrative expenses	533	333	295	321	497	1,979
Total deductions	44,653	6,495	6,964	10,869	29,475	98,456
Change in net position	40,609	14,076	(1,262)	1,260	48,776	103,459
Net Position – beginning of year	652,747	140,715	58,136	125,065	518,577	1,495,240
Net Position – end of year	$ 693,356	$ 154,791	$ 56,874	$ 126,325	$ 567,353	$ 1,598,699

Los Angeles County Metropolitan Transportation Authority

STATISTICAL SECTION

STATISTICAL SECTION

This section of LACMTA's comprehensive annual financial report presents trend information about LACMTA's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand LACMTA's overall financial condition.

Los Angeles County Metropolitan Transportation Authority
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Table 1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 769,942	$ 769,834	$ 768,977	$ 749,457	$ 749,417
Restricted for										
Proposition A ordinance projects	80,536	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291
Proposition C ordinance projects	116,013	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909
Measure R ordinance projects	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378
Measure M ordinance projects	—	—	—	—	—	—	—	—	429,568	678,681
PTMISEA projects	56,696	—	32,182	158,943	108,904	82,385	13,907	11	—	—
TDA and STA projects	259,618	264,366	324,010	337,582	203,463	107,393	165,757	159,013	302,434	298,063
Other nonmajor governmental projects	348,327	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495
Unrestricted	234,401	499,084	486,403	514,563	640,325	656,388	237,268	472,265	356,105	303,142
Total governmental activities net position	2,252,050	2,383,637	2,901,298	3,284,088	2,855,149	2,529,805	2,020,633	2,206,257	2,704,875	2,956,376
Business-type activities:										
Net investment in capital assets	4,366,480	4,497,567	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367	7,797,783	8,328,321	8,899,216
Restricted for debt service	446,878	440,892	431,009	469,027	504,782	418,006	420,543	459,949	536,936	523,844
Unrestricted	(1,909)	(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)	(1,031,275)	(1,807,024)	(1,779,642)
Total business-type activities net position	4,811,449	4,807,591	4,962,516	5,058,834	5,390,190	6,711,784	7,239,859	7,226,457	7,058,233	7,643,418
Primary government:										
Net investment in capital assets	5,139,274	5,270,361	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201	8,566,760	9,077,778	9,648,633
Restricted for debt service	446,878	440,892	431,009	469,027	504,782	418,006	420,543	459,949	536,936	523,844
Restricted for other purpose										
Proposition A ordinance projects	80,536	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291
Proposition C ordinance projects	116,013	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909
Measure R ordinance projects	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378
Measure M ordinance projects	—	—	—	—	—	—	—	—	429,568	678,681
PTMISEA projects	56,696	—	32,182	158,943	108,904	82,385	13,907	11	—	—
TDA and STA projects	259,618	264,366	324,010	337,582	203,463	107,393	165,757	159,013	302,434	298,063
Other nonmajor governmental projects	348,327	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495
Unrestricted	232,492	368,216	455,915	196,336	(61,781)	(363,078)	(705,783)	(559,010)	(1,450,919)	(1,476,500)
Total primary government net position	$ 7,063,499	$ 7,191,228	$ 7,863,814	$ 8,342,922	$ 8,245,339	$ 9,241,589	$ 9,260.492	$ 9,432,714	$ 9,763,108	$ 10,599,794

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority

Table 2

Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Expenses	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Transit operators programs	$ 201,354	$ 238,624	$ 220,782	$ 239,718	$ 346,326	$ 304,916	$ 357,346	$ 351,667	$ 345,473	$ 379,911
Local cities programs	370,177	401,957	442,409	431,470	541,736	549,302	548,101	543,972	749,990	711,855
Congestion relief operations	—	—	—	—	44,792	43,724	42,279	50,034	41,407	42,475
Highway projects	247,715	108,511	234,690	312,807	521,755	196,158	594,069	181,211	220,443	301,038
Regional multimodal capital programs	102,084	80,221	96,174	146,528	29,080	42,844	52,363	114,253	104,298	100,676
Paratransit programs	25,283	16,456	10,227	13,097	92,745	83,602	105,042	103,560	114,027	108,560
Other transportation subsidies	88,180	56,504	63,875	130,964	62,861	72,088	64,237	93,316	118,119	127,427
Debt service interest	1,249	1,205	1,161	1,114	1,064	1,011	954	686	—	—
General government	218,380	257,433	167,134	218,637	81,380	96,909	109,029	134,569	142,462	161,022
Total government activities	1,254,422	1,160,911	1,236,452	1,494,335	1,721,739	1,390,554	1,873,420	1,573,268	1,836,219	1,932,964
Business-type activities:										
Transit operations	1,808,257	1,910,466	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787	2,311,422	2,363,719	2,607,757
Union Station operations*	—	1,052	4,167	6,586	7,498	9,729	9,172	9,664	8,400	13,933
Toll operations**	—	—	—	10,102	12,803	20,757	24,815	27,073	31,905	43,134
Total business-type activities expenses	1,808,257	1,911,518	1,839,902	1,932,729	1,961,076	1,966,475	2,119,774	2,348,159	2,404,024	2,664,824
Total expenses	3,062,679	3,072,429	3,076,354	3,427,064	3,682,815	3,357,029	3,993,194	3,921,427	4,240,243	4,597,788
Program Revenues										
Governmental activities:										
Charges for services	15,713	16,302	15,740	23,770	5,899	23,704	9,009	19,427	18,269	18,014
Operating grants & contributions	267,306	169,261	401,651	502,374	410,545	345,206	44,805	130,836	83,838	138,544
Total governmental activities program	283,019	185,563	417,391	526,144	416,444	368,910	53,814	150,263	102,107	156,558
Business-type activities:										
Charges for services	342,087	375,168	375,917	382,003	400,832	439,028	443,856	423,143	404,415	368,954
Operating grants & contributions	239,835	261,068	289,517	272,951	241,808	263,838	200,193	252,344	327,664	328,867
Capital grants & contributions	411,392	182,378	207,509	135,653	298,199	486,793	457,106	340,376	664,403	426,935
Total business-type activities program	993,314	818,614	872,943	790,607	940,839	1,189,659	1,101,155	1,015,863	1,396,482	1,124,756
Total primary government program revenues	1,276,333	1,004,177	1,290,334	1,316,751	1,357,283	1,558,569	1,154,969	1,166,126	1,498,589	1,281,314
Net (expense)/revenue										
Governmental activities	(971,403)	(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)	(1,423,005)	(1,734,112)	(1,776,406)
Business-type activities	(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)	(1,332,296)	(1,007,542)	(1,540,068)
Total net expense	$ (1,786,346)	$ (2,068,252)	$ (1,786,020)	$ (2,110,313)	$ (2,325,532)	$ (1,790,937)	$ (2,838,225)	$ (2,755,301)	$ (2,741,654)	$ (3,316,474)

