International Rating Agency Upgrades Metro Revenue Bonds

(Oct. 15, 2004) A global credit rating service has given Metro an "A+" rating for three series of revenue bonds and an "A" rating on a fourth bond issue.

The "A+" rating, considered a high rating by investors, will result in a lower interest rate for Metro and will help the agency finance its capital projects at the lowest possible cost.

Fitch Ratings upgraded from "A" to "A+" Metro's recent $180 million Proposition C Sales Tax Revenue Bond issue and a related $1.22 billion in outstanding Prop C parity bonds. An additional $1.58 billion in Prop A First Tier Senior Bonds retained an "A+" rating.

In addition, Fitch confirmed the "A" rating on $11 million in Proposition A First Tier Second Senior Bonds. The rating outlook for all Metro bonds is stable. The highest possible rating is "AAA."

'Continued strong performance'

In announcing Metro's bond ratings, Fitch's cited "the continued strong Proposition C sales tax performance." The firm said the ratings uprating also reflects several improvements in Metro's administration and operations over the past several years including:

Increased operating efficiency as reflected in cost per service hour while expanding bus and rail operations,

Greater stability of Metro's management team, with several senior members in their positions for at least five years,

Improved relationship with the Federal Transit Administration, resulting in a Full Funding Grant Agreement for the Eastside Light Rail project, and

The expiration of the 1996 Consent Decree's prohibition on fare increases, providing Metro with greater fare flexibility.

On-going challenges

However, Fitch Ratings said managing labor costs and Consent Decree mandates are ongoing challenges for Metro.

Metro's $180 million Proposition C Sales Tax Revenue Bonds and $1.22 billion in outstanding parity bonds also have been assigned "A1" ratings by Moody's Investors Service and "A+" by Standard and Poor's.

Metro has achieved ratings upgrades on various bonds on five other occasions since 2001, resulting in lower interest rates and reducing the agency's borrowing costs.