

OFFICIAL STATEMENT
Dated October 9, 2019

NEW ISSUE - BOOK-ENTRY-ONLY

Enhanced/Unenhanced Rating: S&P: “AA”/“A+”
(See: “OTHER PERTINENT INFORMATION-Rating”,
“BOND INSURANCE” and
“BOND INSURANCE GENERAL RISKS” herein)

Interest on the Bonds, as defined below, for federal income tax purposes under existing statutes, regulations, published rulings and court decisions is NOT intended to be excluded from the gross income of the owners thereof. See “TAX MATTERS” herein.

\$20,265,000
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2019

Dated Date: October 15, 2019

Due: December 1, as shown on following page

(Interest Accrues from Date of Delivery)

AUTHORITY FOR ISSUANCE . . . The Corpus Christi Regional Transportation Authority System Revenue Refunding Bonds, Taxable Series 2019 (the “Bonds”) are being issued by the Corpus Christi Regional Transportation Authority (the “Issuer” or “Authority”) pursuant to the provisions of Chapter 1207, Texas Government Code, as amended, (“Chapter 1207”) and a resolution adopted by the Board of Directors of the Issuer (the “Board”) on October 2, 2019 (the “Resolution”). (See “THE BONDS – Authority for Issuance” herein.) As permitted by Chapter 1207, the Board of Directors, in the Resolution, delegated to certain Authority officials (each, a “Pricing Officer”) the authority to execute an “Approval Certificate” for the Bonds evidencing the final sales terms of the Bonds. The Approval Certificate was executed by a Pricing Officer on October 9, 2019.

The Bonds are special obligations of the Issuer, payable solely from, and secured solely by, a first lien on and pledge of, the “Pledged Revenues” (as defined in the Resolution) generally being the Issuer’s revenues derived from its ownership and operation of its transit system. (See “THE BONDS - Security for the Bonds” and Appendix A - “Selected Provisions of the Resolution”.) THE BONDS DO NOT CREATE A CLAIM FOR PAYMENT AGAINST THE REVENUE OR PROPERTY OF THE ISSUER OTHER THAN THE “PLEGGED REVENUES” DESCRIBED HEREIN, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

PAYMENT TERMS . . . Interest on the Bonds will accrue from the Date of Delivery (defined below) to the initial purchasers thereof named below (the “Underwriter”), and will be payable on June 1 and December 1 of each year, commencing June 1, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Austin, Texas, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the Issuer’s outstanding obligations (the “Refunded Bonds”) (see “SCHEDULE I” herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds (see “PLAN OF FINANCING”).

CUSIP PREFIX: 220228
MATURITY SCHEDULE
See Page 2

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”). (See “BOND INSURANCE” herein.)



LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas (see “APPENDIX D – Form of Bond Counsel’s Opinion”). Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on November 5, 2019 (the “Date of Delivery”).

HUTCHINSON, SHOCKEY, ERLEY & CO.

\$20,265,000
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2019

CUSIP Prefix: 220228⁽¹⁾

STATED MATURITY SCHEDULE

\$15,055,000 SERIAL BONDS

| Stated Maturity | Principal Amount | Rate (%) | Yield (%) | CUSIP Suffix⁽¹⁾ |
|----------------------------|-----------------------------|---------------------|----------------------|---------------------------------------|
| 12/01/2020 | \$815,000 | 2.095% | 2.095% | BF6 |
| 12/01/2021 | 870,000 | 2.086% | 2.086% | BG4 |
| 12/01/2022 | 890,000 | 2.079% | 2.079% | BH2 |
| 12/01/2023 | 905,000 | 2.103% | 2.103% | BJ8 |
| 12/01/2024 | 930,000 | 2.203% | 2.203% | BK5 |
| 12/01/2025 | 950,000 | 2.307% | 2.307% | BL3 |
| 12/01/2026 | 970,000 | 2.407% | 2.407% | BM1 |
| 12/01/2027 | 990,000 | 2.487% | 2.487% | BN9 |
| 12/01/2028 | 1,020,000 | 2.587% | 2.587% | BP4 |
| 12/01/2029 | 1,045,000 | 2.687% | 2.687% | BQ2 |
| 12/01/2030 | 1,075,000 | 2.787% | 2.787% | BR0 |
| 12/01/2031 | 1,100,000 | 2.867% | 2.867% | BS8 |
| 12/01/2032 | 1,130,000 | 2.967% | 2.967% | BT6 |
| 12/01/2033 | 1,165,000 | 3.037% | 3.037% | BU3 |
| 12/01/2034 | 1,200,000 | 3.067% | 3.067% | BV1 |

\$5,210,000 TERM BONDS

\$5,210,000 3.261% Term Bond due December 1, 2038 and priced to yield 3.261% – CUSIP Suffix BZ2⁽¹⁾

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The Issuer reserves the right, at its option, to redeem Bonds having stated maturities on and after December 1, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). The Bonds maturing on December 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity. (See “THE BONDS – Mandatory Sinking Fund Redemption” herein.)

⁽¹⁾CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the Issuer, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

602 N. Staples St.
Corpus Christi, Texas 78405
Phone: (361) 289-2712
Facsimile: (361) 289-0605

APPOINTED OFFICIALS

| Name | Years Served | Term Expires | Primary Occupation |
|--|---------------------|---------------------|--|
| Mr. Eddie Martinez Board Chairman | 5 | January 2020 | Port of Corpus Christi |
| Mr. Mike Reeves Board Vice Chairman | 5 | September 2021 | Heil of Texas |
| Mr. Dan Leyendecker Board Secretary | 1 | September 2021 | LNV Engineering Inc. |
| Mr. George Clower Board of Director | 6 | June 2020 | Clower Real Estate |
| Mr. Glenn Martin ⁽¹⁾ Board of Director | 4 | September 2021 | Woody's Sport Center, Owner |
| Ms. Patricia Dominguez Board of Director | 2 | June 2020 | Dean Student Outreach and Enrollment Services Del Mar College |
| Ms. Anne Bauman Board of Director | 1 | June 2020 | Retired |
| Mr. Philip Skrobarczyk Board of Director | 2 | June 2020 | Fulton Construction, Owner |
| Mr. Matt Woolbright Board of Director | 1 | June 2020 | Private Financial Client Advisor |
| Ms. Lynn Allison Board of Director | ⁽²⁾ | September 2021 | Self Employed - Public Relations & Property Management |
| Ms. Anna Jimenez Board of Director | ⁽²⁾ | September 2021 | IC Engineers |

⁽¹⁾Previously served for two years from 10-5-2005 to 9-19-2007.

⁽²⁾Appointed September 25, 2019.

ADMINISTRATIVE OFFICIALS

| Name | Position | Years with the Issuer |
|--------------------------|---------------------------------------|-----------------------|
| Mr. Jorge Cruz-Aedo | Chief Executive Officer | 10 |
| * | Managing Director of Transportation | |
| Ms. Sharon Montez | Managing Director of Capital Programs | 20 |
| Mr. Robert Saldana | Managing Director of Administration | 8 |
| Mr. Gordon Robinson, PMP | Director of Planning | 6 |
| Ms. Sandy Roddel | Director of Finance | 2 |
| Mr. Bryan Garner | Director of Maintenance | 3 |
| Mr. David Chapa | Director of IT | 10 |
| Ms. Annie Hinojosa | Director of Procurement | 2 |
| Mr. Mike Rendon | Director of Safety and Security | 4 |
| Ms. Angelina Gaitan | Director of Human Resources | 9 |
| Mr. Derrick Majchszak | Director of Transportation | 2 |
| Ms. Christina Perez | DBE/EEO Compliance Officer | 3 |

**Vacant.*

CONSULTANTS AND ADVISORS

Bond Counsel..... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants Carr, Riggs & Ingram, LLC
Corpus Christi, Texas

Financial AdvisorSpecialized Public Finance Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. Jorge G. Cruz-Aedo
Chief Executive Officer
Corpus Christi Regional Transportation Authority
602 N. Staples St.
Corpus Christi, Texas 78405
Phone: (361) 903-3501
Facsimile: (361) 289-3005
jcruz-aedo@ccrta.org

Mr. Victor Quiroga, Jr.
Managing Director
Specialized Public Finance Inc.
13300 Old Blanco Road, Suite 310
San Antonio, Texas 78216
Phone: (210) 239-0204
Facsimile: (210) 239-0126
victor@spfmuni.com

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Neither the Issuer, the Financial Advisor, nor the Underwriter makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System or regarding any municipal bond insurance policy that may be obtained for the Bonds, as such information has been provided by DTC and the municipal bond insurance provider, respectively.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “APPENDIX F - Specimen Municipal Bond Insurance Policy”.

TABLE OF CONTENTS

| | | | |
|--|-----------|--|------------|
| COVER PAGE | 1 | THE ISSUER’S SALES TAX | 17 |
| ELECTED AND APPOINTED OFFICIALS | 4 | INVESTMENT CONSIDERATIONS | 19 |
| USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT | 5 | BOOK-ENTRY-ONLY SYSTEM | 21 |
| SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT | 6 | BOND INSURANCE | 23 |
| INTRODUCTORY STATEMENT | 8 | INVESTMENT POLICIES | 25 |
| PLAN OF FINANCING | 8 | TAX MATTERS | 26 |
| THE BONDS | 9 | CONTINUING DISCLOSURE OF INFORMATION | 28 |
| SOURCES AND USES OF THE BONDS | 15 | LITIGATION; REGULATORY COMPLIANCE; AND FEDERAL GRANTS | 29 |
| FLOW OF FUNDS DIAGRAM | 15 | LEGAL MATTERS | 30 |
| REGISTRATION, TRANSFER AND EXCHANGE | 16 | OTHER PERTINENT INFORMATION | 31 |
| Table of Refunded Bonds | | FORWARD LOOKING STATEMENTS | 32 |
| Selected Provisions of the Resolution | | | Schedule I |
| Financial Information of the Authority..... | | | APPENDIX A |
| General Information Regarding the Authority | | | APPENDIX B |
| Form of Bond Counsel’s Opinion | | | APPENDIX C |
| Excerpts from the Authority’s Audited Financial Statements for the Fiscal Year Ended December 31, 2018 | | | APPENDIX D |
| Specimen Municipal Bond Insurance Policy | | | APPENDIX E |
| | | | APPENDIX F |

The cover page, subsequent pages hereof, the schedule, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|--|---|
| THE ISSUER | The Corpus Christi Regional Transportation Authority (the “Issuer” or “Authority”) is a metropolitan rapid transit authority existing and operating under Chapter 451, Texas Transportation Code, as amended (“Chapter 451”), and created pursuant to an election held on August 10, 1985, to provide public transportation in Nueces County and San Patricio County, Texas, including (but not limited to) the City of Corpus Christi, Texas. |
| THE BONDS | The Corpus Christi Regional Transportation Authority System Revenue Refunding Bonds, Taxable Series 2019 (the “Bonds”) are being issued as serial bonds maturing in the respective principal amounts shown on page 2. The Bonds are issued in part as serial Bonds maturing on December 1 in the years 2020 through 2034 and in part as term bonds maturing on December 1, 2038 in the principal amounts shown on page 2 thereof (see “THE BONDS – General”). |
| PAYMENT OF INTEREST | Interest on the Bonds will accrue from November 5, 2019, the anticipated date of delivery of the Bonds to the Underwriter (the “Date of Delivery”), will be calculated on the basis of a 360-day year composed of twelve 30-day months, and will be payable on each June 1 and December 1, commencing on June 1, 2020, until stated maturity or prior redemption. (See “THE BONDS - General Description of the Bonds” herein.) |
| AUTHORITY FOR ISSUANCE | The Bonds are being issued pursuant to the provisions of Chapter 1207, Texas Government Code, as amended (“Chapter 1207”) and a resolution adopted by the Board of Directors of the Issuer (the “Board”) on October 2, 2019 (the “Resolution”). (See “THE BONDS – Authority for Issuance” herein.) As permitted by Chapter 1207, the Board of Directors, in the Resolution, delegated to certain Authority officials (each, a “Pricing Officer”) the authority to execute an “Approval Certificate” for the Bonds evidencing the final sales terms of the Bonds. The Approval Certificate was executed by a Pricing Officer on October 9, 2019. |
| PAYING AGENT/REGISTRAR | The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. |
| SECURITY | The Bonds are special obligations of the Issuer that are secured by and payable from a first lien on and pledge of the Pledged Revenues (as defined in the Resolution), generally being the Issuer’s revenues derived from its ownership and operation of its transit system. (See “THE BONDS - Security for the Bonds” and APPENDIX A - “Selected Provisions of the Resolution”). |
| REDEMPTION PROVISION OF THE BONDS | The Issuer reserves the right, at its option, to redeem the Bonds having stated maturities on and after December 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2028 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Optional Redemption” herein). The Bonds maturing on December 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity. (See “THE BONDS – Mandatory Sinking Fund Redemption” herein.) |
| TAX MATTERS | Interest on the Bonds, for federal income tax purposes under existing statutes, regulations, published rulings and court decisions is NOT intended to be excluded from the gross income of the owners thereof. See “TAX MATTERS” herein. |

| | |
|-------------------------------------|--|
| USE OF PROCEEDS | Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the Issuer’s outstanding obligations (the “Refunded Bonds”) (see “SCHEDULE I” herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds (see “PLAN OF FINANCING” herein.) |
| BOND INSURANCE | The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company. (See “BOND INSURANCE” herein.) |
| RATING | S&P Global Ratings (“S&P”) is expected to assign a municipal bond rating on the Bonds of “AA” (stable outlook) based upon the municipal bond insurance policy to be issued by BAM at the time of delivery of the Bonds. The Bonds have an underlying rating of “A+” by S&P. (See “OTHER PERTINENT INFORMATION – Rating” herein.) |
| BOOK-ENTRY-ONLY SYSTEM | The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method and timing of payment and the method and transfer relating to the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.) |
| PAYMENT RECORD | The Issuer has never defaulted on the payment of its bonded indebtedness. |
| FUTURE BOND ISSUES | In the Resolution, the Issuer has reserved the right to issue “Additional Parity Obligations” secured by a lien on a pledge of the Pledged Revenues on parity with the Bonds, subject to satisfying certain requirements set forth in the Resolution. (See “THE BONDS - Additional Parity Obligations” and Sections 23 and 24 of the Resolution, excerpts of which appear in APPENDIX A of this Official Statement.) The Issuer does not anticipate the issuance of any Additional Parity Obligations in the next twelve months. |
| DELIVERY DATE | When issued, anticipated on or about November 5, 2019. |
| LEGALITY | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas. |

(Remainder of this page intentionally left blank.)

OFFICIAL STATEMENT

relating to

\$20,265,000

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2019 *(A political subdivision of the State of Texas located within Nueces County)*

INTRODUCTORY STATEMENT

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance by the Corpus Christi Regional Transportation Authority (the “Issuer” or the “Authority”) of its \$20,265,000 System Revenue Refunding Bonds, Taxable Series 2019 (the “Bonds”). The Bonds are being issued pursuant to the provisions of Chapter 1207, Texas Government Code, as amended, (“Chapter 1207”) and a resolution adopted by the Board of Directors of the Issuer (the “Board”) on October 2, 2019 (the “Resolution”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Issuer and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Issuer’s Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement and the Escrow Agreement (hereinafter defined) pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Issuer’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE ISSUER . . . The Issuer is a metropolitan rapid transit authority existing and operating under Chapter 451, Texas Transportation Code, as amended, (“Chapter 451”) and created pursuant to an election held on August 10, 1985, (the “Election”) to provide public transportation in Nueces County and San Patricio County, Texas, including (but not limited to) the City of Corpus Christi, Texas. The Issuer is governed by a Board of Directors (the “Board”) comprised of eleven directors, each of which serve staggered two-year terms with an eight year maximum. The City of Corpus Christi appoints five of the directors, Nueces County appoints three of the directors and a Small City Mayors’ Committee, comprised of Mayors of other smaller cities serviced by the Issuer, appoints two of the members. The Chairman is elected by the Board. The Chief Executive Officer of the Issuer is the chief administrative officer for the Issuer. For more information regarding the Issuer, see “APPENDIX B – General Information Regarding the Authority.”

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the Issuer’s outstanding obligations (the “Refunded Bonds”) (see “SCHEDULE I” herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds.

REFUNDED BONDS . . . The Refunded Bonds, and interest due thereon, are to be paid on each interest payment, stated maturity or scheduled redemption date (as applicable) therefor from funds to be deposited with UMB Bank, N.A., Austin, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement (the “Escrow Agreement”) between the Issuer and the Escrow Agent. The Resolution provides that from the proceeds of the sale of the Bonds to the Underwriter, the Issuer will deposit with the Escrow Agent an amount which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on each interest payment, stated maturity or redemption date (as applicable). Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the “Federal Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, and such funds will not be available to pay the Bonds. Public Finance Partners LLC, (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriter that the Federal Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund established under the Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds addressed by such Escrow Agreement on each interest payment, stated maturity or scheduled redemption date (as applicable). Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds. See “OTHER PERTINENT INFORMATION - VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Simultaneously with the issuance of the Bonds, the Issuer will give irrevocable instructions to the paying agent for the Refunded Bonds to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem such Refunded Bonds from funds held under the Escrow Agreement.

By the deposit of the cash and investments described above with the Escrow Agent pursuant to the Escrow Agreement, the Issuer will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds, and the Issuer will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such deposit and in reliance upon the verification report from Public Finance Partners LLC, firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds will have been made and, therefore, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of receiving payments from the funds provided therefor in the Escrow Agreement.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 15, 2019 and mature on December 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 2020. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein (“BOOK-ENTRY-ONLY SYSTEM”). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions of Chapter 1207 and the Resolution adopted by the Board on October 2, 2019. As permitted by Chapter 1207, the Board of Directors, in the Resolution, delegated to certain Authority officials (each, a “Pricing Officer”) the authority to execute an “Approval Certificate” for the Bonds evidencing the final sales terms of the Bonds. The Approval Certificate was executed by a Pricing Officer on October 9, 2019.

SECURITY FOR THE BONDS . . . The Bonds, the Previously Issued Parity Obligations, and any “Additional Parity Obligations” issued on a parity therewith (see “THE BONDS - Additional Parity Obligations” below) and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the “Pledged Revenues” (as defined in the Resolution) received by the Issuer. Along with the refunding being accomplished by the issuance of the Bonds, the Issuer will also defease all outstanding Previously Issued Parity Obligations not subject to optional redemption. Hence, the Issuer will not have any outstanding Previously Issued Parity Obligations. The Bonds, the Previously Issued Parity Obligations, and any Additional Parity Obligations issued in the future are referred to collectively herein and in the Resolution as the “Parity Obligations.”

The Resolution defines “Pledged Revenues” to mean (i) a first and prior lien on the Net Operating Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer, at its sole discretion, to the payment of the Parity Obligations subsequent to the issuance of the Bonds (but none of which potential sources of additional security are initially so pledged).

The Resolution defines “Net Operating Revenues” to mean all Gross Operating Revenues for any period after the deduction of the Maintenance and Operating Expenses during such period which are not paid with Issuer's Sales Tax Revenues. See “THE BONDS – Issuer’s Sales Tax Revenues” and “THE ISSUER’S SALES TAX”.

The Resolution defines “Gross Operating Revenues” to mean for any defined period, all income, receipts, revenues, and increment which may be received or derived by the Issuer from its ownership and/or operation of the Transit Authority System, as defined in the Resolution, as it is purchased, constructed or otherwise acquired from time to time, including the proceeds of State and federal grants that are not specifically dedicated in purpose, but shall not mean, and shall specifically exclude (i) all Issuer's Sales Tax Revenues and (ii) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Issuer's Special Facilities Bonds, as defined in the Resolution, issued particularly to finance facilities needed in performing any such contract or contracts.

The Resolution defines “Maintenance and Operating Expenses” to mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Transit Authority System, including the payment of necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the Transit Authority System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the Transit Authority System (which costs and expenses, however, specifically exclude (i) any allowance for depreciation, property retirement, depletion, or obsolescence, (ii) other items not requiring an outlay of cash, and (iii) any interest (accrued or capitalized) on Parity Obligations now or hereafter outstanding.

In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use. See "THE BONDS – Issuer's Sales Tax Revenues" and "THE ISSUER'S SALES TAX".

The Bonds may not be paid in whole or in part from any sales taxes levied or to be levied by the Issuer and do not constitute a debt of and do not give rise to a claim for payment against the Issuer, except as to the Pledged Revenues held by the Issuer and required to be paid to the Issuer as permitted by Chapter 451. THE BONDS DO NOT CREATE A CLAIM FOR PAYMENT AGAINST THE REVENUE OR PROPERTY OF THE ISSUER OTHER THAN THE "PLEDGED REVENUES" DESCRIBED HEREIN, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

PLEDGE UNDER RESOLUTION . . . The Issuer covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Obligations, are irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created and established or maintained in the Resolution and any subsequent resolution authorizing the issuance of any Additional Parity Obligations. The Resolution further provides that the Parity Obligations shall constitute a lien on and pledge of the Pledged Revenues in accordance with the terms of the Resolution and any subsequent resolution authorizing the issuance of any Additional Parity Obligations, which lien shall be valid and binding without any further action by the Issuer and without any filing or recording with respect thereto except in the records of the Issuer.

PERFECTION OF SECURITY FOR THE BONDS . . . Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Parity Obligations and the pledge of the Pledged Revenues, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while any Parity Obligations are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Parity Obligations a security interest in such pledge, the Issuer agrees to take such measures as it determines is reasonable and necessary to enable a filing of a security interest in said pledge to occur.

RATES AND CHARGES . . . For the benefit of the owners of the Parity Obligations, the Issuer, in the Resolution, has covenanted, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Transit Authority System that are reasonably expected, on the basis of available information and experience with due allowance for contingencies and after taking into account any other lawfully available funds (including the use of lawfully available fund balances) that have been budgeted by the Board to pay Maintenance and Operating Expenses or debt service requirements on Outstanding Debt and after taking into account the Issuer's Sale Tax Revenues that have been budgeted by the Board to pay Maintenance and Operating Expenses, to produce Gross Operating Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Net Operating Revenues at least equal to 1.10 times the annual Debt Service Requirements for such Fiscal Year;
- C. to enable the Issuer to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund, if any, to restore the Required Reserve Amount, including the payment of any Reimbursement Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of Previously Issued Parity Obligations or Additional Parity Obligations;
- D. to produce Net Operating Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Issuer expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the Issuer and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Net Operating Revenues; and
- E. to pay any other Debt payable from available revenues of the Issuer.

ADDITIONAL PARITY OBLIGATIONS . . . In the Resolution, the Issuer reserves the right to issue Additional Parity Obligations payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including obtaining a certificate from the chief financial officer of the Issuer to the effect that, according to the books and records of the Issuer, the Net Operating Revenues received by the Issuer for the last completed Fiscal Year or for any twelve consecutive months ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations were equal to not less than 3.0 times the average annual Debt Service Requirements for all Parity Obligations then outstanding after giving effect to the issuance of the Additional Parity Obligations then being issued.

SUBORDINATE LIEN OBLIGATIONS . . . In the Resolution, the Issuer reserves the right to issue at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of Pledged Revenues securing the payment of the Parity Obligations, including the Bonds, as may be authorized by the laws of the State.

ISSUER'S SALES TAX REVENUES . . . Pursuant to the Election and pursuant to Chapter 451, the Issuer levies a ½ of 1% sales and use tax to support the operation and maintenance of the Transit Authority System (the "Issuer's Sales Tax" and the revenues resultant therefrom, the "Issuer's Sales Tax Revenues"). In the Resolution, the Issuer covenants and agrees that, while any Parity Obligations are outstanding, the Issuer will take all steps necessary in any action at law or in equity to ensure that the Issuer will levy, charge and collect the Issuer's Sales Tax. In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use. **The Issuer's Sales Tax is not pledged to secure the payment of debt service on the Bonds.** See "THE ISSUER'S SALES TAX".

OPERATING FUND . . . The Resolution confirms the prior or creation of a fund named the "Operating Fund". All Gross Operating Revenues and Issuer's Sales Tax Revenues will be deposited and credited to the Operating Fund (but accounted for separately) immediately as collected and received. Funds on deposit in the Operating Fund shall be separate from the funds required to be held in a special Operating Reserve Fund as required by Section 451.134 of Chapter 451.

All Issuer's Sales Tax Revenues deposited and credited to the Operating Fund shall be used first to pay Maintenance and Operating Expenses then to fund construction or acquisition of capital improvements, fund any deficiency in the Operating Reserve Fund so that the amount therein is not less than the amount required pursuant Section 451.134 of Chapter 451 or used for other lawful purposes but shall not be pledged to secure, or used to pay debt service on, the Parity Obligations. See "THE ISSUER'S SALES TAX".

FLOW OF FUNDS . . . All Gross Operating Revenues deposited and credited to the Operating Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses to the extent not paid with Issuer's Sales Tax Revenues or other available funds of the Issuer.

SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Obligations issued by the Issuer as the same become due and payable.

THIRD: pro rata to the payment of the amounts required to be deposited and credited to any Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of any resolution authorizing Parity Obligations, including amounts owed with respect to any Reimbursement Obligation to restore the Required Reserve Amount.

FOURTH: to the payment of debt service payments and reserve fund payments related to Subordinate Lien Obligations.

FIFTH: to the payment of the amounts required for any lawful purpose.

INTEREST AND SINKING FUND . . . The Resolution creates a fund named the "Interest and Sinking Fund". The Issuer shall make such deposits and credits to pay maturing principal, accrued interest, and mandatory sinking fund redemptions (as applicable) on the Parity Obligations in substantially equal monthly installments.

RESERVE FUND FOR BONDS . . . In the Resolution, the Issuer established an account in the Reserve Fund, to be known as the "Series 2019 Reserve Fund Account," for the benefit of the registered owners of the Bonds. The amount required to be on deposit in the Series 2019 Reserve Fund Account is equal to the Average Annual Debt Service Requirements of Outstanding Bonds (the "Series 2019 Reserve Account Requirement"). The Issuer initially shall fund the Series 2019 Reserve Fund Account on the date of delivery of the Bonds by purchasing a Reserve Fund Credit Facility from Build America Mutual Assurance Company in an amount equal to the Series 2019 Reserve Fund Requirement. The Series 2019 Reserve Fund Account shall be used to pay the principal of and interest on the Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose.

When and so long as the money and investments or a Reserve Fund Credit Facility in the Series 2019 Reserve Fund Account total not less than the Series 2019 Reserve Account Requirement, no deposits need be made to the credit of the Series 2019 Reserve Fund Account; but when and if the Series 2019 Reserve Fund Account at any time contains less than the Series 2019 Reserve Account Requirement, the Issuer covenants and agrees to cure the deficiency in the Series 2019 Reserve Account Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts or purchasing a Reserve Fund Credit Facility in the amount of such deficiency. See "SELECTED PROVISIONS OF THE RESOLUTION" in Appendix A hereto.

OPTIONAL REDEMPTION . . . The Issuer reserves the right, at its option, to redeem Bonds having stated maturities on and after December 1, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Issuer may select the maturities to be redeemed.

If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in book-entry-only form) shall determine by lot or other customary random method the Bonds or portions thereof, within such maturity to be redeemed. If any Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on December 1, 2038 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity in part, by lot or other customary method, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, in the respective years and principal amounts shown below:

\$5,210,000 Term Bond Maturing on December 1, 2038

| <u>Mandatory Redemption Dates</u> | <u>Principal Amounts</u> |
|------------------------------------|--------------------------|
| December 1, 2035 | \$1,240,000 |
| December 1, 2036 | 1,280,000 |
| December 1, 2037 | 1,325,000 |
| December 1, 2038 (Stated Maturity) | 1,365,000 |

Prior to each mandatory redemption date that a Term Bond is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot or by other customary method that results in a random selection the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following December 1 from money set aside for that purpose in the Bond Fund maintained for the payment of the Bonds. Any Term Bond not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Issuer, by the principal amount of the Term Bonds which, at least forty-five (45) days prior to the mandatory redemption date (i) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the Issuer shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption of Bonds may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the Issuer retains the right to rescind such notice at any time prior to the scheduled redemption date if the Issuer delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the Issuer, so long as a book-entry-only system is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice.

PAYMENT RECORD . . . The Issuer has never defaulted on the payment of its bonded indebtedness.

AMENDMENTS . . . The Issuer may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including (i) adding to the covenants and agreements of the Issuer in the Resolution other covenants and agreements thereafter to be observed, grant additional rights or remedies to Owners or to surrender, restrict or limit any right or power reserved in the Resolution to or conferred upon the Issuer; (ii) curing any ambiguity,

or curing, correcting or supplementing any defective provision contained in the Resolution, or in regard to clarifying matters or questions arising under the Resolution, as are necessary or desirable and not contrary to or inconsistent with the Resolution and which shall not adversely affect the interests of the Owners of the Parity Obligations; (iii) making any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Issuer, materially adversely affect the interests of the owners of the Outstanding Parity Obligations; (iv) making such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations including, without limitation, supplementing the definition of “Annual Debt Service Requirements” to address the amortization of payments due and owing under a credit agreement; (v) modifying any of the provisions of the Resolution in any other respect whatever, provided that (a) such modification shall be, and be expressed to be, effective only after all Parity Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (b) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) make any change in the maturity of the Outstanding Parity Obligations; (ii) reduce the rate of interest borne by any of the Outstanding Parity Obligations; (iii) reduce the amount of the principal payable on the Outstanding Parity Obligations; (iv) modify the terms of payment of principal of or interest on the Outstanding Parity Obligations or impose any conditions with respect to such payment; (v) affect the rights of the Owners of less than all of the Parity Obligations then Outstanding; (vi) change the minimum percentage of the principal amount of Parity Obligations necessary for consent to such amendment.

DEFEASANCE . . . The Resolution provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Resolution provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. The Issuer has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Issuer moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid for purposes of applying any limitation on indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the Issuer to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the Issuer has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the Issuer: (i) in the proceeding providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See “THE BONDS – Book-Entry-Only System” herein.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution has been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Issuer will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the Issuer, so long as a book-entry-only system (the “BOOK-ENTRY-ONLY SYSTEM”) is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption. See “BOOK-ENTRY-ONLY SYSTEM” herein.