* *LACMTA purchased Union Station in April 2011.*

** *Metro ExpressLanes started operations in November 2012.*

Los Angeles County Metropolitan Transportation Authority

Table 2

Changes in Net Position (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes In Net Position										
Governmental activities:										
Sales tax	$ 2,085,370	$ 2,104,072	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686	$ 2,834,411	$ 3,931,132	$ 3,992,725
Investment income*	39,268	24,628	17,829	4,822	14,719	11,498	24,638	10,580	15,642	53,999
Miscellaneous **	26,979	49,218	32,205	42,203	22,244	30,781	59,786	60,664	53,853	70,114
Transfers	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)	(2,088,931)
Total governmental activities	1,082,350	1,106,935	1,336,722	1,350,981	876,356	696,300	1,310,434	1,608,629	2,232,730	2,027,907
Business-type activities:										
Investment income*	8,102	13,191	15,480	17,977	13,261	17,295	8,919	12,032	14,442	21,016
Miscellaneous **	16,346	4,872	6,653	4,699	11,707	10,293	10,099	9,836	13,024	15,306
Transfers	1,069,267	1,070,983	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676	1,297,026	1,767,897	2,088,931
Total business-type activities	1,093,715	1,089,046	1,121,884	1,238,440	1,964,251	2,090,887	1,546,694	1,318,894	1,795,363	2,125,253
Total primary government	2,176,065	2,195,981	2,458,606	2,589,421	2,840,607	2,787,187	2,857,128	2,927,523	4,028,093	4,153,160
Change in Net Position										
Governmental activities	110,947	131,587	517,661	382,790	(428,939)	(325,344)	(509,172)	185,624	498,618	251,501
Business-type activities	278,772	(3,858)	154,925	96,318	944,014	1,321,594	528,075	(13,402)	787,821	585,185
Total primary government	$ 389,719	$ 127,729	$ 672,586	$ 479,108	$ 515,075	$ 996,250	$ 18,903	$ 172,222	$ 1,286,439	$ 836,686

Source: Comprehensive Annual Financial Report

* *Includes net appreciation (decline) in fair value of investments*
** *Includes gain (loss) on sale of capital assets*

Los Angeles County Metropolitan Transportation Authority *Table 3*

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 21	$ 21
Reserved	1,843	—	—	—	—	—	—	—	—	—
Unreserved	178,611	—	—	—	—	—	—	—	—	—
Restricted *	—	7,827	9,023	6,588	4,045	15,753	35,704	49,417	25,750	25,689
Committed *	—	46,564	3,492	8,877	8,779	10,994	13,862	11,891	14,250	36,217
Assigned *	—	986	6,818	11,403	10,624	16,162	23,653	22,180	35,168	10,943
Unassigned *	—	434,371	456,263	448,155	489,143	512,492	450,594	366,051	279,381	200,787
Total General Fund	180,454	489,748	475,596	475,023	512,591	555,401	523,813	449,539	354,570	273,657
All other governmental funds - special revenue funds										
Reserved	1,201,151	—	—	—	—	—	—	—	—	—
Unreserved:										
Proposition A Fund	23,741	—	—	—	—	—	—	—	—	—
Proposition C Fund	(871,854)	—	—	—	—	—	—	—	—	—
Measure R Fund	349,183	—	—	—	—	—	—	—	—	—
PTMISEA Fund	56,696	—	—	—	—	—	—	—	—	—
TCRP Fund	—	—	—	—	—	—	—	—	—	—
Transportation Development Act Fund	(1,107)	—	—	—	—	—	—	—	—	—
State Transit Act Fund	160,797	—	—	—	—	—	—	—	—	—
Nonmajor Governmental Funds	319,897	—	—	—	—	—	—	—	—	—
Restricted: *										
Proposition A Fund	—	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291
Proposition C Fund	—	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909
Measure R Fund	—	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378
Measure M Fund	—	—	—	—	—	—	—	—	429,568	678,681
PTMISEA Fund	—	—	32,182	158,943	108,904	82,385	13,907	11	—	—
TDA	—	214,652	297,064	324,387	199,743	98,839	165,757	149,408	197,005	218,192
STA	—	49,714	26,946	13,195	3,720	8,554	—	9,605	105,429	79,871
Nonmajor Governmental Funds	—	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495
Unrestricted:										
STA	—	—	—	—	—	—	(13,094)	—	—	
Total all other governmental funds	1,238,504	1,111,759	1,642,101	1,996,731	1,442,030	1,103,475	1,000,437	965,015	1,599,313	1,903,817
Total governmental funds	$1,418,958	$1,601,507	$2,117,697	$2,471,754	$1,954,621	$1,658,876	$1,524,250	$1,414,554	$1,953,883	$2,177,474

Source: Comprehensive Annual Financial Report

* Reclassification of fund balances with the implementation of GASB Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*

Los Angeles County Metropolitan Transportation Authority *Table 4*

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Sales tax	$ 2,085,370	$ 2,104,072	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686	$ 2,834,411	$ 3,931,132	$ 3,992,725
Intergovernmental	151,046	228,469	413,262	484,194	315,337	374,350	120,428	155,452	105,727	116,974
Investment income (1)	39,268	24,628	16,812	5,025	15,533	11,498	24,638	10,580	15,642	53,999
Lease and rental	15,713	16,206	15,740	15,509	14,162	23,641	9,065	19,427	18,139	14,649
Licenses and fines	7,962	8,023	8,065	8,115	8,366	8,354	8,606	8,842	10,333	40,029
Other	16,820	34,071	13,095	32,658	12,756	24,129	51,180	49,515	62,458	27,122
Total revenues	2,316,179	2,415,469	2,853,413	3,065,221	3,144,830	3,159,292	2,967,603	3,078,227	4,143,431	4,245,498
Expenditures										
Current										
Administration and other	377,193	295,139	356,480	431,967	405,554	263,376	344,422	616,580	315,941	371,567
Transportation subsidies	875,977	864,528	878,796	1,061,239	1,314,929	1,126,168	1,227,936	1,256,002	1,520,276	1,561,397
Principal, interest and fiscal charges	2,274	2,270	2,196	2,194	2,197	2,194	2,195	18,315	—	—
Total expenditures	1,255,444	1,161,937	1,237,472	1,495,400	1,722,680	1,391,738	1,574,553	1,890,897	1,836,217	1,932,964
Excess of revenues over expenditures	1,060,735	1,253,532	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050	1,187,330	2,307,214	2,312,534
Other financing sources (uses)										
Transfers out, net of transfers in	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)	(2,088,931)
Total other financing sources (uses)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527.676)	(1,297,026)	(1,767.897)	(2,088.931)
Net change in fund balances	$ (8,532)	$ 182,549	$ 516,190	$ 354,057	$ (517,133)	$ (295,745)	$ (134.626)	$ (109,696)	$ 539,317	$ 223,603
Debt service expenditures expressed as a percentage of non-capital expenditures	0.18%	0.20%	0.18%	0.15%	0.13%	0.16%	0.14%	0.98%	0.00%	0.00%

Source: Comprehensive Annual Financial Report

(1) Includes net appreciation (decline) in fair value of investments

(2) The significant increase was due to the full settlement of the Grand Central and Redevelopment Housing bonds using proceeds from the settlement of the related notes receivable.

