

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

General Revenue Refunding Bonds (Union Station Gateway Project), Series 2010-A
General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015
(collectively, the “General Revenue Bonds”)

VOLUNTARY DISCLOSURE REGARDING COVID-19

Dated: April 15, 2020

Background of Impact of COVID-19. As a part of the State of California’s (the “State”) response to the global outbreak of a novel coronavirus, COVID-19, the Governor of the State (the “Governor”) declared a state of emergency in the State of California (the “State”) on March 4, 2020.

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

On March 12, 2020, the Governor issued Executive Order N-25-20, requiring the California Department of Tax and Fee Administration (“CDTFA”), which administers sales and use taxes in the State of California, to use its administrative powers where appropriate to provide extensions for filing, payment, audits, billing, notices, assessments, claims for refund, and relief from subsequent penalties and interest to individuals and businesses impacted by complying with a state or local public health official’s imposition or recommendation of social distancing measures related to COVID-19. On March 30, 2020, the Governor issued Executive Order N-40-20, which provided a three-month extension for tax returns and tax payments for all businesses filing a return for less than \$1,000,000 in taxes. Such extension remains effective through the reporting of taxes or fees due or the payment of taxes that are due on or before July 31, 2020. This Order also extends the statute of limitations to file a claim for refund for taxes and fees administered by CDTFA, and it extends the timeframe to file for appeal with CDTFA. On April 2, 2020, the Governor announced a one-year reprieve on the payment of sales and use taxes for small businesses allowing them to request to defer payment on up to \$50,000 of sales and use tax liability.

In response to COVID-19, on March 15, 2020, the Mayor of Los Angeles ordered the closure of business including bars and nightclubs, movie theaters, live performance venues, bowling alleys, arcades and gyms, and prohibited dine-in service at restaurants. On March 19, 2020, the Governor issued Executive Order N-33-20, requiring all State residents to stay home or at their place of residence except for necessary outings and operations of certain businesses deemed “critical infrastructure.” This order does not have a specified end date. On March 19, 2020, the County of Los Angeles Department of Public Health issued an order requiring the closure of malls, shopping centers and non-essential retail businesses. On March 21, 2020, the County of Los Angeles Department of Public Health issued a further revised order, ordering all residents of the City of Los Angeles to stay in their homes or at their place of residence, except for very limited purposes. The order also requires all businesses to cease in-person operations and close to the public unless the business is defined as an essential business per the order. On April 10, 2020, this order was extended through May 15, 2020. Any of these orders may be extended. Furthermore, additional actions may be taken by State, federal and local governments and private entities to mitigate the spread of and impacts of COVID-19.

Background of LACMTA’s Sales Taxes. The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) imposes four sales and use taxes in the County of Los Angeles: the ½ of 1% sales and use tax referred to as the “Proposition A Sales Tax,” the ½ of 1% sales and use tax referred to as the “Proposition C Sales Tax,” the ½ of 1% sales and use tax referred to as the “Measure R Sales Tax,” and the

½ of 1% (increasing to 1% upon the expiration of the Measure R Sales Tax in 2039) sales and use tax referred to as the “Measure M Sales Tax.”

The General Revenue Bonds are payable primarily from fare box revenues and fees and advertising revenues and certain other specified amounts (“Pledged Revenues”) and from Proposition A Sales Tax and Proposition C Sales Tax revenues remaining after the payment or satisfaction of debt service requirements relating to other securities and obligations of LACMTA secured by a pledge on either such tax which is senior to the General Revenue Bonds (“Remaining Sales Tax Revenues”), as described in the Official Statements for the General Revenue Bonds.

Impact of COVID-19 on LACMTA General Revenue Bonds. The impact of COVID-19 on the economy of the County of Los Angeles, and on Pledged Revenues and on sales and use transactions in particular, is unpredictable and rapidly changing. LACMTA believes that events surrounding COVID-19 will negatively impact Pledged Revenues and the collection of sales tax revenues in the County of Los Angeles. Furthermore, some of the actions described above, as well as possible actions in the future, may affect the collection and administration of sales taxes in California. Some of the negative impacts that LACMTA has identified include:

- As a result of COVID-19 and surrounding events, LACMTA has experienced declines in ridership on its bus and rail systems, and as a result of such decline, it expects a decline in fare box revenues. Over the last two weeks, estimated weekday ridership on the bus and rail systems has ranged from 300,000 to 385,000. For fiscal year ended June 30, 2019, average weekday ridership on the bus and rail systems was 1.2 million. While LACMTA anticipates that the declines are temporary, it expects that it will be several months before it has a better understanding of the impact of COVID-19 on ridership on its bus and rail systems and fare box revenues.
- LACMTA expects declines in sales tax revenues in Fiscal Year 2020 and Fiscal Year 2021 due to required business shutdowns and the impact of COVID-19 on the economy, but LACMTA does not know the fiscal impact that COVID-19 will have on its sales tax revenues. LACMTA believes that it will be some time before it will have a better understanding of the fiscal impact that COVID-19 will have on its sales tax revenues. CDTFA has not provided LACMTA with any forecasts of sales tax revenues that take into consideration the events surrounding COVID-19.
- As a result of the Governor’s executive orders, LACMTA currently expects that the amounts of prepayments and transfers of sales tax revenues from CDTFA will decline and be delayed. Since the Governor’s executive order only covers businesses that have sales tax liabilities below specified thresholds, the LACMTA does expect to receive some amounts of monthly prepayments and transfers of sales tax revenues from CDTFA but is unable to predict what those amounts will be.
- LACMTA expects that there will be sufficient Pledged Revenues and Remaining Sales Tax Revenues to pay debt service on its General Revenue Bonds on July 1, 2020.

The publication of this disclosure does not constitute or imply any representation (i) that the foregoing is material to investors, (ii) regarding any other financial, operating or other information about LACMTA or its bonds or (iii) that no other circumstances or events have occurred or that no other information exists concerning LACMTA or its bonds which may have a bearing on the financial condition of LACMTA, the security for its bonds, or an investor’s decision to buy, sell or hold any bonds.

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