DEFAULT AND REMEDIES . . . The Resolution establishes specific events of default with respect to the Bonds. If the Issuer defaults in the payment of the principal of or interest on the Bonds when due, defaults in the deposits and credits required to be made to the Interest and Sinking Fund or the Reserve Fund, or the Issuer defaults in the observance or performance of any of the covenants, conditions, or obligations of the Issuer, the Resolution provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Issuer to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Issuer's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the Issuer to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the Issuer's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the Issuer for breach of the obligations or covenants in the Resolution. Even if a judgment against the Issuer could be obtained, it could not be enforced by direct levy and execution against the Issuer's property. Further, the registered owners cannot themselves foreclose on property within the Issuer or sell property within the Issuer to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Issuer is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Issuer avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF THE BONDS

The proceeds from the sale of the Bonds, together with other lawfully available funds of the Authority, will be applied approximately as follows:

Sources:

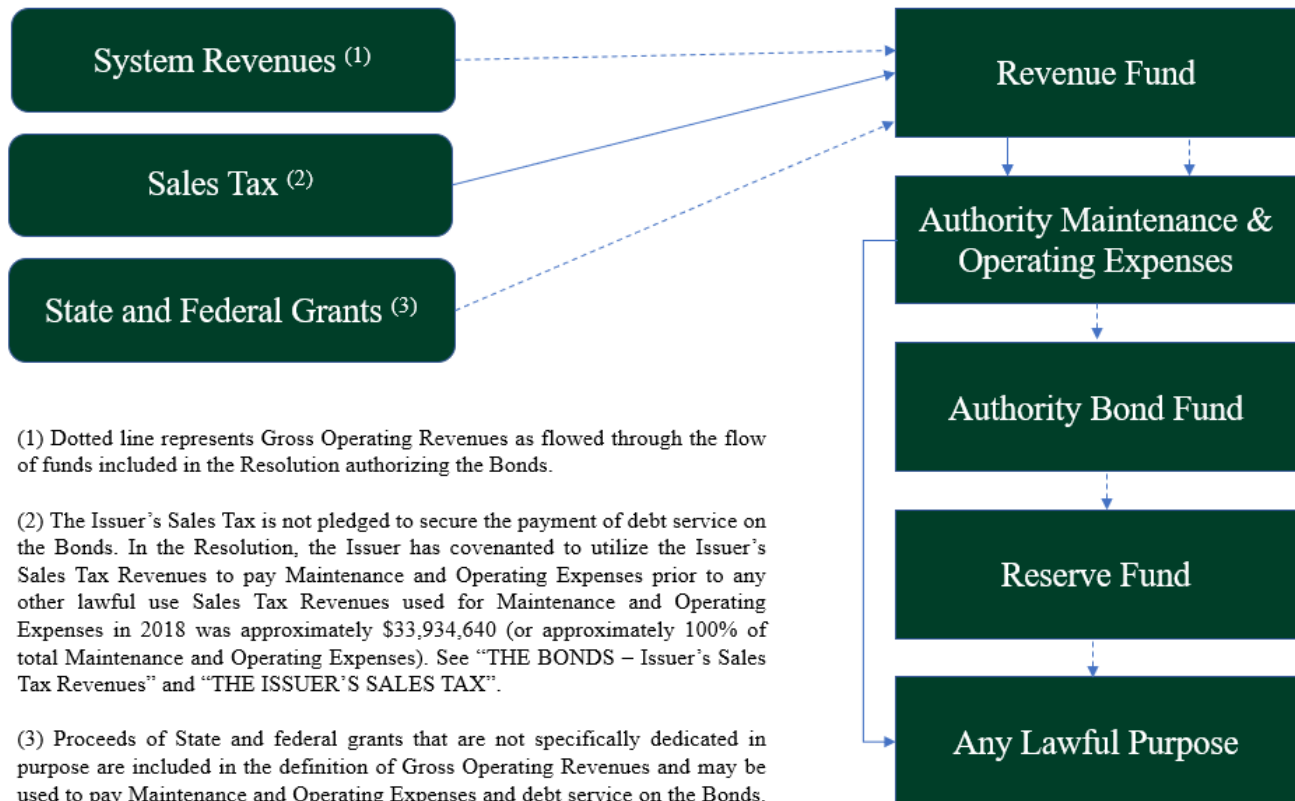
| | |
|--|---------------------|
| Principal Amount of the Bonds | \$20,265,000.00 |
| Issuer Contribution From Prior Issue Debt Service Fund | 1,075,470.87 |
| Issuer Contribution From Prior Issue Debt Service Reserve Fund | <u>1,611,301.50</u> |
| Total Sources of Funds | \$22,951,772.37 |

Uses:

| | |
|--|-----------------|
| Deposit to Escrow Fund | \$22,484,422.33 |
| Issuance Expenses (includes insurance premium, if any) | 327,241.29 |
| Underwriter's Discount | 139,854.36 |
| Additional Proceeds | <u>254.39</u> |
| Total Uses of Funds | \$22,951,772.37 |

FLOW OF FUNDS DIAGRAM

The Authority



(1) Dotted line represents Gross Operating Revenues as flowed through the flow of funds included in the Resolution authorizing the Bonds.

(2) The Issuer's Sales Tax is not pledged to secure the payment of debt service on the Bonds. In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use Sales Tax Revenues used for Maintenance and Operating Expenses in 2018 was approximately \$33,934,640 (or approximately 100% of total Maintenance and Operating Expenses). See "THE BONDS – Issuer's Sales Tax Revenues" and "THE ISSUER'S SALES TAX".

(3) Proceeds of State and federal grants that are not specifically dedicated in purpose are included in the definition of Gross Operating Revenues and may be used to pay Maintenance and Operating Expenses and debt service on the Bonds. State and federal grants are separated in this diagram for purposes of illustration.

REGISTRATION, TRANSFER AND EXCHANGE

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Resolution, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

RECORD DATE . . . The record date ("Record Date") for determining the party to whom interest on a Bond is payable on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER AND EXCHANGE - Special Record Date for Interest Payment" herein.)

FUTURE REGISTRATION . . . In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

SPECIAL RECORD DATE FOR INTEREST PAYMENT . . . In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

LIMITATION ON TRANSFER OF BONDS . . . Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond during (i) the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Bond and ending with the opening of business on the next following principal or interest payment date or, (ii) with respect to any Bond called for redemption, within 30 days of the date fixed for redemption, provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

REPLACEMENT BONDS . . . The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

(Remainder of this page intentionally left blank.)

THE ISSUER'S SALES TAX

THE ISSUER'S SALES TAX REVENUES ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS. THE INFORMATION CONTAINED IN THIS SECTION IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

SOURCE AND AUTHORIZATION . . . The Issuer's Sales Tax is a ½ of 1% limited sales and use tax imposed on all taxable transactions within the Issuer as approved at the Election. The State Comptroller of Public Accounts (the "Comptroller") began collecting the Issuer's Sales Tax on transactions within the Issuer on January 1, 1986. The Issuer's Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the Issuer. The Issuer's Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the Issuer. The imposition, computation, administration, governance, abolition and use of the Issuer's Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Issuer's Sales Tax. The imposition, computation, administration, governance, abolition and use of the Issuer's Sales Tax is governed by Chapter 151, Texas Tax Code, as amended (the "Texas Limited Sales, Excise, and Use Tax Act").

In general, as applied to the Issuer's Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling and security services. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices, agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a transit authority has taken steps to repeal the exemption), certain telecommunication services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non-sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Issuer's Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation).

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer," who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis, and taxpayers owing less than \$500 sales and use tax dollars in a calendar month or \$1,500 in a calendar quarter submit their tax collections quarterly. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period of yearly filers ends each December 31st; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly. In 1989, the Comptroller initiated a direct deposit program using electronic funds

transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The Issuer does participate in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use taxpayers (who report about 65% of all sales and use tax in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office, (ii) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold ½% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1¼% of the amount of the prepayment in addition to the ½% allowed for the cost of collecting the sales and use tax.

(Remainder of this page intentionally left blank.)

INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

THE ISSUER'S SALES TAX . . . The primary source of payment for Maintenance and Operating Expenses of the Issuer is the receipt of the Issuer's Sales Tax. To the extent that the Issuer's Sales Tax is not sufficient to pay Maintenance and Operating Expenses, the Issuer has obligated itself (as required by State law) to utilize Gross Operating Revenues to pay Maintenance and Operating Expenses prior to paying debt service on the Bonds.

The generation of revenues from the Issuer's Sales Tax is closely related to the amount of economic activity in the Issuer. Sales and use tax receipts, unlike other taxes levied by public entities, immediately reflect changes in the economic conditions of a municipality and the economy.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the tax base of taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the Texas Legislature. (See "THE ISSUER'S SALES TAX.") Texas law provides that the Issuer's Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the Texas Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%. The current total sales and use tax rate within the Issuer's boundaries is 8.25% (including State and other municipal sales taxes as well as the Issuer's Sales Tax) which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax). The rate of the sales and use taxes authorized in the State could be further increased by the Legislature and the Issuer has no way of predicting any such increase or the effect that it would have on the Issuer's Sales Tax. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Issuer's Sales Tax is levied; and the Issuer, except in certain limited instances described below, has no control over the components of the tax base. The Issuer currently does not have statutory authority to increase or decrease the rate of the Issuer's Sales Tax.

Tax receipts received by the Issuer are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Issuer's Sales Tax is collected by the Comptroller and remitted to the Issuer. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. (See "THE ISSUER'S SALES TAX.") The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay maintenance and operating expenses of the Issuer.

Historical information regarding the State's sales tax base, gross sales within the Issuer and sales within the Issuer which are subject to the State sales and use tax is included herein in Appendix B, and while the Issuer has no reason to expect that receipts of the Issuer's Sales Tax will ever be insufficient to pay maintenance and operating expenses of the Issuer, it makes no representation that, over the term of the Bonds, sales and services within the Issuer will provide sufficient Issuer's Sales Tax receipts to pay the maintenance and operating expenses of the Issuer.

FUNDING OF CAPITAL IMPROVEMENT PROGRAM AND OPERATIONS . . . The Issuer's funding of its capital improvement plan is subject to available funding sources and access to the financial markets. The amount of debt service the Issuer pays on its debt obligations will directly affect the amount of revenues available to the Issuer to support its operations, maintenance and capital reinvestment needs. The Issuer does not intend to issue any debt which could be expected to adversely affect the sufficiency of revenues to pay costs of operation and maintenance of the Issuer's transportation services. Consequently, the Issuer intends to adjust its capital plans as necessary to finance the plans consistent with available resources and operating needs.

RISKS ASSOCIATED WITH FEDERAL FUNDING . . . The receipt of capital grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation and Office Management and Budget as well as appropriation by U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation and the FTA, and to compliance by the Issuer with conditions to the grants. By August 15 of each year, the Congressional Budget Office (the "CBO") issues a report that provides estimates of the caps on discretionary budget authority in effect for each fiscal year through 2021. The CBO has assessed that discretionary appropriations for 2019 do not exceed the caps and therefore a sequestration (or cancellation of budgetary resources) will not be required as a result of appropriation actions in 2019.

If federal funding for transit programs is reduced, whether as a result of sequestration or for other reasons, the Issuer's receipt of FTA grant funding could be delayed, not approved or cancelled.

OPERATING AND MAINTENANCE COSTS; OPERATING REVENUES . . . Successful operation of the Transit Authority System will require timely and adequate maintenance and replacement of components. No assurance can be given that sufficient funds will be available to operate and maintain the Transit Authority System adequately over the long term. Any significant deterioration in the Transit Authority System may result in increased operating costs, reduced usage, and accordingly, reduced Pledged Revenues. Increased Maintenance and Operating Expenses may adversely affect the Issuer's financial condition.

The Issuer derives operating revenue from transportation fares, which include bus, rail and other operational receipts. Under Chapter 451, the expenses of operating and maintaining the Transit Authority System are a first lien on and charge against any revenue from operation or ownership of the Transit Authority System. The Issuer's ability to raise rates sufficient to meet all obligations required to be paid from operational revenues may be limited.

ADVERSE LEGISLATION COULD BE ENACTED . . . The Texas Legislature and the U.S. Congress may enact legislation that could materially affect the operations, financial condition and financial prospects of the Issuer. In odd-numbered years, the Texas Legislature meets in a regular session lasting 140 days. The most recent regular session of the Texas Legislature ended on May 27, 2019. When the Texas Legislature is not in regular session, the Governor of Texas may call one or more special sessions, at his discretion, each lasting no longer than 30 days. There can be no assurance that the Texas Legislature or the U.S. Congress will not enact tax moratoriums or exemptions or other legislation that may adversely affect the operations of the Issuer or its ability to pay the Bonds.

(Remainder of this page intentionally left blank.)

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one Bond will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of the Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions,

tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

(Remainder of this page intentionally left blank.)

BOND INSURANCE

BOND INSURANCE POLICY. . . Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY . . . BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM . . . BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Additional Information Available from BAM . . . Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be

updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

(Remainder of this page intentionally left blank.)

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved and reviewed annually by the Board. Both State law and the Issuer’s investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) A or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an A or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) AAA or AAAm-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the Issuer is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The Issuer adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the Issuer’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The Issuer is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments*

TABLE 1

As of July 31, 2019, the Issuer's total current investments pertaining to Operating Fund were invested in the following category:

| <u>Type of Investment</u> | <u>Amount</u> |
|---------------------------|---------------------|
| Texpool Prime | \$20,016,617.33 |
| Bank Account | 4,318,804.45 |
| Certificates of Deposit | <u>3,114,989.00</u> |
| Total | \$27,450,410.78 |

**Unaudited*

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS . . . General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS . . . Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. **PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS .**

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS ... A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

(Remainder of this page intentionally left blank.)

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

ANNUAL REPORTS . . . The Issuer will provide certain updated financial information and operating data to EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Appendix B. The Issuer will update and provide this information within six months after the end of each fiscal year ending in or after 2019. The Issuer will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to the MSRB, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is December 31. Accordingly, it must provide updated information by the end of June in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The Issuer shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Issuer; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the Issuer, and (B) the Issuer intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the Issuer in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The Issuer has agreed to update information and to provide notices of certain events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Issuer so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the previous five years, the Issuer has complied in all material respects with all of the continuing disclosure agreements made by it in accordance with the Rule.

LITIGATION; REGULATORY COMPLIANCE; AND FEDERAL GRANTS

LITIGATION . . . At the time of the initial delivery of the Bonds, the Issuer will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds, or in any other manner questioning the issuance, sale, or delivery of said Bonds.

ENVIRONMENTAL REGULATIONS . . . The Issuer is subject to the environmental regulations of the State and the United States in its operation of its Transit Authority System. These regulations are subject to change and the Issuer may be required to expend substantial funds to meet the requirements of such regulatory authorities.

FEDERAL GRANT PROCEEDS . . . A significant source of Issuer funding, for both operations and capital expenses, is derived from federal grants. In Fiscal Year 2019, the Issuer received a total of \$13,647,523* and spent \$1,275,512* in federal grant funding. The following describes aspects of the federal grant process, as well as recent changes thereto that will have an impact on the Issuer.

The federal grant funds that the Issuer uses for capital projects are typically FTA Section 5307 “Formula Funds” and various competitively awarded discretionary funds. For these grants, the FTA generally pays 80% of the total project cost and the Issuer matches the grant funds by paying 20% of the total project cost from the requisite local share matching funds (the “Local Match Share”). The Local Match Share is included in the Issuer’s budget, along with the federal grant funds. As soon as grants are awarded, the Local Match Share is moved into a restricted Local Match Share Reserve Account, where they remain until spent. The Issuer has been very successful at obtaining discretionary grant awards in the recent past.

*Preliminary, subject to change.

(Remainder of this page intentionally left blank.)

LEGAL MATTERS

LEGAL OPINION . . The Issuer will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Issuer. Although it represents the Underwriter and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been retained by, and only represents, the Issuer in connection with the issuance of the Bonds.

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, has reviewed the information under the captions “THE BONDS” (except under the subheading “Payment Record” as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “OTHER PERTINENT INFORMATION - Registration And Qualification Of Bonds For Sale”, “LEGAL MATTERS - Legal Investments And Eligibility To Secure Public Funds In Texas”, and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed) in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the bonds deposited with DTC or will be printed on the definitive bonds in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Underwriter’s counsel. The fee of Underwriter’s counsel is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Issuer has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

(Remainder of this page intentionally left blank.)

OTHER PERTINENT INFORMATION

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

RATING . . . S&P Global Ratings (“S&P”) is expected to assign a municipal bond rating on the Bonds of “AA” (stable outlook) based upon the municipal bond insurance policy to be issued by BAM at the time of delivery of the Bonds. The Bonds have an underlying rating of “A+” by S&P.

An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

AUTHENTICITY OF FINANCIAL INFORMATION . . . The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

VERIFICATION OF MATHEMATICAL COMPUTATIONS . . . Public Finance Partners LLC will deliver to the Issuer, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Issuer. In addition, Public Finance Partners LLC has relied on any information provided to it by the Issuer's retained advisors, consultants or legal counsel.

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at the initial offering prices set forth on the inside cover page of this Official Statement, less an underwriting discount of \$139,854.36. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Resolution authorized the issuance of the Bonds also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement has been approved by the Board of Directors of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

/s/ Mr. Eddie Martinez
Chairman, Board of Directors
Corpus Christi Regional Transportation Authority

ATTEST:

/s/ Mr. Dan Levendecker
Secretary, Board of Directors
Corpus Christi Regional Transportation Authority

SCHEDULE I

TABLE OF REFUNDED BONDS

[This page is intentionally left blank.]

SCHEDULE I

TABLE OF REFUNDED BONDS

Corpus Christi Regional Transportation Authority

| Issue | Original Issue Principal Amount | Principal Amount Being Refunded | Maturities Being Refunded | Redemption Date/Price |
|--|---------------------------------------|---------------------------------------|------------------------------|--------------------------|
| System Revenue Bonds, Series 2013 (AMT) | \$11,525,000 | \$320,000 | 12/01/2019 ⁽¹⁾ | |
| | | 335,000 | 12/01/2020 ⁽¹⁾ | |
| | | 345,000 | 12/01/2021 ⁽¹⁾ | |
| | | 355,000 | 12/01/2022 ⁽¹⁾ | |
| | | 370,000 | 12/01/2023 ⁽¹⁾ | |
| | | 390,000 | 12/01/2024 ⁽¹⁾ | 12/01/2023 |
| | | 410,000 | 12/01/2025 ⁽¹⁾ | 12/01/2023 |
| | | 870,000 | 12/01/2027 ⁽²⁾ | 12/01/2023 |
| | | 1,470,000 | 12/01/2030 ⁽³⁾ | 12/01/2023 |
| | | 1,700,000 | 12/01/2033 ⁽⁴⁾ | 12/01/2023 |
| | <u>3,490,000</u> | 12/01/2038 ⁽⁵⁾ | 12/01/2023 | |
| | \$10,055,000 | | | |
| System Revenue Bonds, Taxable Series 2013 | \$10,500,000 | \$275,000 | 12/01/2019 ⁽¹⁾ | |
| | | 285,000 | 12/01/2020 ⁽¹⁾ | |
| | | 295,000 | 12/01/2021 ⁽¹⁾ | |
| | | 310,000 | 12/01/2022 ⁽¹⁾ | |
| | | 320,000 | 12/01/2023 ⁽¹⁾ | |
| | | 695,000 | 12/01/2025 ⁽⁶⁾ | 12/01/2023 |
| | | 3,680,000 | 12/01/2033 ⁽⁴⁾ | 12/01/2023 |
| | | <u>3,330,000</u> | 12/01/2038 ⁽⁵⁾ | 12/01/2023 |
| | \$9,190,000 | | | |
| Total: | \$19,245,000 | | | |

⁽¹⁾Escrowed to maturity.

⁽²⁾Term Bond 2027.

⁽³⁾Term Bond 2030.

⁽⁴⁾Term Bond 2033.

⁽⁵⁾Term Bond 2038.

⁽⁶⁾Term Bond 2025.

[This page is intentionally left blank.]

APPENDIX A

SELECTED PROVISIONS OF THE RESOLUTON

[This page is intentionally left blank.]

SELECTED PROVISIONS OF THE RESOLUTION

DEFINITIONS

As used in this Resolution, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Accountant" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"Additional Parity Obligations" means bonds, notes, or other Debt which the Authority reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Sections 23 and 24 of this Resolution and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Series 2019 Bonds.

"Amortization Installment" means, with respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Authority on such Debt, or be payable in respect of any required purchase of such Debt by the Authority) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Authority:

(1) **Balloon Debt.** If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Authority) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Resolution as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) **Consent Sinking Fund.** In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Authority a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Authority has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt; and

(4) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Authority, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"**Authority**" and "**Issuer**" mean Corpus Christi Regional Transportation Authority and, where appropriate, the Board.

"**Authority's Sales Tax**" means the ½ of 1% sales and use tax approved by the voters of the Authority on August 10, 1985 pursuant to Chapter 451 to support the operation and maintenance of the Transit Authority System.

"**Authority's Sales Tax Revenues**" means all revenues received by the Authority resulting from the levy of the Authority's Sales Tax.

"**Average Annual Debt Service Requirements**" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

"**Board**" means the governing body of the Authority.

"**Chapter 451**" means Chapter 451 of the Texas Transportation Code, as amended.

"**Debt**" and "**Debt of the Authority payable from Pledged Revenues**" mean:

(1) all indebtedness payable from Pledged Revenues or Net Operating Revenues incurred or assumed by the Authority for borrowed money that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues or Net Operating Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money that is guaranteed, directly or indirectly, in any manner by the Authority, or that is in effect guaranteed, directly or indirectly, by the Authority through

an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Authority in prior Fiscal Years.

"Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the Authority adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Parity Obligations.

"Depository" means one or more official depository banks of the Authority.

"Designated Financial Officer" means the chief financial officer of the Authority, or such other financial or accounting official of the Authority so designated by the Board.

"Fiscal Year" means the twelve-month accounting period used by the Authority in connection with the operation of the Transit Authority System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Authority, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Parity Obligations created or assumed by the Authority that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the Authority to a date, more than one year after the original creation or assumption of such Debt by the Authority.

"Gross Operating Revenues" and **"Gross Operating Revenues of the Authority"** means, for any defined period, all income, receipts, revenues, and increment which may be received or derived by the Authority from its ownership and/or operation of the Transit Authority System as it is purchased, constructed or otherwise acquired from time to time, including the proceeds of State and federal grants that are not specifically dedicated in purpose, but shall not mean, and shall specifically exclude (i) all Authority's Sales Tax Revenues and (ii) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Authority's Special Facilities Bonds issued particularly to finance facilities needed in performing any such contract or contracts.

"Interest and Sinking Fund" means the special Fund created, established and maintained by the provisions of Sections 10 and 13 of this Resolution.

"Maintenance and Operating Expenses" means the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Transit Authority System, including the payment of necessary

wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the Transit Authority System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the Transit Authority System (which costs and expenses, however, specifically exclude (i) any allowance for depreciation, property retirement, depletion, or obsolescence, (ii) other items not requiring an outlay of cash, and (iii) any interest (accrued or capitalized) on Parity Obligations now or hereafter Outstanding.

"Maturity" means, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Net Operating Revenues" and **"Net Operating Revenues of the Authority"** mean all Gross Operating Revenues for any period after the deduction of the Maintenance and Operating Expenses during such period which are not paid with Authority's Sales Tax Revenues.

"Outstanding" means, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution, any Resolution authorizing Previously Issued Parity Obligations and Additional Parity Obligations, except:

- (1) Parity Obligations theretofore canceled and delivered to the Authority or delivered to the Paying Agent/Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 30 of this Resolution or any comparable section of any Resolution authorizing Additional Parity Obligations;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Resolution and any Resolution authorizing Additional Parity Obligations; and
- (4) Parity Obligations under which the obligations of the Authority have been released, discharged or extinguished in accordance with the terms thereof.

"Owner" or **"Owners"** means the registered owner, whose name appears in the Security Register, for any Parity Obligation.

"Paying Agent/Registrar" shall have the meaning set forth in Section 7(a) hereof.

"Parity Obligations" means the Series 2019 Bonds, Previously Issued Parity Obligations and any Additional Parity Obligations hereafter issued by the Authority or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

"Pledged Revenues" means (i) a first and prior lien on the Net Operating Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Authority, at its sole discretion, to the payment of the Parity Obligations subsequent to the issuance of the Series 2019 Bonds (but none of which potential sources of additional security are initially so pledged).

"Previously Issued Parity Obligations" means the Series 2013 Bonds and the Taxable Series 2013 Bonds.

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the Authority, a rating to the Parity Obligations.

"Record Date" means Record Date as defined in the Form of Series 2019 Bond in Exhibit B to this Resolution.

"Reimbursement Obligation" shall mean any obligation entered into by the Authority in connection with any Reserve Fund Credit Facility pursuant to which the Authority obligates itself to reimburse a financial institution, insurance company or other entity for amounts paid or advanced by such entity pursuant to a Reserve Fund Credit Facility. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which is on parity with, or subordinate to, the lien on Pledged Revenues which secures the Parity Obligations pursuant to this Resolution.

"Reserve Fund" means the special fund that may be created, established and maintained by the provisions of Sections 10 and 14 of this Resolution.

"Reserve Fund Credit Facility" shall mean a policy of insurance, surety bond, letter of credit or similar instrument or contract which (i) is issued by an insurance company or financial institution whose senior debt securities are rated in the one of the three highest rating categories by the rating agencies which provide a rating, at the Authority's request, on the Parity Obligations, (ii) may not be terminated by the entity providing the facility prior to the final maturity date of the particular series of Parity Obligations for which an account in the Reserve Fund is established pursuant to the resolution authorizing such series of Parity Obligations, and (iii) may be drawn upon demand by the Authority to provide funds to pay Principal and Interest Requirements on such particular series of Parity Obligations in the event moneys on deposit in the Interest and Sinking Fund are insufficient to make such payment.

"Resolution" means this Resolution adopted by the Board on October 2, 2019.

"Series 2013 Bonds" means the "*Corpus Christi Regional Transportation Authority System Revenue Bonds, Series 2013 (AMT)*" issued in the original aggregate principal amount of \$11,525,000.

"Taxable Series 2013 Bonds" means the "*Corpus Christi Regional Transportation Authority System Revenue Bonds, Taxable Series 2013*" issued in the original aggregate principal amount of \$10,500,000.

"Series 2019 Bonds" means the "*Corpus Christi Regional Transportation Authority System Revenue Bonds, Taxable Series 2019*" issued in the aggregate principal amount of \$20,265,000 pursuant this Resolution

"Special Facilities Bonds" means special revenue obligations of the Authority which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of obligations of the Authority secured in whole or in part by a lien on and pledge of Net Operating Revenues of the Transit Authority System including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Stated Maturity" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the Resolutions which authorized the issuance of such Parity Obligations.

"Subordinate Lien Obligations" means (i) any bonds, notes, warrants, or other Debt issued by the Authority that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Operating Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Operating Revenues that are or will be pledged to the payment of any Parity Obligations issued by the Authority, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues on a parity with the Subordinate Lien Obligations.

"Term Bonds" means those Parity Obligations so designated in the Resolutions authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

"Term of Issue" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

"Transit Authority System" means any and all Authority real and personal property that is now owned, rented, leased, controlled, operated, or held for mass transit purposes pursuant to Chapter 451, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Transit Authority System shall not mean to include facilities of any kind which are declared not to be a part of the Transit Authority System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of Special Facilities Bonds.

SECTION 8. PLEDGE OF PLEDGED REVENUES. The Authority hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Parity Obligations including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Authority, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of revenues securing payment of any Subordinate Lien Obligations hereafter issued by the Authority.

Chapter 1208, Texas Government Code, applies to the issuance of the Parity Obligations and the pledge of revenues granted by the Authority under this Resolution, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Parity Obligations are Outstanding and unpaid such that the pledge of revenues granted by the Authority under this Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Owners of the Parity Obligations the perfection of the security interest in said pledge, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 9. RATES AND CHARGES. For the benefit of the Owners of the Parity Obligations and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Authority hereby expressly stipulates and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Transit Authority System that are reasonably expected, on the basis of available information and experience [with due allowance for contingencies and after taking into account any other lawfully available funds (including the use of lawfully available fund balances) that have been budgeted by the Board to pay Maintenance and Operating Expenses or debt service requirements on Outstanding Debt and after taking into account the Authority's Sale Tax Revenues that have been budgeted by the Board to pay Maintenance and Operating Expenses], to produce Gross Operating Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Net Operating Revenues at least equal to 1.10 times the Annual Debt Service Requirements for such Fiscal Year;
- C. to enable the Authority to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund to restore any required reserve amounts, including the payment of any Reimbursement Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations;
- D. to produce Net Operating Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Authority expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien

Obligations issued by the Authority and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Net Operating Revenues; and

E. to pay any other Debt payable from available revenues of the Authority.

Should the annual audit report required by Section 22 hereof reflect that the Gross Operating Revenues, Authority's Sales Tax Revenues, Pledged Revenues or Net Operating Revenues, as appropriate, and other available funds budgeted by the Board for the Fiscal Year covered thereby were less than necessary to meet the requirements of this Section, the Board will review the operations of the Transit Authority System and the rates and charges for services provided, and the Board will make the necessary adjustments or revisions, if any, in order that the Gross Operating Revenues, Authority's Sales Tax Revenues, Pledged Revenues, or Net Operating Revenues, as appropriate, for the succeeding year, together with other funds of the Authority available to be budgeted for such purpose, will be sufficient to satisfy the foregoing coverage requirements.

SECTION 10. SPECIAL FUNDS. (a) *Operating Fund and Interest and Sinking Fund.* The establishment of the operating fund of the Authority, hereinafter called the "Operating Fund," is hereby confirmed, and the below listed special Fund previously established and maintained on the books of the Authority is hereby confirmed, so long as any of the Parity Obligations are Outstanding and unpaid:

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY REVENUE BONDS INTEREST AND SINKING FUND, hereinafter called the "*Interest and Sinking Fund.*"

(b) *Reserve Fund.* Additionally, there may be created for the benefit only of the registered owners of a particular series of Parity Obligations for which an account is created in the resolution authorizing such series of Parity Obligations, and when created shall be maintained on the financial records of the Authority (or at an official depository of Authority), for the pro rata benefit of all Parity Obligations of such series for which an account is created, the **CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY REVENUE BONDS RESERVE FUND,** hereinafter called the "*Reserve Fund.*" The Authority may create and establish accounts in the Reserve Fund pursuant to the provisions of any resolution authorizing the issuance of Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said account shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the registered owners of the particular Parity Obligations for which such account in the Reserve Fund was established. Each such account in the Reserve Fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such account from all other accounts in the Reserve Fund created for the benefit of a particular series of Parity Obligations. All terms relating to the requirements to establish, fund and maintain required balances in an account of the Reserve Fund, including but not limited to the use of any Reserve Fund Credit Facility therein, shall be set forth in the resolution authorizing the issuance of the particular series of Parity Obligations for which such account is established.

(c) *Maintaining Records and Subaccounts.* Though each of such Funds shall be subaccounts of the Authority's Operating Fund held by the Authority's depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such Funds or of such Funds and the Authority shall keep full and complete records indicating the monies and investments credited to each of such Funds. The Authority also may create subaccounts within any such Fund as deemed necessary in order to separately account for proceeds of Parity Obligations and interest earnings related to tax-exempt or taxable Parity Obligations or for any other purpose.

SECTION 11. OPERATING FUND. The Authority hereby covenants, agrees and establishes that the Gross Operating Revenues and Authority's Sales Tax Revenues shall be deposited and credited to the Operating Fund immediately as collected and received. Funds on deposit in the Operating Fund shall be separate from the funds required to be held in a special Operating Reserve Fund as required by Section 451.134 of the Texas Transportation Code.

SECTION 12. FLOW OF FUNDS. (a) *Authority's Sales Tax Revenues.* All Authority's Sales Tax Revenues deposited and credited to the Operating Fund shall be used first to pay Maintenance and Operating Expenses then to fund construction or acquisition of capital improvements, fund any deficiency in the Operating Reserve Fund so that the amount therein is not less than the amount required pursuant Section 451.134 of the Texas Transportation Code, or used for other lawful purposes but shall not be pledged to secure, or used to pay debt service on the Parity Obligations.