Los Angeles County Metropolitan Transportation Authority *Table 5*
Governmental Activities
Sales Tax Revenues by Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Proposition A	Proposition C	Measure R	Measure M	Transportation Development Act	Other	Total
2010	$ 565,746	$ 565,787	$ 551,480 (2)	$ —	$ 285,270	$ 117,087	$ 2,085,370
2011	601,883	601,932	598,647	—	301,610	— (3)	2,104,072
2012	648,692	648,776	645,026	—	326,883	117,062	2,386,439
2013	687,172	687,332	684,862	—	343,806	116,548	2,519,720
2014	778,504 (4)	778,600 (4)	714,218 (4)	—	390,232	117,122	2,778,676
2015	745,655	745,632	745,919	—	373,991	106,123	2,717,320
2016	763,636	763,643	764,968	—	382,753	78,686	2,753,686
2017	789,342	789,269	787,891	—	393,882	74,027	2,834,411
2018	836,529	836,545	836,721	826,969	411,672	182,696	3,931,132
2019	846,548	846,546	846,793	836,173 (1)	420,793	195,872	3,992,725

Source: Comprehensive Annual Financial Report

(1) *Measure M is a voter-approved half-cent sales tax that took effect on July 1, 2017 for the "Los Angeles Improvement Traffic Plan."*
(2) *Measure R is a voter-approved half-cent sales tax that took effect on July 1, 2009 for Los Angeles County to finance new transportation projects and programs.*
(3) *No allocation from the State of California due to budget deficit.*
(4) *The substantial increase was due to one-time accrual of sales tax revenues.*

Los Angeles County Metropolitan Transportation Authority *Table 6*
Business-type Activities – Transit Operations
Program Revenues by Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

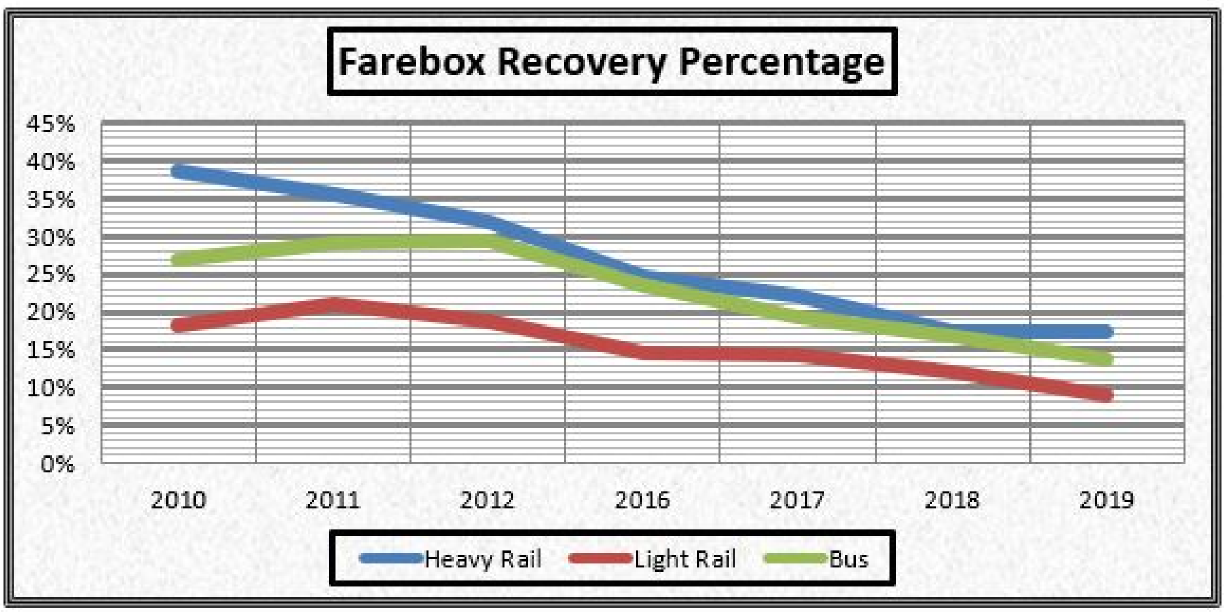
Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies		Auxiliary Transportation/ Route Subsidies	Lease and Rental*	Toll Revenues**	Total
2010	$ 316,427	$ 238,981	$ 619,221		$ 25,660	$ —	$ —	$ 1,200,289
2011	345,973	259,871	554,808		28,000	1,195	—	1,189,847
2012	344,014	287,977	522,998		27,815	4,088	—	1,186,892
2013	340,010	272,199	625,955		24,543	4,459	12,991	1,280,157
2014	339,599	239,888	596,736	***	20,639	5,929	34,665	1,237,456
2015	351,648	253,422	665,998	***	21,606	7,691	58,083	1,358,448
2016	340,274	199,956	901,770	***	22,647	8,134	72,801	1,545,582
2017	319,345	249,188	988,046	***	23,940	8,588	71,270	1,660,377
2018	300,042	308,469	1,767,897	***	42,694	9,792	69,887	2,498,781
2019	265,289	319,304	2,088,931	***	25,896	13,546	64,223	2,777,189

Source: Comprehensive Annual Financial Report

* *LACMTA purchased Union Station property in April 2011.*
** *Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10*
*** Net of transfers out

Los Angeles County Metropolitan Transportation Authority *Table 7*
Business-type Activities – Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
2010	39%	18%	27%	27%
2011	36%	21%	29%	28%
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%
2014	27%	17%	28%	26%
2015	29%	18%	27%	25%
2016	25%	15%	24%	22%
2017	22%	14%	19%	18%
2018	17%	12%	17%	16%
2019	17%	9%	14%	13%



