

Monthly Financial Update

Oral Report

Finance & Budget Committee

January 2009

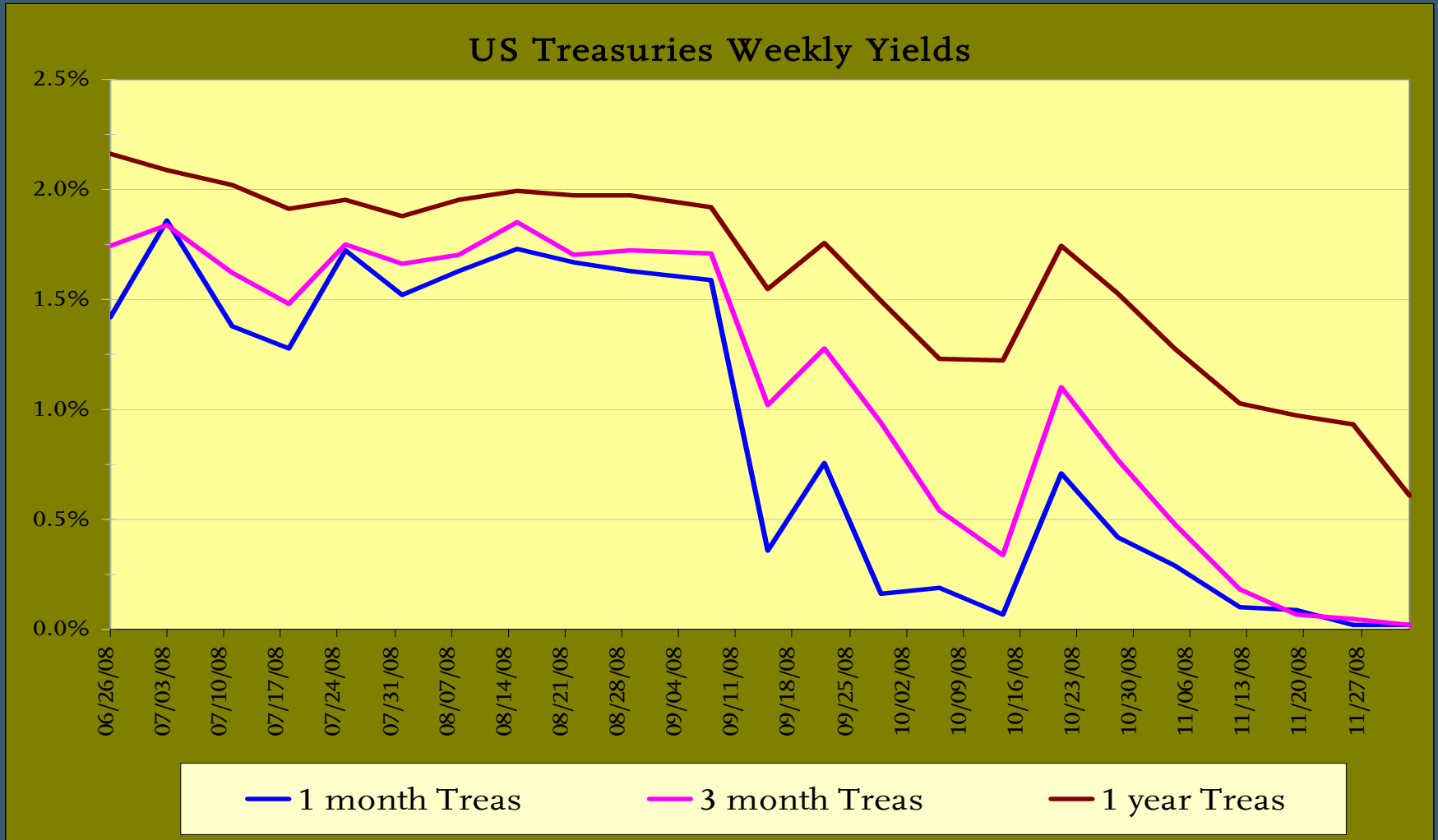


Metro

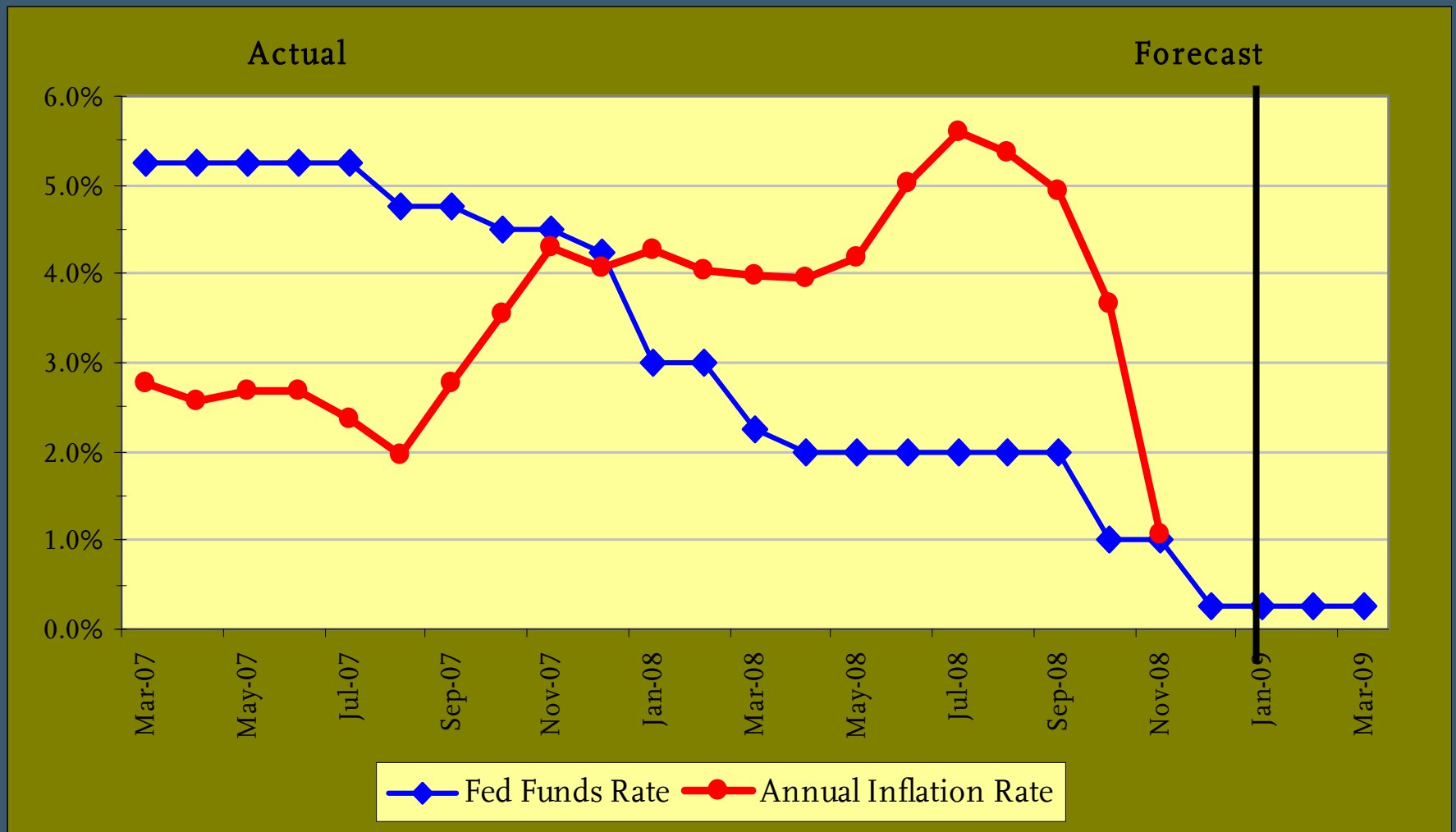
Headlines

- Economy continues to weaken
- Fed Policy:
 - Fed Funds range from 0% to 0.25%
 - Expand purchases of mortgages and Treasury securities
- Investors’ “Flight to Safety” drives yields very low across yield curve.
- Yields for fixed rate muni bonds are irrationally high
- Gasoline and natural gas prices continue their decline
- Initial legislation to resolve AIG/lease issues tied to auto bailout failed to pass