(b) *Gross Operating Revenues.* All Gross Operating Revenues deposited and credited to the Operating Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses to the extent not paid with Authority's Sales Tax Revenues or other available funds of the Authority.

SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Obligations issued by the Authority as the same become due and payable.

THIRD: pro rata to the payment of the amounts required to be deposited and credited to any Reserve Fund created and established to maintain any required reserve amount in accordance with the provisions of any resolution authorizing Parity Obligations, including amounts owed with respect to any Reimbursement Obligation to restore any required reserve amount.

FOURTH: to the payment of debt service payments and reserve fund payments related to Subordinate Lien Obligations.

FIFTH: to the payment of the amounts required for any lawful purpose.

SECTION 13. INTEREST AND SINKING FUND. For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Authority agrees that it shall maintain the Interest and Sinking Fund. The Authority covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Parity Obligations then falling due and payable. The Authority shall make such deposits and credits to pay maturing principal, accrued interest, and mandatory sinking fund redemptions on the Parity Obligations in substantially equal monthly installments on or before the 25th day of each month.

The required monthly deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and the Reserve Fund (excluding any Reimbursement Obligation) is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest) or (ii) the Parity Obligations are no longer Outstanding.

Accrued interest and capitalized interest, if any, received from the purchaser of any Parity Obligation shall be taken into consideration and reduce the amount of the semi-annual deposits and credits hereinabove required into the Interest and Sinking Fund.

SECTION 14. RESERVE FUND. (a) *Use of Funds.* Funds on deposit in an account of the Reserve Fund established for the benefit of a particular series of Parity Obligations shall be used to (i) pay the principal of and interest on such series of Parity Obligations for which such account was created at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, (ii) pay the principal of or interest on the last maturing Parity Obligations of such series, or (iii) pay Reimbursement Obligations to restore the amount available to be drawn under a Reserve Fund Credit Facility to its original amount. If the amount on deposit in an account of the Reserve Fund for a particular series of Parity Obligations consists of cash and investments and a Reserve Fund Credit Facility, all cash

and investments in such account shall be liquidated and withdrawn prior to drawing on the Reserve Fund Credit Facility. If more than one Reserve Fund Credit Facility is maintained in an account of the Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata.

(b) Series 2019 Bonds. (i) The Authority hereby establishes an account in the Reserve Fund, to be known as the "Series 2019 Reserve Fund Account," for the benefit of the registered owners of the Series 2019 Bonds. The amount required to be on deposit in the Series 2019 Reserve Fund Account is equal to the Average Annual Debt Service Requirements of Outstanding Series 2019 Bonds (the "**Series 2019 Reserve Account Requirement**"). The Authority initially shall fund the Series 2019 Reserve Fund Account on the date of delivery of the Series 2019 Bonds by purchasing a Reserve Fund Credit Facility from Build America Mutual Assurance Company in an amount equal to the Series 2019 Reserve Fund Requirement. The Series 2019 Reserve Fund Account shall be used to pay the principal of and interest on the Series 2019 Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose.

When and so long as the money and investments or a Reserve Fund Credit Facility in the Series 2019 Reserve Fund Account total not less than the Series 2019 Reserve Account Requirement, no deposits need be made to the credit of the Series 2019 Reserve Fund Account; but when and if the Series 2019 Reserve Fund Account at any time contains less than the Series 2019 Reserve Account Requirement, the Authority covenants and agrees to cure the deficiency in the Series 2019 Reserve Account Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts or purchasing a Reserve Fund Credit Facility in the amount of such deficiency.

(ii) The Authority may replace or substitute a Reserve Fund Credit Facility for cash or investments in the Series 2019 Reserve Fund Account.

Upon such replacement or substitution, cash or investments on deposit in the Series 2019 Reserve Fund Account which, taken together with the face amount of any existing Reserve Fund Credit Facilities, are in excess of the Series 2019 Reserve Account Requirement may be withdrawn by the Authority, at its option, and transferred to the Operating Fund; provided that the face amount of any Reserve Fund Credit Facility may be reduced at the option of the Authority in lieu of such transfer.

(iii) If the Authority is required to make a withdrawal from the Series 2019 Reserve Fund Account for any of the purposes described in this Section, the Authority shall promptly notify any applicable Reserve Fund Credit Facility Provider of the necessity for a withdrawal from the Series 2019 Reserve Fund Account for any such purposes, and shall make such withdrawal FIRST from available moneys or investments then on deposit in the Series 2019 Reserve Fund Account, and NEXT from a drawing under all Reserve Fund Credit Facilities, on a pro rata basis, to the extent of such deficiency.

(iv) In the event of a deficiency in the Series 2019 Reserve Fund Account, or in the event that on the date of termination or expiration of any Reserve Fund Credit Facility there is not on deposit in the Series 2019 Reserve Fund Account sufficient amounts, all in an aggregate amount at least equal to the Series 2019 Reserve Account Requirement, then the Authority shall satisfy the Series 2019 Reserve Account Requirement by depositing into the Series 2019 Reserve Fund Account in monthly installments of not less than 1/60 of the Series 2019 Reserve Account Requirement made on or before the 10th day of each month following such termination or expiration or purchasing a Reserve Fund Credit Facility in the amount of such deficiency.

(v) In the event of the redemption or defeasance of any Series 2019 Bonds, any amounts on deposit in the Series 2019 Reserve Fund Account in excess of the Series 2019 Reserve Account Requirement may be withdrawn and transferred, at the option of the Authority, to the Operating Fund, as a result of (i) the redemption of any Series 2019 Bonds, or (ii) funds for the payment of any Series 2019 Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any resolution authorizing the issuance of Series 2019 Bonds,

the result of such deposit being that such Series 2019 Bonds no longer are deemed to be outstanding under the terms of any such resolution.

(vi) In the event there is a draw upon the Reserve Fund Credit Facility, the Authority shall reimburse the Reserve Fund Credit Facility Provider for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Credit Facility is issued, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Series 2019 Bonds or Additional Parity Obligations.

(c) Reserve Fund Requirements to be Set Forth in Additional Parity Obligations Resolution. In the event the Authority establishes an account in the Reserve Fund for the benefit of the holders of a particular series of Parity Obligations, all provisions with respect to the funding requirements and other details shall be set forth in the resolution authorizing such series of Parity Obligations.

SECTION 15. LIMITED OBLIGATIONS OF THE AUTHORITY. The Parity Obligations are limited, special obligations of the Authority payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Owners thereof shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the Authority, including the Authority's Sales Tax.

SECTION 16. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Resolution.

SECTION 17. EXCESS BOND PROCEEDS. Any proceeds of Parity Obligations not required to effectuate the purposes for which such Parity Obligations were issued, as provided in the respective resolutions authorizing the issuance of such Parity Obligations, or for the payment of the costs of issuance of such Parity Obligations shall be deposited and credited to the Interest and Sinking Fund and shall be taken into consideration and shall reduce the amount of semi-annual deposits and credits to the Interest and Sinking Fund from the Pledged Revenues or used to redeem or purchase Parity Obligations.

SECTION 18. DEFICIENCIES - EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Parity Obligations) to make the required deposits and credits to the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

(b) Subject to making the deposits and credits required by this Resolution, or any Resolutions authorizing the issuance of Additional Parity Obligations, or the payments and credits required by the provisions of the Resolutions authorizing the issuance of Subordinate Lien Obligations hereafter issued by the Authority, the excess Pledged Revenues may be used for any lawful purpose.

SECTION 19. INVESTMENT OF FUNDS - VALUATION - TRANSFER OF INVESTMENT INCOME.
(a) Money in the Operating Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the Authority, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the Authority's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the Authority. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other

funds or with other money of the Authority, in common investments of the kind described above, or in a common pool of such investments held by the Authority or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Reserve Fund if the Reserve Fund does not contain the required reserve amount and other than interest and income derived from amounts credited to the Authority's Sales Tax which amount may be used for any lawful purpose) shall be credited to the Operating Fund semi-annually and shall constitute Gross Operating Revenues.

SECTION 20. PAYMENT OF PARITY OBLIGATIONS. While any of the Parity Obligations are Outstanding, the Authority shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Obligations as shall become due on each interest or principal payment date, or date of redemption of the Parity Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Parity Obligations not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Parity Obligations and furnish the Authority with an appropriate certificate of cancellation or destruction.

SECTION 21. GENERAL COVENANTS. That the Authority further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) *Performance.* It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any Resolution authorizing the issuance of Parity Obligations, including this Resolution, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in such Resolutions and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and the Reserve Fund.

(b) *Authority's Legal Authority.* It is a duly created and existing metropolitan rapid transit authority, and is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; that all action on its part for the creation and issuance of the Parity Obligations has been duly and effectively taken, and that the Parity Obligations in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

(c) *Title.* It has or will obtain lawful title to the lands, buildings, structures, transit vehicles and facilities constituting the Transit Authority System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures, transit vehicles and facilities, and every part thereof, for the benefit of the Owners of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) *Liens.* It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Transit Authority System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's

or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Authority.

(e) *Operation of Facilities; No Free Service.* It will, while the Parity Obligations are Outstanding and unpaid, continuously and efficiently operate the Transit Authority System, and shall maintain the Transit Authority System in good condition, repair and working order, all at reasonable cost. No free service of the Transit Authority System shall be allowed that is in addition to the customary and currently existing free service provided to children under the age of 5, to the City for certain municipal purposes, for promotion of ridership, for certain established community events and for certain social service purposes, and should the Authority or any of its agencies or instrumentalities make use of the services and facilities of the Transit Authority System, payment of the reasonable value shall be made by the Authority out of funds from sources other than the Gross Operating Revenues unless made from surplus or excess Pledged Revenues as permitted in Section 18.

(f) *Further Encumbrance.* While the Parity Obligations are Outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Resolution; but the right of the Authority to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) *Sale or Disposal of Property.* While the Parity Obligations are Outstanding and unpaid, it will not sell, convey, mortgage, encumber or otherwise dispose of the Transit Authority System, or any significant or substantial part thereof; provided, that the Authority retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Transit Authority System if (i) the Chief Executive Officer of the Authority delivers a certificate to the Board to the effect that, following such action by the Board, the Authority is expected to produce Gross Operating Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Authority contained in this Resolution and in the resolutions authorizing the issuance of Additional Parity Obligations; (ii) the Board makes a finding and determination to the same effect as the certificate of the Chief Executive Officer of the Authority set forth in (i) above, and (iii) each national rating service then maintaining a rating on any Parity Obligation delivers a letter to the Authority to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the rating then in effect. It is further provided that whenever the Board determines that any property, machinery, fixtures or equipment is no longer useful in the operations of the Transit Authority System, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Transit Authority System or to purchase or redeem Parity Obligations. Notwithstanding anything to the contrary contained in this Section, the Authority specifically retains the right to enter into leases of its properties in the ordinary course of its business upon a finding by the Board to the effect that the lease is expected to have a positive impact on Net Operating Revenues over the term of the lease.

(h) *Insurance.* (1) It shall cause to be insured such parts of the Transit Authority System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the General Counsel of the Authority gives a written opinion to the effect that the Authority is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Authority shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Authority shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Authority. The proceeds of insurance covering such property are hereby pledged as security for the Parity Obligations and, together with any other funds

necessary and available for such purpose, shall be used forthwith by the Authority for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Transit Authority System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Obligations, ratably in the proportion that the Outstanding principal of each series of Parity Obligations bears to the total Outstanding principal of all Parity Obligations, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Obligations is subject to redemption, then for the purchase on the open market and retirement of said Parity Obligations in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Obligation shall not exceed the redemption price of such Parity Obligation on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Authority, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the Authority shall have authority to enter into coinsurance, self insurance or similar plans where risk of loss is shared in whole or in part by the Authority.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the Authority has complied with the requirements of this Section with respect to the maintenance of insurance, and listing all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(4) Nothing in this Resolution shall be construed as requiring the Authority to expend any funds which are derived from sources other than the operation of the Transit Authority System, but nothing herein shall be construed as preventing the Authority from doing so.

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the Transit Authority System, and which have been obtained from any governmental agency; and the Authority has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Transit Authority System.

(j) The Authority's Sales Tax.

(1) As the source of payment of certain expenses of the Authority that would otherwise be considered Maintenance and Operating Expenses, the Board hereby represents that it has duly complied with the provisions of Chapter 451 for the imposition and collection of the Authority's Sales Tax at the rate approved at the Election, and such Authority's Sales Tax is being imposed within the boundaries of the Authority and the receipts of such Authority's Sales Tax are being remitted to Authority by the Comptroller of Public Accounts of the State on a monthly basis. The Authority agrees to take and pursue all action legally permissible to cause the Authority's Sales Tax to be collected and remitted and disbursed as required by Chapter 451 and the Election at the earliest and most frequent times permitted by applicable law.

(2) As required by Chapter 451 and the Election, the Authority upon its receipt of the Authority's Sales Tax Revenues is retaining the Authority's Sales Tax Revenues and using the same for authorized purposes.

(3) While any Parity Obligations are Outstanding, the Authority covenants, agrees and warrants to take and pursue all action permissible to cause the Authority's Sales Tax to be imposed and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the Authority's Sales Tax or rate of tax below the rate stated provided at the Election to be ordered or permitted while any Parity Obligations shall remain Outstanding.

(4) If hereafter authorized by law to apply, impose and levy the Authority's Sales Tax on any taxable items or transactions that are not subject to the Authority's Sales Tax on the date of the adoption hereof, to the extent it legally may do so, the Authority agrees to take such action as may be required to subject such taxable items or transactions to the Authority's Sales Tax.

SECTION 22. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The Authority covenants and agrees that so long as any of the Parity Obligations remain Outstanding, the Authority will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the Transit Authority System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the Transit Authority System or the Gross Operating Revenues, Authority's Sales Tax Revenues or the Net Operating Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and Chapter 451 or other applicable law. The Owners of the Parity Obligations or any duly authorized agent or agents of such Owners shall have the right to inspect the Transit Authority System and all properties comprising the same. The Authority further agrees that, following the close of each Fiscal Year, the Authority will cause an audit report of such records and accounts to be made by an Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the Authority's principal office and may be furnished to, upon written request, any Owner upon payment of the reasonable copying and mailing charges.

SECTION 23. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. (a) The Authority shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for any purpose authorized by law including extending, improving or repairing the Transit Authority System or for the purpose of refunding of any Parity Obligations, Subordinate Lien Obligations or other obligations of the Authority incurred in connection with the ownership or operation of the Transit Authority System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund established by this Resolution shall secure and be used to pay all Parity Obligations. However, each Resolution under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Parity Obligations to be deposited to the credit of the Interest and Sinking Fund, the Authority shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

SECTION 24. FURTHER REQUIREMENTS FOR ADDITIONAL PARITY OBLIGATIONS. Additional Parity Obligations shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series or issue of Additional Parity Obligations shall be issued or delivered unless:

(a) The Chief Executive Officer of the Authority and the Chairman of the Board sign a written certificate to the effect that the Authority is not in default as to any covenant, condition or obligation in connection with all

Outstanding Parity Obligations, and the Resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The chief financial officer of the Authority executes a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Operating Revenues were at least equal to the sum of (i) 3.0 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations, and (ii) 1.0 times the average annual debt service requirement (computed in the same manner as for Parity Obligations) of the Subordinate Lien Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations.

(c) In making a determination of Net Operating Revenues for any of the purposes described in this Section, the chief financial officer may take into consideration a change in the rates and charges for services and facilities afforded by the Transit Authority System, and contracts and leases for use of Transit Authority System, that became effective at least 60 days prior to the last day of the period for which Net Operating Revenues are determined and, for purposes of satisfying the Net Operating Revenues tests described above, make a pro forma determination of the Net Operating Revenues of the Transit Authority System for the period of time covered by such certification based on such change in rates and charges being in effect for the entire period covered by said certificate.

SECTION 25. REFUNDING BONDS. The Authority reserves the right to issue Additional Parity Obligations to refund all or any part of the Outstanding Parity Obligations or any other obligations of the Authority payable, in whole or in part, from the Pledged Revenues, pursuant to any law then available, upon such terms and conditions as the Board may deem to be in the best interest of the Authority and the customers of the Transit Authority System, and, unless all of the then Outstanding Parity Obligations are refunded, the conditions precedent prescribed for the issuance of Additional Parity Obligations and the representations and certifications required in Sections 23 and 24 shall be satisfied and shall give effect to the Average Annual Debt Service Requirements of the proposed refunding Additional Parity Obligations (but shall not give effect to the Average Annual Debt Service Requirements of the obligations being refunded following their cancellation or provision being made for their payment); provided, however, if as a result of such refunding the Annual Debt Service Requirements are not increased in any Fiscal Year, the Authority shall not be required to satisfy the requirements of Section 24(b) as a requirement for the issuance of such refunding Additional Parity Obligations.

SECTION 26. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Authority hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of Pledged Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State.

SECTION 27. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Resolution shall be construed to deny the Authority the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

SECTION 28. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the Authority (i) defaults in the payment of the principal, premium, if any, or interest on the Parity Obligations, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or Reserve Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the following remedies shall be available:

(a) the Owners of any of the Parity Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Authority and other officers of the Authority to observe and perform any covenant, condition or obligation prescribed in this Resolution.

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION 29. AMENDMENT OF RESOLUTION. (a) The Owners of the Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations shall have the right from time to time to approve any amendment to this Resolution which may be deemed necessary or desirable by the Authority, provided, however, that without the consent of the Owners of all of the effected Parity Obligations at the time Outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Resolution or in the Parity Obligations so as to:

- (1) Make any change in the maturity of the Outstanding Parity Obligations;
- (2) Reduce the rate of interest borne by any of the Outstanding Parity Obligations;
- (3) Reduce the amount of the principal payable on the Outstanding Parity Obligations;
- (4) Modify the terms of payment of principal of or interest on the Outstanding Parity Obligations or impose any conditions with respect to such payment;
- (5) Affect the rights of the Owners of less than all of the Parity Obligations then Outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Obligations necessary for consent to such amendment.

(b) If at any time the Authority shall desire to amend this Resolution under this Section, the Authority shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file for inspection by all registered owners of Parity Obligations at the designated trust office of the registrar for the Parity Obligations. Such publication is not required, however, if notice in writing is given to each registered owner of the Parity Obligations.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the Authority shall receive an instrument or instruments executed by the Owners of at least a majority in aggregate principal amount of all Parity Obligations then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the Board may pass the amendatory Resolution in substantially the same form.

Whenever a series of Parity Obligations is insured by a municipal bond insurance policy or secured by a letter of credit, surety bond or other surety device issued by a financial institution such that the series of Parity Obligations so insured or secured is rated in one of the two highest rating categories by any nationally recognized statistical rating organization, and so long as such financial institution is not in default under the terms of any such municipal bond insurance policy or other applicable agreement or instrument, the financial institution (i) shall be deemed the owner of such series of Parity Obligations for purposes of granting consents for any proposed amendments requiring consents and (ii) shall have the right to exercise such consent rights for the applicable series of Parity Obligations insured or secured by such financial institution.

(d) Upon the passage of any amendatory Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory Resolution, and the respective rights, duties and

obligations under this Resolution of the Authority and all the Owners of then Outstanding Parity Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the registered owner of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent and the Authority, but such revocation shall not be effective if the registered owners of at least a majority in aggregate principal amount of the then Outstanding Parity Obligations as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Obligations issued in registered form without coupons and the amounts and numbers of such Parity Obligations and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. For purposes of this Section, the Owner of a Parity Obligation in such registered form shall be the owner thereof as shown on such Registration Books. The Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Authority.

(g) The foregoing provisions of this Section notwithstanding, the Authority by action of the Board may amend this Resolution for any one or more of the following purposes:

(1) To add to the covenants and agreements of the Authority in this Resolution contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to Owners or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Authority;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Resolution, or in regard to clarifying matters or questions arising under this Resolution, as are necessary or desirable and not contrary to or inconsistent with this Resolution and which shall not adversely affect the interests of the Owners of the Parity Obligations;

(3) To make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Authority, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;

(4) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations including, without limitation, supplementing the definition of "Annual Debt Service Requirements" to address the amortization of payments due and owing under a credit agreement;

(5) To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Parity Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification.

Notice of any such amendment may be published or given by the Authority in the manner described in subsection (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory Resolution and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory Resolution.

[This page is intentionally left blank.]

APPENDIX B

FINANCIAL INFORMATION OF THE AUTHORITY

[This page is intentionally left blank.]

FINANCIAL INFORMATION OF THE ISSUER

SYSTEM REVENUE BONDED DEBT

(As of September 1, 2019)

System Revenue Debt Outstanding⁽¹⁾:

| | |
|--|-------------------|
| System Revenue Bonds, Series 2013 ⁽²⁾ | \$0 |
| System Revenue Bonds, Taxable Series 2013 ⁽²⁾ | 0 |
| The Bonds | <u>20,265,000</u> |
| Total Gross System Revenue Debt Outstanding ⁽²⁾ | \$20,265,000 |

⁽¹⁾ See "THE ISSUER'S SALES TAX" in the Official Statement for a description of the Issuer's taxation procedures.

⁽²⁾ Excludes the Refunded Bonds.

| | |
|---------------------------------|----------------------|
| Area of RTA: | 841 Square Miles |
| Estimated Population: | 427,840 in Year 2018 |
| Per Capita System Revenue Debt: | \$47.37 |

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

[Includes the Bonds]

| Fiscal Year Ending 12/31 | Current Total Debt Service | Less: Debt Service on Refunded Bonds | The Bonds | | | Total Net Combined Debt Service |
|--------------------------|----------------------------|--------------------------------------|---------------------|--------------------|----------------------|---------------------------------|
| | | | Principal | Interest | Principal & Interest | |
| 2019 | \$1,099,885 | \$1,099,885 | | | | \$0 |
| 2020 | 1,607,565 | 1,607,565 | \$815,000 | \$594,767 | \$1,409,767 | 1,409,767 |
| 2021 | 1,606,343 | 1,606,343 | 870,000 | 537,631 | 1,407,631 | 1,407,631 |
| 2022 | 1,606,837 | 1,606,837 | 890,000 | 519,483 | 1,409,483 | 1,409,483 |
| 2023 | 1,604,646 | 1,604,646 | 905,000 | 500,980 | 1,405,980 | 1,405,980 |
| 2024 | 1,610,754 | 1,610,754 | 930,000 | 481,948 | 1,411,948 | 1,411,948 |
| 2025 | 1,607,871 | 1,607,871 | 950,000 | 461,460 | 1,411,460 | 1,411,460 |
| 2026 | 1,606,860 | 1,606,860 | 970,000 | 439,543 | 1,409,543 | 1,409,543 |
| 2027 | 1,605,266 | 1,605,266 | 990,000 | 416,195 | 1,406,195 | 1,406,195 |
| 2028 | 1,606,578 | 1,606,578 | 1,020,000 | 391,574 | 1,411,574 | 1,411,574 |
| 2029 | 1,608,758 | 1,608,758 | 1,045,000 | 365,187 | 1,410,187 | 1,410,187 |
| 2030 | 1,608,225 | 1,608,225 | 1,075,000 | 337,108 | 1,412,108 | 1,412,108 |
| 2031 | 1,604,980 | 1,604,980 | 1,100,000 | 307,147 | 1,407,147 | 1,407,147 |
| 2032 | 1,603,348 | 1,603,348 | 1,130,000 | 275,610 | 1,405,610 | 1,405,610 |
| 2033 | 1,603,679 | 1,603,679 | 1,165,000 | 242,083 | 1,407,083 | 1,407,083 |
| 2034 | 1,605,718 | 1,605,718 | 1,200,000 | 206,702 | 1,406,702 | 1,406,702 |
| 2035 | 1,606,134 | 1,606,134 | 1,240,000 | 169,898 | 1,409,898 | 1,409,898 |
| 2036 | 1,607,534 | 1,607,534 | 1,280,000 | 129,462 | 1,409,462 | 1,409,462 |
| 2037 | 1,609,613 | 1,609,613 | 1,325,000 | 87,721 | 1,412,721 | 1,412,721 |
| 2038 | 1,607,101 | 1,607,101 | 1,365,000 | 44,513 | 1,409,513 | 1,409,513 |
| | <u>\$31,627,691</u> | <u>\$31,627,691</u> | <u>\$20,265,000</u> | <u>\$6,509,012</u> | <u>\$26,774,012</u> | <u>\$26,774,012</u> |

Maximum Annual Debt Service Requirements for Year Ending: 12/31/2030 \$1,412,721

SYSTEM REVENUE PRINCIPAL REPAYMENT SCHEDULE

| Year Ending 12/31 | Currently Outstanding General Obligations Principal Repayment Schedule | Less: Refunded Bonds Principal | The Bonds Principal Repayment Schedule | Combined Principal Repayment Schedule | General Obligations Remaining Outstanding End of the Year | Percent of Principal Retired |
|----------------------------------|---|---|---|--|--|---|
| 2019 | \$595,000 | \$595,000 | | \$0 | \$20,265,000 | |
| 2020 | 620,000 | 620,000 | \$815,000 | 815,000 | 19,450,000 | |
| 2021 | 640,000 | 640,000 | 870,000 | 870,000 | 18,580,000 | |
| 2022 | 665,000 | 665,000 | 890,000 | 890,000 | 17,690,000 | |
| 2023 | 690,000 | 690,000 | 905,000 | 905,000 | 16,785,000 | 17.17% |
| 2024 | 730,000 | 730,000 | 930,000 | 930,000 | 15,855,000 | |
| 2025 | 765,000 | 765,000 | 950,000 | 950,000 | 14,905,000 | |
| 2026 | 800,000 | 800,000 | 970,000 | 970,000 | 13,935,000 | |
| 2027 | 840,000 | 840,000 | 990,000 | 990,000 | 12,945,000 | |
| 2028 | 885,000 | 885,000 | 1,020,000 | 1,020,000 | 11,925,000 | 41.15% |
| 2029 | 935,000 | 935,000 | 1,045,000 | 1,045,000 | 10,880,000 | |
| 2030 | 985,000 | 985,000 | 1,075,000 | 1,075,000 | 9,805,000 | |
| 2031 | 1,035,000 | 1,035,000 | 1,100,000 | 1,100,000 | 8,705,000 | |
| 2032 | 1,090,000 | 1,090,000 | 1,130,000 | 1,130,000 | 7,575,000 | |
| 2033 | 1,150,000 | 1,150,000 | 1,165,000 | 1,165,000 | 6,410,000 | 68.37% |
| 2034 | 1,215,000 | 1,215,000 | 1,200,000 | 1,200,000 | 5,210,000 | |
| 2035 | 1,285,000 | 1,285,000 | 1,240,000 | 1,240,000 | 3,970,000 | |
| 2036 | 1,360,000 | 1,360,000 | 1,280,000 | 1,280,000 | 2,690,000 | |
| 2037 | 1,440,000 | 1,440,000 | 1,325,000 | 1,325,000 | 1,365,000 | 93.26% |
| 2038 | 1,520,000 | 1,520,000 | 1,365,000 | 1,365,000 | 0 | 100.00% |
| | <u>\$19,245,000</u> | <u>\$19,245,000</u> | <u>\$20,265,000</u> | <u>\$20,265,000</u> | | |

(The remainder of this page intentionally left blank.)

Historical and Projected CCRTA Farebox Revenue Collections and Pro Forma Debt Service Coverage **TABLE 1**

| | Fiscal Year Ended December 31 | | | | | | | | | |
|---|-------------------------------|--------------|--------------|--------------|--------------|---------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 ⁽⁴⁾ | 2020 ⁽⁴⁾ | 2021 ⁽⁴⁾ | 2022 ⁽⁴⁾ | 2023 ⁽⁴⁾ |
| Operating Revenue | \$2,179,796 | \$2,283,647 | \$2,329,523 | \$2,502,422 | \$2,445,905 | \$2,691,770 | \$2,654,918 | \$2,579,581 | \$2,624,151 | \$2,669,543 |
| Non Operating Revenues (Expenses) | | | | | | | | | | |
| Sales and Use Tax ⁽¹⁾ | \$35,188,390 | \$34,127,803 | \$31,387,198 | \$32,570,355 | \$33,934,640 | \$34,952,679 | \$35,370,075 | \$36,608,028 | \$38,438,429 | \$40,360,351 |
| Lease Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal and Other Grants | 125,900 | 2,512,070 | 1,185,650 | 4,618,731 | 58,410 | 800,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Investment Income | 110,052 | 91,511 | 69,049 | 85,535 | 409,036 | 565,803 | 565,803 | 565,803 | 565,803 | 565,803 |
| Gain/Loss on Property Disposed | 46,519 | (32,819) | 32,007 | (269,101) | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 |
| Distribution - | | | | | | | | | | |
| Regional Entities/Subrecipients | (2,900,327) | (3,301,592) | (3,241,573) | (3,003,298) | (2,807,222) | (1,754,064) | (1,899,651) | (2,057,322) | (2,228,080) | (2,413,011) |
| Subrecipients | 0 | 0 | 0 | (99,479) | (46,299) | 0 | 0 | 0 | 0 | 0 |
| Bond Issuance Cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest in Fiscal Charges | (468,703) | (455,196) | (637,621) | (1,047,287) | (1,028,997) | (969,770) | (948,365) | (927,143) | (902,637) | (907,416) |
| Sub-Total | \$32,101,831 | \$32,941,777 | \$28,794,710 | \$32,855,456 | \$30,519,568 | \$33,594,648 | \$34,088,862 | \$35,190,366 | \$36,874,515 | \$38,606,727 |
| Total Revenue | \$34,281,627 | \$35,225,424 | \$31,124,233 | \$35,357,878 | \$32,965,473 | \$36,286,418 | \$36,743,780 | \$37,769,947 | \$39,498,667 | \$41,276,270 |
| Maintenance & Operating ("M&O") Expenses⁽²⁾ | \$27,553,169 | \$29,079,796 | \$30,167,792 | \$30,836,739 | \$33,144,684 | \$31,397,628 | \$33,437,039 | \$34,440,151 | \$35,817,757 | \$37,250,467 |
| Net Gain/(Loss)⁽³⁾ | \$6,728,458 | \$6,145,628 | \$956,441 | \$4,521,139 | (\$179,211) | \$4,888,790 | \$3,306,741 | \$3,329,796 | \$3,680,910 | \$4,025,803 |
| Maintenance & Operations Expense Coverage | 1.24 | 1.21 | 1.03 | 1.15 | 0.99 | 1.16 | 1.10 | 1.10 | 1.10 | 1.11 |
| Pledged Revenue for Debt Service | \$2,179,796 | \$2,283,647 | \$2,329,523 | \$2,502,422 | \$2,445,905 | \$2,691,770 | \$2,654,918 | \$2,579,581 | \$2,624,151 | \$2,669,543 |
| Debt Service on Bonds | \$1,608,678 | \$1,608,364 | \$1,604,245 | \$1,603,026 | \$1,604,908 | \$1,604,770 | \$1,409,767 ⁽⁵⁾ | \$1,407,631 ⁽⁵⁾ | \$1,409,483 ⁽⁵⁾ | \$1,405,980 ⁽⁵⁾ |
| Debt Service Coverage | 1.36 | 1.42 | 1.45 | 1.56 | 1.52 | 1.68 | 1.88 | 1.83 | 1.86 | 1.90 |

⁽¹⁾ Issuer Sales Tax is not pledged for the repayment of debt service.