Source: National Transit Database Report

Los Angeles County Metropolitan Transportation Authority

Table 8

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

(Amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Principal	$ 262,992	$ 325,173	$ 215,522	$ 180,432	$ 316,781	$ 510,144	$ 182,066	$ 215,949	$ 390,200	$ 260,420
Interest	137,187	148,131	157,942	134,724	136,318	73,027	140,575	134,289	178,055	198,952
Total debt service expenditures	$ 400,179	$ 473,304	$ 373,464	$ 315,156	$ 453,099	$ 583,171	$ 322,641	$ 350,238	$ 568,255	$ 459,372
Total general expenditures	$ 3,326,242	$ 3,397,117	$ 3,292,896	$ 3,608,561	$ 4,000,992	$ 3,860,834	$ 3,917,887	$ 4,137,376	$ 4,739,916	$ 4,861,889
Percent of debt service to general expenditures (%)	12.03%	13.93%	11.34%	8.73%	11.32%	15.10%	8.24%	8.47%	11.99%	9.45%

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios – Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years
(Amounts expressed in thousands)

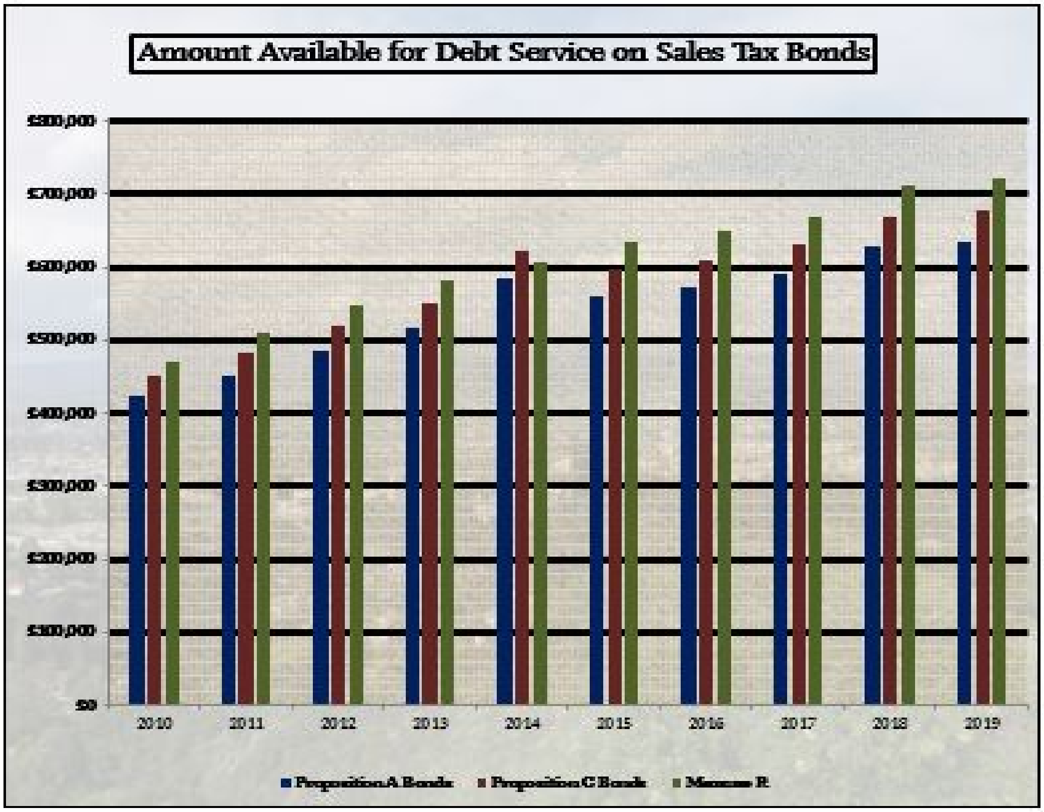
Table 9

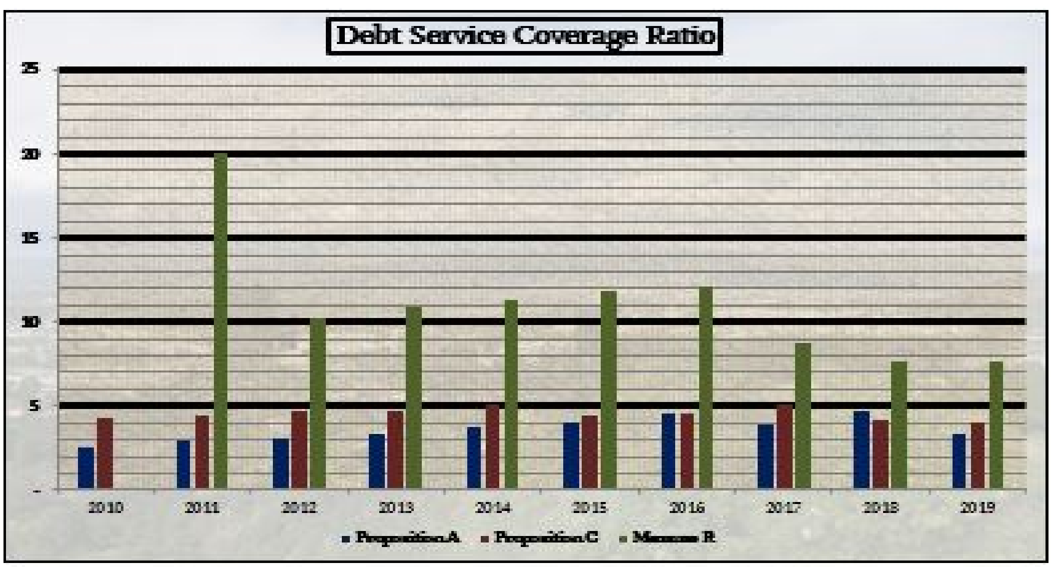
Source	Fiscal Year	Net Sales Tax Revenue	Less Local Return (1)	Amount Available for Debt Service On Sales Tax Bonds	Aggregate Debt Service Requirement	Debt Service Coverage Ratio
Proposition A	2010	$ 565,746	$ 141,437	$ 424,309	$ 166,380	2.55
	2011	601,883	150,471	451,412	152,480	2.96
	2012	648,692	162,173	486,519	160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
	2014	778,504	194,626	583,878	154,697	3.77
	2015	745,655	186,414	559,241	140,849	3.97
	2016	763,636	190,909	572,727	125,253	4.57
	2017	789,342	197,336	592,006	151,473	3.91
	2018	836,529	209,132	627,397	134,837	4.65
	2019	846,548	211,637	634,911	189,821 (3)	3.34
Proposition C	2010	565,787	113,157	452,630	105,483	4.29
	2011	601,932	120,386	481,546	109,340	4.40
	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
	2014	778,600	155,720	622,880	121,326	5.13
	2015	745,632	149,126	596,506	135,092	4.42
	2016	763,643	152,729	610,914	132,161	4.62
	2017	789,269	157,854	631,415	125,320	5.04
	2018	836,545	167,309	669,236	158,380	4.23
	2019	846,546	169,309	677,237	169,860 (3)	3.99
Measure R (2)	2010	551,480	82,722	468,758	—	—
	2011	598,647	89,797	508,850	25,303	20.11
	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85
	2014	714,218	107,133	607,085	53,658	11.31
	2015	745,919	111,888	634,031	53,658	11.82
	2016	764,968	114,745	650,223	53,605	12.13
	2017	787,891	118,184	669,707	76,438	8.76
	2018	836,721	125,508	711,213	92,759	7.67
	2019	846,793	127,019	719,774	93,525	7.70

