FITCH AFFIRMS ALAMEDA COUNTY TRANSP COMMISSION, CA'S SALES TAX REVS AT 'AAA'; OUTLOOK STABLE

Fitch Ratings-San Francisco-03 April 2017: Fitch Ratings has affirmed the 'AAA' rating on the following Alameda County Transportation Commission, CA sales tax revenue bonds:

--$137.1 million sales tax revenue bonds (limited tax bonds), series 2014.

The Rating Outlook is Stable

SECURITY
The bonds are secured by a first lien on the commission's Measure B one-half-cent sales tax collected in the County of Alameda.

KEY RATING DRIVERS

The 'AAA' rating reflects the bond structure's strong resilience throughout economic cycles, robust coverage on the sales tax revenue bonds, closed lien structure, and short maturity limiting the exposure to collection volatility. The authority serves as the financing vehicle for local transportation sales taxes and has no material operations; therefore, Fitch has not assigned an IDR.

RATING SENSITIVITIES
STRONG DEBT SERVICE COVERAGE: The rating is sensitive to shifts in fundamental credit characteristics including the strong debt service coverage. The Stable Outlook reflects Fitch's expectation that such shifts are highly unlikely.

CREDIT PROFILE

The county is one of five making up the San Francisco metropolitan statistical area (the MSA), and benefits from a strong regional economy and employment gains in neighboring San Francisco and Silicon Valley, with broad-based gains in nearly all industries led by the volatile technology sector. The largest county employers are stable, led by the University of California, Berkeley, as well as several medical centers, though many residents commute across the bay area for employment. The county's unemployment rate typically betters the state and national averages. County incomes are above state and well above national averages, although modestly lower than the MSA.

The largest consecutive decline in sales tax revenues was 20.4% during the early 200s recession and 18.8% during the great recession. However, it has since increased 45% and is currently at its historic peak. Further, a 2014 ballot measure was approved to renew and double the sales tax by an additional half cent; however, this is not pledged to the bonds.

The bonds are secured by the half-cent sales tax approved by 81.5% of voters in 2000. Measure BB, approved by 70.8% of voters in 2014, augmented and extended the original Measure B, which would have expired March 31, 2022, the same month as the scheduled final maturity date of the series 2014 bonds, to April 1, 2045. The additional half cent is not pledged to the bonds.

SALES TAX REVENUE BONDS

Pledged sales tax revenues are primarily influenced by consumption trends and recorded a 3.0% compound annual growth rate (CAGR) from 1996 through 2016 and a 3.7% CAGR from 1988, the first full year of collections, through 2016. Fitch expects ongoing growth at or above these levels over the long term based on the strong regional economy.

To evaluate the sensitivity of the dedicated tax revenue stream to cyclical decline, Fitch considers both a revenue sensitivity scenario (using a 1% decline in national GDP scenario) and the largest decline in historical revenues. Based on the sales tax revenue history, Fitch's Analytical Sensitivity Tool (FAST) generates a 7.8% decline in pledged revenues during the first year of a moderate recession. The largest cumulative revenue decline historically was 20.4% between 2001 and 2003.

The senior lien is closed. Fiscal 2016 pledged revenues could withstand an 80.7% drop before not fully covering maximum annual debt service (MADS). This represents 10.2x the scenario-generated decline and 3.96x the largest recorded decline.

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MINIMAL OPERATING PRESSURES

The commission's funding commitments associated with the sales tax receipts are restricted to those specified in Measure B and its supporting 2000 Transportation Expenditure Plan (TEP), and typically provide only a portion of project costs limiting its exposure to potential project cost overruns. In addition, the commission is restricted by the 20-year TEP established by ordinance to allocating no more than 38.3% of Measure B sales tax revenues to capital projects with the remaining revenues allocated to various programmatic expenditures allocated on a formula basis and through competitive grants to local jurisdictions, including mass transit, local streets and roads, bike and pedestrian safety, and administration. These features protect the commission's sales tax revenues from excess commitments or diversion.

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In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis and InvestorTools.

Applicable Criteria
U.S. Tax-Supported Rating Criteria (pub. 18 Apr 2016)
https://www.fitchratings.com/site/re/879478

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