⁽²⁾ Excludes depreciation.

⁽³⁾ Does not include Capital Grants and Donations.

⁽⁴⁾ Projections provided by the Issuer.

⁽⁵⁾ Includes the Bonds and excludes the Refunded Bonds.

Regular Fares

| | |
|------------------------|--------|
| Adult Single Fare | \$0.75 |
| Reduced Fare* | \$0.25 |
| Reduced Fare* Off-Peak | \$0.10 |

*Reduced Fare: Senior Citizens, Individuals with disabilities, Medicare Card holders, Students age 6+, all with valid id.

*Reduced Fare Off-Peak: Valid weekdays only before 6 a.m., 9 a.m.-3 p.m. and after 6 p.m.)

Passes

| | |
|---------------------------|---------|
| Day Pass | \$1.75 |
| 7-Day Pass | \$7.50 |
| 31-Day Pass | \$30.00 |
| Reduced Fare* 31-Day Pass | \$11.00 |
| Commuter 11-Trip Pass | \$12.50 |
| B-Line Pass | \$50.00 |

*Reduced Fare Off-Peak: Valid weekdays only before 6 a.m., 9 a.m.-3 p.m. and after 6 p.m.)

Premium Service Fares: Park and Ride/Express/Rural Services

| | |
|--------------------------|--------|
| Adult Single Fare | \$1.25 |
| Reduced Fare* | \$0.25 |
| #94 Port Aransas Shuttle | \$0.25 |

*Reduced Fare: Senior Citizens, Individuals with disabilities, Medicare Card holders, Students age 6+, all with valid id.

**2 hour time limit transfer included with single fare.

Transfer from Fixed Route to Premium Service will require difference in fare.

B-Line

| | |
|-------------------------------------|--------|
| Regular Fare | \$1.25 |
| Surcharge outside 3/4 mile ADA zone | \$2.00 |

Tokens

Tokens will be treated no differently for Issuer's bus routes and B-Line Service.

Good for one trip on all Issuer's services.

Children under the age of 5 ride free with accompanied adult.

TAMUCC and Del Mar Students and Faculty

Members of the Texas A&M University - Corpus Christi and Del Mar College (with a current sticker) ride at no charge with their valid school ID.

Source: Corpus Christi Regional Transportation Authority Website: <http://ccrta.org/fares-and-passes.html>.

Operating and Ridership Statistics

TABLE 3

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> ⁽¹⁾ | <u>2020</u> ⁽¹⁾ | <u>2021</u> ⁽¹⁾ | <u>2022</u> ⁽¹⁾ | <u>2023</u> ⁽¹⁾ |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| System Ridership | | | | | | | | | | |
| Motor Bus | 5,650,677 | 5,472,836 | 5,252,466 | 5,168,421 | 5,153,005 | 5,507,729 | 5,562,806 | 5,618,434 | 5,674,619 | 5,731,365 |
| Demand Response/Para-transit | 192,580 | 198,652 | 204,459 | 195,101 | 197,978 | 214,409 | 216,553 | 218,718 | 220,905 | 223,114 |
| Ferry Boat | 84,035 | 76,870 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vanpool | 0 | 16,439 | 15,417 | 9,802 | 16,002 | 16,167 | 16,329 | 16,492 | 16,657 | 16,824 |
| System Hours | | | | | | | | | | |
| Motor Bus | 243,732 | 259,377 | 269,711 | 267,036 | 275,532 | 293,166 | 296,098 | 299,059 | 302,050 | 305,070 |
| Demand Response/Para-transit | 74,236 | 78,850 | 81,258 | 77,501 | 78,319 | 90,417 | 91,321 | 92,234 | 93,156 | 94,088 |
| Ferry Boat | 750 | 805 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vanpool | 0 | 7,686 | 9,027 | 3,457 | 1,935 | 9,716 | 9,813 | 9,911 | 10,010 | 10,110 |
| System Miles | | | | | | | | | | |
| Motor Bus | 3,053,596 | 3,414,445 | 3,546,503 | 3,864,934 | 3,721,249 | 4,174,871 | 4,216,620 | 4,258,786 | 4,301,374 | 4,344,388 |
| Demand Response/Para-transit | 1,252,615 | 1,349,727 | 1,401,147 | 1,332,822 | 1,350,787 | 1,714,675 | 1,731,822 | 1,749,140 | 1,766,631 | 1,784,298 |
| Ferry Boat | 1,756 | 1,886 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vanpool | 0 | 181,220 | 184,532 | 75,406 | 82,942 | 200,464 | 202,469 | 204,494 | 206,539 | 208,604 |
| Vehicles In Service | | | | | | | | | | |
| Motor Bus | 75 | 66 | 67 | 92 | 88 | 78 | 78 | 78 | 78 | 78 |
| Demand Response/Para-transit | 38 | 28 | 28 | 41 | 36 | 28 | 28 | 28 | 28 | 28 |
| Ferry Boat | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vanpool | 3 | 5 | 6 | 5 | 10 | 9 | 10 | 10 | 10 | 10 |
| Use of Capital Funds | | | | | | | | | | |
| Vehicles | 0 | 17,996,145 | 139,358 | 8,119,989 | 244,460 | 0 | 5,000,000 | 0 | 0 | 0 |
| Communications & Information | 99,046 | 196,394 | 906,221 | 477,613 | 59,904 | 474,418 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Facilities and Stations | 7,337,105 | 1,273,498 | 8,680,069 | 5,718,703 | 118,531 | 3,744,180 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Other | 1,165,647 | 1,159,287 | 276,415 | 827,638 | 795,066 | 1,000,000 | 2,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Operating Expenses by Mode | | | | | | | | | | |
| Motor Bus | 21,324,898 | 20,495,063 | 24,357,254 | 25,939,360 | 25,928,435 | 29,062,927 | 30,516,073 | 31,118,639 | 31,118,639 | 31,118,639 |
| Demand Response/Para-transit | 5,556,262 | 5,278,853 | 5,353,867 | 4,954,285 | 4,934,149 | 6,376,585 | 6,459,481 | 6,934,421 | 6,934,421 | 6,934,421 |
| Ferry Boat | 626,005 | 766,082 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vanpool | 0 | 152,825 | 163,054 | 102,522 | 92,839 | 84,497 | 86,497 | 0 | 0 | 0 |

Source: National Transit Database from the Issuer's Comprehensive Annual Financial Report for FYE December 31, 2018.
⁽¹⁾ Projections provided by the Issuer.

Operating Expense Budget

TABLE 4

The following table summarizes the Authority's Fiscal Year 2017-2018 actual and budgeted Operating Expenses by cost category and the Fiscal Year 2018-2019 operating budget:

| Expense Category | 2018 | | 2019 | 2019 | |
|--|---------------------|------------------------|---------------------|------------------|--------------------------------------|
| | Adopted Budget | Estimated Budgeted exp | | vs. | 2018 |
| | A | B | C | \$ | % Increase/ (Decrease) B vs. C |
| Labor | \$11,857,202 | \$11,644,024 | \$11,795,634 | \$151,610 | 1.28% |
| Fringe Benefits | 2,079,430 | 2,149,873 | 2,257,361 | \$107,488 | 5.17% |
| Total Labor and Fringe Benefits | \$13,936,632 | \$13,793,898 | \$14,052,995 | \$259,097 | 1.86% |
| Fringe Benefits | | | | | |
| Services | \$3,209,985 | \$3,175,662 | \$3,263,228 | \$87,566 | 2.73% |
| Materials and Supplies | 3,198,813 | 2,691,361 | 2,769,030 | \$77,669 | 2.43% |
| Utilities | 795,114 | 614,734 | 704,111 | \$89,377 | 11.24% |
| Insurance | 3,235,717 | 3,546,235 | 3,654,242 | \$108,007 | 3.34% |
| Purchased Transportation | 5,754,039 | 6,498,084 | 6,464,442 | -\$33,642 | -0.58% |
| Miscellaneous | 407,500 | 392,034 | 466,504 | \$74,470 | 18.27% |
| Lease and Rentals | 36,934 | 35,958 | 23,076 | -\$12,882 | -34.88% |
| Total Non-Labor | \$16,638,102 | \$16,954,069 | \$17,344,633 | \$390,564 | 2.35% |
| Total Operating Expenses | \$30,574,734 | \$30,747,966 | \$31,397,628 | \$649,661 | 2.12% |

Source: The Issuer.

Operating, Sales and Use Tax, and Grant Revenues

The Authority classifies operating revenues as all revenue earned from the operation of the various transportation services and those revenues generated by the capital assets owned by the Authority. Included in this category are fare revenue, revenue from the placement of advertisements on the bus and van fleet, operation of a park and rides, and miscellaneous revenue earned by the operation of various capital assets. In addition, the Authority accounts for its receipt of revenues from its imposition and collection of the Issuer's Sales Tax and from State and federal grants.

Statement of Revenues, Expenses and Changes in Net Position

TABLE 5

| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ | 2020 ⁽¹⁾ | 2021 ⁽¹⁾ | 2022 ⁽¹⁾ | 2023 ⁽¹⁾ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenues: | | | | | | | | | |
| Passenger Service | \$1,853,246 | \$1,735,001 | \$1,696,742 | \$1,688,643 | \$1,891,550 | \$1,840,650 | \$1,877,463 | \$1,915,012 | \$1,953,313 |
| Bus Advertising | 106,055 | 159,662 | 146,452 | 142,555 | 151,173 | 158,731 | 173,792 | 175,530 | 177,285 |
| Charter Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Operating Revenues | 324,346 | 434,860 | 659,228 | 614,707 | 649,047 | 655,537 | 528,326 | 533,609 | 538,945 |
| Total Operating Revenues | \$2,283,647 | \$2,329,523 | \$2,502,422 | \$2,445,905 | \$2,691,770 | \$2,654,918 | \$2,579,581 | \$2,624,151 | \$2,669,543 |
| Operating Expenses: | | | | | | | | | |
| Transportation | \$6,767,549 | \$6,818,813 | \$7,103,882 | \$6,878,056 | \$9,876,570 | \$10,271,633 | \$10,579,782 | \$11,002,973 | \$11,443,092 |
| Customer Programs | 222,913 | 319,570 | 347,627 | 346,575 | 558,471 | 580,810 | \$598,234 | 622,164 | 647,050 |
| Purchased Transportation | 6,080,753 | 5,607,186 | 5,575,126 | 6,498,084 | 6,627,411 | 6,892,507 | \$7,099,283 | 7,383,254 | 7,678,584 |
| Service Development | 504,545 | 610,752 | 380,030 | 434,051 | 475,965 | 495,004 | \$509,854 | 530,248 | 551,458 |
| MIS | 520,827 | 690,138 | 845,098 | 811,572 | 1,079,642 | 1,122,828 | \$1,156,513 | 1,202,773 | 1,250,884 |
| Vehicle Maintenance | 5,605,328 | 4,893,149 | 4,812,029 | 4,488,150 | 5,624,988 | 5,849,988 | \$6,025,487 | 6,266,507 | 6,517,167 |
| Facilities Maintenance | 1,583,046 | 1,975,240 | 2,075,956 | 2,010,370 | 1,498,100 | 2,341,530 | \$2,411,776 | 2,508,247 | 2,608,577 |
| Materials Management | 132,309 | 161,690 | 174,149 | 153,113 | 179,373 | 186,548 | \$192,144 | 199,830 | 207,823 |
| Administrative and General | 7,243,286 | 8,416,855 | 8,903,205 | 11,152,107 | 4,376,970 | 4,552,049 | \$4,688,610 | 4,876,155 | 5,071,201 |
| Marketing and Communications | 419,240 | 674,399 | 619,637 | 372,606 | 470,343 | 489,157 | \$503,831 | 523,985 | 544,944 |
| Customer Service Center Operations | 0 | 0 | 0 | 0 | 629,795 | 654,987 | \$674,636 | 701,622 | 729,687 |
| Depreciation | 6,592,946 | 7,541,912 | 8,271,963 | 8,931,866 | 7,907,713 | 8,184,483 | 8,225,405 | 8,513,295 | 8,811,260 |
| Total Operating Expenses | \$35,672,742 | \$37,709,704 | \$39,108,702 | \$42,076,550 | \$39,305,341 | \$41,621,522 | \$42,665,556 | \$44,331,051 | \$46,061,727 |
| Operating Loss | (\$3,389,095) | (\$5,380,182) | (\$6,606,280) | (\$9,630,645) | (\$6,613,571) | (\$8,966,604) | (\$4,085,975) | (\$1,706,900) | (\$3,392,184) |
| Non-Operating Revenues (Expenses): | | | | | | | | | |
| Sales and Use Tax Revenue | \$34,127,803 | \$31,387,198 | \$32,570,355 | \$33,934,640 | \$35,370,075 | \$36,608,028 | \$38,438,429 | \$40,360,351 | \$42,378,368 |
| Lease Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal and Other Grant Assistance | 2,512,070 | 1,185,650 | 4,618,731 | 58,410 | 1,000,000 | 1,000,000 | 1,000,000 | 1,500,000 | 1,500,000 |
| Investment Income | 91,511 | 69,049 | 85,535 | 409,036 | 565,803 | 565,803 | 565,803 | 565,803 | 565,803 |
| Gain on Disposition of Property | (32,819) | 32,007 | (269,101) | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 |
| Subrecipient Programs | (293,159) | (71,560) | (99,479) | (46,299) | 0 | 0 | 0 | 0 | 0 |
| Interest Expense and Fiscal Charges | (455,196) | (637,621) | (1,047,287) | (1,028,997) | (969,770) | (948,365) | (927,143) | (902,637) | (907,416) |
| Distributions to Regional Entities | (3,008,433) | (3,170,013) | (3,003,298) | (2,807,222) | (1,754,064) | (1,899,651) | (2,057,322) | (2,228,080) | (2,413,011) |
| Total Non-Operating Revenue (Expenses) | \$32,941,777 | \$28,794,710 | \$32,855,456 | \$30,519,568 | \$34,212,044 | \$35,326,815 | \$37,020,767 | \$39,296,437 | \$41,124,744 |
| Net Income (Loss) Before Capital Grants and Donations | (447,318) | (6,585,472) | (3,750,824) | (9,111,077) | (2,401,527) | (3,639,789) | (3,065,208) | (2,410,463) | (2,267,459) |
| Capital Grants and Donations | 9,763,523 | 1,289,577 | 12,404,116 | 1,184,926 | 5,711,247 | 14,113,241 | 14,677,771 | 15,264,881 | 15,875,477 |
| Change in Net Position | 9,316,205 | (5,295,895) | 8,653,292 | (7,926,151) | 3,309,720 | 10,473,452 | 11,612,563 | 12,854,418 | 13,608,037 |
| Net Position, January 1 | \$84,284,897 | \$91,817,513 | \$86,521,619 | \$95,174,911 | \$86,033,144 | \$89,342,864 | \$99,816,316 | \$111,428,878 | \$124,283,297 |
| Cumulative Effect of Change in Accounting Principle | | | | (1,215,616) | | | | | |
| Net Position, December 31 | \$93,601,102 | \$86,521,618 | \$95,174,911 | \$86,033,144 | \$89,342,864 | \$99,816,316 | \$111,428,878 | \$124,283,297 | \$137,891,334 |

⁽¹⁾ Projections provided by the Issuer.

| Fiscal Year Ending December 31 | 2018 | % Change | 2017 | 2016 | 2015 | 2014 |
|---|--------------|-----------------|--------------|--------------|--------------|--------------|
| January | \$2,534,818 | 10.2% | \$2,299,340 | \$2,297,214 | \$2,685,825 | \$2,602,692 |
| February | 2,536,544 | 10.6% | 2,293,420 | 2,526,596 | 2,572,098 | 2,569,257 |
| March | 3,199,962 | 7.8% | 2,968,716 | 2,956,952 | 3,137,209 | 3,081,380 |
| April | 2,584,842 | 4.7% | 2,468,113 | 2,420,199 | 2,595,206 | 2,754,298 |
| May | 2,758,195 | 5.1% | 2,623,117 | 2,411,819 | 2,549,991 | 2,651,088 |
| June | 2,812,691 | -9.9% | 3,121,817 | 2,931,751 | 3,478,012 | 3,153,475 |
| July | 2,897,307 | 12.3% | 2,579,517 | 2,599,476 | 3,017,548 | 2,855,532 |
| August | 2,834,233 | 18.3% | 2,394,859 | 2,497,075 | 2,503,246 | 3,008,616 |
| September | 2,981,496 | -7.0% | 3,206,691 | 2,860,372 | 3,028,372 | 3,129,866 |
| October | 2,778,625 | -2.9% | 2,861,109 | 2,445,984 | 2,798,740 | 3,040,082 |
| November | 2,430,561 | -5.5% | 2,570,724 | 2,352,175 | 2,489,495 | 2,590,036 |
| December | 3,585,367 | 12.6% | 3,182,934 | 3,087,585 | 3,272,060 | 3,752,066 |
| Totals | \$33,934,640 | | \$32,570,355 | \$31,387,198 | \$34,127,802 | \$35,188,390 |

Source: The Issuer.

(The remainder of this page intentionally left blank.)

| Year | Total Unlinked Trips | Passenger Revenues |
|---------------------|-------------------------|-----------------------|
| 2008 | 5,491,376 | 1,707,930 |
| 2009 | 5,283,174 | 1,577,232 |
| 2010 | 5,434,286 | 1,537,772 |
| 2011 | 6,011,114 | 1,660,782 |
| 2012 | 6,065,174 | 1,706,528 |
| 2013 | 6,016,379 | 1,750,624 |
| 2014 | 5,927,292 | 1,844,604 |
| 2015 | 5,764,797 | 1,853,246 |
| 2016 | 5,469,160 | 1,735,001 |
| 2017 | 5,373,324 | 1,696,742 |
| 2018 | 5,366,985 | 1,688,643 |
| 2019 ⁽¹⁾ | 5,376,985 | 1,891,550 |
| 2020 ⁽¹⁾ | 5,388,300 | 1,840,650 |
| 2021 ⁽¹⁾ | 5,398,120 | 1,877,463 |
| 2022 ⁽¹⁾ | 5,408,032 | 1,915,012 |
| 2023 ⁽¹⁾ | 5,408,969 | 1,953,313 |

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2018.

⁽¹⁾ Projections provided by the Issuer.

(The remainder of this page intentionally left blank.)

Definition: Ratio of passenger service revenues to transit operating costs, excluding depreciation.

Significance: Indicates how much of cost of service provision is supported by user fees.

| | | |
|---------------------|-------|-------|
| 2009 | ..... | 7.41% |
| 2010 | ..... | 6.93% |
| 2011 | ..... | 6.98% |
| 2012 | ..... | 6.76% |
| 2013 | ..... | 6.93% |
| 2014 | ..... | 6.70% |
| 2015 | ..... | 6.37% |
| 2016 | ..... | 5.75% |
| 2017 | ..... | 5.50% |
| 2018 | ..... | 5.09% |
| 2019 ⁽¹⁾ | | 6.02% |
| 2020 ⁽¹⁾ | | 5.50% |

Source: Issuer's Annual Financial Report for FYE December 31, 2018.

⁽¹⁾ Projections provided by the Issuer.

(The remainder of this page intentionally left blank.)

TABLE 9

Net Position

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019*</u> | <u>2020*</u> | <u>2021*</u> | <u>2022*</u> | <u>2023*</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Investment in Capital Assets | \$49,217,398 | \$66,725,519 | \$59,298,433 | \$66,264,480 | \$59,125,576 | \$66,859,634 | \$84,501,185 | \$85,763,019 | \$105,509,120 | \$126,043,466 |
| Restricted | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 | 1,611,302 |
| Unrestricted | <u>32,585,594</u> | <u>23,480,692</u> | <u>25,611,884</u> | <u>27,299,129</u> | <u>25,296,266</u> | <u>20,871,928</u> | <u>13,703,829</u> | <u>24,054,557</u> | <u>17,162,875</u> | <u>10,236,566</u> |
| Total | \$83,414,294 | \$91,817,513 | \$86,521,619 | \$95,174,911 | \$86,033,144 | \$89,342,864 | \$99,816,316 | \$111,428,878 | \$124,283,297 | \$137,891,334 |

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2018.

(*) Projections provided by the Issuer.

(The remainder of this page intentionally left blank.)

[This page is intentionally left blank.]

APPENDIX C

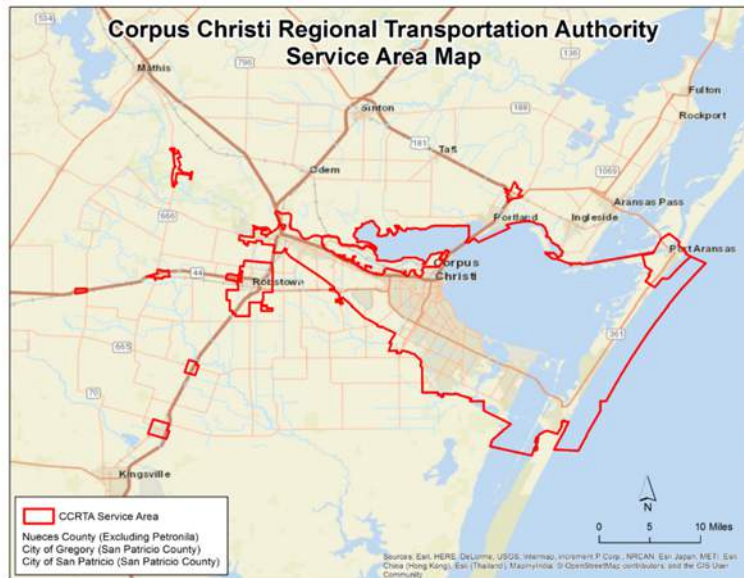
GENERAL INFORMATION REGARDING THE AUTHORITY

[This page is intentionally left blank.]

GENERAL INFORMATION REGARDING THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY, THE CITY OF CORPUS CHRISTI, AND COUNTIES OF NUECES AND SAN PATRICIO, TEXAS

The Corpus Christi Regional Transportation Authority:

The Corpus Christi Regional Transportation Authority (the “Authority”) was first created by ordinance from the City of Corpus Christi, Texas (the “City”) in June 1984. The Authority operated with a five-member interim board appointed by the City until the confirmation election in August 1985. By majority vote of the taxpayers in the Nueces and Patricio Counties, voters approved the funding of the Authority through a one-half cent sales tax levied in the City and seven other unincorporated areas of Nueces County. Operations commenced January 1, 1986. The Authority is a regional provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total service area is 841 square miles.



Services:

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, and specialized services. In 2018, the Authority operated a network of 35 fixed routes and 3 demand routes that provided approximately 5.4 million passenger trips boarding from 1,343 bus stops over an 841 square mile service area. The routes include 5 Express Routes, two on-demand response taxi services and one on-demand response shuttle.

The Authority operates separate facilities for transit operations and vehicle maintenance and for administration, planning and customer service. The Authority maintains 1,343 bus stops, four transfer stations, three park and ride lots and a fleet of 82 fixed route and 51 paratransit vehicles. Certain commuter and paratransit services are provided through contractors specializing in these services.

Officials:

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and the Committee of Small City Mayors appoint members to the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability. The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms.

Executives:

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO supervises three major divisions including Administration, Capital Programs, and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority staffed their operations with 282.50 salaried and hourly positions and with over 100 staff members employed by various contractors.

THE CITY OF CORPUS CHRISTI, AND THE COUNTIES OF NUECES AND SAN PATRICIO, TEXAS

The City of Corpus Christi, Texas

The City of Corpus Christi, Texas (the “City”) is the county seat of Nueces County, Texas and a trade center and shipping point located on the Gulf Coast. The City's location is one of the most strategic in the Southwest, with deep water transportation to the Gulf of Mexico and barge traffic by the Intracoastal Waterway. Other manufacturers produce oil rigs, frozen fish, bottled water and pressure valves. The National Seashore Recreational Area on Padre Island has an 88 mile shoreline which attracts many tourists each season. The City's 2018 estimated population was approximately 326,554.

Nueces County, Texas

County Characteristics: Nueces County, Texas (“Nueces County”) was created and organized in 1846 from San Patricio County. Tourists are attracted by the mild winter climates. Nueces County was the state's largest producer of sorghum in 2016. Nueces County’s 2018 estimated population was 362,265.

Economic Base: Mineral: Sand, oil, gravel and gas.
 Industry: Tourism, petroleum, military bases, manufacturing, coastal shipping and agriculture.
 Agricultural: Sunflowers, hay, grain sorghum, cotton, corn, canola and beef cattle.

Oil & Gas 2018: The oil production for this County accounts for 0.01% of the total State production. Nueces County ranks 142 out of all the counties in Texas for oil production. The gas production for this County accounts for 0.16% of the total State production. Nueces County ranks 66 out of all the counties in Texas for gas production.

| | | | | |
|-----------------|-------------|--------------------|---------------|------------------------------------|
| Oil Production: | <u>Year</u> | <u>Description</u> | <u>Volume</u> | <u>% Change from Previous Year</u> |
| | 2017 | Oil | 209,810 BBL | -5.29 |
| | 2018 | Oil | 157,665 BBL | -24.85 |

| | | | | |
|---|-------------|--------------------|---------------|------------------------------------|
| Casinghead: (Texas Railroad Commission) | <u>Year</u> | <u>Description</u> | <u>Volume</u> | <u>% Change from Previous Year</u> |
| | 2017 | Casinghead | 387,971 MCF | -11.04 |
| | 2018 | Casinghead | 316,913 MCF | -18.32 |

| | | | | |
|--|-------------|--------------------|---------------|------------------------------------|
| Gas Well Production: (Texas Railroad Commission) | <u>Year</u> | <u>Description</u> | <u>Volume</u> | <u>% Change from Previous Year</u> |
| | 2017 | GW Gas | 9,832,854 MCF | -20.46 |
| | 2018 | GW Gas | 7,932,006 MCF | -19.33 |

| | | | | |
|---|-------------|--------------------|---------------|------------------------------------|
| Condensate: (Texas Railroad Commission) | <u>Year</u> | <u>Description</u> | <u>Volume</u> | <u>% Change from Previous Year</u> |
| | 2017 | Condensate | 164,776 BBL | -24.90 |
| | 2018 | Condensate | 203,974 BBL | 23.79 |

| | | | | |
|---|--------------------------------------|-------------|-------------|-------------|
| Retail Sales & Effective Buying Income: | Year | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| | Retail Sales | \$6.2B | \$4.6B | \$5.6B |
| | Effective Buying Income (EBI) | \$8.3B | \$8.3B | \$7.9B |
| | County Median Household Income | \$47,178 | \$47,450 | \$45,999 |
| | State Median Household Income | \$61,175 | \$57,227 | \$55,352 |
| | % of Households with EBI below \$25K | 25.3% | 24.2% | 12.7% |
| | % of Households with EBI above \$25K | 66.2% | 66.3% | 65.1% |

| | | | | | | | |
|------------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Employment Data: | | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | |
| | | <u>Employed</u> | <u>Earnings</u> | <u>Employed</u> | <u>Earnings</u> | <u>Employed</u> | <u>Earnings</u> |
| | 1st Quarter: | 162,351 | \$1.9B | 161,178 | \$1.9B | 158,981 | \$1.8B |
| | 2nd Quarter: | 164,895 | \$1.9B | 163,914 | \$1.8B | 159,940 | \$1.8B |
| | 3rd Quarter: | 162,969 | \$1.9B | 160,974 | \$1.8B | 161,765 | \$1.9B |
| | 4th Quarter: | N/A | N/A | 162,733 | \$2.0B | 162,472 | \$1.9B |

Major Colleges and Universities: Texas A&M University-Corpus Christi, Del Mar College

| | | | |
|----------------------------|------|-------|-----------------|
| Colleges and Universities: | Year | Total | Fall Enrollment |
| | 2017 | 2 | 23,554 |
| | 2018 | 2 | 23,821 |

*Sources: Texas Municipal Reports, published by the Municipal Advisory Council of Texas and Demographics USA County Edition.
 Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.*

San Patricio County, Texas

San Patricio County, Texas (“San Patricio County”) was created in 1836 and reorganized in 1847. The Naval Station of Ingleside officially shut down on April 30, 2010. The Navy returned ownership of the main base property to the Port of Corpus Christi. San Patricio County’s estimated 2018 population is 66,915.

County seat: Sinton.

Economic Base: Mineral: Oil, gravel, gas and caliche. Industry: Tourism, petrochemicals, oil, manufacturing and agribusiness. Agricultural: Grain sorghum, cotton, corn and beef cattle.

Oil & Gas 2018: The oil production for this County accounts for 0.03% of the total State production. San Patricio County ranks 112 out of all the counties in Texas for oil production. The gas production for this County accounts for 0.10% of the total State production. San Patricio County ranks 89 out of all the counties in Texas for gas production.

| | <u>Year</u> | <u>Description</u> | <u>Volume</u> | <u>% Change from Previous Year</u> |
|---|-------------|--------------------|---------------|------------------------------------|
| Oil Production: (Texas Railroad Commission) | 2017 | Oil | 270,331 BBL | -7.65 |
| | 2018 | Oil | 380,734 BBL | 40.84 |
| Casinghead: (Texas Railroad Commission) | 2017 | Casinghead | 489,994 MCF | -28.57 |
| | 2018 | Casinghead | 721,991 MCF | 47.35 |
| Gas Well Production: (Texas Railroad Commission) | 2017 | GW Gas | 5,270,567 MCF | -37.66 |
| | 2018 | GW Gas | 4,674,592 MCF | -11.31 |
| Condensate: (Texas Railroad Commission) | 2017 | Condensate | 166,236 BBL | -28.85 |
| | 2018 | Condensate | 172,081 BBL | 3.52 |

| Retail Sales & Effective Buying Income: | Year | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|------|-------------|-------------|-------------|
| Retail Sales | | \$700.8M | \$748.7M | \$979.3M |
| Effective Buying Income (EBI) | | \$1.7B | \$1.5B | \$1.3B |
| County Median Household Income | | \$52,139 | \$50,154 | \$44,768 |
| State Median Household Income | | \$61,175 | \$57,227 | \$55,352 |
| % of Households with EBI below \$25K | | 19.7% | 21.5% | 11.0% |
| % of Households with EBI above \$25K | | 69.5% | 68.7% | 66.9% |

| Employment Data: | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <u>Employed</u> | <u>Earnings</u> | <u>Employed</u> | <u>Earnings</u> | <u>Employed</u> | <u>Earnings</u> |
| 1st Quarter: | 18,927 | \$241.8M | 19,490 | \$236.0M | 18,738 | \$204.8M |
| 2nd Quarter: | 18,851 | \$218.7M | 19,149 | \$222.1M | 18,825 | \$209.9M |
| 3rd Quarter: | 18,454 | \$219.0M | 18,846 | \$217.7M | 19,409 | \$232.9M |
| 4th Quarter: | N/A | N/A | 19,298 | \$237.1M | 19,916 | \$237.0M |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

Labor Force Statistics for Nueces and San Patricio Counties

| Labor Force Statistics | <u>June 2019</u> | <u>May 2019</u> | <u>June 2018</u> | <u>Monthly Change</u> | <u>Year Ago Change</u> |
|--------------------------------------|------------------|-----------------|------------------|-----------------------|------------------------|
| % Unemployment (U.S.) | 3.8 | 3.4 | 4.2 | 0.4 | -0.4 |
| % Unemployment (Texas) | 3.6 | 2.9 | 4.2 | 0.7 | -0.6 |
| % Unemployment (Nueces County) | 4.2 | 3.4 | 5.0 | 0.8 | -0.8 |
| % Unemployment (San Patricio County) | 5.5 | 4.5 | 6.8 | 1.00 | -1.3 |

| Labor Force Statistics | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| % Unemployment (U.S.) | 3.7 | 4.1 | 4.5 | 4.8 | 5.4 |
| % Unemployment (Texas) | 3.6 | 4.0 | 4.6 | 4.2 | 4.1 |
| % Unemployment (Nueces County) | 4.3 | 5.4 | 5.7 | 5.0 | 4.0 |
| % Unemployment (San Patricio County) | 5.5 | 7.1 | 7.9 | 6.6 | 6.3 |

Source: Texas Labor Market Review.