Source: Comprehensive Annual Financial Report

(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%
(2) Measure R took effect on July 1, 2009
(3) The increase was due to the increase on the principal payment due for Prop A 2013-A from $19,250 paid on July 1, 2017 to $45,530 paid on July 1, 2018. Also, the principal and interest payments made in FY19 on new bonds issued in the mid part of FY18 contributed to the increase.

Los Angeles County Metropolitan Transportation Authority
Graphical Presentation of Table 9
Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios





Los Angeles County Metropolitan Transportation Authority *Table 10*

Ratio of Outstanding Debt by Type

(Excluding Claims and Compensated Absences)

Last Ten Fiscal Years

(Amounts expressed in millions except per capita amount)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Redevelopment & Housing bonds	$ 24	$ 23	$ 22	$ 21	$ 20	$ 19	$ 18	$ —	$ —	$ —
Total Governmental activities	24	23	22	21	20	19	18	—	—	—
Business-type activities										
Sales tax revenue and refunding bonds	2,834	3,448	3,361	3,107	3,237	3,037	2,810	3,717	4,497	4,938
Lease/leaseback obligation	912	851	785	815	718	468	425	228	238	176
General revenue bonds	185	166	161	155	149	142	113	106	98	89
Commercial paper and revolving lines of credit	144	144	34	148	139	84	385	194	178	211
Capitalized lease	5	2	0.8	—	—	—	—	—	—	—
Capital grant receipts revenue bonds	90	—	—	—	5	4	2	1	—	—
Notes obligation - TIFIA (CPC)	—	—	—	—	—	37	488	567	581	595
Total Business-type activities	4,170	4,611	4,342	4,225	4,248	3,772	4,223	4,813	5,592	6,009
Total Primary government	$ 4,194	$ 4,634	$ 4,364	$ 4,246	$ 4,268	$ 3,791	$ 4,241	$ 4,813	$ 5,592	$ 6,009
Percentage of Personal Income*	0.99%	1.02%	0.90%	0.88%	0.83%	0.70%	0.75%	n/a	n/a	n/a
Per Capita*	$ 426.26	$ 467.94	$ 438.73	$ 422.24	$ 421.57	$ 373.31	$ 414.52	n/a	n/a	n/a

Source: Comprehensive Annual Financial Report

* *See the Schedule of Demographic and Economic Statistics for population and personal income data*

n/a - Data for 2017, 2018 and 2019 were not available.

Los Angeles County Metropolitan Transportation Authority *Table 11*

Demographic and Economic Statistics

Last Ten Calendar Years

(Amounts and population expressed in thousands)

Fiscal Year	Population County of Los Angeles (1)	Population State of California (1)	Taxable Sales County of Los Angeles (2)	Personal Income County of Los Angeles (3)	Per Capita Personal Income County of Los Angeles (3)	Unemployment Rate County of Los Angeles (4)
2010	9,839	37,339	116,942,334	424,813,015	43	12.5%
2011	9,903	37,676	126,440,737	454,935,533	46	12.2%
2012	9,947	38,038	135,295,582	486,733,508	49	10.9%
2013	10,056	38,367	140,079,708	483,578,594	48	9.8%
2014	10,124	38,725	147,446,927	512,846,779	51	8.2%
2015	10,155	38,907	151,033,781 *	544,324,900	54	6.6%
2016	10,231	39,501	154,208,333	563,907,868	55	5.2%
2017	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a
2019	n/a	n/a	n/a	n/a	n/a	n/a

Source:

(1) California Department of Finance
(2) State Board of Equalization
(3) U.S. Department of Commerce, Bureau of Economic Analysis
Personal Income includes net earnings by place of residence; dividends, interest and rent; and personal current transfer receipts received by the residence of Los Angeles
Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016
Note - All dollar estimates are not adjusted for inflation
Last updated: November 16, 2017 - new estimates for 2016; revised estimates for 2014-2015
(4) California Employment Development Labor Market Information Division, not seasonally adjusted
** Updated based on 2015 publication (State Board of Equalization)*

n/a - Data for 2017, 2018, and 2019 were not available

Los Angeles County Metropolitan Transportation Authority *Table 12*

Ten Largest Employers in Los Angeles County

Last Ten Fiscal Years

(Not in thousands)

	2014*			2016*			2017*			2018*		
Major Employers	**Number of Employees**	**Rank**	**Percentage of Total Employment**	**Number of Employees**	**Rank**	**Percentage of Total Employment**	**Number of Employees**	**Rank**	**Percentage of Total Employment**	**Number of Employees**	**Rank**	**Percentage of Total Employment**
County of Los Angeles	96,500	1	2.10%	107,500	1	2.25%	108,500	1	2.27 %	107,400	1	2.24%
Los Angeles Unified School District	59,600	2	1.30%	90,800	2	1.90%	90,800	2	1.90 %	104,300	2	2.18%
City of Los Angeles (including DWP) (1)	46,900	3	1.02%	49,500	3	1.04%	61,900	3	1.29 %	61,900	3	1.29%
University of California, Los Angeles	44,000	4	0.96%	46,200	4	0.97%	63,500	4	1.33 %	65,600	4	1.37%
Federal Government (Non-Defense Dept.) (1)	43,400	5	0.94%	45,000	5	0.94%	43,900	5	0.92 %	43,600	5	0.91%
Kaiser Permanente	36,000	6	0.78%	36,900	6	0.77%	36,400	6	0.76 %	37,400	6	0.78%
State of California (non-education)	29,200	7	0.64%	29,900	7	0.63%	30,000	7	0.63 %	29,800	7	0.62%
University of Southern California	—	—	—	18,900	8	0.40%	20,100	8	0.42 %	21,000	8	0.44%
Northrop Grumman Corp	17,000	8	0.37%	16,600	9	0.35%	16,600	9	0.35 %	16,600	9	0.35%
Target Corp	15,000	9	0.33%	15,000	10	0.31%	15,000	10	0.31 %	15,000	10	0.31%
Providence Health & Services	15,000	10	0.33%	—	—	—	—	—	—	—	—	—
Total ten largest employers	402,600		8.77%	456,300		9.56%	486,700		10.16 %	502,600		10.49%
All other employers	4,190,400		91.23%	4,322,500		90.44%	4,395,400		89.84 %	4,393,900		89.51%
Total Employment in LA County **	4,593,000		100.00%	4,778,800		100.00%	4,882,100		100.00 %	4,896,500		100%

