

NOTICE OF MATERIAL EVENT

The Contra Costa Transportation Authority (“CCTA” or the “Authority”) on April 12, 2017, hereby provides notice of filing the following information related to the following bonds:

Issue:

Contra Costa Transportation Authority Tax Revenue Bonds (Limited Tax Bonds) Series 2015A having the base CUSIP of 21221M and the Contra Costa Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) Series 2012B having the base CUSIP of 21221M (collectively, the “Bonds”).

Event Disclosure:

On April 12, 2017, Fitch Ratings lowered its long-term rating to “AA+” from “AAA” on the Authority’s Bonds.

Other Matters:

On a separate but related matter to Authority’s long-term ratings, on April 19, 2017, Standard & Poor’s Rating Services confirmed its long-term rating of “AA+” on the Authority’s Bonds.

This notice is provided solely for the purposes of continuing disclosure agreements delivered by CCTA in connection with the Bonds. The filing of this notice does not constitute or imply any representation: (i) that the foregoing event is material to investors; (ii) regarding any other financial, operating or other information about CCTA or the Bonds; or (iii) that no other circumstances or events have occurred or that no other information exists concerning CCTA, the Bonds or the foregoing event, which may have a bearing on CCTA’s financial condition, the security for the Bonds, or an investor’s decision to buy, sell, or hold the Bonds. There is no assurance any rating will not subsequently be revised or withdrawn entirely if, in the judgment of the assigning rating agency, circumstances so warrant.

April 12, 2017

Mr. Randall Carlton
Chief Financial Officer
Contra Costa Transportation Authority
2999 Oak Road, Suite 100
Walnut Creek, CA 94597

Dear Mr. Carlton:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

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Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch Ratings, Inc. and any successor in interest.

If you have any questions, please contact us at any time.

Jeff Schaub
Managing Director, Operations
U.S. Public Finance /
Global Infrastructure & Project Finance

JS/mc

Enc: Notice of Rating Action
(Doc ID: 202911)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
Contra Costa Transportation Authority (CA) ltd tax sales tax rev bonds ser 2017A	Long Term	New Rating	AA+	RO:Sta	11-Apr-2017	
Contra Costa Transportation Authority (CA) fixed rate ltd tax bonds ser 2012B	Long Term	Downgrade	AA+	RO:Sta	11-Apr-2017	
Contra Costa Transportation Authority (CA) ltd tax sales tax rev bonds ser 2015A	Long Term	Downgrade	AA+	RO:Sta	11-Apr-2017	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

RatingsDirect®

Summary:

Contra Costa Transportation Authority, California; Sales Tax

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Summary:

Contra Costa Transportation Authority, California; Sales Tax

Credit Profile

US\$90.0 mil sales tax rev bnds (Measure J) ser 2017A due 03/01/2034

Long Term Rating AA+/Stable New

Contra Costa Transp Auth sales tax bonds

Long Term Rating AA+/Stable Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to the Contra Costa Transportation Authority, Calif.'s series 2017A limited tax bonds. At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating on the authority's existing parity sales tax bonds. The outlook is stable.

The rating reflects our view of the authority's:

- Strong maximum annual debt service (MADS) coverage of 1.85x and pro forma annual debt service coverage of about 2.4x,
- Strong 1.75x additional bonds test (ABT), and
- A broad and diverse economic base firmly integrated into the San Francisco Bay Area metropolitan area.

The bonds are limited obligations of the authority payable from the authority's 0.5% retail sales and use tax (Measure J), authorized by voters through March 31, 2034. The sales tax is net of an administrative fee to the California State Board of Equalization. We understand the bond proceeds will be used to fund new capital projects throughout the county. The series 2017A bonds will not fund a debt service reserve.