[This page is intentionally left blank.]

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

[This page is intentionally left blank.]

November __, 2019

**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2019
DATED OCTOBER 15, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$20,265,000**

AS BOND COUNSEL FOR THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY (the "Issuer") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the "Resolution"), (ii) an Escrow Agreement, dated as of October 15, 2019, between the Issuer and UMB Bank, N.A., Austin, Texas, as Escrow Agent thereunder (the "Escrow Agreement"), (iii) a verification report provided by Public Finance Partners LLC with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds (the "Verification Report"), and (iv) one of the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special revenue obligations of the Issuer in accordance with their terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally); and that the Bonds, together with any "Additional Parity Obligations" (as such term is defined in the Resolution), are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues" (as such term is defined in the Resolution). The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than the Pledged Revenues.

THE ISSUER HAS RESERVED THE RIGHT, subject to the requirements stated in the Resolution, to issue Additional Parity Obligations which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds and all other Parity Obligations then outstanding.



IT IS ALSO OUR OPINION, that the Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986, as amended, and, therefore, interest on the Bonds is includable in gross income for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the Issuer and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Bonds" (as defined in the Resolution) being defeased or refunded by the Bonds or other available funds of the Issuer are outstanding under the resolution authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the certifications contained in the Verification Report as to the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds or reserve fund surety policies, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the historical and projected Pledged Revenues. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX E

**EXCERPTS FROM THE AUTHORITY'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

[This page is intentionally left blank.]



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi, Texas

Comprehensive Annual Financial Report



ccrta.org

For the Fiscal Year Ended December 31, 2018

[This page is intentionally left blank.]

**Corpus Christi Regional Transportation
Authority
Corpus Christi, Texas**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2018**

Mission Statement

The Corpus Christi Regional Transportation Authority was created by the people to provide quality transportation and enhance the regional economy in a responsible manner consistent with its financial resources and the diverse needs of our community.

Prepared by the Finance Department



2018

Introductory Section

Comprehensive Annual Financial Report



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>INTRODUCTORY SECTION</u> | |
| Table of Contents | i |
| Letter of Transmittal | iii |
| GFOA Certificate of Achievement | x |
| Board of Directors and Administration | xi |
| Organizational Chart..... | xiii |
| | |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Statement of Net Position | 21 |
| Statement of Revenues, Expenses and Changes in Net Position..... | 23 |
| Statement of Cash Flows | 24 |
| Fiduciary Funds - Statement of Net Position..... | 26 |
| Fiduciary Funds - Statement of Changes in Net Position..... | 27 |
| Notes to Financial Statements | 29 |
| Required Supplementary Information: | |
| Schedule of Pension Plan | 62 |
| Schedule of Defined Benefits Contributions..... | 63 |
| Schedule of Funding Progress for Other Post-Employment Benefits..... | 65 |
| Supplemental Schedules: | |
| Schedule of Revenues and Expenses - Actual and Budget by Function | 68 |
| Fiduciary Funds - Combining Statement of Net Position..... | 69 |
| Fiduciary Funds - Combining Statement of Changes in Net Position..... | 70 |
| Schedule of Long-Term Debt Amortization..... | 71 |

STATISTICAL SECTION

Statistical Section Narrative 75

Table 1 Net Position..... 76

Table 2 Changes in Net Position..... 78

Table 3 Revenues by Source 80

Table 4 Revenues and Operating Assistance - Comparison to Industry Trend Data.... 81

Table 5 Passenger Fee Capacity 82

Table 6 Miscellaneous Revenue Information 83

Table 7 Ratio of Outstanding Debt..... 83

Table 8 Revenue Bond Coverage..... 85

Table 9 Demographic Statistics 86

Table 10 Top Ten Employers 87

Table 11 Budgeted Full-Time Equivalent Position..... 88

Table 12 Operating Statistics and Assets Utilized 90

Table 13 Miscellaneous Statistics 91

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards 95

Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance 97

Schedule of Findings and Questioned Costs..... 99

Schedule of Expenditures of Federal Financial Awards 101

Notes to Schedule of Expenditures of Federal Financial Awards..... 102



July 30, 2019

To the Citizens of the CCRTA transit Service Area and the Board of Directors:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Corpus Christi Regional Transportation Authority (Authority) for its fiscal year ended December 31, 2018. The CAFR is prepared annually in compliance with the Texas statute and Federal Single Audit Act that requires an annual audit of our basic financial statements. Specifically, Section 451.451, Subchapter J, of the Texas Transportation Code requires our financial statements to be independently audited. In addition, since the Authority receives federal grant funding, there are auditing reporting requirements related to the Single Audit Act (A-133) and the Uniform Guidance 2 CFR § 200 that are applicable to Federal Transit Administration (FTA) recipients. This report is published and respectfully submitted to fulfill these requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. The internal controls are designed to provide reasonable assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority in accordance with generally accepted accounting principles (GAAP) for local government units. In addition, the Authority continues to prioritize transparency in all areas of the organization.

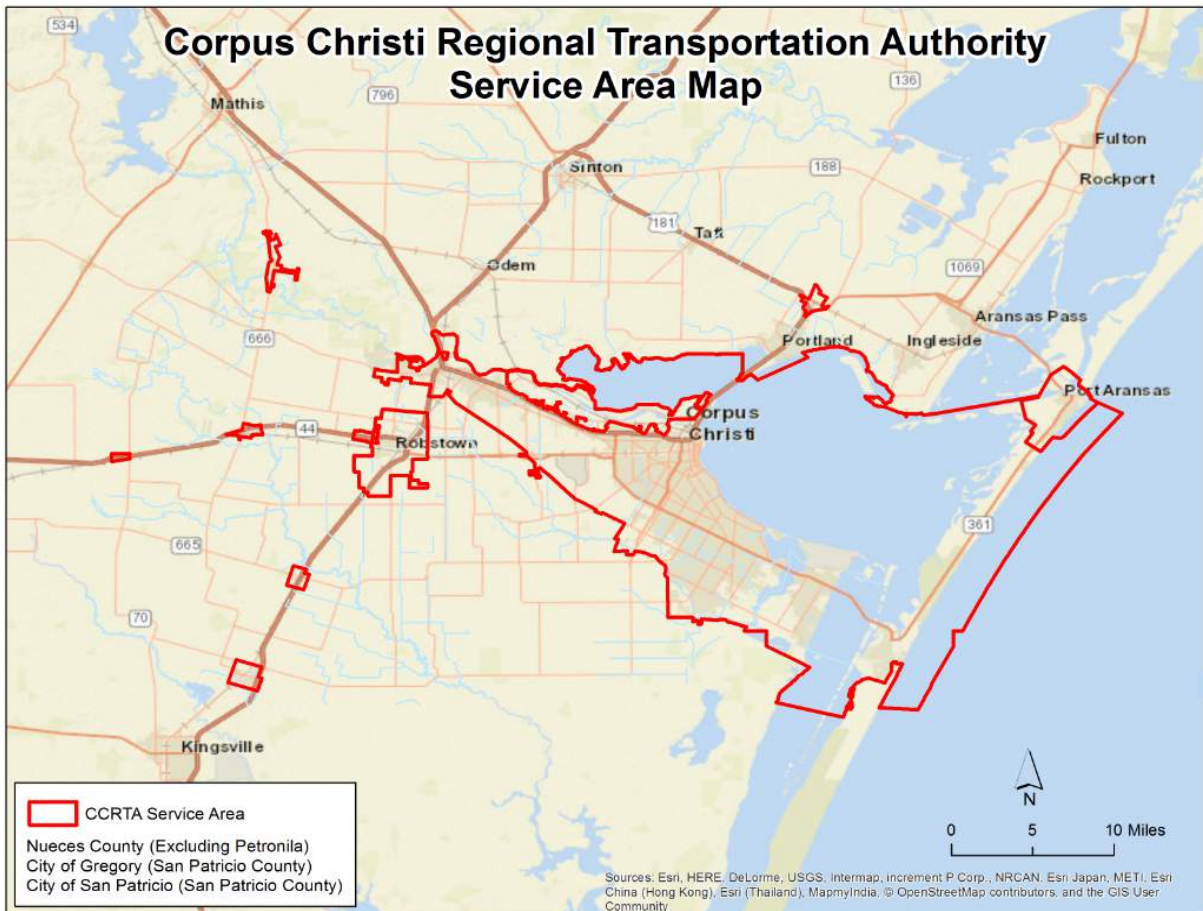
The independent firm of Carr, Riggs & Ingram, LLC., Certified Public Accountants, conducted the audit for the year ended December 31, 2018, and has rendered an unmodified (clean) opinion. Their opinion letters are presented first in the Financial and Single Audit sections of this CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

The system’s legal name is Corpus Christi Regional Transportation Authority (Authority). In June 1984 the Authority was first created by ordinance from the City of Corpus Christi. It operated with a 5-member interim board appointed by the City of Corpus Christi until the confirmation election in August 1985. By majority vote of the taxpayers in Nueces and Patricio counties, voters approved the funding of the Authority through a one-half cent sales tax levied in Corpus Christi and seven other unincorporated areas of Nueces County. Operations commenced January 1, 1986. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Located in Corpus Christi, Texas, on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total service area is 831 square miles and has an estimated population of 427,840 of which 337,094 or 78.87% is from the Corpus Christi area. A map of the Authority’s service area is presented below.





Services

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, and specialized services. In 2018, the Authority operated a network of 35 fixed routes and 3 demand routes that provided approximately 5.4 million passenger trips boarding from 1,343 bus stops over an 841 square mile service area. The routes include 5 Express Routes, two on-demand response taxi services and one on-demand response shuttle.

The Authority operates separate facilities for transit operations and vehicle maintenance and for administration, planning and customer service. The Authority maintains 1,343 bus stops, four transfer stations, three park and ride lots and a fleet of 82 fixed route and 51 paratransit vehicles. Certain commuter and paratransit services are provided through contractors specializing in these services. Table 12 in the Statistical Section contains service delivery statistics for the past ten years.

Governance - Officials

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and the Committee of Small City Mayors appoint members to the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability.

The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms. A listing of Authority Board members is included on page xi.

Governance - Executives

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO supervises three major divisions including Administration, Capital Programs, and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority staffed their operations with 282.50 salaried and hourly positions and with over 100 staff members employed by various contractors. An organizational chart is shown on page xiii.

Budget and Initiatives

Texas Transportation Code Section 451.102 requires that transit authorities adopt an annual operating budget before the start of a new fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The board also adopts an annual capital budget. The process for developing the Authority's budgets typically begins with Board strategic planning that starts in May, and through a series of



meetings and analysis, results in an operating budget and a prioritized capital budget prior to the beginning of the fiscal year. The Authority may not spend more than the approved operating budget, and must approve increases to the budget. The CEO may permit movement of funds within the approved budget. If these reallocations are significant, Board approval is obtained.

During the development of the 2018 Operating Budget, it was estimated that sales tax revenues which represent approximately 89% of total income, would decrease by 5.52% as a result of Hurricane Harvey and other economic trends. For passenger service, it was assumed that the ridership would remain flat. Accordingly, there was no change in staffing levels. For employee compensation, it was assumed that employees would receive a 2% COLA increase. Budgeting assumptions also include a merit raise of up to 3% based on performance.

The major focus of the 2018 Capital Budget was to successfully manage forty-three (43) Capital Projects with a total estimated cost of \$23,236,691 which include 19 projects rolling forward from previous year with an estimated cost balance of \$18,600,817. The majority of the projects rolling forward consist of build-out costs associated with the new Staples Street Center, and bus stop improvements including technology enhancements, and updates that include mobile devices to promote boarding experience. The projects associated with bus stop improvements and technology are funded with federal grants.

The new projects consist of adding six (6) ARBOC CNG replacement buses for our Paratransit Fleet along with the addition of support vehicles and maintenance facility equipment. The Bus Stop Improvement Project Phase VII is also among the new projects for 2018 and includes funding of the construction and/or renovation of new bus stops. All but three of the new projects are being funded with federal grants with a funding ratio of 80/20.

LOCAL ECONOMY

Corpus Christi, with a population of 337,094, is the largest city on the Texas Coast and home to Naval Air Station Corpus Christi and the Port of Corpus Christi, one of the largest ports in the nation. The military bases, Corpus Christi Army Depot and Naval Air Station-Corpus Christi contribute significantly to the local economy, employing nearly 10,000 workers plus civilians. The healthcare industry significant growth over the years and currently represents the largest non-sector in Corpus Christi. The regional economy is diversified and also includes shipping, fishing, tourism, petrochemical refining, construction, agriculture, government services and higher education. Although ebbs and flows normally are associated with a diversified economy, this varied base tends to add to the relative stability of employment with energy and education being the two of the largest driving forces behind Corpus Christi's economy.

In 2018, Corpus Christi's overall economic condition remained strong and has seen the job market increase by 1.4% over the last year to 4.5%. The rate is slightly lower in Nueces County with the year ending at 4.30% while the state was 3.7%.



The Authority’s ability to fund its operations is heavily dependent on a ½-cent sale and use tax generated from its regional economy. In 2018, sales tax revenue represented 89% of total income. Over the last five (5) years sales tax revenue to total income has averaged out to 76.80%. Economic conditions are directly related to year to year fluctuations but another contribution factor are grants that fund a variety of programs for various capital and operating projects. Sales Tax revenues have grown at an annual average of 5.90% over the past ten years compared to average growth in operating expenses, including depreciation, of 4.73% over the same period. The Authority continues to operate with its original transit tax rate of ½-cent. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law. Sales taxes grew 4.19% in 2018. Sales tax collections for 2019 reflects a steady continuation of last year’s stream, however there is optimism in the area with renewed activity from \$30 billion in industrial capital projects including construction of the new Harbor Bridge and the new petroleum cracker plant in the Gregory community.

| | <u>Sales Tax</u> | | <u>Operating Expenses</u> | |
|------|------------------|----------------|---------------------------|----------------------|
| 2009 | \$ | 20,821,573 | \$ | 25,809,374 |
| 2010 | \$ | 22,891,712 | 9.94% | \$ 27,393,841 6.14% |
| 2011 | \$ | 26,235,525 | 14.61% | \$ 29,679,807 8.34% |
| 2012 | \$ | 31,571,834 | 20.34% | \$ 30,763,194 3.65% |
| 2013 | \$ | 32,064,316 | 1.56% | \$ 30,612,610 -0.49% |
| 2014 | \$ | 35,188,390 | 9.74% | \$ 32,826,981 7.23% |
| 2015 | \$ | 34,127,803 | -3.01% | \$ 35,706,374 8.77% |
| 2016 | \$ | 31,387,198 | -8.03% | \$ 37,780,626 5.81% |
| 2017 | \$ | 32,570,355 | 3.77% | \$ 39,108,702 3.52% |
| 2018 | \$ | 33,934,640 | 4.19% | \$ 42,076,550 7.59% |
| | | Average Growth | 5.90% | Average Growth 5.62% |

In comparison to 2017, the average fuel price per gallon for diesel increased in 2018 by 26% from \$1.6502 to \$2.0824. Unleaded fuel showed a much higher increase with a 39.59% in the average cost per gallon from \$1.6518 to \$2.0477. Rising fuel prices have led to significant increases in costs for public transit agencies all over the country. However, historically a benefit from higher gasoline prices is an increase in public transit ridership. As the cost of fueling a car increases, people may seek out ways to reduce fuel consumption, and one such option is public transit. Rising fuel costs also impact the cost of maintenance materials for the Authority’s fleet and energy prices associated with the Authority’s customer amenities. For this reason, energy efficiencies for our transit system remains a priority and includes alternative fuels as a means to reach our energy and economic goals.

In response to these volatile costs, in 2012, the Authority began the conversion of its fleet to CNG, and continues replacement with CNG vehicles to maximize cost savings. At the end of 2018, nearly 80% of the Authority’s fleet was operating on CNG. The pricing for CNG at the end of 2018 was \$0.89 per gallon equivalent as compared to \$1.17 in 2017 which clearly continues to create cost savings.



Long-Range Financial Planning

Due to the significant capital investment in buses and bus facilities used for service delivery and the operating cost growth challenges experienced by transit systems across the country, the Authority maintains 20-year long-term financial projections. A primary goal of long-term planning is to ensure that adequate resources are maintained for the replacement of capital assets and system expansion. Financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions. In 2012 the Authority's long-range financial plan was updated as part of a long-range system plan update, and is reviewed annually, adjusting as needed.

Capital projects that were completed in 2018 include the technological enhancements, engine rebuilds for buses and additional tenant buildout at the Staples Street Center.

In 2019, the Authority expects to continue with its improvements in bus stops in order to expand on ADA services and transit accessibility. The Authority also intends to seek grant funding as part of its system-wide infrastructure plan which includes three major projects with an estimated project costs of \$7.2M. These projects include the rehabilitation of the Port Ayers Transfer Station which is the fastest growing area of Corpus Christi. Technology installations, lighting upgrades, bathroom and stucco replacements are amount the improvement needed to meet the service demands of our riders. The second project is associated with the expansion of a local community college. The population expansion to the south side of Corpus Christi has created the need for another campus. As a result, the Authority plans to design and construct the necessary bus stops and amenities required to meet this need. The third project involves improvements to the bus operations maintenance facility located on Bear Lane.

Offering seasonal services to certain surrounding communities that are still recovering from the devastation left by 2017 Hurricane Harvey is also under consideration. The seasonal services would be opened to the general population to also provide transportation services to employees who have not been able find affordable transportation to get them to work.

The Authority is also exploring and investigating innovative services through technology and strong partnerships. Specifically, CCRTA is looking to route a shuttle within the campus of a local university. The autonomous Pilot Program is planned for the fall 2019. The location chosen will be using a pre-determined route for the testing of the autonomous control systems.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This marked the 14th consecutive year receiving the award for the agency, and the 21st award received since operations commenced in 1986.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We express appreciation to the staff of the Finance Department for the significant investment of time and effort needed to prepare this report. Thank you to executive management for their various contributions to the information contained in this report.

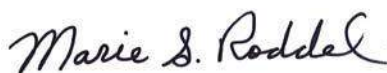
We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, trainers, security, safety personnel, mechanics, fleet service workers and facility maintenance staff who are directly involved with the daily provision of service to our customers.



Jorge Cruz-Aedo
Chief Executive Officer



Robert M. Saldana
Managing Director, Administration



Marie S. Roddel
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Corpus Christi Regional
Transportation Authority, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

REGIONAL TRANSPORTATION AUTHORITY BOARD OF DIRECTORS

Terms of Office and Board Service

| <u>MEMBER</u> | <u>APPOINTMENT</u> | <u>TERM EXPIRATION</u> | <u>BEGAN SERVICE</u> |
|--|------------------------|----------------------------|--------------------------|
| Edward Martinez <i>Board Chairman</i> | RTA Board | January 8, 2020 | October 9, 2013 |
| George Clower <i>Board Member</i> | City of Corpus Christi | June 30, 2020 | July 11, 2012 |
| Patricia Dominguez <i>Board Member</i> | City of Corpus Christi | June 30, 2020 | October 4, 2017 |
| Anne Bauman <i>Board Member</i> | City of Corpus Christi | June 30, 2020 | December 6, 2017 |
| Philip Skrobarczyk <i>Board Member</i> | City of Corpus Christi | June 30, 2020 | March 6, 2018 |
| Matt Woolbright <i>Board Member</i> | City of Corpus Christi | June 30, 2020 | July 11, 2018 |
| Tom Niskala <i>Board Member</i> | Nueces County | September 30, 2019 | October 14, 2015 |
| Scott Harris <i>Board Member</i> | Nueces County | September 30, 2019 | March 2, 2016 |
| Dan Leyendecker <i>Board Secretary</i> | Nueces County | September 30, 2019 | October 14, 2017 |
| Michael Reeves <i>Board Vice Chairman</i> | Committee of Mayors | September 30, 2019 | October 9, 2013 |
| Glenn Martin* <i>Board Member</i> | Committee of Mayors | September 30, 2019 | October 14, 2015 |

*Previously served for two years from 10-5-2005 to 9-19-2007.



ADMINISTRATION

Chief Executive Officer
Managing Director of Administration
Managing Director of Capital Programs
Managing Director of Operations

Jorge Cruz-Aedo
Robert M. Saldaña
Sharon Montez
Jennifer Fehribach

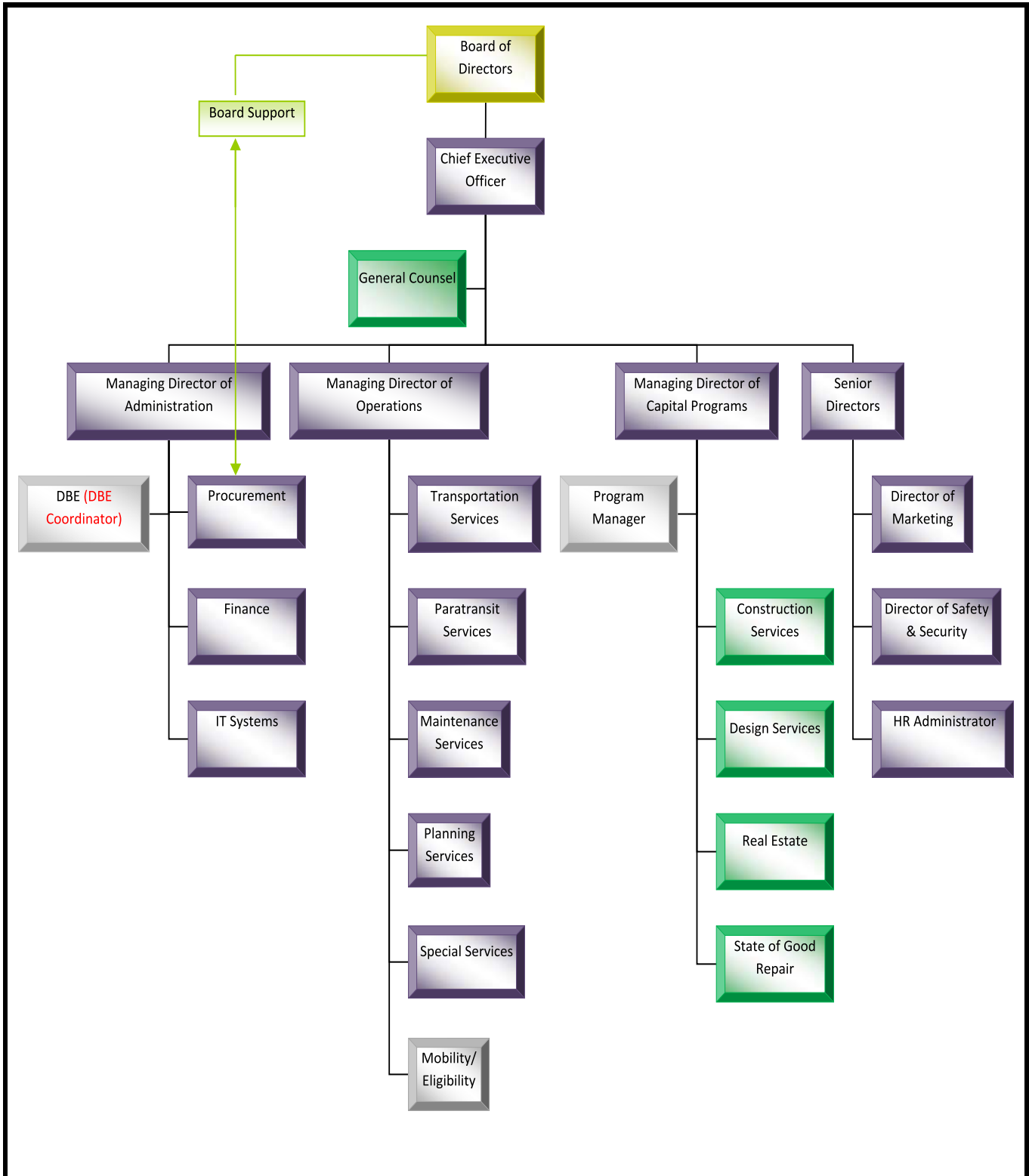
Director of Finance
Director of Human Resources
Director of Information Technology
Director of Maintenance
Director of Marketing
Director of Planning
Director of Procurement
Director of Safety and Security
Director of Transportation
DBE/EEO Compliance Officer
Comptroller

Marie S. Roddel
Angelina Gaitan
David Chapa
Bryan Garner
Rita Patrick
Gordon Robinson
Annie Hinojosa
Mike Rendon
Derrick Majchszak
Christina Perez
Daniel Benavidez



Corpus Christi Regional Transportation Authority
Fiscal 2017-2018 Comprehensive Annual Financial Report
Introductory Section | Organizational Chart

CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY





2018

Financial Section

Comprehensive Annual Financial Report





Carr, Riggs & Ingram, LLC
500 North Shoreline Boulevard
Suite 701
Corpus Christi, TX 78401

361.882.3132
361.882.3199 (fax)
CRLcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
Corpus Christi Regional Transportation Authority
Corpus Christi, Texas

We have audited the accompanying financial statements of the Corpus Christi Regional Transportation Authority (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Corpus Christi Regional Transportation Authority adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$1,215,616) to the December 31, 2017 net position. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Authority as of and for the year ended December 31, 2017 were audited by other auditors whose report dated August 16, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–20, Schedule of Pension Plan on page 60, Schedule of Contributions on pages 62-63, Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios on page 64, and Schedule of Authority's Contributions on page 65 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section, Supplemental Schedules, the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules and the Schedule of Expenditures of Federal Awards 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 Supplemental Schedules and the Schedule of Expenditures of Federal Awards 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 July 30, 2019, on our consideration of the Authority'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 solely 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 the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Corpus Christi, Texas
July 30, 2019





MANAGEMENT'S DISCUSSION AND ANALYSIS

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to the accompanying basis financial statements in the form of Management's Discussion and Analysis (MD&A). We encourage readers to consider this information in conjunction with the information provided in our transmittal letter found in the introductory section of this report and all other information presented in the notes to the financial statements and other sections.

FINANCIAL HIGHLIGHTS

- Net position was \$86,033,144 at December 31, 2018, a decrease of \$9,141,767 from December 31, 2017. Factors that contributed to the decrease in net position include a reduction in federal grant revenue and the increase in expenses due to assumption changes to the pension plan along with the cumulative effect of the change in accounting principle associated with post-employment benefits other than pension (OPEB).

As a proactive measure, the Board of Directors approved a \$2.5M additional contribution to the Defined Benefit Pension Plan in 2019 in order to decrease the Net Pension Liability for future years.

- From the net position of \$86,033,144 as of December 31, 2018, the Authority recorded a net investment in capital assets of \$59,125,576, restricted assets of \$1,611,302 for debt service under a bond covenant, and unrestricted assets of \$25,296,266. The unrestricted portion represents the amount of funds available that the Authority may use at its discretion or to meet ongoing obligations.
- In 2018 sales tax revenue was \$33,934,640 compared to \$32,570,355 collected in 2017, representing an increase of \$1,364,285 or 4.18%. Investment income also recorded an increase with earnings exceeding 2017 by \$323,501 or 378%. Operating revenues which include passenger fares decreased by \$56,517 or -2.25% in comparison to 2017. Federal operating and capital grant revenue decreased by \$15,779,511 as the bus replacement program calls for purchases every other year, 2018 being the off year.
- As of December 31, 2018, the Authority had long-term obligations of \$26,564,761, comprised of \$18,650,000 in long-term debt, net of current maturities, a \$6,468,642 net pension liability, a \$1,101,367 net OPEB obligation and \$344,752 in accrued compensated absences.



OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion serves to introduce the Authority's basic financial statements. These statements have two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is structured as a stand-alone proprietary fund and presents its financial information using the accrual basis of accounting similar to the way private sector businesses present their financial information. Revenues are recognized in the financial statements when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid. The historical costs of capital assets are capitalized and depreciated over the estimated useful life of the assets.

The *Statement of Net Position* presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows; with the difference between them being reported as net position. This is a measure of financial position, which can indicate improvement or deterioration from year to year. The presentation of net position also distinguishes between those invested in capital assets, restricted by bond covenant, and those that are unrestricted by external parties or legal requirements.

The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the change in net position by showing the activities that caused the change. This statement measures the Authority's operations and can also be used to determine whether the Authority has successfully recovered all of its costs through fares and other user charges, sales taxes received, subsidies and other sources of funding available.

The *Statement of Cash Flows* provides details about the Authority's sources of, uses of and the change in cash over a fiscal year. This information is categorized into operating, non-capital financing, capital and related financing and investing activities.

The Authority also has fiduciary responsibility for two employee retirement funds and presents two financial statements related to them: (a) Fiduciary Funds - Statement of Net Position and (b) Fiduciary Funds - Statement of Changes in Net Position, which follow the government-wide financial statements. There is also information concerning these plans in Note 5 in the notes to the financial statements.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

The Authority's basic financial statements can be found beginning on page 20.



FINANCIAL ANALYSIS

Statement of Net Position:

Net Position: Total net position may serve, over time, as a useful indicator of an entity's financial position. Increases in net position indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Position provides the necessary information on which to base this determination. The net position is presented in three components: (1) the net invested in capital assets, (2) the restricted by bond covenants, and (3) the unrestricted and available for operations. Of the Authority's net position, 66.34% is the net invested in capital assets consisting of buses, equipment, bus stops, shelters, stations, operating facilities and related land net of related debt. The Authority uses these assets for the purpose of achieving its mission.

Table 1 provides summary multi-year comparative information about the Authority's net position. The change in net position can be explained by looking at the other components of the Statement of Net Position.