Source:
(1) Includes U.S. Postal Service
** Los Angeles Almanac research*
*** California Employment Development Department, Labor Market Information Division*

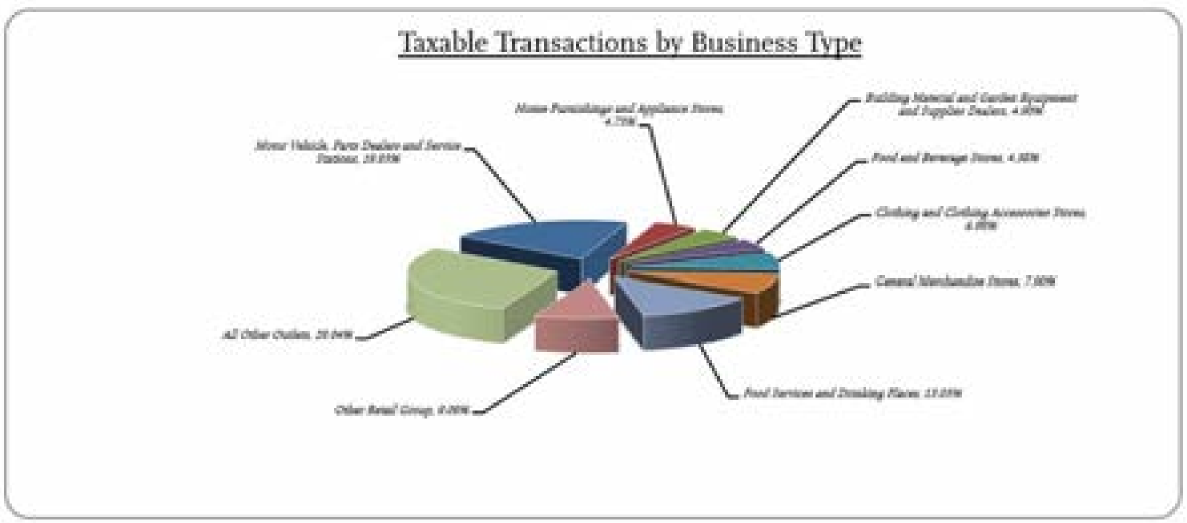
Note: Information for 2008, 2009, 2010, 2012, 2013, 2015, and 2019 are not available

Los Angeles County Metropolitan Transportation Authority *Table 13*
Los Angeles County Taxable Transactions by Type of Business
Last Ten Calendar Years
(Amounts expressed in millions)

Type of Business	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Motor vehicle, parts dealers and service stations	$ 22,298	$ 26,081	$ 28,517	$ 29,361	$ 29,830	$ 29,526	$28,640	$7,150	n/a	n/a
Home furnishings and appliance stores	5,612	5,738	6,013	6,145	6,775	7,833	7,842	1,864	n/a	n/a
Building material and garden equipment, and supplies dealers	6,130	6,307	6,511	6,558	6,971	7,403	7,688	1,837	n/a	n/a
Food and beverage stores	5,405	5,591	5,825	6,052	6,280	6,689	6,696	1,649	n/a	n/a
Clothing and clothing accessories stores	7,608	8,357	9,167	9,927	10,561	10,974	11,414	2,513	n/a	n/a
General merchandise stores	10,369	10,866	11,158	11,464	11,557	10,913	10,905	2,670	n/a	n/a
Food services and drinking places	14,291	15,287	16,512	17,482	18,964	20,606	22,002	5,557	n/a	n/a
Other retail group	10,462	11,024	11,616	12,653	13,250	14,202	14,808	3,529	n/a	n/a
All other outlets	34,767	37,189	39,977	40,439	43,257	42,886	44,211	10,665	n/a	n/a
Total	$ 116,942	$ 126,440	$ 135,296	$ 140,081	$ 147,445	$ 151,032	$ 154,206	$ 37,434	n/a	n/a

Source: California State Board of Equalization, Table 3 Taxable Sales in California Counties by Type of Business

n/a - Data not available.



Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Operating Indicators by Mode
Last Ten Fiscal Years
(Amounts expressed in thousands for Passenger fares and Operating expenses)