Short Term Rates – Flight to Safety continues

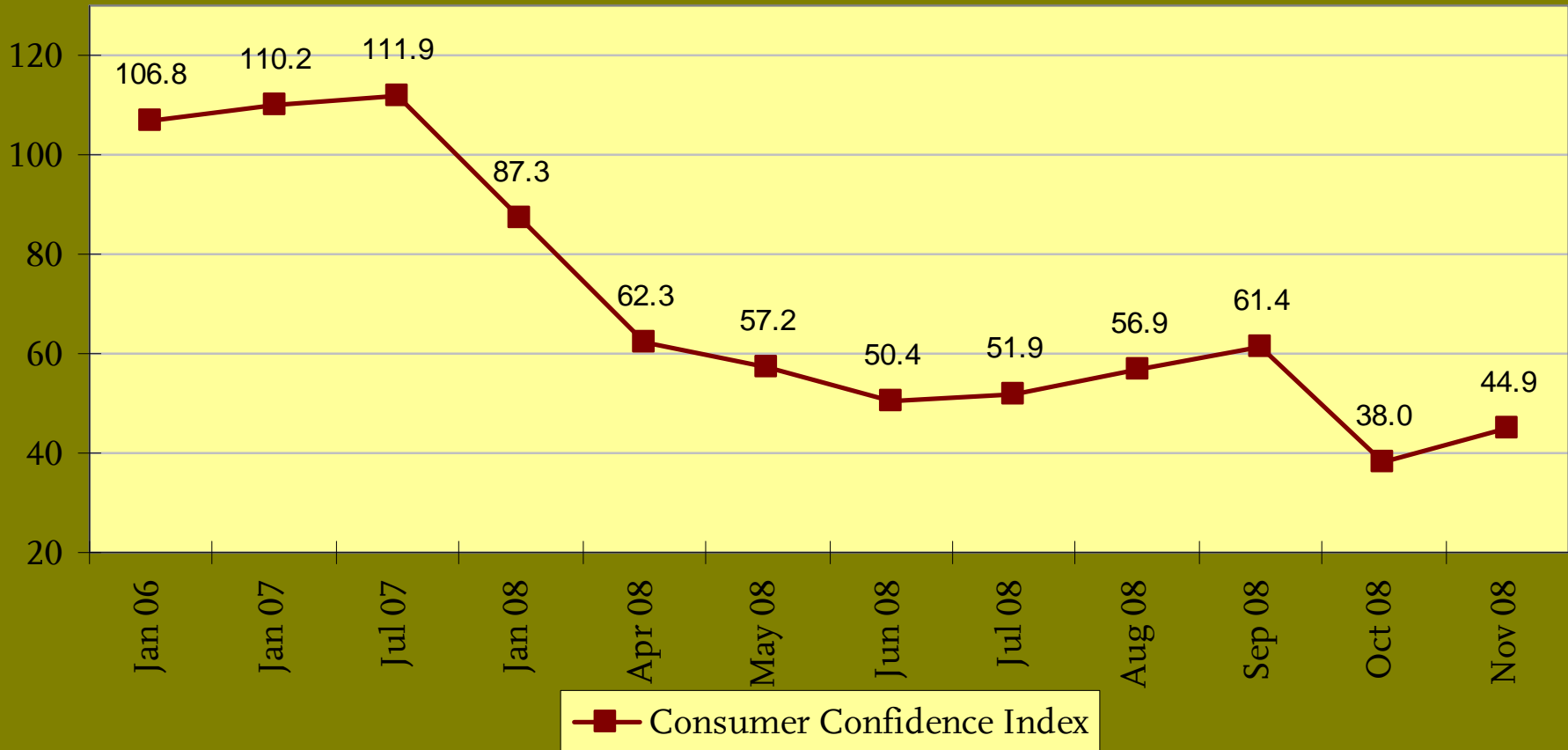


