STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

VIA Metropolitan Transit Advanced Transportation District, Texas; Sales Tax

Primary Credit Analyst:
Lauren H Spalten, Dallas (1) 214-871-1421; lauren.spalten@standardandpoors.com

Secondary Contact:
Russell J Bryce, Dallas (1) 214-871-1419; russell.bryce@standardandpoors.com

Table Of Contents

Summary:

VIA Metropolitan Transit Advanced Transportation District, Texas; Sales Tax

Credit Profile		
US$32.925 mil sales tax rev imp and rfdg bnds ser 2014 dtd 07/01/2014 due 08/01/2038		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to VIA Metropolitan Transit Advanced Transportation District (ATD), Texas' series 2014 sales tax revenue improvement and refunding bonds. The outlook is stable. At the same time, Standard & Poor's withdrew its rating on the ATD's series 2013 sales tax revenue improvement and refunding bonds because the bonds were never sold. Prior to the scheduled closing date for the 2013 bonds, a lawsuit was filed challenging the legality of the district's proposed use of bond proceeds. Follow a series of hearings, a final judgment has been entered in favor of the ATD, as such the bonds are now being sold as the series 2014 bonds.

The rating reflects our view of the ATD's:

- Deep and diverse service area economy;
- Strong history of sales tax collections since its initial year of collection in 2005;
- Fiscal 2013 audited sales tax revenue coverage equating to 11.3x future maximum annual debt service (MADS); and
- Strong management and financial practices, with the proven ability to address economic and subsequent revenue declines.

The bonds are secured by a first- and prior-lien pledge of the ATD Share, which is defined as one-half of the proceeds of the ATD Tax retained by the ATD and used for projects. The ATD Tax is a one-quarter of 1% sales and use tax imposed and collected within the boundaries of the ATD. The formation of the ATD was authorized by San Antonio voters in an election held on Nov. 2, 2004, at the direction of VIA Metropolitan Transit's governing body. VIA Metropolitan Transit was created by voter election in 1977 to provide public transportation in Bexar County. In 1978 VIA Metropolitan Transit purchased the transit system assets from the City of San Antonio and began operations. Collection of the authorized ATD Tax began April 1, 2005. Officials plan to use bond proceeds to fund a portion of VIA Metropolitan Transit's five-year capital plan and to refund a portion of the district's outstanding debt obligations.

In fiscal 2013, ATD sales tax revenue totaled $26.93 million, providing future MADS coverage of 11.3x. ATD sales tax revenues have grown by an average annual rate of 4.4% since 2006. Management reports that year-to-date fiscal 2014 results indicate growth of 10% over last year; as such coverage is expected to remain at a very strong level. Based on VIA Metropolitan Transit's long-term sales tax projections through 2018, annual debt service coverage (DSC) from sales tax collections is projected to exceed 10x MADS.

The additional bonds test (ABT) requires that a designated financial officer (which VIA Metropolitan Transit defines as any of the following: Chairman or Vice Chairman of the Board, President and CEO of VIA Metropolitan Transit, the CFO of VIA Metropolitan Transit, or the Chief Development Officer of VIA Metropolitan Transit) confirms that the pledged revenues for the preceding fiscal year or for any 12 consecutive months out of the 18 months immediately preceding the month the resolution authorizing the additional bonds is adopted are at least equal to 2x the MADS requirement for the payment of principal of and interest on all outstanding bonds similarly secured after giving effect to the additional bonds then proposed. Legal provisions do not include a debt service reserve.

In addition, the ATD maintains a formal long-term debt policy that states that the ATD will maintain a DSC ratio such that gross annual sales and use tax is at least 4x the amount of annual debt service. The ATD's policy also states that its debt instruments cannot exceed 35 years. VIA Metropolitan Transit's five-year capital plan totals approximately $511 million, about a third of which officials plan to fund with debt.

Outlook

The stable outlook reflects our anticipation that while pledged revenues will likely fluctuate with changes in the economic cycle, the service area's broad and diverse retail base will likely continue to provide strong DSC. The outlook also reflects our expectation that the district will likely issue additional debt but that DSC will likely remain well above the 2x MADS additional bonds test, which is also in accordance with the district's own policy that states that it will not allow DSC to go below 4x annual debt service. As a result, we do not expect to change the rating within the two-year outlook time frame.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special Tax Bonds, June 13, 2007
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Ratings Detail (As Of July 3, 2014)		
VIA Metro Transit Adv Transp Dist sales tax		
Long Term Rating	NR	Withdrawn

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.