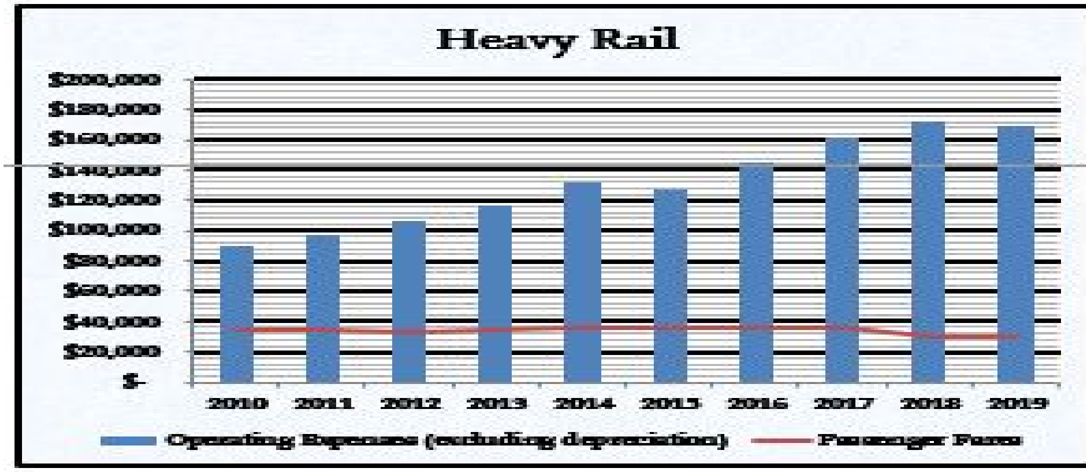
Table 14

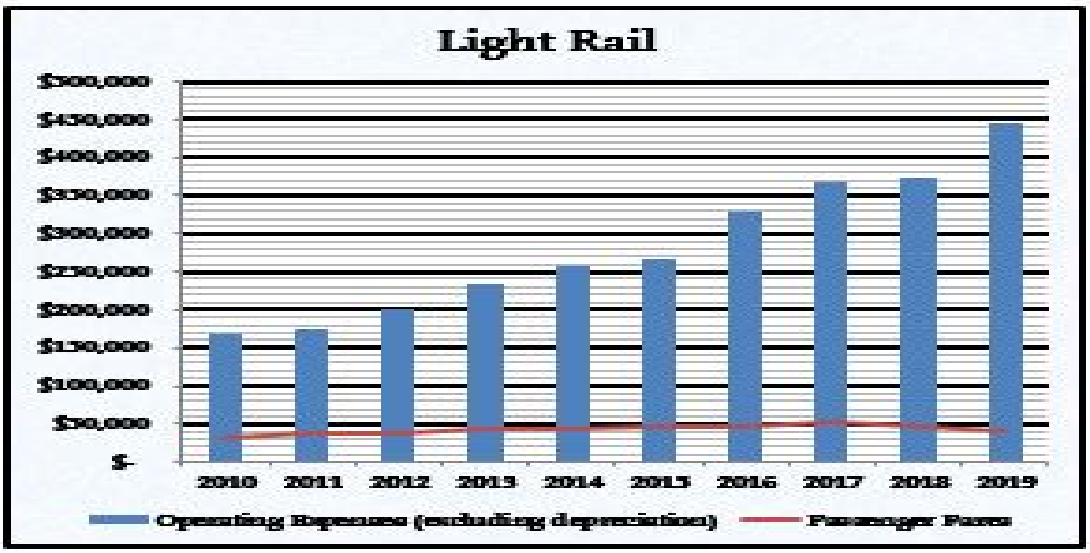
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PASSENGER FARES:										
Heavy Rail	$ 34,983	$ 34,789	$ 33,665	$ 34,753	$ 35,300	$ 36,338	$ 35,789	$ 35,622	$ 29,806	$ 29,276
Light Rail	30,725	36,627	37,778	44,565	44,412	47,902	47,807	52,570	45,452	40,576
Bus*	250,719	274,557	272,571	260,692	277,162	267,408	256,678	231,153	202,820	176,153
OPERATING EXPENSES (excluding depreciation):										
Heavy Rail	$ 90,320	$ 97,631	$ 105,620	$ 117,006	$ 132,142	$ 127,153	$ 145,450	$ 161,559	$ 171,688	$ 168,453
Light Rail	167,915	174,704	201,416	234,856	257,979	265,702	328,351	366,355	375,017	446,369
Bus*	945,990	956,784	924,512	956,306	980,176	994,171	1,087,236	1,199,762	1,216,614	1,288,261
PASSENGER MILES TRAVELLED:										
Heavy Rail	231,936	226,974	231,684	237,760	254,440	236,023	224,277	228,179	210,105	207,665
Light Rail	333,334	337,518	366,233	408,032	412,776	386,901	427,260	495,532	495,012	462,756
Bus*	1,486,802	1,492,820	1,519,263	1,496,480	1,494,524	1,444,741	1,337,680	1,196,313	1,158,789	1,149,053
VEHICLE/PASSENGER CAR REVENUE MILES:										
Heavy Rail	5,885	5,908	6,156	6,865	7,067	6,977	6,884	7,010	6,976	6,874
Light Rail	9,646	10,155	11,153	13,239	13,863	13,702	13,746	16,699	17,999	17,757
Bus*	87,128	81,489	76,390	75,465	75,664	75,207	76,159	74,129	73,176	73,046
VEHICLE/PASSENGER CAR REVENUE HOURS:										
Heavy Rail	257	259	269	302	320	319	316	321	318	314
Light Rail	429	458	519	654	685	680	663	789	866	867
Bus*	7,432	7,084	6,804	6,810	6,946	6,972	7,067	6,935	6,904	6,342
BUSES/RAIL CARS:										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	158	167	169	171	171	171	196	246	300	298
Bus*	2,727	2,405	2,429	2,453	2,420	2,457	2,438	2,439	2,402	2,420
PASSENGER STATIONS:										
Heavy Rail	16	16	16	16	16	16	16	16	16	16
Light Rail	53	53	66	66	66	66	79	79	79	79
Bus*	30	36	37	49	49	49	56	58	58	61

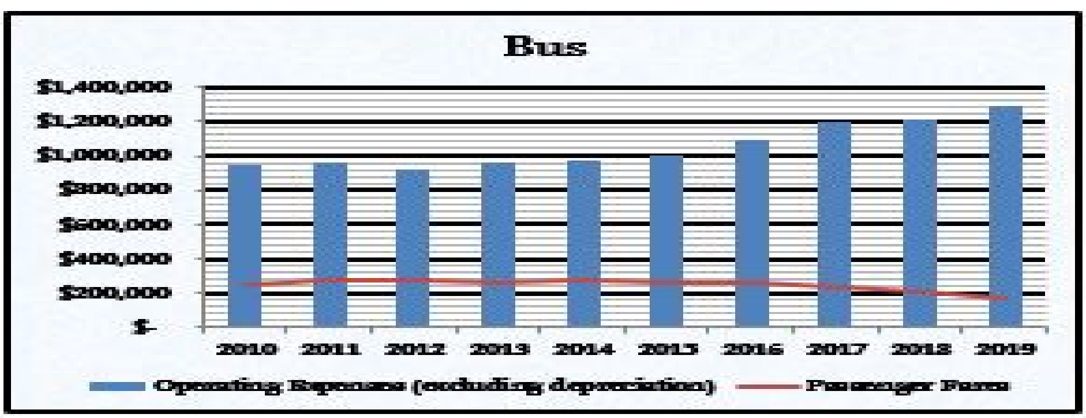
Source: National Transit Database Report

* *Includes Purchase Transportation and Orange Line*
(1) Increase was due to the opening of the EXPO and Gold Line Foothill light rail extension lines.