County economy

Contra Costa County's population is about 1.1 million and is the ninth most-populated county within California. The county's location allows for direct access to the San Francisco-Bay Area regional economy. In particular, the county's residents are attracted to the relative affordability of housing as the median home value is close to half of that along the peninsula, which includes the city and county of San Francisco. Local employment in the county resembles a typical regional service center as government, health care, education, energy, and human service industries employ a majority of local residents. In addition to the local employment, the county is connected to the Bay Area through a network of highways and the Bay Area Rapid Transit (BART) that provides access into San Francisco, Oakland, and Silicon Valley.

Wealth and income levels for the county are very strong, in our view, with a per capita effective buying income of 132% of the national level for 2016. The city of Concord, the largest municipality in the county by population

(126,000), is located at the intersection of Interstate 680 and state routes 4 and 24 just outside the city of Walnut Creek. The county's unemployment rate is significantly below the state and national level as the most recent seasonal unadjusted figure from the state of California is about 4.1%.

The Authority & Measure J

The authority was created in 1988 to manage the county's sales tax program and lead county transportation planning efforts. The authority's broad scope includes bus, automobile, pedestrian, bicycle, water ferry, and BART modes of transportation-related planning for county residents. The authority is governed by an 11-member board elected by at-large (two members), county conference of mayors (one member), and the remaining from a pool of elected city representatives from within the county.

The historical trend for Measure J revenues, net of the economic recession, is relatively strong as the fiscal 2016 revenues of \$83.5 million are almost double the fiscal 1994 level of approximately \$39 million. Since 1990 and up to the economic recession, the pledged revenues grew by a compound annual rate of about 4.4% up to \$75.7 million. We note that revenues declined by 19% from fiscals 2007 through 2010 as Measure J revenues shed about \$14.2 million. Since fiscal 2010, the revenue trend is very positive with a five-year compound annual growth rate of about 5.1%. Driving the improvement is a significant increase of about 26% of total taxable transactions since 2011, strength within the county economy, and the diverse nature of the sales tax sources, with no single category of taxes accounting for more than 27% of total taxable sales.

Coverage and bond provisions

Given the historical pledged revenues and the new debt service schedule as a result of the 2017 bonds, we calculate MADS coverage of about 1.85x for the 2017 bonds (including parity debt), or a level that we consider to be strong. We note that the new MADs year of 2025 skews our forward looking coverage as our pro forma annual coverage for the bonds is expected to be about 2.4x for the next year. Looking ahead, we expect MADS coverage will continue to grow at a stable rate in line with the post-recession historical trend; however, we note that historical volatility in fiscals 2006 through 2010 could return and affect our forward assumption, should the county's economic recovery falter. Overall, we are forecasting stable to positive growth for the urban centers in California since continued home price appreciation has helped boost local government tax receipts throughout much of the region, including Contra Costa County. As a result, we expect the broader macroeconomic forces to support our view and expectation of the authority's Measure J tax receipt growth. For additional information, please refer to our article, "U.S. State And Local Government Credit Conditions Forecast," published July 27, 2016, on RatingsDirect.

Bond provisions include a 1.75x MADS additional bonds test (ABT); however, we note that the authority maintains policy that limits annual capital spending to 42.5% of total outlays, which results in a pro forma annual coverage floor of about 2.35x, assuming steady sales tax receipts. We understand the authority does not have any new debt plans for the senior lien for the next five years, although growth pressures within the county could create additional incentives to bond down to the ABT.

Outlook

The stable outlook reflects our anticipation that pledged revenues will remain consistently strong and that the authority will likely not issue additional bonds more aggressively than currently planned. As a result, we do not expect to change the rating during the current two-year outlook period.

Downside scenario

We could lower the rating if debt service coverage differs materially from projections. We could also lower the rating if the authority were to dilute coverage as a result of additional bonds.

Upside scenario

We could raise the rating if the authority's MADS coverage improves to a level that is in line with its 'AAA' rated peers.

Related Research

- U.S. State And Local Government Credit Conditions Forecast, July 27, 2016
- Special Tax Bonds: U.S. Recovery Underpins The Sector's Stability, Sept. 14, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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