Table 1
Condensed Summary of Net Position

| | At December 31 | | | At December 31 | | |
|--|----------------|-------------|-------------|----------------|-------------|-------------|
| | 2018 | 2017 | Change | 2017 | 2016 | Change |
| Current Assets | \$ 33,839,367 | 34,285,098 | (445,731) | 34,285,098 | 31,558,243 | 2,726,855 |
| Restricted Assets | 1,611,302 | 1,611,302 | - | 1,611,302 | 1,728,452 | (117,150) |
| Capital Assets | 78,370,576 | 86,084,480 | (7,713,904) | 86,084,480 | 79,462,570 | 6,621,910 |
| Total Assets | 113,821,245 | 121,980,880 | (8,159,635) | 121,980,880 | 112,749,265 | 9,231,615 |
| Deferred Outflows of Resources | 5,170,677 | 3,411,606 | 1,759,071 | 3,411,606 | 4,550,803 | (1,139,197) |
| Total Assets and Deferred Outflows | 118,991,922 | 125,392,486 | (6,400,564) | 125,392,486 | 117,300,068 | 8,092,418 |
| Current Liabilities | 4,889,440 | 7,543,197 | (2,653,757) | 7,543,197 | 6,922,359 | 620,838 |
| Long-Term Liabilities | 26,564,761 | 22,195,204 | 4,369,557 | 22,195,204 | 23,761,056 | (1,565,852) |
| Total Liabilities | 31,454,201 | 29,738,401 | 1,715,800 | 29,738,401 | 30,683,415 | (945,014) |
| Deferred Inflows of Resources | 1,504,577 | 479,174 | 1,025,403 | 479,174 | 195,034 | 284,140 |
| Total Liabilities and Deferred Inflows | 32,958,778 | 30,217,575 | 2,741,203 | 30,217,575 | 30,878,449 | (660,874) |
| Invested in Capital Assets | 59,125,576 | 66,264,480 | (7,138,904) | 66,264,480 | 59,298,433 | 6,966,047 |
| Restricted for Debt Service | 1,611,302 | 1,611,302 | - | 1,611,302 | 1,611,302 | - |
| Unrestricted | 25,296,266 | 27,299,129 | (2,002,863) | 27,299,129 | 25,611,884 | 1,687,245 |
| Total Net Position | \$ 86,033,144 | 95,174,911 | (9,141,767) | 95,174,911 | 86,421,619 | 8,753,292 |



At the close of December 31, 2018, the Authority's net position was \$86,033,144. A significant portion of the Authority's total net position in all years reported is represented by capital assets used to provide public transportation services. Of the total net position, \$59,125,576 or 68.72% represents net investment in capital assets, \$1,611,302 was restricted for debt service and the remaining \$25,296,266 was unrestricted. The decrease in unrestricted funds resulted from an increase in liabilities.

Net position decreased by \$9,141,767 in 2018 from the prior year, going from \$95,174,911 to \$86,033,144. Total assets and deferred outflows provided a net decrease of \$6,400,564. The decrease is primarily due to the decrease in Capital Assets of \$7,713,904 offset partially by an increase in deferred outflows related to pensions in the amount of \$1,759,071.

The Authority's total liabilities increased by \$1,715,800 in comparison to 2017, while the deferred inflows increased by \$1,025,403, producing a combined increase of \$2,741,203. Factors contributing to the increase in total liabilities of \$1,715,800 include a \$2,653,757 decrease in current liabilities and a \$4,369,557 increase in long-term liabilities that is primarily due to the change in pension plan and the net OPEB Obligation resulting from the implementation of GASB 75 that became effective for the Authority on January 1, 2018.

The Authority's net position at December 31, 2017 totaled \$95,174,911. Of this amount, \$66,264,480 (69.62%) represents the Authority's net investment in capital assets, \$1,611,302 was restricted for debt service, and the remaining \$27,299,129 was unrestricted. Net position increased \$8,653,292 from 2016 due to the increase of \$7,992,418 in total Assets and Deferred Outflows and a \$660,874 decrease in Total Liabilities and Deferred Inflows.

Current Assets: At the end of 2018, the Authority's current assets had decreased by \$445,731 from the end of 2017. The reduction in current assets is primarily due to a \$1,405,332 decrease in federal grant receivables. In 2018 receivables totaled \$6,558,461 while at the end of 2017 receivables totaled \$7,617,929 which reflected the overall decrease in receivables of \$1,059,468. Cash and cash equivalents increased by \$531,521, investments increased by \$78,910 and inventories increased by \$104,641. Prepaid expenses were lower in 2018 by \$101,335. The Authority continues a strategy to maintain adequate resources for replacement, enhancement and expansion of capital assets and withstanding economic uncertainty.

At the end of 2017, the Authority's current assets had increased by \$2,726,855 from the end of 2016. Investments decreased by \$3,976,514 with cash increasing by \$5,000,882, along with an increase in receivables of \$1,680,434. The reallocation to cash and cash equivalents from investments is the result of a change in the investment strategy to participate in the local government investment pool (LGIP). Prepaid expenses were higher in 2017 by \$82,295 while inventories decreased by \$60,242.

Restricted Assets: At the end of 2018, the Authority's restricted assets totaled \$1,611,302, a change of \$0 from 2017. These funds were held in reserve in accordance to bond debt covenants.



Capital Assets: As of December 31, 2018, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled \$70,899,151, an increase of \$8,921,649 from December 31, 2017. During the year, capital assets totaling \$1,217,962 were acquired, retirements net of depreciation totaled \$10,217, and depreciation totaling \$8,931,866 decreased the carrying value. The 2018 capital additions include:

- ◆ The construction of a bus shelter for a local high school
- ◆ The purchase of a revenue Genfare Vault
- ◆ The purchase of Genfare Server
- ◆ The purchases of two (2) Mobile Bus Lifts
- ◆ The purchase of one (1) Utility Hauling Trailer
- ◆ The purchase of diesel engine diagnostic software
- ◆ The purchase of network switches associated with technology enhancements

As of December 31, 2017, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled \$86,084,480, an increase of \$6,521,910 from December 31, 2016. During the year, capital assets totaling \$15,099,094 were acquired, retirements net of depreciation totaled \$305,219, and depreciation totaling \$8,271,963 increased the carrying value. Significant 2017 capital additions include:

- ◆ Completion of tenant buildout at the Staples Street Center
- ◆ The purchase of eleven (11) 35-foot, CNG-fueled Gillig buses for fixed route service
- ◆ The purchase of seven (7) 25-foot, CNG-fueled Arboc buses for paratransit service
- ◆ The purchase of land near the Port Ayers station for potential future expansion
- ◆ The implementation of a mass notification system for emergency communications

- ◆ The purchase of thirteen (13) electric operator relief vehicles and a charging station
- ◆ The purchase of eleven (11) maintenance support pickup trucks
- ◆ Completion of a bus lift
- ◆ Installation of an interactive multimedia wall for veterans at the Staples Street Center.

Additional details about the Authority's capital asset activities are presented in Note 3 of the notes to the financial statements.

Table 2

| | <u>Federal and Other Funding</u> | <u>Local Funding</u> | <u>Total</u> |
|-------------------------------|--------------------------------------|--------------------------|----------------|
| At December 31, 2018: | | | |
| Capital Assets At Cost | \$ 76,648,975 | \$ 72,620,753 | \$ 149,269,728 |
| Less Accumulated Depreciation | 52,330,173 | 18,568,979 | 70,899,152 |
| Capital Assets, Net | \$ 24,318,802 | \$ 54,051,774 | \$ 78,370,576 |
| At December 31, 2017 | | | |
| Capital Assets At Cost | \$ 75,987,545 | \$ 72,074,437 | \$ 148,061,982 |
| Less Accumulated Depreciation | 46,647,604 | 15,329,898 | 61,977,502 |
| Capital Assets, Net | \$ 29,339,941 | \$ 56,744,539 | \$ 86,084,480 |

Liabilities: The Authority's total liabilities as of December 31, 2018 are \$31,454,201, an increase of \$1,715,800 from the \$29,738,401 in 2017. Of the balance for total liabilities, \$4,889,440 is current and customary to the Authority's business operations and \$26,564,761 are long-term liabilities. Current liabilities decreased by \$2,653,757, mainly due to decreases in accounts payable and in amounts due to other governmental entities for street improvements. Long-term liabilities increased by \$4,369,557, going from \$22,195,204 in 2017, to \$26,564,761. The increase is mostly attributable to the combined effect of obligations from GASB 68 and GASB 75. The pension liability from GASB 68 increased by \$4,085,405 from the prior year due to the change in the plan assumptions, while the implementation of GASB 75 resulted in a \$729,610 increase in the OPEB liability which provided a combined increase of \$4,815,015 from the prior year balances.

As of December 31, 2017, are \$29,738,401, a decrease of \$945,013 from 2016. Of the balance for total liabilities, \$7,543,197 is current and customary to the Authority's business and \$22,195,204 are long-term liabilities. Current liabilities increased by \$620,838 mainly due to increased accounts payable related to capital assets and offset by decreased amounts due to other governmental entities for street improvements and retained amounts payable to contractors. Meanwhile, long-term liabilities decreased by \$1,565,852 in 2017. The decrease is mostly attributable to a decrease in net pension liability of \$937,172.



Statement of Revenues, Expenses and Changes in Net Position:

Change in Net position: While the Statement of Net Position focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Position provides further details as to what specific activities took place during the year that led to the changes shown on the Statement of Net Position. The Authority's activities are presented in Table 3.

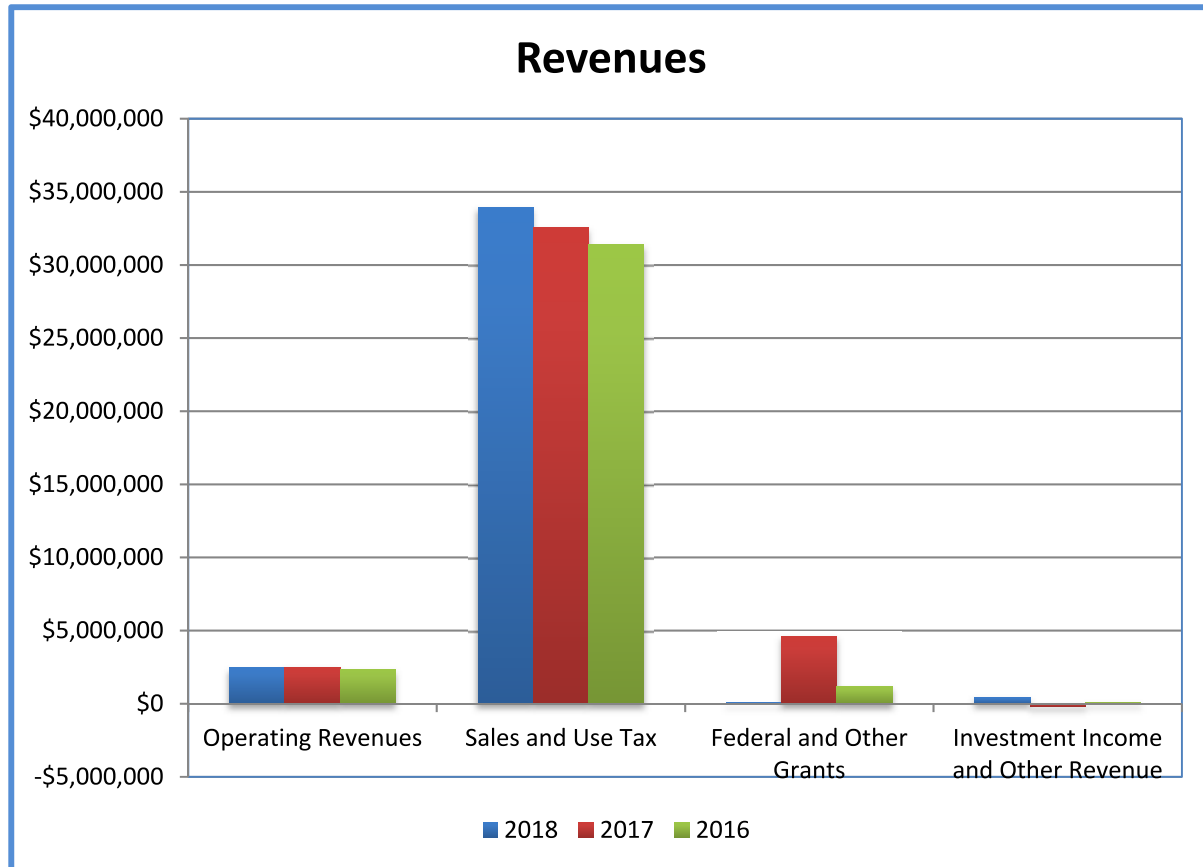
Table 3

CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | Year Ended December 31 | | | Year Ended December 31 | | |
|---|------------------------|-------------------|---------------------|------------------------|--------------------|--------------------|
| | 2018 | 2017 | Change | 2017 | 2016 | Change |
| Revenues: | | | | | | |
| Passenger Service | \$ 1,688,643 | 1,696,742 | (8,099) | \$ 1,696,742 | 1,735,001 | (38,259) |
| Bus Advertising | 142,555 | 146,452 | (3,897) | 146,452 | 159,662 | (13,210) |
| Other Operating Revenues | 614,707 | 659,228 | (44,521) | 659,228 | 434,860 | 224,368 |
| Non-Operating Revenues | | | | | | |
| Sales and Use Tax | 33,934,640 | 32,570,355 | 1,364,285 | 32,570,355 | 31,387,198 | 1,183,157 |
| Federal and Other Grants | 58,410 | 4,618,731 | (4,560,321) | 4,618,731 | 1,185,650 | 3,433,081 |
| Investment Income | 409,036 | 85,535 | 323,501 | 85,535 | 69,049 | 16,486 |
| Gain/Loss on Property Disposed | - | (269,101) | 269,101 | (269,101) | 32,007 | (301,108) |
| Total Revenues | 36,847,991 | 39,507,942 | (2,659,951) | 39,507,942 | 35,003,427 | 4,504,515 |
| Expenses: | | | | | | |
| Operating Expenses (net of lease revenue) | 33,144,684 | 30,836,739 | 2,307,945 | 30,836,739 | 30,167,792 | 668,947 |
| Depreciation | 8,931,866 | 8,271,963 | 659,903 | 8,271,963 | 7,541,912 | 730,051 |
| Distribution - Regional Entities | 2,807,222 | 3,003,298 | (196,076) | 3,003,298 | 3,170,013 | (166,715) |
| Subrecipients | 46,299 | 99,479 | (53,180) | 99,479 | 71,560 | 27,919 |
| Interest in Fiscal Charges | 1,028,997 | 1,047,287 | (18,290) | 1,047,287 | 637,621 | 409,666 |
| Total Expenses | 45,959,068 | 43,258,766 | 2,700,302 | 43,258,766 | 41,588,898 | 1,669,868 |
| Net Income/(Loss) Before | | | | | | |
| Capital Grants and Donations | (9,111,077) | (3,750,824) | (5,360,253) | (3,750,824) | (6,585,471) | 2,834,647 |
| Capital Grants and Donations | 1,184,926 | 12,404,116 | (11,219,190) | 12,404,116 | 1,289,577 | 11,114,539 |
| Change in Net Position | (7,926,151) | 8,653,292 | (16,579,443) | 8,653,292 | (5,295,894) | 13,949,186 |
| Net Position, Beginning of Year, as Restated | 93,959,295 | 86,521,619 | 7,437,676 | 86,521,619 | 91,817,513 | (5,295,894) |
| Net Position, End of Year | \$ 86,033,144 | 95,174,911 | (9,141,767) | \$ 95,174,911 | 86,521,619 | 8,653,292 |

As shown on the statement of Revenues, Expenses, and Changes in net position, the Authority's net position decreased by \$7,926,151 at the close of December 31, 2018. When combined with the adjustment to net position associated with the implementation of GASB 75 (OPEB), the actual change is \$9,141,767. The decrease is partially due to the \$2,659,951 decrease in Total Revenues. The primary source of the negative variance was federal and other grants (non-operating revenue). Revenues from sales tax and investment income were up by \$1,364,285 and \$323,501 respectively.

The discussion on the following pages provides details of the more significant aspects of the Authority's operating activities that changed net position.



Revenues: The Authority's revenues are from sources customary to the public mass transportation industry. Total revenues are made up primarily of sales and use taxes with the smaller share of overall revenues generated from user charges and other ancillary revenues, grants used for operating assistance, earnings from investing activities, and occasional gains from disposing of property owned by the Authority.

In 2018, the Authority's total revenues decreased by \$2,659,951 going from \$39,507,942 in 2017 to \$36,847,991. The decrease is due primarily to the funding delay of federal grants that would have been used for preventive maintenance on revenue vehicles.

In 2017, the Authority's total revenues increased \$4,504,515 from 2016, mainly from an increase in sales tax of \$1,183,157 from 2016, and an increase in federal grant revenue of \$3,433,081 from 2016. Operating revenues for 2017 were \$172,899 higher than 2016 and non-operating revenue including investment income declined \$284,622 due to a loss taken on the disposal of capital assets.

◆ Operating Revenues include user charges for transportation services, bus bench advertising, onboard advertising and other ancillary operating revenues. For 2018, revenues from operations which represented 6.6% of total revenues, were down \$ 11,996 from 2016. The decrease in passenger fares represented a decrease of 0.004 percent while revenue from bus



advertising revenues came in short of nearly 3% from 2017. For 2017, operating revenues of \$2,502,422 represent 6.3% of total revenues and are \$172,889 greater than in 2016. However, passenger revenues were down 2.2%, or \$38,259 compared to 2016 and represents a decrease in ridership. Overall ridership is down from 2016 by 1.7% with ridership on fixed routes down by 1.6% while paratransit ridership decreased by 4.6%.

◆ Sales and Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region which provides the primary funding for the Authority's operating budget. For 2018, sales taxes which represented 92.1% of total revenues increased by 4% or \$1,364,285. This increase was realized during a time when sales tax revenues were being affected by the delayed filing and tax relief programs associated with the aftermath of Hurricane Harvey. The proportional relationship of sales tax revenue to total revenue increased nearly 10% and is due to the drop-in revenues from federal grants.

For 2017, sales taxes represent 82.4% of total revenues and increased 4.0% from 2016, indicating a strengthening of the regional economy. Significant construction projects such as the new Harbor Bridge, as well as capital investment in the Gregory area have invigorated the local economy. These projects, coupled with consumer and commercial spending related to the region's recovery in the aftermath of Hurricane Harvey, continue to generate strong sales tax collections. In 2016, sales taxes were 89.5% of total revenues and were 8.0% lower than in 2015, mainly related to the slowdown of Eagle Ford Shale activities.

◆ Operating Grant Assistance represents reimbursements to the Authority for preventative maintenance activities, the cost of certain work-related routes and regional mobility coordination, in addition to the FEMA reimbursement related to the Hurricane Harvey. The Authority has the option of utilizing its annual "Formula" grants provided by the Federal Transit Administration (FTA) for operating assistance or to fund capital asset acquisitions.

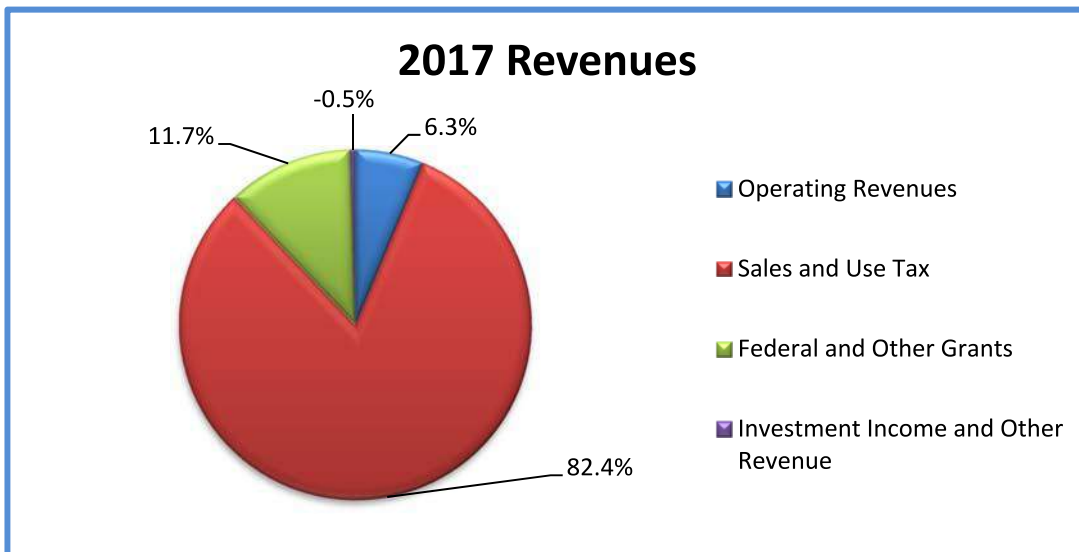
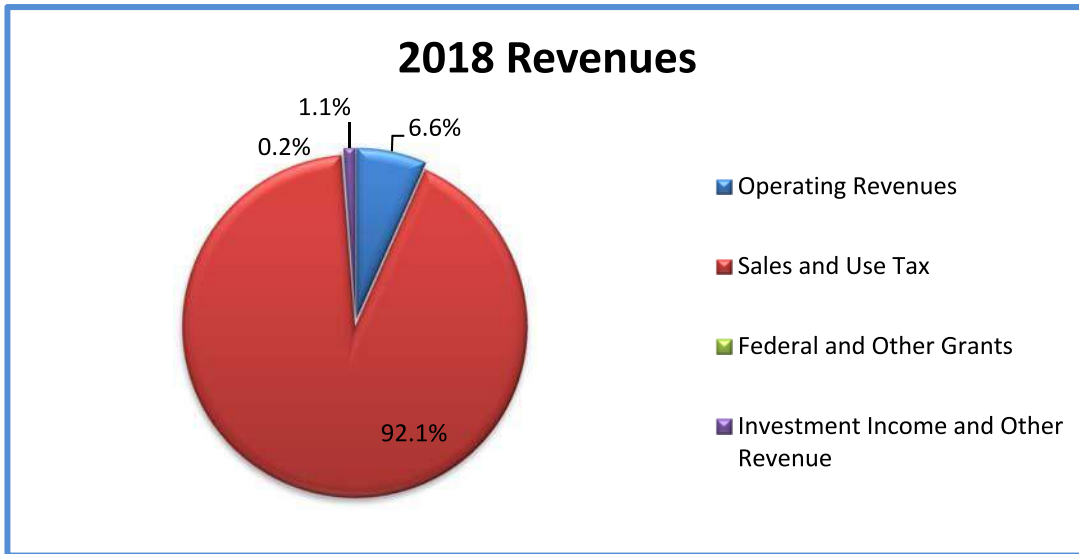
In 2018 the income from federal grant assistance was down by \$4,560,321 from 2017. The timing delays in receiving federal operating grants caused the significant drop from 2016.

In 2017 and 2016, these grant revenues were primarily made up of reimbursements for operating assistance for preventive maintenance on revenue vehicles, ADA paratransit services, FTA Job Access and Reverse Commute used to help pay for the cost of certain work-related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training. In 2017, these grants represent 11.7% of total revenues compared to 3.4% in 2016, and 6.4% in 2015.

◆ Investment Income is income earned from the Authority's investing activities. Income generated from the portfolio increased by \$323,501 or 378% from 2017. The increase reflected income from the TexPool accounts over twelve full months in 2018 in comparison to two months in 2016 when the accounts were first established.

In 2017, income generated from the portfolio increased \$16,486 from 2016. This increase was primarily due to the shifting cash deposits earning little to no yield to TexPool which yielded 1.47% as of December 31, 2017.

In 2018, the Authority did not receive any income for the disposal of assets. In 2017, sales or disposals of assets resulted in a loss of \$269,101 compared to a gain of \$32,007 in 2016. Other revenues have been included with interest income on the revenue charts below.



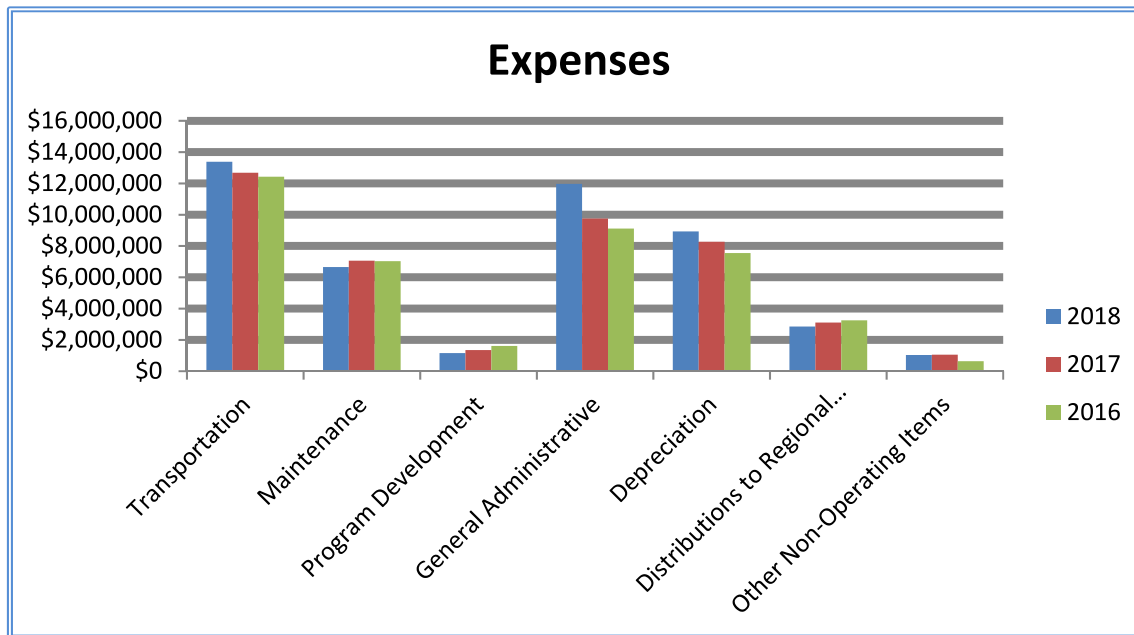


Expenses: The Authority's expenses consist of two types of cost categories; operating expenses and non-operating expenses. Operating expenses are identified as the total cost of providing public transit services including depreciation of capital assets. Included are the costs incurred from directly operated services and those costs incurred from contracted services of a private transportation provider. In the transit industry the contracted service is commonly known as "Purchased Transportation". Operating expenses also include all the indirect cost of planning and program development along with general administrative expenses.

Non-operating expenses involve costs that are not directly associated with core operations but are incurred in the normal course of providing services. Included are distributions to regional entities for the Authority's street improvement program, fiscal and interest charges and payments for grant subrecipient programs.

In 2018, total expenses were \$45,959,068, an increase of \$2,700,302 (6.24%) over total expenses of \$43,258,766 in 2017.

In 2017, total expenses were \$43,258,766, an increase of \$1,669,869 (4.0%) over 2016. In 2016, total expenses were \$41,588,898.

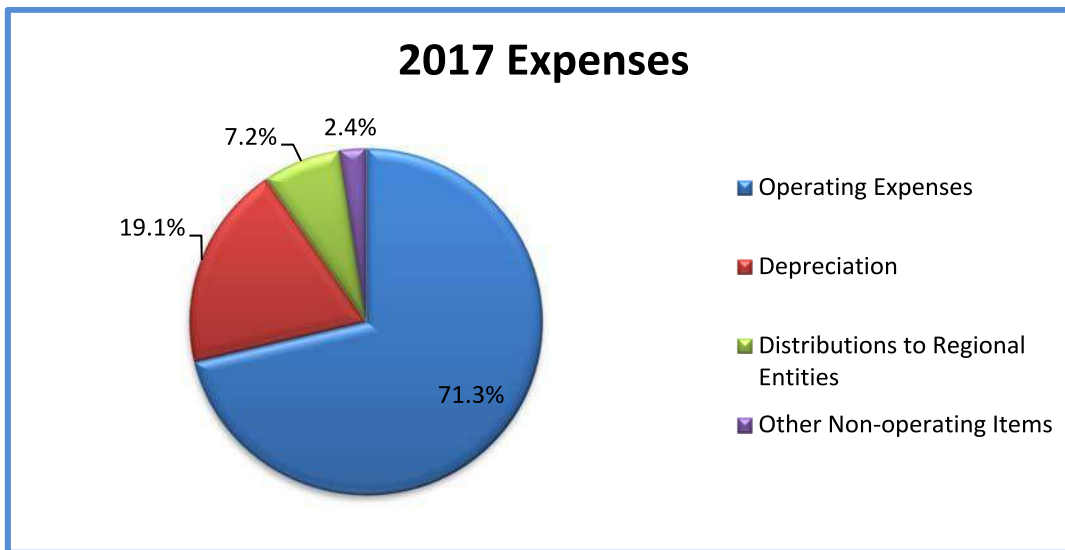
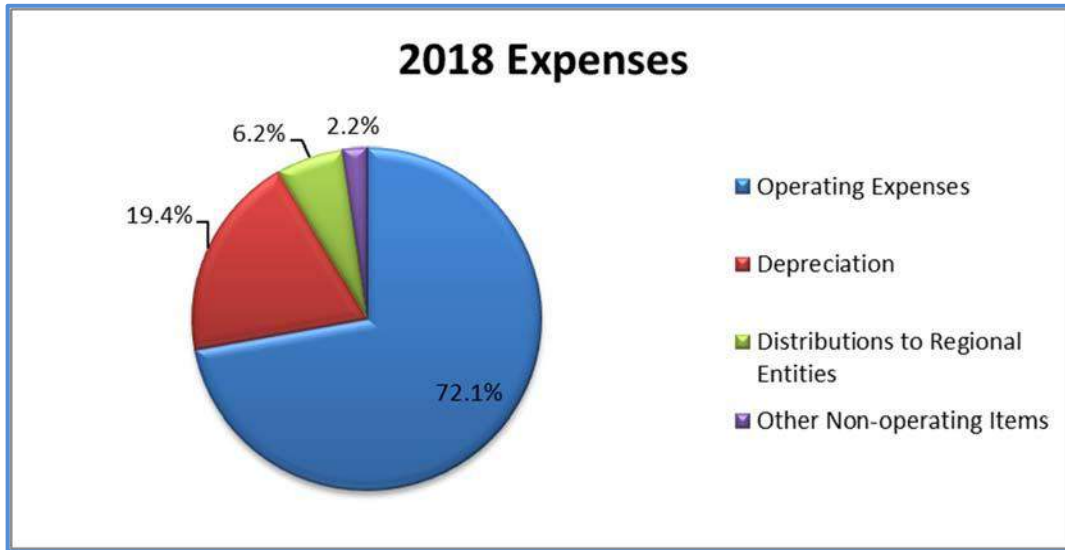


- ◆ **Operating Expenses:** The largest component of the Authority's total expenses is operating expenses. These expenses excluding depreciation expense, account for 72.12% and 71.28% of total expenses in 2018 and 2017, respectively.

As shown in Table 3, operating expenses increased by \$2,307,945 or 7.48% in 2018. The increase comes as a result of the implementation of GASB 75 (OPEB) and the change in pension plan assumptions. Excluding these items, departmental operating expenses did see a slight decrease in 2018. The decrease is attributed to the savings from several departments which more than covered the increase in the cost of providing purchased transportation services and Van Pool Services. This is a result of higher ridership in demand response services which is better known as Door to Door or Curb to Curb service coupled with increases in overtime cost stemming from bus operator shortages. Labor shortages in the transportation industry has become prevalent nationwide and the Authority is working on recruiting and compensation solutions to attract and retain bus drivers and other core transit positions. There has also been a surge in commuting alternatives such as Van Pool services which have doubled since 2017. This type of service is subsidized by the Authority.

Other department costs came in lower than 2017. Namely: transportation by \$225,826, Customer Programs by (\$1,052), MIS by \$33,526, Vehicle Maintenance by (\$323,879) Facilities Maintenance by (\$65,586), Materials Management by (\$21,036), Administrative and General by (\$843,590) and Marketing & Communications by (\$247,031). The decrease in expenses for these departments are attributed to job vacancies, savings from alternative fuel costs from the expansion of CNG fleet and lower energy costs stemming from a new negotiate contract that was placed in early 2018.