Los Angeles County Metropolitan Transportation Authority
Graphical Presentation of Table 14
Passenger Fares and Operating Expenses by Mode
(Amounts expressed in thousands)





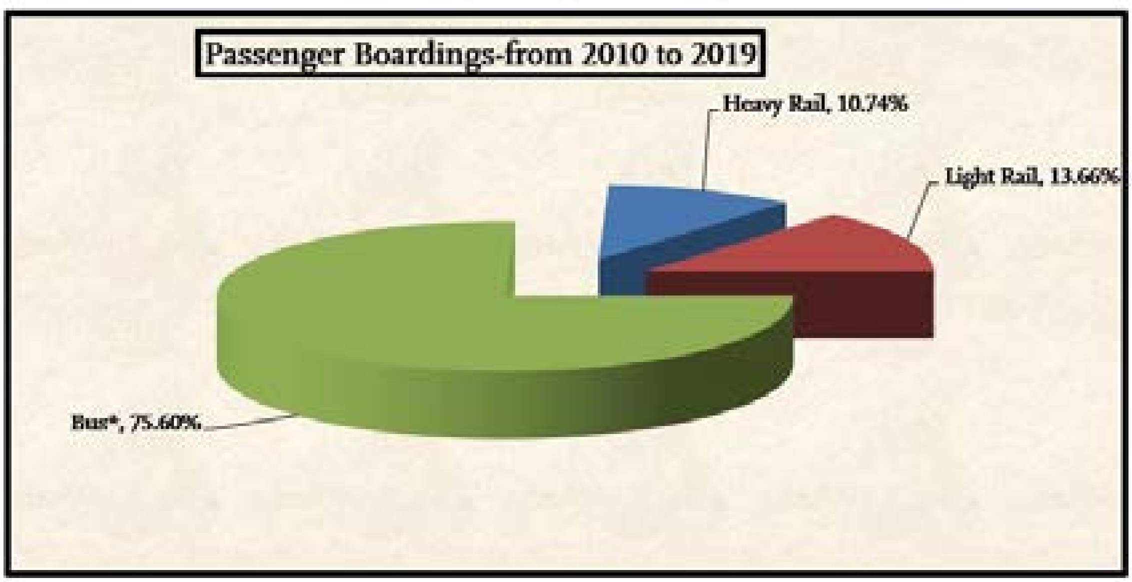


Los Angeles County Metropolitan Transportation Authority *Table 15*
Business-type Activities – Transit Operations
Passenger Boardings by Mode
Last Ten Fiscal Years
(Boardings expressed in thousands)

Fiscal Year	Heavy Rail	Light Rail	Bus *	Total
2010	47,906	46,409	365,975	460,290
2011	46,454	49,252	357,301	453,007
2012	47,736	53,781	360,003	461,520
2013	49,516	63,652	359,504	472,672
2014	50,365	63,705	345,055	459,125
2015	47,721	62,775	342,980	453,476
2016	46,003	62,085	320,870	428,958
2017	45,632	67,764	289,999	403,395
2018	43,752	66,387	280,794	390,933
2019	43,074	59,655	273,507	376,236

Source: National Transit Database Report

** Includes Purchased Transportation and Orange Line*



Los Angeles County Metropolitan Transportation Authority ***Table 16***

Business-type Activities – Transit Operations
Operating Expenses by Function (Bus and Rail)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Depreciation	**Total**
2010	$ 694,967	$ 259,109	$ 90,749	$ 173,831	$ 432,856	$ 1,651,512
2011	674,215	259,813	95,630	210,793	512,776	1,753,227
2012	680,907	276,187	109,919	178,797	436,820	1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979
2014	671,358	283,275	116,877	281,226	438,235	1,790,971
2015	732,694	291,972	114,359	265,746	490,590	1,895,361
2016	823,416	320,398	99,128	331,476	482,908	2,057,326
2017	888,989	339,290	119,431	395,589	577,633	2,320,932
2018	913,002 (1)	370,176 (1)	121,833 (1)	372,297 (1)	599,439	2,376,747
2019	988,815	384,536	151,159	393,948	555,633	2,474,091

(1) Updated

Source: National Transit Database Report

See accompanying independent auditor's report.

Los Angeles County Metropolitan Transportation Authority *Table 17*
Full-Time Equivalent Employees by Function (not in thousands)
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Metro Operations	7,678	7,324	7,344	7,477	7,571	7,585	7,859	7,807	7,891	8,061
Countywide Planning & Development	124	84	103	98	101	156	161	163	162	166
Construction Project Management	118	128	171	157	180	193	205	254	293	307
Communications	228	210	196	199	194	271	278	285	314	328
Support Services	831	713	722	757	765	612	690	697	699	721
Chief Executive Office	179	175	209	285	314	428	482	532	571	594
Board of Directors	43	37	38	38	37	36	39	38	38	40
Total	9,201	8,671	8,783	9,011	9,162	9,281	9,714	9,776	9,968	10,217

Source: Adopted Budget

Los Angeles County Metropolitan Transportation Authority

Table 18

Business-type Activities – Transit Operations
Revenues and Operating Assistance
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

	Operations			Operating Assistance				
Fiscal Year	Passenger Fares	Other	Subtotal	Federal	State	Local	Subtotal	Total
Transportation Industry (1)								
2010	32%	6%	38%	9%	25%	28%	62%	100%
2011	33%	5%	38%	10%	24%	28%	62%	100%
2012	32%	5%	37%	9%	26%	28%	63%	100%
2013	32%	4%	36%	9%	26%	29%	64%	100%
2014	32%	4%	36%	9%	25%	30%	64%	100%
2015	*	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*	*
2018	*	*	*	*	*	*	*	*
2019	*	*	*	*	*	*	*	*
LACMTA (2)								
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%
2014	23%	4%	27%	16%	7%	50%	73%	100%
2015	23%	6%	29%	16%	6%	49%	71%	100%
2016	21%	7%	28%	12%	6%	54%	72%	100%
2017	18%	6%	24%	13%	3%	60%	76%	100%
2018	16%	2%	18%	16%	11%	55%	82%	100%
2019	14%	3%	17%	17%	23%	43%	83%	100%

* *Data not available*

Source:
1) APTA 2019 Public Transportation Fact Book
2) National Transit Database Report

Los Angeles County Metropolitan Transportation Authority *Table 19*

Business-type Activities – Transit Operations

Operating Expenses by Function

Comparison to Transit Industry Trend

Percent to Total

Last Ten Fiscal Years

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
2010	45%	17%	9%	15%	14%	100%
2011	46%	17%	9%	15%	13%	100%
2012	45%	17%	9%	15%	14%	100%
2013	44%	16%	10%	16%	14%	100%
2014	44%	16%	10%	16%	14%	100%
2015	43%	16%	11%	16%	14%	100%
2016	42%	16%	11%	17%	14%	100%
2017	42%	16%	12%	16%	14%	100%
2018	*	*	*	*	*	*
2019	*	*	*	*	*	*
LACMTA (2)						
2010	54%	21%	7%	14%	4%	100%
2011	52%	20%	8%	16%	4%	100%
2012	52%	22%	9%	13%	4%	100%
2013	49%	20%	8%	19%	4%	100%
2014	49%	21%	9%	18%	3%	100%
2015	50%	20%	8%	18%	4%	100%
2016	50%	20%	6%	20%	4%	100%
2017	50%	19%	7%	21%	3%	100%
2018	49%	21%	6%	20%	4%	100%
2019	50%	20%	8%	19%	3%	100%

* *Data not available*
** *Excludes depreciation*
Source:
1) *APTA 2019 Public Transportation Fact Book*
2) *National Transit Database Report*

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