Financial Markets

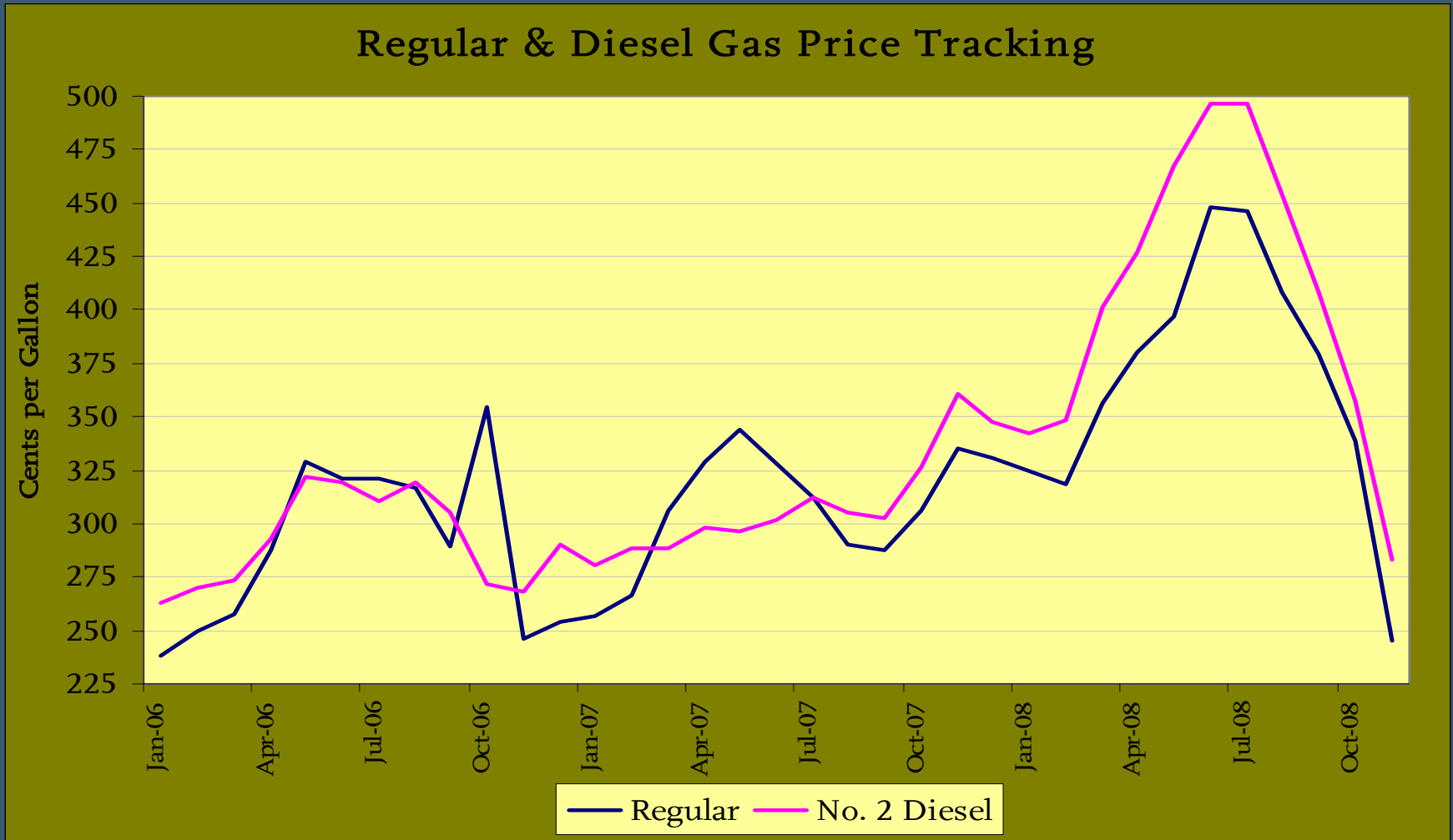


Financial Markets (cont'd)

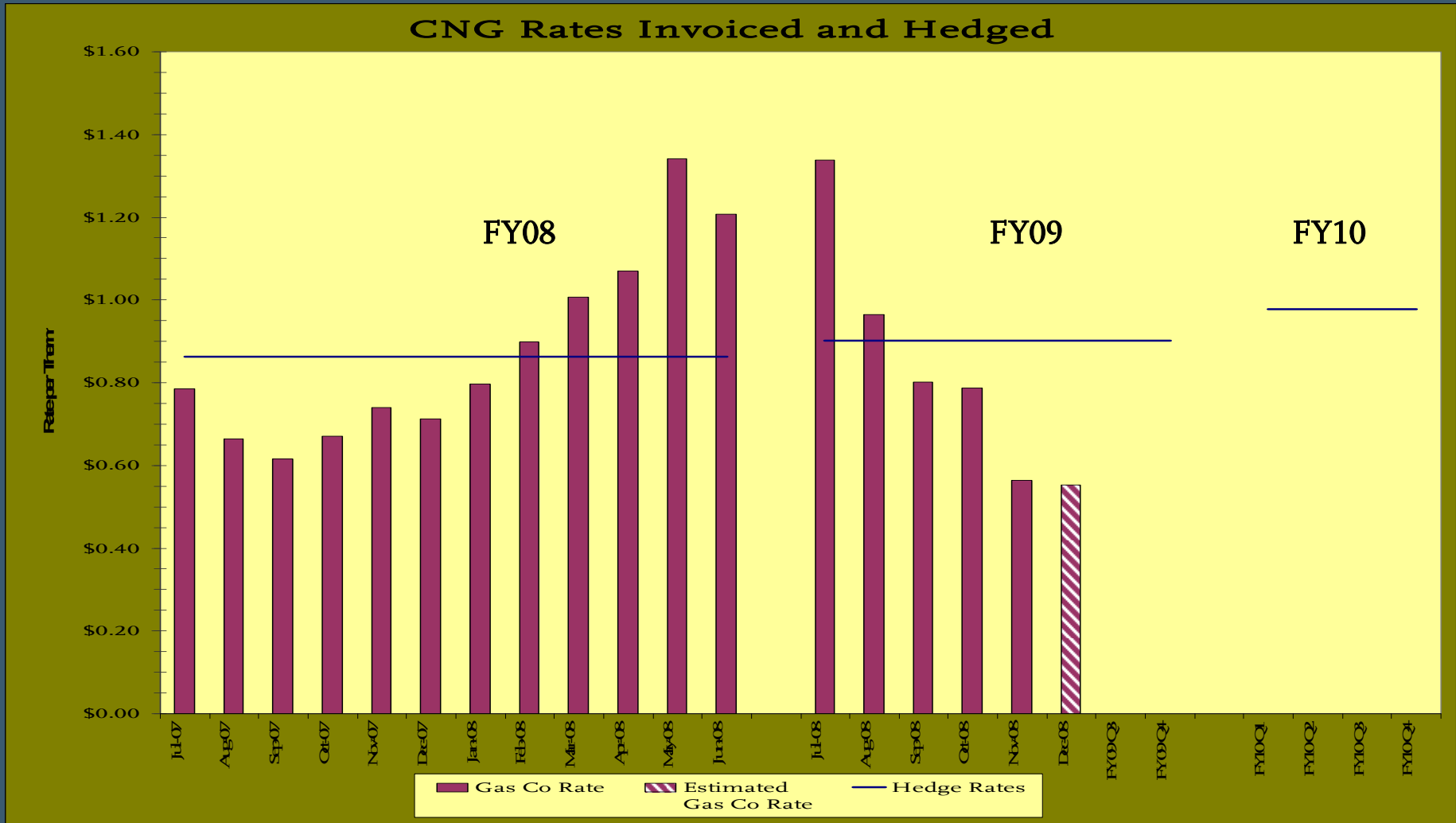
Selected Consumer Confidence Index Points



Financial Markets (cont'd)



Financial Markets (cont'd)