For 2017, operating expenses increased by \$668,947 (2.2%) over 2016. Transportation costs which include both directly operated services and purchased transportation services increased \$253,009 (2.0%) mainly due to higher wages for bus operators. Maintenance costs (including vehicle maintenance, facilities management net of lease revenue, and materials management) increased by \$32,055 (0.5%) in 2017. Costs for program development (including service development, customer programs, and marketing) decreased by \$257,427 (16.0%). Administrative costs, including management information systems (MIS), increased \$641,310 (7.0%) from 2016 mainly attributable to costs associated with employee health insurance.



Depreciation: Depreciation expense was \$659,903 (7.9%) higher in 2018 than 2017 due to depreciation due revenue buses that were acquired in 2017 but were not placed in service until 2018.

In 2017 depreciation was \$730,051 (9.7%) higher in 2017 than 2016 due to depreciation on buses acquired in 2015 as well as the completed Staples Street Center. In 2016, depreciation was \$834,623 (10.0%) lower than 2015.

Distributions to Regional Entities: The Authority, through collaborative efforts with the regional member government entities, maintains a street improvement program for the purpose of constructing, rebuilding and rehabilitating streets within its service region. These projects represent a major investment in enhancing mobility, reducing congestion and improving the overall service area. The streets are not the property of the Authority and, thus, the

expenditures are reported as non-operating expenses in the Authority's financial statements. The level of funding is determined by a formula used to calculate the allocations for each of the member cities based on the sales tax receipts for a specific period.

In 2018, these costs decreased by \$196,076 or 6.5% going from \$3,003,298 to \$2,807,222 and is due to a decrease in the budgeted sales tax revenue.

In 2017, these costs decreased \$166,715 (5.3%) from 2016 due to a decrease in budgeted sales tax revenue. In 2016, the costs of the program increased \$161,580 (5.4%) from 2015 due to an increase in budgeted sales tax revenue.

Fiduciary Funds: Following the government-wide basic financial statements are similar financial statements for the Authority's two fiduciary funds. These statements provide financial information about the Authority's defined benefit pension and defined contribution retirement plans.

During 2018, the net decrease in value of the plans' asset decreased by \$2,829,397 or 6.10% going from \$46,338,474 to \$43,509,077. The decrease is due to primarily to investment losses that totaled \$2,662,976.

During 2017, strong performance in the fixed income markets resulted in a \$5,300,379 (12.9%) net increase in value of the plans' assets since the end of 2016. During 2016, strong performance in the fixed income markets resulted in a \$2,995,191 (7.9%) net increase in value of the plans' assets since the end of 2015. Note 5 in the notes section provides a discussion of the administration of the plans and there are further details contained in required supplementary information and supplemental schedules contained in the financial section of this CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For 2019, operating expenses including depreciation are budgeted at \$44,354,735. This represents a 11.64% increase over the final 2018 budget. Sales Tax Revenue, the authority's largest revenue source, was budgeted at \$35,115,261 which represents an increase of 9.03% over the 2018 budget. Sales tax revenue is expected to equal 79.17% of operating expenses in 2019 as opposed to 81.06% in the 2018 budget. Sales tax collections in the first quarter of 2019 reflect a negative growth of 7.20% YOY but include audit adjustments totaling \$181,295.97.

Optimism continues about the local economy as projects valued at over \$30 billion in total capital investments continue to progress. Included is the replacement of the Harbor Bridge and the pending construction of the world's largest ethylene cracker plant in nearby Gregory.

The 2019 budget is formulated with cautious optimism that sales tax collections would continue the upward trend that was experienced in 2018. The Authority took a conservative approach in

its sales tax estimate for 2019 based on economic indicators along with information from various economic sources.

Fare revenues for 2019 are budgeted at \$ 1,875,437 an increase of \$43,862 or 2.39% over 2018. As of the reporting of this document, revenues are exceeding budget projections by year-to-date 5.64%.

Operating expenses for the first quarter of 2019, actual expenses came in below budget by \$364,561 or 12.43%.

Other assumptions in the 2019 budget include the continuation of improvements to our services which experienced major service enhancements in 2018 to provide more direct service and more frequent and faster service. The partnership with MV Transportation has been expanded to include more of the contractor's operators providing fixed route services utilizing the small Arboc buses previously used primarily for paratransit services. Other notable factors include a 5% step increase for bus operators and a 2% COLA increase for bus operators not eligible for the 5% step increase and non-operator employees.

The 2019 budget includes funding for increased technological enhancements and preventive maintenance, which is available through federal grants.

Several significant capital projects are planned for 2019. The costs will be funded with a combination of FTA and local funds.

During 2019, the Authority is continuing to carefully assess factors in the local economy and ways to increase revenues or decrease costs in order to live within the means available. Passenger fares are currently going through a comprehensive evaluation. The firm of Nelson Nygaard has been contracted to conduct a Fare Equity Analysis. Fare recommendations are currently being considered by management and is expected to go the August Board Meeting. The approval process is highly regulated and is estimated to take 90 days. If approved, the implementation date would be scheduled for January 1, 2020.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional information should be addressed to Open Records Request, Attn: Monica Jasso, Corpus Christi Regional Transportation Authority, 602 N Staples St, Corpus Christi, Texas 78401-2802, (361) 289-2712. The Comprehensive Annual Financial Report will also be posted on the Authority's website: www.ccrta.org



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Net Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents (Note 2) | \$ 21,259,831 | \$ 20,728,310 |
| Investments (Note 2) | 5,104,906 | 5,025,996 |
| Receivables: | | |
| Sales and Use Taxes | 6,015,928 | 5,753,658 |
| Accrued Interest | 38,377 | 20,473 |
| Federal Government | 258,243 | 1,663,575 |
| Other | 245,913 | 180,223 |
| Inventories | 654,775 | 550,134 |
| Prepaid Expenses | 261,394 | 362,729 |
| Total Current Assets | <u>33,839,367</u> | <u>34,285,098</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents (Note 2) | 1,611,302 | 1,611,302 |
| Capital Assets (Note 3): | | |
| Land | 5,381,969 | 5,381,969 |
| Buildings | 53,734,210 | 53,615,679 |
| Transit Stations, Stops and Pads | 23,592,450 | 23,407,608 |
| Other Improvements | 5,525,123 | 5,442,159 |
| Vehicles, Furniture and Equipment | 60,369,148 | 56,807,561 |
| Construction in Progress | 666,827 | 3,407,006 |
| Total Capital Assets | <u>149,269,727</u> | <u>148,061,982</u> |
| Less: Accumulated Depreciation | <u>(70,899,151)</u> | <u>(61,977,502)</u> |
| Net Capital Assets | <u>78,370,576</u> | <u>86,084,480</u> |
| Total Non-Current Assets | <u>79,981,878</u> | <u>87,695,782</u> |
| TOTAL ASSETS | <u>113,821,245</u> | <u>121,980,880</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow related to pensions (Note 5) | <u>5,170,677</u> | <u>3,411,606</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>118,991,922</u></u> | <u><u>125,392,486</u></u> |

Continued on next page



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Position (continuation)

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| Accounts Payable | 316,287 | 2,854,439 |
| Contractors Retainage Payable | - | - |
| Current Portion of Long-Term Liabilities (Note 4): | | |
| Long-Term Debt | 595,000 | 575,000 |
| Compensated Absences | 283,472 | 354,908 |
| Distributions to Regional Entities Payable | 3,077,888 | 3,068,313 |
| Other Accrued Liabilities | 616,793 | 690,537 |
| <i>Total Current Liabilities</i> | <u>4,889,440</u> | <u>7,543,197</u> |
| Long-Term Liabilities, Net of Current Portion (Note 4): | | |
| Long-Term Debt | 18,650,000 | 19,245,000 |
| Compensated Absences | 344,752 | 195,210 |
| Net Pension Liability (Note 5) | 6,468,642 | 2,383,237 |
| Net OPEB Obligation (Note 6) | 1,101,367 | 371,757 |
| <i>Total Long-Term Liabilities</i> | <u>26,564,761</u> | <u>22,195,204</u> |
| TOTAL LIABILITIES | <u>31,454,201</u> | <u>29,738,401</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow related to pensions (Note 5) | 1,504,577 | 479,174 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>32,958,778</u> | <u>30,217,575</u> |
| Net Position: | | |
| Net Invested in Capital Assets | 59,125,576 | 66,264,480 |
| Restricted for Debt Service | 1,611,302 | 1,611,302 |
| Unrestricted | 25,296,266 | 27,299,129 |
| TOTAL NET POSITION | <u>\$ 86,033,144</u> | <u>\$ 95,174,911</u> |



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Passenger Service | \$ 1,688,643 | \$ 1,696,742 |
| Bus Advertising | 142,555 | 146,452 |
| Other Operating Revenues | 614,707 | 659,228 |
| Total Operating Revenues | <u>2,445,905</u> | <u>2,502,422</u> |
| Operating Expenses: | | |
| Transportation | 6,878,056 | 7,103,882 |
| Customer Programs | 346,575 | 347,627 |
| Purchased Transportation | 6,498,084 | 5,575,126 |
| Service Development | 434,051 | 380,030 |
| MIS | 811,572 | 845,098 |
| Vehicle Maintenance | 4,488,150 | 4,812,029 |
| Facilities Maintenance (net of lease revenue of \$459,518 and \$339,945 in 2018 and 2017) | 2,010,370 | 2,075,956 |
| Materials Management | 153,113 | 174,149 |
| Administrative and General | 11,152,107 | 8,903,205 |
| Marketing & Communications | 372,606 | 619,637 |
| Depreciation | 8,931,866 | 8,271,963 |
| Total Operating Expenses | <u>42,076,550</u> | <u>39,108,702</u> |
| Operating Loss | (39,630,645) | (36,606,280) |
| Non-Operating Revenues (Expenses): | | |
| Sales and Use Tax Revenue | 33,934,640 | 32,570,355 |
| Federal and Other Grant Assistance | 58,410 | 4,618,731 |
| Investment Income | 409,036 | 85,535 |
| Gain (Loss) on Disposition of Property | - | (269,101) |
| Subrecipient Programs | (46,299) | (99,479) |
| Interest Expense and Fiscal Charges | (1,028,997) | (1,047,287) |
| Distributions to Regional Entities | (2,807,222) | (3,003,298) |
| Net Non-Operating Revenues (Expenses) | <u>30,519,568</u> | <u>32,855,456</u> |
| Net (Loss) Before Capital Grants & Donations | (9,111,077) | (3,750,824) |
| Capital Grants & Donations | <u>1,184,926</u> | <u>12,404,116</u> |
| Change in Net Position | (7,926,151) | 8,653,292 |
| Net Position, Beginning of Year | <u>95,174,911</u> | <u>86,521,619</u> |
| Cumulative Effect of Change in Accounting Principle | <u>(1,215,616)</u> | <u>-</u> |
| Net Position, End of Year | <u>\$ 86,033,144</u> | <u>\$ 95,174,911</u> |

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| Cash Flows From Operating Activities: | | |
| Cash Received from Customers | \$ 1,688,643 | \$ 1,696,741 |
| Cash Received from Bus Advertising and Other Ancillary | 1,216,780 | 1,002,337 |
| Cash Payments to Suppliers for Goods and Services | (18,244,875) | (17,013,618) |
| Cash Payments to Employees for Services | (11,201,457) | (11,764,611) |
| Cash Payments for Employee Benefits | <u>(2,131,370)</u> | <u>(1,977,171)</u> |
| Net Cash Used for Operating Activities | <u>(28,672,279)</u> | <u>(28,056,322)</u> |
| Cash Flows from Non-Capital Financing Activities: | | |
| Sales and Use Taxes Received | 33,672,370 | 32,256,457 |
| Grants and Other Reimbursements | 169,394 | 4,807,510 |
| Distributions to Subrecipient Programs | (46,299) | (99,479) |
| Distributions to Region Entities | <u>(2,797,647)</u> | <u>(3,264,830)</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>30,997,818</u> | <u>33,699,658</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Federal and Other Grant Assistance | 2,591,906 | 10,957,840 |
| Proceeds from Sale of Capital Assets | - | 36,118 |
| Repayment of Long-Term Debt | (575,000) | (555,000) |
| Interest and Fiscal Charges | (1,090,354) | (1,048,825) |
| Purchase and Construction of Capital Assets | <u>(3,111,702)</u> | <u>(14,246,032)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(2,185,150)</u> | <u>(4,855,899)</u> |
| Cash Flows from Investing Activities: | | |
| Investment Income | 391,132 | 119,781 |
| Purchases of Investments | (6,134,520) | (5,025,996) |
| Maturities and Redemptions of Investments | <u>6,134,520</u> | <u>9,002,510</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>391,132</u> | <u>4,096,295</u> |
| Net Increase in Cash and Cash Equivalents | 531,521 | 4,883,732 |
| Cash and Cash Equivalents (Including Restricted Accounts, January 1) | 22,339,612 | 17,455,880 |
| Cash and Cash Equivalents (Including Restricted Accounts), December 31 | \$ <u>22,871,133</u> | \$ <u>22,339,612</u> |

Continued on next page



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows (continuation)
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|------------------------|------------------------|
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities: | | |
| Operating Loss | \$ (39,630,645) | \$ (36,606,280) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 8,931,866 | 8,271,963 |
| Changes in Assets, Deferred Outflows of Resources, and Liabilities: | | |
| Other Receivables | (65,690) | (143,285) |
| Inventories | (104,641) | 60,242 |
| Prepaid Expenses | 101,335 | (82,295) |
| Accounts Payable and Accrued Liabilities | (2,624,881) | (68,733) |
| Compensated Absences | 78,106 | 89,561 |
| Net OPEB Obligation | 1,290,534 | (63,660) |
| Deferred Inflows of Resources | 1,025,403 | 284,140 |
| Deferred Outflows of Resources | (1,759,071) | 1,139,197 |
| Net Pension Liability | 4,085,405 | (937,172) |
| Net Cash Used for Operating Activities | <u>\$ (28,672,279)</u> | <u>\$ (28,056,322)</u> |
| Non-Cash Investing, Capital and Financing Activities: | | |
| Premiums/Discounts on Investments | \$ - | \$ - |
| Fair Value of Investments | - | - |
| Change in Accounts Payable for Acquisitions of Capital Assets | - | 853,061 |
| (Gain) Loss on Sale of Assets | - | 269,101 |
| Change in: | | |
| Interest Receivable | 17,904 | (34,246) |
| Sales and Use Tax Receivable | 262,270 | 313,898 |
| Receivable from Federal Government Capital | (1,419,483) | 1,446,276 |
| Receivable from Federal Government Operating | 14,151 | (188,779) |
| Distribution to Regional Entities Payable | 9,575 | (261,533) |
| Accrued Interest Payable | (1,710) | 1,538 |

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Net Position
December 31, 2018 and 2017

| | 2018 | | 2017 |
|---------------------------------|-------------------|----|-------------------|
| ASSETS | | | |
| Investments (Note 2) | | | |
| Money Market Funds | \$ 1,885,327 | \$ | 1,815,350 |
| Debt Mutual Funds | 3,183,998 | | 4,319,909 |
| Equity Mutual Funds | 38,439,752 | | 40,203,215 |
| TOTAL ASSETS | 43,509,077 | | 46,338,474 |
| LIABILITIES | | | |
| | - | | - |
| NET POSITION | | | |
| Restricted for Pension Benefits | \$ 43,509,077 | \$ | 46,338,474 |

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Position
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | | <u>2017</u> |
|---------------------------|----------------------|----|-------------------|
| Additions: | | | |
| Investment Income /(Loss) | \$ (2,662,976) | \$ | 5,595,372 |
| Employee Contributions | 1,035,177 | | 1,001,703 |
| Employer Contributions | 1,425,533 | | 1,383,969 |
| Total Additions | <u>(202,266)</u> | | <u>7,981,044</u> |
| Deductions: | | | |
| Benefits Paid | 2,499,825 | | 2,563,499 |
| Administrative Expenses | 127,306 | | 117,166 |
| Total Deductions | <u>2,627,131</u> | | <u>2,680,665</u> |
| Increase in Net Position | (2,829,397) | | 5,300,379 |
| Net Position, January 1 | 46,338,474 | | 41,038,095 |
| Net Position, December 31 | <u>\$ 43,509,077</u> | \$ | <u>46,338,474</u> |

See Notes to Financial Statements





(1) **Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The Corpus Christi Regional Transportation Authority (Authority) was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy ½-cent sales and use tax for transit purposes, including both capital improvement and operating expenses. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by operating revenues. Subject to referendum, the Authority may also issue bonds backed by sales taxes. The Authority is not subject to federal income taxes.

Reporting Entity: “The Financial Reporting Entity,” as defined in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority’s approval for its budget, the levying of taxes or the issuance of debt. The Authority is financially responsible for an organization if it appoints a majority of the organization’s board and either (a) has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists only of the primary government. There are no component units. The Authority is not included as part of another governmental reporting entity.

Measurement Focus, Basis of Accounting and Financial Statements: The accounts of the Authority are organized as a proprietary fund. Proprietary funds account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that costs of providing services to the general public on a continuing basis are financed or recovered through user charges. The Authority’s accounts are used for all Authority assets, liabilities, equities, revenues and expenses and are maintained on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses, including depreciation and amortization, of providing services to the public are accrued when incurred.



Operating revenues include charges for transportation services and related ancillary revenues. Operating expenses include costs of operating the Authority, including fixed route, purchased services, service planning, customer service, vehicle and facilities maintenance net of SSC leases, and administrative functions. All revenues and expenses that do not meet these definitions are classified as non-operating.

Non-operating revenues are non-exchange transactions, in which the Authority receives value without directly giving something of equal value in return, including sales taxes and grants. Sales tax is recognized when the taxable sales occur. Grants are recognized on a reimbursement basis when all grant requirements have been satisfied.

Budget: State law requires that an annual operating budget be adopted prior to the commencement of a fiscal year. Before the budget is adopted, the Authority's Board of Directors is required to conduct a public hearing and the proposed budget must be made available to the public at least 14 days prior to the hearing. The Authority may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. Monthly budget reports are prepared for budgetary control purposes.

Fiduciary Funds: Fiduciary funds are used to account for pension activities for which the Authority is financially accountable. Since these assets are being held for the benefit of other parties and cannot be used to finance the activities of the Authority, they are separately presented funds.

Cash and Cash Equivalents: The Authority considers all cash on hand, demand deposits and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Investments: The Authority's investments are stated at fair value, except for money market funds and investments with a remaining maturity of one year or less when purchased and non-participating interest earning investment contracts, which are carried at cost. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Net change in the fair value of investments is recognized and reported as investment income in the financial statements. The Authority's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The Authority's investment policy focuses on strategies that attain preservation of principal primarily and maximizing earnings secondarily. Policy considers all cash on hand, demand deposits, and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Receivables: Receivables generally consist of amounts due from customers, grantor agencies, cost-sharing agreements, employees, warranties and similar activities.

Inventories and Prepaid Items: Parts inventories are stated at average cost. Fuel inventories are carried at cost using the first-in, first-out method. In accordance with



industry practice, all inventories are classified as current assets regardless of whether the inventory will be utilized within one year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets: The Authority defines capital assets as items with initial cost of at least \$5,000 for all items and an estimated life of at least two years. Capital assets, which include property, facilities, and equipment, are stated at historical cost. Donated assets are reported at acquisition value rather than fair value. Leasehold improvements are amortized over the shorter of the lease term or lives of related improvements. All costs of normal maintenance and repairs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Standard useful life estimates by asset types are as follows:

| Asset Type | Years |
|---|-------|
| Buildings | 20-50 |
| Transit Stations, Bus Stops, Street Pads & Other Improvements | 2-15 |
| Improvements other than buildings | 2-5 |
| Vehicles | 3-12 |
| Furniture & Equipment | 2-12 |

Upon disposal, the costs of assets, including accumulated depreciation, are removed with the resulting gain or loss being reflected as a non-operating revenue/expense in the statement of revenues, expenses, and changes in net position. A portion of the proceeds from sale of property and equipment acquired with federal grants must be remitted to the granting federal agency under certain circumstances.

Compensated Absences: Employees of the Authority are compensated for personal, holiday, and health leave and other qualifying absences. The number of days compensated for these absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused personal leave. The amount of unused time that can be carried over to the next year is limited to 80 hours. Sick leave can be carried over indefinitely and up to 240 hours paid out if the employee retires from the Authority. Compensated absences are reflected in the financial statements when earned and available to the employee.

Deferred Inflows/Outflows: Deferred inflows represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report inflows in circumstances specifically authorized by the GASB. Deferred inflows related to pensions consist of the difference between expected and actual experience. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. Deferred outflows related to pensions consist of amounts paid into the retirement system after the prescribed measurement date, the net difference between projected and actual earnings



and the difference between actual and expected experience.

Pension Plans: It is the Authority's policy to fund pension costs annually. For purposes of measuring the net pension asset, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Defined Benefit and Defined Contributions Plan (Plans) and additions to/deductions from the Authority's plans fiduciary net position have been determined on the same basis as they are reported by plans. 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. For more information on the Authority's pension plans, see Note 5 of the Notes and Financial Statements.

Estimates: Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Recent Accounting Pronouncements:

- GASB 74 – The Governmental Accounting Standards Board amended Statement No. 43 with Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans and the decision-usefulness of the financial reports of those OPEB plans.
- GASB 75 – The Governmental Accounting Standards Board amended Statement No. 45 with Statement No. 75. Statement No. 75 requires the determination of the OPEB expense for the fiscal year beginning January 1, 2018 and provides a new approach in calculating the pension expense which differs significantly from Statement No. 45 methodology. GASB 75 does away with Net OPEB Obligation and requires the full liability to be recognized immediately on the balance sheet. On the other hand, GASB 45 only recognized the liability within a footnote of the financial statements, with only a portion of the total liability going on the books through the Net OPEB Obligation.
- GASB 82 - *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by



employers to satisfy employee (plan member) contribution requirements.

- GASB 85 – The objective of this Statement as it relates to postemployment benefits, pensions and other postemployment benefits (OPEB), is to address the timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

Prior Period Restatements: Effective for the 2018 fiscal year, the Authority implemented GASB Statement No. 75, *Accounting for Post-Employment Benefits Other Than Pensions (OPEB)*. Accordingly, a restatement to beginning net position was required for the recording of beginning net OPEB liability.

Because audited beginning balances cannot be obtained for all the deferred inflows and outflows of resources related to OPEB, the Authority recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle. Beginning net position as of January 1, 2018 has been restated as follows for the implementation of GASB No. 75:

| | |
|--|----------------------|
| Beginning Net Position | \$ 95,174,911 |
| Beginning Net OPEB Liability (12/31/2018 Measurement Date) | <u>(1,215,616)</u> |
| Beginning Net Position as Restated | <u>\$ 93,959,295</u> |

Future Accounting Pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. In November 2016, GASB issued this statement to establish recognition and measurement guidance for assets not covered by existing GASB standards. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets shall recognize a liability based on the guidance of this statement. The effective date of this statement for the Authority is December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*. In January 2017, GASB issued this statement. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for account and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local government. The types of fiduciary funds that must be reported include:

- Pension (and other employee benefit) trust funds;
- Investment trust funds;
- Private-purpose trust funds; and
- Custodial funds.



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. The Statement is effective for the Authority beginning with its year ending December 31, 2019.

GASB 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 previously were 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 inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority will implement GASB No. 87 in the year ending December 31, 2019.

GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. In April 2018, GASB issued this statement. It is designed to enhance debt-related disclosures in notes to financial statements and clarifies which liabilities governments should include in their note disclosures related to debt. Statement 88 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. Statement 88 requires governments to disclose additional essential debt-related information for all types of debt, including:

- Amounts of unused lines of credit;
- Assets pledged as collateral for debt; and
- Terms specified in debt agreements related to significant: (1) events of default with finance-related consequences, (b) termination events with finance-related consequences, and (c) subjective acceleration clauses.

The Statement is effective for the Authority beginning with its year ending December 31, 2019.

GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. In June, the GASB issued Statement No. 89.



Under current governmental accounting standards, a business-type activity or enterprise fund is required to capitalize interest costs incurred before the end of a construction period as part of the cost of the related capital asset. Under Statement No. 89, interest cost capitalization will no longer be required.

The objective is to simplify reporting and provide comparable information as interest cost does not align with the definition of an asset since it does not possess present service capacity.

In addition, interest cost should not be reported as a deferred outflow since it views interest costs as a current period cost. The Statement is effective for the Authority beginning with its year ending December 31, 2020.

GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. In September 2018, GASB issued this statement. The primary objective of this statement is to improve consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Specifically, the Statement states "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. The Statement is effective for the Authority beginning with its year ending December 31, 2019.

The Authority is still evaluating how these pronouncements will affect the financial statements.

(2) Cash, Cash Equivalents, and Investments

As of December 31, 2018, the majority of the current assets totaling \$22,871,133 were held in bank deposits or in the TexPool local government investment pool (LGIP), while investments held in certificates of deposit totaled \$5,104,906.



| <u>Type</u> | <u>2018</u> | <u>Weighted Average Maturity (Years)</u> | <u>2017</u> | <u>Weighted Average Maturity (Years)</u> |
|---|----------------------|--|----------------------|--|
| Investment measured at amortized cost: | | | | |
| Certificates of Deposit | \$ 5,104,906 | 0.59 | 5,025,996 | 0.90 |
| Total Investments | 5,104,906 | | 5,025,996 | |
| Portfolio weighted average maturity | | 0.59 | | 0.90 |
| Cash and Cash Equivalents | | | | |
| Deposits in Bank | 6,183,079 | | 11,419,753 | |
| TexPool Local Government Investment Pool - Overnight | 16,686,664 | | 10,912,384 | |
| Cash funds | 1,390 | | 1,150 | |
| Money market funds | - | | 6,325 | |
| Total Cash and Cash Equivalents | <u>22,871,133</u> | | <u>22,339,612</u> | |
| Total Cash, Cash Equivalents, and Investments | <u>\$ 27,976,039</u> | | <u>\$ 27,365,608</u> | |

Fair Value Measurements – GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for determining a fair value measurement for financial reporting purposes. The Authority categorizes its investments measured at fair value within the hierarchy established by generally accepted accounting principles.

Investments valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quotes prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related market activity.

Because the investments are restricted by Board policy and state law to active secondary market, the *market approach* is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The *exit* or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.



As of December 31, 2018, and 2017, the securities to be priced in the portfolio were as follows:

**Fair Value Measurement Using Quoted
Prices in Active Markets for Identical
Assets (Level 1)
December 31,**

| | 2018 | | 2017 | |
|-------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Enterprise Fund | Fiduciary Fund | Enterprise Fund | Fiduciary Fund |
| US Treasury Obligations | \$ - | \$ - | \$ - | \$ - |
| US Gov't Agencies | - | - | - | - |
| Commercial Paper | - | - | - | - |
| Debt Mutual Funds | - | 3,183,998 | - | 3,277,109 |
| Equity Mutual Funds | - | 38,439,752 | - | 41,246,015 |
| Total | \$ - | \$ 41,623,750 | \$ - | \$ 44,523,124 |



Interest Rate Risk: This is the risk that changes in the interest rates will negatively impact the fair value of the Authority's investments. As market interest rates rise, the fair value of an investment held decreases. By policy, the Authority's strategy for managing this risk is to limit the weighted average maturity for the portfolio to one year. The maximum maturity for any one investment is three years.

For the Enterprise Fund as of December 31, 2018,

- no holding in the portfolio had a maturity date beyond 312 days,
- holdings maturing beyond six months represented 10.9% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 39 days.

For the Enterprise Fund as of December 31, 2017,

- no holding in the portfolio had a maturity date beyond 312 days,
- holdings maturing beyond six months represented 18.44% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 40 days.

Credit Risk - Investments: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The primary stated objective of the Authority's adopted Investment Policy is the safety of principal and the avoidance of principal loss. Credit risk within the Authority's portfolio among the authorized investments in the Policy is represented in time and demand deposits, repurchase agreements, state and local government obligations, local government pools, banker's acceptances, commercial paper and non-rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating organization (NRSRO).

Certificates of deposit are limited to a stated maturity of two years and FDIC insurance is required. Brokered certificates of deposit must be FDIC insured and delivered versus payment to the Authority's depository. Maximum maturity is two years with 102% collateralization required. FDIC insurance must be verified before purchase and monitored thereafter. All investments requiring a rating must be monitored on an ongoing basis.

Concentration of Credit Risk: This is the risk of investing predominantly in any one type of investment or entity. The Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Authority's adopted investment policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a monthly basis. As of December 31, 2018, and 2017 the limits on the various types of authorized investments as a percent of the portfolio were:



| <u>Investment Type</u> | <u>Allowable</u> | <u>Actual as of 12/31/2018</u> | <u>Actual as of 12/31/2017</u> |
|--------------------------------------|------------------|------------------------------------|------------------------------------|
| US Treasury Obligation | 80.00% | 0.00% | 0.00% |
| US Agencies/Instrumentalities | 80.00% | 0.00% | 0.00% |
| State Government Obligations | 35.00% | 0.00% | 0.00% |
| Local Government Obligations | 35.00% | 0.00% | 0.00% |
| Certificates of Deposit (Depository) | 50.00% | 18.25% | 18.37% |
| Brokered Certificates of Deposit | 30.00% | 0.00% | 0.00% |
| Repurchase Agreements | 50.00% | 0.00% | 0.00% |
| Flex in CIP Funds | 100.00% | 0.00% | 0.00% |
| Local Government Investment Pools | 80.00% | 59.65% | 39.88% |
| Money Market Funds / Demand Deposits | 100.00% | 22.10% | 41.76% |
| Commercial Paper | 25.00% | 0.00% | 0.00% |
| Bankers Acceptances | 20.00% | 0.00% | 0.00% |

Custodial Credit Risk – Deposits and Investments: For deposits, this is the risk that if a bank fails, the Authority may not recover its deposits. The Authority contractually requires that all demand deposits held in the bank overnight and repurchase agreements be fully insured or collateralized at 102% under a written agreement. Collateral is held in safekeeping by an independent third party. At December 31, 2018 and 2017 bank funds on deposit in excess of FDIC insurance were collateralized at more than 102%.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority may not recover the value of its investments or collateral securities that are in the possession on an outside party. The Authority requires that all securities must be cleared on a delivery versus payment (DVP) basis and Authority ownership documented by original clearing confirmations and safekeeping receipts. At December 31, 2018 and 2017, all Authority's securities were handled in this manner.

Fiduciary Funds: Funds in the Authority's Defined Benefit and Defined Contribution plans are invested through trust plans managed by Wells Fargo. These funds are invested under separate investment policies which allow for investments in money market accounts, mutual funds, stocks and bonds. Through adherence to the plans' investment policies, management attempts to limit or mitigate certain risks. The Authority is responsible for the Plans' assets.

Defined Benefit Plan: The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan's liabilities through a combination of income and capital appreciation in a manner consistent with the fiduciary standards of ERISA and with sound investment practices. Assets are invested to minimize the chance of suffering market value losses. Assets are diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk.



