

Rating Action: Moody's confirms ratings on 14 California transit agencies as legislation resolves federal grant issue; outlooks revised to stable

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\$6.5B of debt affected

New York, September 17, 2013 -- Moody's Investors Service has confirmed the ratings on \$6.5 billion of debt issued by 14 California transit agencies and revised their outlooks to stable. The action reflects the passage of state legislation that assures the resumption of federal grants to California transit agencies.

Assembly Bill 1222 (AB1222) temporarily exempts California transit workers from state pension reforms. The exemptions will become permanent if a federal court decides that the state's pension reform does violate union members' collective bargaining rights by forcing them to contribute more to their retirement funds. That finding would mean that the federal government may not further withhold transit grants from the agencies. California Governor Jerry Brown is expected to sign the measure in the coming days. On August 14, Moody's placed under review for downgrade 15 California transit agencies due to the possibility that federal transit grants could be withheld indefinitely or canceled outright from some transit agencies, and that the risk of future grant cancellations could affect all California transit agencies. The threat to federal transit grants stemmed from state pension reforms passed last year and protections afforded to transit workers by federal law. In September 2012, the state passed the Public Employees' Pension Reform Act of 2013 (PEPRA). Starting in October 2012, certain transit unions objected to the pension reform through provisions of the Federal Transit Act that require the US Department of Labor (DoL) to certify that certain protective arrangements are in place before federal transit funds can be released.

Riverside Transit Agency (Aa3, stable) was confirmed on August 26, reflecting our view that withholding of federal grants would not affect its sole remaining debt payment on October 1.

List of affected issuers:

- Alameda-Contra Costa Transit District
- Culver City Transit Enterprise
- Los Angeles County Metropolitan Transportation Authority
- North County Transit District
- Peninsula Corridor Joint Powers Board
- Sacramento Regional Transit District
- Santa Clara Valley Transportation Authority
- San Diego Metropolitan Transit System
- San Francisco Bay Area Rapid Transit District
- San Francisco Municipal Transportation Agency
- San Mateo County Transit District
- San Joaquin Regional Rail Commission
- Victor Valley Transit Authority
- Western Contra Costa Transportation Authority

RATING METHODOLOGIES

The principal methodology used in rating the enterprise revenue debt was Mass Transit published in June 2000. The principal methodology used in rating the special tax debt was US Public Finance Special Tax Methodology published in March 2012. The principal methodology used in rating the general obligation debt was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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