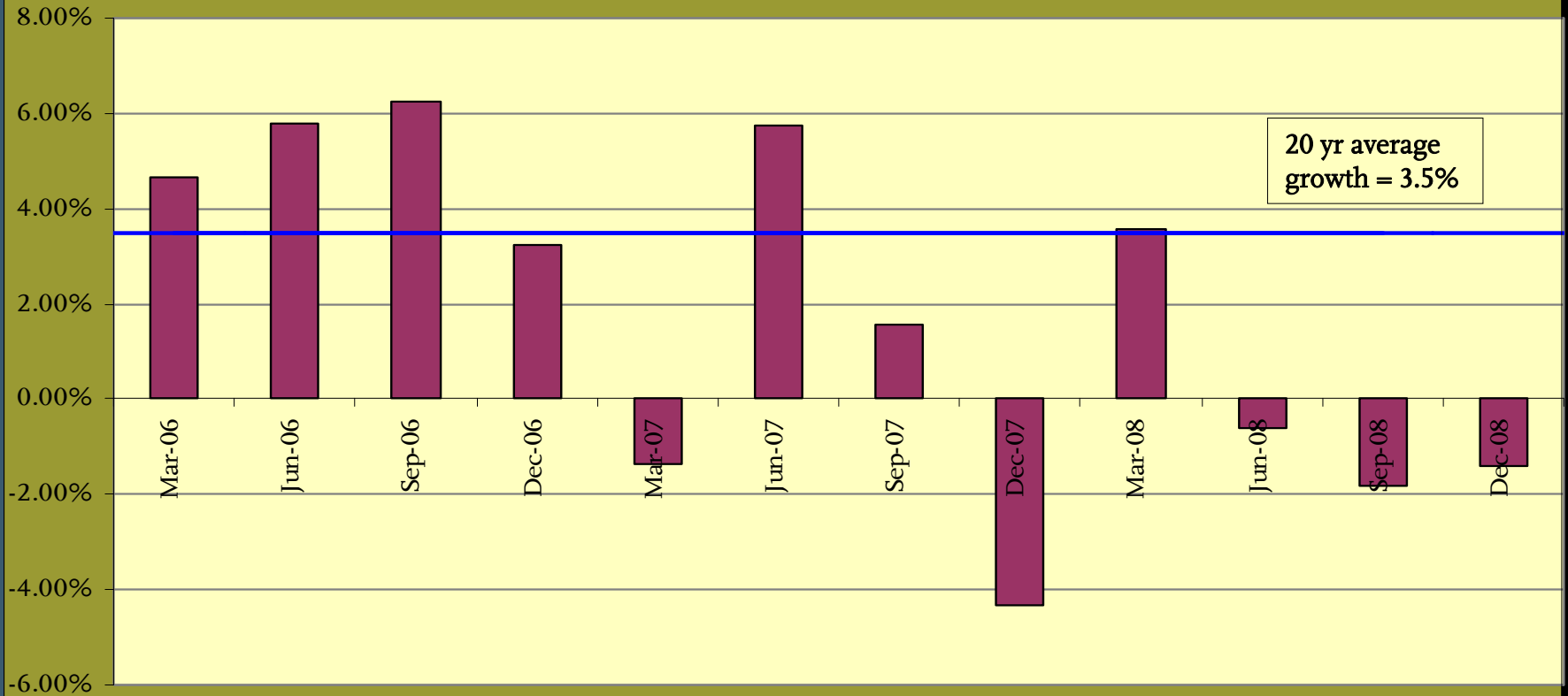
December rate is estimated based on Gas Co's published rates

Impacts

- Sales Tax Revenue : 1% decline approx. \$14 million
- Low short-term rates will reduce interest earnings
- Variable rate interest cost - \$3.5 million / month unfavorable
- Natural gas costs moved lower. FY10 hedged cost will be around \$0.98 per therm
- Lessors maintain pressure. Five of seven lessors have provided extensions