Defined Contribution Plan: The overall objective is to enable eligible employees to save for retirement by providing a tax-deferred savings plan and offering enough funds from distinct asset classes to accommodate a broad range of individual investment goals. The Plan provides multiple investment alternatives, each with different risk and return characteristics, so that each participant can choose the potential return and risk levels as well as attain diversification among the alternatives. The Authority employs certain qualitative and quantitative measures to evaluate potential investment alternatives.

(3) Capital Assets

The Authority's capital assets represent investments in land, buildings, transit stations, infrastructure improvements, bus stops, street pads, bus turn-ins, motor coaches, trolleys, paratransit vehicles, sedans, vans, cars and trucks, garage equipment, facilities maintenance equipment, office equipment and information technology needed to conduct the Authority's operations.

Capital asset activities for the year ended December 31, 2018 are as follows:

| | Balance at 12/31/2017 | Additions / Transfers | Retirements | Balance at 12/31/2018 |
|---|----------------------------------|----------------------------------|------------------------|----------------------------------|
| Assets Not Being Depreciated: | | | | |
| Land | \$ 5,381,969 | - | - | 5,381,969 |
| Construction in Progress | 3,407,006 | (2,740,179) | - | 666,827 |
| | <u>8,788,975</u> | <u>(2,740,179)</u> | - | <u>6,048,796</u> |
| Assets Being Depreciated | | | | |
| Buildings | 53,615,679 | 118,531 | - | 53,734,210 |
| Transit Stations, Bus Stops, Street Pads & Other Improvements | 23,407,608 | 184,843 | - | 23,592,450 |
| Improvements other than Buildings | 5,442,159 | 82,964 | - | 5,525,123 |
| Vehicles, Furniture and Equipment | 56,807,561 | 3,571,803 | (10,217) | 60,369,147 |
| | <u>139,273,007</u> | <u>3,958,141</u> | <u>(10,217)</u> | <u>143,220,931</u> |
| Total Capital Assets | <u>148,061,982</u> | <u>1,217,962</u> | <u>(10,217)</u> | <u>149,269,727</u> |
| Less: Accumulated Depreciation: | | | | |
| Buildings | 12,919,217 | 1,315,694 | - | 14,234,911 |
| Transit Stations, Bus Stops, Street Pads & Other Improvements | 18,655,854 | 898,740 | - | 19,554,594 |
| Improvements other than Buildings | 2,925,398 | 388,638 | - | 3,314,036 |
| Vehicles, Furniture and Equipment | 27,477,033 | 6,328,794 | (10,217) | 33,795,610 |
| Total Accumulated Depreciation | <u>61,977,502</u> | <u>8,931,866</u> | <u>(10,217)</u> | <u>70,899,151</u> |
| Total Capital Assets, Net | <u>\$ 86,084,480</u> | <u>(7,713,904)</u> | <u>-</u> | <u>78,370,576</u> |



Capital asset activities for the year ended December 31, 2017 are as follows:

| | Balance at 12/31/2016 | Additions / Transfers | Retirements | Balance at 12/31/2017 |
|---|----------------------------------|----------------------------------|----------------------------|----------------------------------|
| Assets Not Being Depreciated: | | | | |
| Land | \$ 3,658,054 | 1,723,915 | - | 5,381,969 |
| Construction in Progress | 209,190 | 3,197,816 | - | 3,407,006 |
| | <u>3,867,244</u> | <u>4,921,731</u> | <u>-</u> | <u>8,788,975</u> |
| Assets Being Depreciated | | | | |
| Buildings | 49,958,064 | 3,657,615 | - | 53,615,679 |
| Transit Stations, Bus Stops, Street Pads & Other Improvements | 25,799,089 | 184,418 | (2,575,899) | 23,407,608 |
| Improvements other than Buildings | 4,706,675 | 760,517 | (25,033) | 5,442,159 |
| Vehicles, Furniture and Equipment | 63,726,568 | 5,574,812 | (12,493,819) | 56,807,561 |
| | <u>144,190,396</u> | <u>10,177,362</u> | <u>(15,094,751)</u> | <u>139,273,007</u> |
| Total Capital Assets | <u>148,057,640</u> | <u>15,099,093</u> | <u>(15,094,751)</u> | <u>148,061,982</u> |
| Less: Accumulated Depreciation: | | | | |
| Buildings | 11,676,311 | 1,242,906 | - | 12,919,217 |
| Transit Stations, Bus Stops, Street Pads & Other Improvements | 20,086,961 | 1,062,315 | (2,493,422) | 18,655,854 |
| Improvements other than Buildings | 2,599,679 | 350,752 | (25,033) | 2,925,398 |
| Vehicles, Furniture and Equipment | 34,132,119 | 5,615,990 | (12,271,077) | 27,477,033 |
| Total Accumulated Depreciation | <u>68,495,070</u> | <u>8,271,963</u> | <u>(14,789,532)</u> | <u>61,977,502</u> |
| Total Capital Assets, Net | <u>\$ 79,562,570</u> | <u>6,827,130</u> | <u>(305,219)</u> | <u>86,084,480</u> |



(4) Long – Term Liabilities

Changes in Long-Term Liabilities

| 2018 | 1/1/2018 | Additions | Retirements | 12/31/2018 | Due Within One Year |
|-----------------------------|---------------|-----------|-------------|------------|---------------------|
| Revenue Bonds | \$ 19,820,000 | - | 575,000 | 19,245,000 | 595,000 |
| Net Pension Liability | 2,383,237 | 335,013 | 2,089,337 | 628,913 | - |
| Net OPEB Obligations | 371,757 | 1,215,616 | 486,006 | 1,101,367 | - |
| Compensated Absences | 550,118 | 850,137 | 772,031 | 628,224 | 354,908 |
| Total Long-Term Liabilities | \$ 23,125,112 | 2,400,766 | 3,922,374 | 23,125,112 | 929,908 |

| 2017 | 1/1/2017 | Additions | Retirements | 12/31/2017 | Due Within One Year |
|-----------------------------|---------------|-----------|-------------|------------|---------------------|
| Revenue Bonds | \$ 20,375,000 | - | 555,000 | 19,820,000 | 575,000 |
| Net Pension Liability | 3,320,409 | 1,261,111 | 2,198,283 | 2,383,237 | - |
| Net OPEB Obligations | 435,418 | 117,871 | 181,532 | 371,757 | - |
| Compensated Absences | 460,557 | 861,591 | 772,031 | 550,118 | 354,908 |
| Total Long-Term Liabilities | \$ 24,591,385 | 2,240,573 | 3,706,846 | 23,125,112 | 929,908 |

Long-Term Debt:

On November 20, 2013, the Authority issued revenue bonds, Series 2013 (AMT) in the amount of \$11,525,000, with proceeds from the sale to be used for (1) renovation of the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs of issuing the Tax-Exempt Bonds. The Authority also issued revenue bonds, Taxable Series 2013 in the amount of \$10,500,000 on November 20, 2013, with the proceeds from the sale to be used to (1) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds. Both issues were capital related debt.

These bonds are first lien revenue bonds, and will be repaid from the pledged revenues of the Authority. Pledged revenues, as defined by the bond resolution include the net operating revenues, plus any additional revenues, income, receipts, or other revenues which are pledged by the Issuer.

Total interest cost for period ending December 31, 2017 was \$1,047,287 of which none was capitalized. Total interest cost for period ending December 31, 2016 was \$1,114,330 of which \$477,510 was capitalized.

As of December 31, 2018, all bond proceeds were expended.



Total debt service requirements as of December 31, 2018 are as follows:

| \$11,525,000 Series 2013 (AMT Bonds) | | | |
|---|----------------------|---------------------|-------------------------------|
| Years Ending December 31, | Principal | Interest | Total Requirements |
| 2019 | \$ 320,000 | \$ 492,623 | \$ 812,623 |
| 2020 | 335,000 | 479,823 | 814,823 |
| 2021 | 345,000 | 469,773 | 814,773 |
| 2022 | 355,000 | 458,129 | 813,129 |
| 2023 | 370,000 | 445,260 | 815,260 |
| 2024-2028 | 2,135,000 | 1,938,502 | 4,073,502 |
| 2029-2033 | 2,705,000 | 1,365,258 | 4,070,258 |
| 2034-2038 | 3,490,000 | 582,920 | 4,072,920 |
| | <u>\$ 10,055,000</u> | <u>\$ 6,232,288</u> | <u>\$ 16,287,288</u> |

| \$10,500,000 Series 2013, Taxable Bonds | | | |
|--|---------------------|---------------------|-------------------------------|
| Years Ending December 31, | Principal | Interest | Total Requirements |
| 2019 | \$ 275,000 | \$ 517,147 | \$ 792,147 |
| 2020 | 285,000 | 507,742 | 792,742 |
| 2021 | 295,000 | 496,570 | 791,570 |
| 2022 | 310,000 | 483,708 | 793,708 |
| 2023 | 320,000 | 469,386 | 789,386 |
| 2024-2028 | 1,885,000 | 2,078,828 | 3,963,828 |
| 2029-2033 | 2,490,000 | 1,468,734 | 3,958,734 |
| 2034-2038 | 3,330,000 | 633,180 | 3,963,180 |
| | <u>\$ 9,190,000</u> | <u>\$ 6,655,295</u> | <u>\$ 15,845,295</u> |

| Combined Debt Service, All Bonds | | | |
|---|----------------------|----------------------|-------------------------------|
| Years Ending December 31, | Principal | Interest | Total Requirements |
| 2019 | \$ 595,000 | \$ 1,009,770 | \$ 1,604,770 |
| 2020 | 620,000 | 987,565 | 1,607,565 |
| 2021 | 640,000 | 966,343 | 1,606,343 |
| 2022 | 665,000 | 941,837 | 1,606,837 |
| 2023 | 690,000 | 914,646 | 1,604,646 |
| 2024-2028 | 4,020,000 | 4,017,330 | 8,037,330 |
| 2029-2033 | 5,195,000 | 2,833,992 | 8,028,992 |
| 2034-2038 | 6,820,000 | 1,216,100 | 8,036,100 |
| | <u>\$ 19,245,000</u> | <u>\$ 12,887,583</u> | <u>\$ 32,132,583</u> |

Compensated Absences:

Authority employees are allowed to carry a maximum of 80 hours of accrued but unused personal leave as of December 31 into the next year. Unused personal leave in excess of 80 hours is forfeited. Sick leave can be carried over indefinitely and up to 240 hours can be paid to an employee retiring from the RTA.



(5) **Retirement Plans**

Defined Benefit Plan

For the year ended December 31, 2018, the Authority’s Net Pension Liability was measured as of December 31, 2018, and the Total Pension Liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2017, the Authority’s Net Pension Liability was measured as of December 31, 2016, and the Total Pension Liability was determined by an actuarial valuation as of that date.

Plan Description: The *RTA Employees Defined Benefit Plan and Trust* (DB Plan) is a single-employer defined benefit pension plan administered by the Authority and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB Plan document. The current plan provisions were established by a plan and trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010, December 2011, December 2012 and December 2014.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The DB Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The trustee carries out an investment policy established by the Authority Board consistent with purposes of the plan and all applicable laws. Administration costs are paid by the plan.

All full-time employees are included in the plan. Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2014, the plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The plan is not indexed for inflation. As of January 1, 2018, there were 583 participants in this plan as follows:

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Retirees or beneficiaries currently receiving benefits | 172 | 166 |
| Inactive employees entitled to but not yet receiving benefits | 184 | 177 |
| Active employees | 227 | 240 |
| Total Participants | 583 | 583 |



Funding Policy: The Authority is the only source of contributions which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). The actuarially determined rate for contributions as a percent of covered payroll for 2018 and 2017 respectively, was 11.16% and 13.4%.

Actuarial Assumptions: The actuarial assumptions that determined the total net pension liability as of December 31, 2018 is as follows:

| | |
|----------------------------------|--|
| <i>Valuation Date</i> | <i>December 31, 2018</i> |
| <i>Actuarial Cost Method</i> | <i>Entry-Age Normal Cost</i> |
| <i>Amortization Method</i> | <i>Level dollar</i> |
| <i>Asset Valuation Method</i> | <i>Fair Market Value</i> |
| <i>Actuarial Assumptions:</i> | |
| <i>Investment rate of return</i> | <i>7.4%</i> |
| <i>Projected Salary Increase</i> | <i>3.5%</i> |
| <i>Mortality Rate</i> | <i>RP-2014 Blue Collar Generational Mortality Table adjusted to 2006 and projected using scale MP-2018</i> |
| <i>Normal Retirement</i> | <i>First of month after attaining age 62</i> |

Prior Year Actuarial Assumptions: The actuarial assumptions that determined the total net pension liability as of December 31, 2017 is as follows:

| | |
|----------------------------------|---|
| <i>Valuation Date</i> | <i>December 31, 2016</i> |
| <i>Actuarial Cost Method</i> | <i>Entry-Age Normal Cost</i> |
| <i>Amortization Method</i> | <i>Level dollar amount over 15 years From January 1, 2009</i> |
| <i>Asset Valuation Method</i> | <i>Market Value</i> |
| <i>Actuarial Assumptions:</i> | |
| <i>Investment rate of return</i> | <i>7.5%</i> |
| <i>Projected Salary Increase</i> | <i>3.5%</i> |
| <i>Mortality Rate</i> | <i>1984 Unisex Mortality Table</i> |
| <i>Normal Retirement</i> | <i>First of month after attaining age 62</i> |

Discount Rate: The discount rate used to determine the total pension liability was 7.4%. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis is performed to compare the plan’s net fiduciary position to projected benefit payments.

1. The Normal Cost represents the annual cost of benefit payments arising from future service increases for active employees.
2. The Unfunded Actuarial Accrued Liability represents the accumulated deficiency of the total cost of benefit payments which have already been earned over the current assets held by the plan’s trust.



3. RTA’s contribution policy is to make an annual payment equal to the Normal Cost plus the amortization payment of the Unfunded Actuarial Accrued Liability. The UAAL coming as a result of the plan amendment is recognized immediately.
4. A review of actual contributions over the past five years shows the RTA has made sufficient contributions to meet its funding policy.

On the basis of the above, the projected cash flows will be sufficient to provide the benefit payments to the plan participants. Thus, the Discount Rate is equal to the long-term expected rate of return of 7.4%.

Prior Year Discount Rate: The discount rate used to determine the total pension liability was 7.5% for December 31, 2017. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis is performed to compare the plan’s net fiduciary position to projected benefit payments.

1. The Normal Cost represents the annual cost of benefit payments arising from future service increases for active employees.
2. The Unfunded Actuarial Accrued Liability represents the accumulated deficiency of the total cost of benefit payments which have already been earned over the current assets held by the plan’s trust.
3. RTA’s contribution policy is to make an annual payment equal to the Normal Cost plus the amortization payment of the Unfunded Actuarial Accrued Liability. The amortization payment is calculated as a level dollar amount over a period of 15 years from January 1, 2009.
4. A review of actual contributions over the past five years shows the RTA has made sufficient contributions to meet its funding policy

On the basis of the above, the projected cash flows will be sufficient to provide the benefit payments to the plan participants. Thus, the Discount Rate is equal to the long-term expected rate of return of 7.5%.

Discount Rate Sensitivity Analysis: The following presents the net pension liability, calculate using a discount rate of 7.4%, as well as what the net pension liability would be if were calculated using a discount rate that is one percentage point lower (6.4%) or one percentage point higher (8.4%) than the current rate:

| | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|-----------------------|-----------------------|---------------------------------|-----------------------|
| December 31, 2018 | | | |
| Net pension liability | \$11,204,915 | \$6,468,642 | \$2,505,002 |



Prior Year Discount Rate Sensitivity Analysis: The following presents the net pension Liability, calculated using a discount rate of 7.5%, as well as what the net pension Liability would be if it were calculated using a discount rate that is one percentage point Lower (6.5%) or one percentage point higher (8.5%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|--------------------|------------------------------|--------------------|
| December 31, 2017 | (6.5%) | (7.5%) | (8.5%) |
| Net pension liability | \$6,487,148 | \$2,383,237 | (\$1,072,544) |

Net Pension Liability: The net change in pension liability for the measurement date of December 31, 2018 based on the actuarial date of December 31, 2018 is reflected below:

| Change in | Increase (Decrease) | | |
|--|----------------------------|----------------------|---------------------|
| | Total Pension | Fiduciary Net | Net Pension |
| Net Pension Liability | Liability | Position | Liability |
| Balances as of December 31, 2016 | \$ 34,966,314 | \$ 32,583,077 | \$ 2,383,237 |
| Changes for the Year: | | | |
| Service Cost | 2,047,189 | - | 2,047,189 |
| Interest on total pension liability | 5,400,873 | - | 5,400,873 |
| Benefit Changes | 313,503 | - | 313,503 |
| Difference between expected and actual experience | 93,775 | - | 93,775 |
| Changes of assumptions | 1,189,575 | - | 1,189,575 |
| Benefit payments | (3,642,408) | (3,642,408) | - |
| Contributions - employer | - | 2,809,502 | (2,809,502) |
| Net investment income | - | 2,362,836 | (2,362,836) |
| Administrative expenses | - | (212,828) | 212,828 |
| Balances as of December 2018 | <u>\$ 40,368,821</u> | <u>\$ 33,900,179</u> | <u>\$ 6,468,642</u> |



The net change in pension liability for the measurement date of December 31, 2017 based on the actuarial date of December 31, 2016 is reflected below:

| Change in Net Pension Liability | Increase (Decrease) | | |
|--|----------------------------|---------------------------|--------------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
| Balances as of December 31, 2015 | \$ 33,530,870 | \$ 30,210,461 | \$ 3,320,409 |
| Changes for the Year: | | | |
| Service Cost | 941,470 | - | 941,470 |
| Interest on total pension liability | 2,521,413 | - | 2,521,413 |
| Benefit changes | - | - | - |
| Difference between expected and actual experience | (465,534) | - | (465,534) |
| Changes of assumptions | - | - | - |
| Benefit payments | (1,561,905) | (1,561,905) | - |
| Contributions - employer | - | 1,503,736 | (1,503,736) |
| Net investment income | - | 2,523,595 | (2,523,595) |
| Administrative expenses | - | (92,810) | 92,810 |
| Balances as of December 31, 2016 | <u>\$ 34,966,314</u> | <u>\$ 32,583,077</u> | <u>\$ 2,383,237</u> |

For the year ended December 31, 2018, the Authority recognized pension expenses:

| | |
|--|---------------------|
| Service cost | \$ 1,066,449 |
| Interest on total pension liability | 2,780,193 |
| Effect of plan change (Changes of benefit terms) | 313,503 |
| Experience losses | (218,260) |
| Administrative | 110,600 |
| Changes of assumptions | 594,788 |
| Current expense of asset loss | 1,223,696 |
| Expected investment returns net of investment expenses (7.5% per Plan) | (2,714,501) |
| Pension Expense | <u>\$ 3,156,468</u> |

For the year ended December 31, 2017, the Authority recognized pension expenses:

| | |
|--|---------------------|
| Service cost | \$ 941,470 |
| Interest on total pension liability | 2,521,413 |
| Effect of plan change (Changes of benefit terms) | -- |
| Administrative | 92,810 |
| Expected investment returns net of investment expenses (7.5% per Plan) | (2,368,936) |
| Recognition of deferred inflows/outflows of resources: | |
| Recognition of difference in investment gains or losses | 668,699 |
| Recognition of difference in change in experience | 14,678 |
| Pension Expense | <u>\$ 1,870,134</u> |



For the year ended December 31, 2018, the Authority recorded deferred outflows of resources related to the pension as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Experience losses | \$ 167,507 | \$ 237,001 |
| Net difference between projected and actual earnings on pension plan investments | 4,408,383 | 1,267,576 |
| Changes of assumptions | 594,787 | - |
| Deferred Outflows and Inflows of Resources | \$ 5,170,677 | \$ 1,504,577 |

Amounts currently reported as deferred outflows of resources related to pensions, including contributions made subsequent to the measurement date, will be recognized in pension expenses as follows:

| | |
|------------------|---------------------|
| Year ended 12/31 | |
| 2019 | \$ 1,521,635 |
| 2020 | 607,818 |
| 2021 | 573,560 |
| 2022 | 963,087 |
| Total | \$ 3,666,100 |

For the year ended December 31, 2017, the Authority recorded deferred outflows of resources related to the pension as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 196,073 | \$ 479,174 |
| Net difference between projected and actual earnings on pension plan investments | 1,831,564 | - |
| Contributions made subsequent to measurement date | 1,383,969 | - |
| Deferred Outflows and Inflows of Resources | \$ 3,411,606 | \$ 479,174 |



Financial Statements: The DB Plan issues a separate stand-alone financial report which can be viewed on the CCRTA website at www.ccrta.org/financial-transparency.

Following are the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for the years ended December 31, 2018 and 2017.

Statement of Fiduciary Net Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|----------------------|----------------------|
| ASSETS | | |
| Money Market Funds | \$ 1,040,587 | \$ 1,106,130 |
| Mutual Funds - Debt | 2,701,425 | 3,869,138 |
| Mutual Funds - Equity | <u>30,158,167</u> | <u>31,465,056</u> |
| TOTAL ASSETS | <u>33,900,179</u> | <u>36,440,324</u> |
| LIABILITIES | | |
| | <u>-</u> | <u>-</u> |
| NET POSITION | | |
| Restricted for Pension Benefits | \$ <u>33,900,179</u> | \$ <u>36,440,324</u> |

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Additions: | | |
| Investment Income | \$ (2,046,180) | \$ 4,409,015 |
| Employer Contributions | <u>1,425,533</u> | <u>1,383,969</u> |
| Total Additions | <u>(620,647)</u> | <u>5,792,984</u> |
| Deductions: | | |
| Benefits Paid | 1,808,898 | 1,833,509 |
| Administrative Expenses | <u>110,600</u> | <u>102,228</u> |
| Total Deductions | <u>1,919,498</u> | <u>1,935,737</u> |
| Increase/(Decrease) in Net Position | (2,540,145) | 3,857,247 |
| Net Position, January 1 | <u>36,440,324</u> | <u>32,583,077</u> |
| Net Position, December 31 | \$ <u>33,900,179</u> | \$ <u>36,440,324</u> |



Defined Contribution Plan

Plan Description: The *RTA Employees' Defined Contribution Plan* (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it. Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees are required to contribute 7.51% of gross remuneration and may make additional contributions of up to 10%.

The Authority may make contributions, but has made none to date. Total covered payrolls were \$10,677,430 in 2018 and \$9,773,977 in 2017. Employee contributions were \$1,035,177 in 2018 and \$1,001,703 in 2017. Employees may make selections from money market, debt and equity mutual funds approved by the investment committee.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2018 and 2017 are as follows:

| Statement of Fiduciary Net Position | | |
|--|---------------------|---------------------|
| December 31, 2018 and 2017 | | |
| | <u>2018</u> | <u>2017</u> |
| ASSETS | | |
| Money Market Funds | \$ 844,740 | \$ 709,220 |
| Mutual Funds - Debt | 482,573 | 450,771 |
| Mutual Funds - Equity | <u>8,281,585</u> | <u>8,738,159</u> |
| TOTAL ASSETS | <u>9,608,898</u> | <u>9,898,150</u> |
| LIABILITIES | | |
| | <u>-</u> | <u>-</u> |
| NET ASSETS | | |
| Held in Trust for Pension Benefits | \$ <u>9,608,898</u> | \$ <u>9,898,150</u> |



Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2018 and 2017

| | <u>2017</u> | | <u>2017</u> |
|--|---------------------|----|------------------|
| Additions: | | | |
| Investment Income/(Loss) | \$ (616,796) | \$ | 1,186,357 |
| Rollover Contributions | - | | - |
| Employee Contributions | <u>1,035,177</u> | | <u>1,001,703</u> |
| Total Additions | <u>418,381</u> | | <u>2,188,060</u> |
| Deductions: | | | |
| Benefits Paid | 690,927 | | 729,990 |
| Administrative Expenses | <u>16,706</u> | | <u>14,938</u> |
| Total Deductions | <u>707,633</u> | | <u>744,928</u> |
| Increase/(Decrease) in Net Position | (289,252) | | 1,443,132 |
| Net Position, January 1 | <u>9,898,150</u> | | <u>8,455,018</u> |
| Net Position, December 31 | <u>\$ 9,608,898</u> | \$ | <u>9,898,150</u> |



(6) **Postemployment Benefits Other Than Pensions (OPEB)**

General Information about the OPEB Plan

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until the retiree reaches age 65. The Authority Board establishes benefit provisions. The Authority indirectly subsidizes the medical insurance premiums paid by retirees, since premiums are calculated with active workers and retirees pooled together. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan but rather is funded on a pay-as-you-go basis. The plan does not issue a financial report.

Funding Policy: The Authority requires retirees to pay a portion of the monthly “blended” rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2018, \$763.63 was the required monthly contribution for retiree family coverage and \$293.55 for retiree single coverage. The Authority’s contributions are on a pay-as-you-go basis. Retirees must pay the full COBRA rate for dental coverage, so it is not valued in this report.

Benefits Provided: The Authority provides medical, dental, and vision benefits for participating retirees and their dependents. The benefits terms require non-Medicare-eligible retirees pay the monthly “blended” rate in according with the *Funding Policy*.

Employees Covered by Benefit Terms: At December 31, 2018, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 12 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | 213 |
| | <u>225</u> |



Total OPEB Liability

The Authority’s total OPEB liability of \$1,101,367 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Plan participation | 33% of future eligible retirees are assumed to elect the life benefit at retirement. |
| Marital status | Actual spouse participation and dates of birth were used for retirees. For actives, it was assumed that 30% will cover a spouse, and males were assumed to be 2 years older than female spouses. |
| Salary increases | 3.50% per annum |
| Discount rate | 3.64% S&P Municipal Bond |
| Healthcare cost trend rates | <i>Medical:</i> 7.5% graded uniformly to 6.5% over 3 years and following the Getzen model thereafter to an ultimate rate of 3.94% in the year 2075 <i>Vision:</i> 5.0% per annum <i>Administrative expenses:</i> 2.5% per annum |
| Retirees’ share of benefit-related costs | <i>Single Coverage:</i> \$293.55 <i>Family Coverage:</i> \$763.63 |

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018, compared to the prior Statement No. 45 discount rate of 4.00%

The Mortality Table was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2015 to table RP-2014 adjusted to 2006 and projected using scale MP-2018.

The assumptions, methods, and procedures under Statement No.75 are based on the January 1, 2019 actuarial valuation with measurement dates of December 31, 2018 and December 31, 2019, and reporting dates of December 31, 2018 and December 31, 2019. All actuarial assumptions are set by the Authority, who is the plan sponsor. Statement No. 75 mandates the use of the Entry Age Normal actuarial funding method for the purposes of the reporting statements.



Although the deviation of the actual future plan experience and the expected experience inherently creates some uncertainty with results reported by the actuarial valuation report, the actuarial assumptions reasonably reflect the expected future experience of the plan.

Changes in the Total OPEB Liability

| | Total OPEB Liability (a) |
|-----------------------|--------------------------------|
| Balance at 12/31/2017 | <u>\$1,215,616</u> |
| Changes for the year: | |
| Service cost | 36,236 |
| Interest | 38,682 |
| Benefit payments | <u>(189,167)</u> |
| Net changes | <u>(114,249)</u> |
| Balance at 12/31/2018 | <u>\$1,101,367</u> |

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage point higher (4.64%) than the current discount rate:

| | 1% Decrease (2.64%) | Discount Rate (3.64%) | 1% Increase (4.64%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$1,149,889 | \$1,101,367 | \$1,056,425 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current discount rate:

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------------------|-----------------------|-------------------------|-----------------------|
| Total OPEB Liability | \$1,056,586 | \$1,101,367 | \$1,149,504 |



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

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$74,918. At December 31, 2018, the employer reported deferred inflows of resources and deferred inflows of resources in relation to OPEBs from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$0 | \$0 |
| Changes of assumptions or other inputs | 0 | 0 |
| Total | \$0 | \$0 |

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

Year Ended December 31:

| | |
|------------|-----|
| 2019 | \$0 |
| 2020 | 0 |
| 2021 | 0 |
| 2022 | 0 |
| 2023 | 0 |
| Thereafter | 0 |

(7) Risk Management and Insurance

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has an inter-local agreement with the Texas Municipal League for the purpose of providing all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, the Authority’s general and automobile liability is limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers’ compensation claims until 2004, at which point the Authority became fully insured through the Texas Municipal League. There are no outstanding claims from self-insurance.

The Authority is self-funded for employee dental and healthcare benefits, which



include medical, drug and vision. These benefits are provided through a contract with a third-party administrator, Entrust, Inc. The coverage in force during 2016 includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at \$1,600,000. Claims are normally paid within ninety days and considered current liabilities.

Claims or settlements have not exceeded coverage for each of the last three years.

Changes in liabilities for self-funded health insurance liabilities for the years ended December 31, 2016, 2017, and 2018 are as follows:

| | Health and Dental Benefits |
|---------------------|---------------------------------------|
| Balance at 12/31/15 | \$ 292,683 |
| Incurred Claims | 2,229,577 |
| Claims Paid | (2,160,534) |
| Balance at 12/31/16 | 361,726 |
| Incurred Claims | 3,494,451 |
| Claims Paid | (3,469,313) |
| Balance at 12/31/17 | 386,864 |
| Incurred Claims | 2,611,495 |
| Claims Paid | (2,637,513) |
| Balance at 12/31/18 | <u>\$ 360,846</u> |

(8) Commitments and Contingencies

Expenditures financed by Federal grants are subject to audit by the granting agencies. In the event of any such audits, management is of the opinion that no significant liability will arise.

The Authority has commitments totaling \$1,070,000 in ADA Bus Stop improvements.

(9) Concentrations

During 2018, the Authority received \$1,184,926 for capital assistance and \$58,410 for other projects from the Federal Transportation Administration.

During 2017, the Authority received \$12,404,116 for capital assistance and \$4,618,731 for other projects from the Federal Transportation Administration.



Changes in the Authority’s relationship with the FTA could ultimately affect the operating results of the Authority. The Single Audit Section provides further details on FTA and another federal grant funding received.

(10) Purchased Transportation Services

The Authority had a contract with MV Transportation, Inc. through 2018 to provide paratransit services for elderly and persons with disability and certain fixed route services. Expenses under the contract amounted to \$6,100,832 in 2018 and \$5,079,070 in 2017. All passenger fares related to these transit services are recorded by the Authority as operating revenue.

(11) Property Leased to Others

The Authority leases office space under operating leases expiring through Fiscal Year 2026.

The minimum future rental payments to be collected from tenants under signed lease agreements at the Staples Street Center are as follows:

| <u>Year ended 12/31</u> | | |
|-------------------------|-----------|--------------------------------|
| 2019 | \$ | 493,014 |
| 2020 | | 517,087 |
| 2021 | | 436,104 |
| 2022 | | 448,320 |
| 2023 | | 475,339 |
| Thereafter | | <u>811,607</u> |
| Total | \$ | <u><u>3,181,471</u></u> |

(12) Subsequent Events

The date to which events occurring after December 31, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is July 30, 2019 which is the date on which the financial statements were available to be issued. On July 10, 2018, the Board of Directors approved a \$2.5M additional contribution to the Defined Benefit Pension Plan in 2019 in order to decrease the Net Pension Liability for future years.



[This page is intentionally left blank.]

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[This page is intentionally left blank.]



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

[This page is intentionally left blank.]



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES