Various Metropolitan Transportation Authority Bonds Upgraded On Improving Ridership And Essentiality Of System

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PRIMARY CREDIT ANALYST

Joseph J Pezzimenti
New York
+ 1 (212) 438 2038
joseph.pezzimenti
@spglobal.com

SECONDARY CONTACT

Paul J Dyson
Austin
+ 1 (415) 371 5079
paul.dyson
@spglobal.com

NEW YORK (S&P Global Ratings) Oct. 3, 2023--S&P Global Ratings raised its long-term rating and SPUR on the Metropolitan Transportation Authority (MTA), N.Y.'s transportation revenue bonds (TRBs) outstanding to 'A-' from 'BBB+'.

We upgraded the long-term component of our dual ratings on various MTA variable-rate TRBs with enhancement by letters of credit (LOCs) from The Toronto-Dominion Bank to 'AA' from 'AA-', while the short-term component remained at 'A-1+'.

We upgraded the long-term component of our dual ratings on various MTA variable-rate TRBs with enhancement by LOCs from Bank of America N.A., Bank of Montreal, Barclays Bank PLC, and PNC Bank N.A. to 'AA' from 'AA-', while the short-term component remained at 'A-1'.

The outlook, where applicable, is positive.

The upgrade is driven by a combination of improving ridership, increased financial flexibility and operating stability resulting from the State of New York's decision to increase the Payroll Mobility Tax (PMT) to enhance one of MTA's recurring revenue sources to help offset lower fare revenues, and the demonstrated essentiality of the transit system as evidenced by repeated strong support of the authority at the federal, state, and local levels during and following the pandemic.

The positive outlook reflects our opinion that there is at least a one-in-three chance we could raise the rating over the two-year outlook period if MTA is able to meet or exceed near-term expectations. Better clarity regarding the cost and funding plan of the authority's next capital program will also be an important consideration.

"The rating action is spurred by improving ridership performance as well as increased financial flexibility and operating stability resulting from the State of New York's decision to raise the PMT to enhance one of MTA's recurring revenue sources to help offset lower fare revenues," said S&P Global Ratings credit analyst Joseph Pezzimenti. The essentiality of the transit system, evidenced by the strong support provided to the authority at the federal, state, and local levels during and following the pandemic, was also a key consideration.

We could revise the outlook to stable if weaker fare revenue and toll revenue performance causes persistently weaker all-in net debt service coverage (S&P Global Ratings-calculated) trends or if we believe the funding of the authority's next multiyear capital program will pressure financial metrics.

We could raise the SPUR over the two-year outlook period if MTA is able to meet or exceed near-term expectations and can maintain all-in coverage (S&P Global Ratings-calculated) near 1x as it debt finances a portion of its capital programs. The impact of congestion pricing on tunnel and bridge tolled traffic, details regarding the cost and funding plan of MTA's next capital program, and where ridership ultimately settles will be important considerations. Additional enhancement to recurring revenue streams or establishing new recurring revenue streams are examples of management actions that would give us assurances of MTA's ability to maintain all-in coverage close to 1x, per our calculations, on a sustainable basis should ridership levels and toll traffic volumes trend lower than expected. One-time or temporary actions to achieve a balanced budget would be less compelling, in our view, to raise the rating.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022