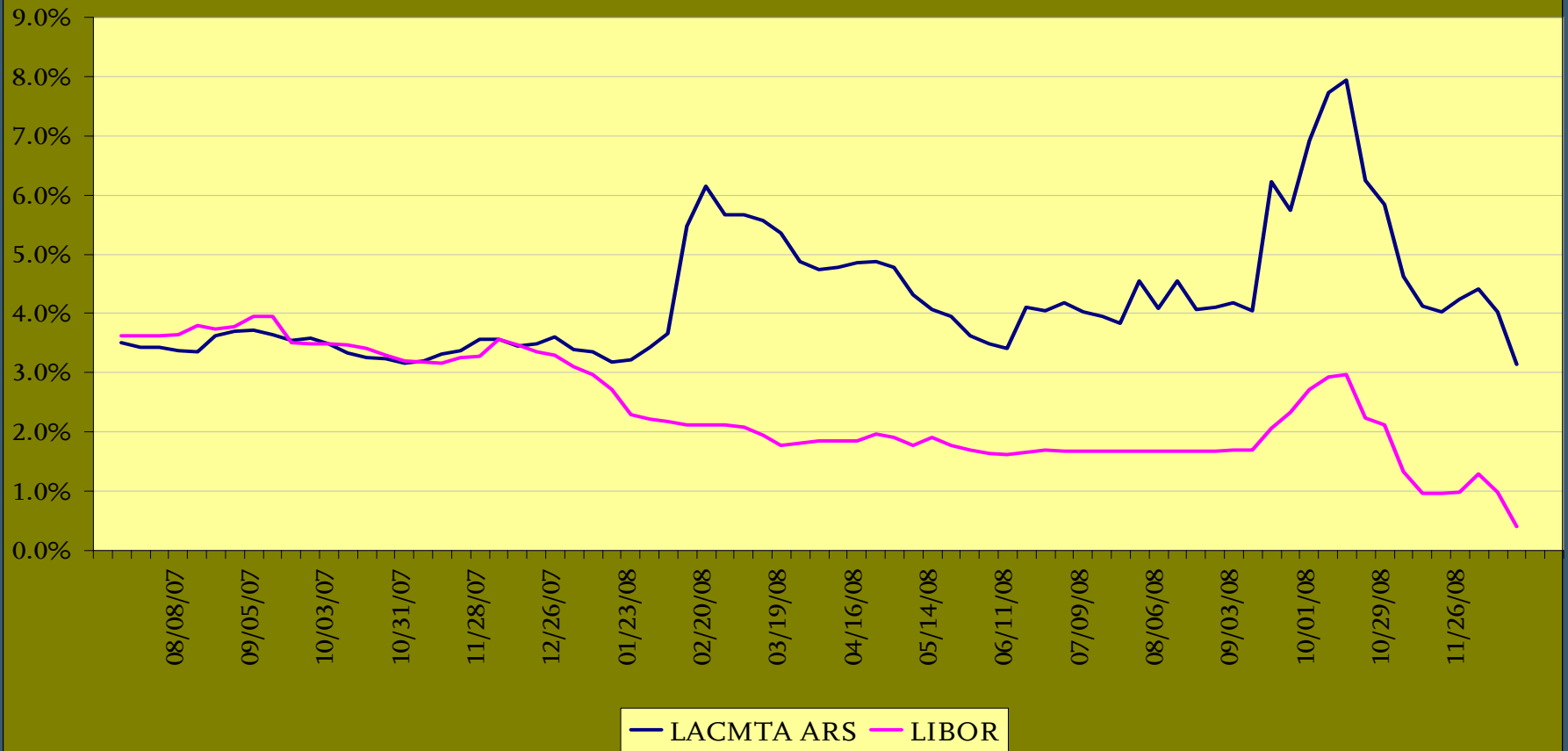
Sales Tax Revenue

Quarterly Sales Tax Revenue History
Year over Year Proposition A and C Growth Rate



LACMTA's Variable Rates

LACMTA Variable Rates vs LIBOR



Since Last Update

- Refreshed bids to replace credit support facilities for two leases. Pricing very high.
- Engaged each of our seven lease equity investors in dialogue to provide extensions of the deadlines to replace the facilities and to discuss alternative solutions
- 5 of 7 investors have provided extensions
- Senators Boxer and Feinstein authored support letter to Treasury Secretary
- Moody's released an industry update on LILOs

Since Last Update (cont'd)

- FSA was downgraded to AA. Any further downgrade will trigger need to replace credit facilities on 5 rail car leases
- Transit coalition was successful in getting our legislative remedy into the auto industry bailout legislation that nearly passed
- We continue to lobby the new congress and administration to seek a no-cost solution where the Treasury or Federal Reserve would:
 1. Step into AIG's position in the transactions, or
 2. Backstop (insure) AIG facilities in the lease agreements
 3. Pursue legislation that would direct the actions listed above

Since Last Update (cont'd)

- Met with CEO/President of San Francisco Federal Reserve to brief them on SILO issues
- Second lessee (Hoozier Energy) declared in default by a lease equity investor
 - Hoozier also won TRO
- Issued commercial paper to refund the 2004 Capital Grants auction rate bonds to lower interest rates.
- Obtained \$300 million of bank liquidity facilities, allowing partial refunding of Prop C 2003 bonds
- Made progress toward possible investment in our own bonds to reduce interest cost and benefit from high rates.

Next Steps

- Obtain extensions of deadlines to replace lease facilities and negotiate for alternative solutions
- Locate providers of surety policies and payment undertaking agreements for the defeased lease transactions affected by AIG
- Refund Prop C 2003 bonds and continue efforts to refund the three other remaining affected bond issues, including locating liquidity and negotiating amendments to related interest rate swaps
- Resolve documentation and authorization matters in order that we may invest in our own high yielding variable rate bonds

End Presentation

Discussion