

## Triborough Bridge and Tunnel Authority (TBTA)

**Issuer: Triborough Bridge and Tunnel Authority**

Watch Status Resolved	Rating(s)	Outlook
General Revenue Bonds	AA	Developing (from Watch-Downgrade Status)
Subordinate Revenue Bonds	AA-	Developing (from Watch-Downgrade Status)

**Methodology:**
[U.S. Public Toll Roads, Bridges & Tunnels Revenue Bond Rating Methodology](#)
**Analytical Contacts:**

Cindy Wu, Senior Director  
(646) 731-2304  
[cwu@kbra.com](mailto:cwu@kbra.com)

Jack Morrison, Associate Director  
(646) 731-2410  
[jmorrison@kbra.com](mailto:jmorrison@kbra.com)

Karen Daly, Senior Managing Director  
(646) 731-2347  
[kdaly@kbra.com](mailto:kdaly@kbra.com)

William Cox, Senior Managing Director  
(646) 731-2472  
[wcox@kbra.com](mailto:wcox@kbra.com)

**Rating Summary:** KBRA has affirmed the Triborough Bridge and Tunnel Authority (TBTA) General Revenue Bonds and Subordinate Revenue Bonds, has assigned a developing outlook and has removed them from Watch-Downgrade. The removal from Watch-Downgrade reflects the ongoing recovery of traffic on the TBTA's tolled bridges and tunnels. The Developing outlook reflects uncertainty regarding the extent of overall recovery on toll revenues due to the evolving nature of the COVID-19 crisis.

May 2020 Toll traffic for the MTA Bridges and Tunnels was down 49% compared with May 2019. Monthly volume had been down 65% in April. May's monthly revenues declined slightly less at 46.6% due to a slightly higher proportion of higher toll paying commercial vehicles. KBRA believes that TBTA has likely experienced the worst of traffic declines as June traffic thru the 24th only declined by 32% compared to the same time in 2019 and, if May revenues were realized for the remainder of the year, this will result in approximately 1.2x total debt service coverage.

KBRA performed a breakeven analysis that shows TBTA (which operates on a calendar year basis) can withstand an annualized 42% decline in toll revenues (\$900 million) relative to the FY 2020 budget before its combined debt service coverage falls below 1.00x. While toll revenues for January and February 2020 were slightly above budget (up by 1.2%), TBTA experienced declines of 26.3% and 59.7% compared to budgeted March and April 2020 figures. As such,

TBTA can now withstand a roughly 51% decline for the remainder of the year before breaching 1.0x combined debt service coverage. Additionally, MTA officials report TBTA has more than ample liquidity to meet this year's debt service obligations.

TBTA bonds do not have a debt service reserve fund. While it is not pledged, TBTA does have approximately \$412 million (representing 270 days cash on hand) in the Necessary Reconstruction Fund (NRF) that can be used for emergency capital and operating needs based on management discretion. In addition, KBRA understands that the TBTA can access liquidity that is available to the MTA through an interagency loan. The MTA has received approximately \$3.9 billion in CARES funding for operating purposes. On April 16, the MTA requested an additional \$3.9 billion of federal aid as the agency estimates the financial impact of the coronavirus may be greater than previously estimated. KBRA expects the MTA's management team to continue to demonstrate its ability to navigate financial and political challenges.

In order to help quantify the near-term challenges, KBRA has developed a stress scenario to reflect toll revenue declines from budgeted FY 2020 figures. Based on April and May traffic results, KBRA has adjusted its stress scenario assuming 49% decline in the second quarter from previously assumed 65%. For the second half of the year, KBRA assumes a decline of 35% from previously assumed 30% in the third quarter and 15% in the fourth quarter reflecting a gradual recovery given the easing of the lockdown. KBRA assumes investment income, expenses, and debt service remain as shown in the FY 2020 Budget. This stress demonstrates that TBTA has adequate cushion and can absorb significant declines in traffic.

**Figure 1**

FYE December 31 (\$ in millions)			KBRA's Updated Stress Scenario			
	2019 Unaudited	2020 Adopted Budget	2020	2021	2022	2023
B&T Revenues						
<b>Total B&amp;T Revenues</b>	<b>2,071</b>	<b>2,118</b>	<b>1,391</b>	<b>2,118</b>	<b>2,118</b>	<b>2,118</b>
Investment Income and Other	32	20	20	20	20	20
<b>Total Revenues</b>	<b>2,103</b>	<b>2,138</b>	<b>1,411</b>	<b>2,138</b>	<b>2,138</b>	<b>2,138</b>
<b>Total Operating Expenses</b>	<b>544</b>	<b>555</b>	<b>555</b>	<b>572</b>	<b>588</b>	<b>591</b>
<b>Net Revenues Available for DS</b>	<b>1,559</b>	<b>1,583</b>	<b>856</b>	<b>1,566</b>	<b>1,550</b>	<b>1,547</b>
MTA B&T Senior Lien DS	558	602	541	595	591	602
<b>Senior DSCR</b>	<b>2.79x</b>	<b>2.63x</b>	<b>1.58x</b>	<b>2.63x</b>	<b>2.62x</b>	<b>2.57x</b>
MTA B&T Subordinate Lien DS	103	102	102	102	103	103
Total DS	661	704	643	698	694	705
<b>Combined DSCR</b>	<b>2.36x</b>	<b>2.25x</b>	<b>1.33x</b>	<b>2.25x</b>	<b>2.23x</b>	<b>2.19x</b>
<i>Source: TBTA/MTA Preliminary Offering Statement</i>						
<i>Note: Figures represent non-reimbursable amounts</i>						
Necessary Reconstruction Fund Balance	412	412	412	412	412	412
balance as % of total OpEx	76%	74%	74%	72%	70%	70%
Days Cash on Hand based on the Necessary Reconstruction Fund (NRF)* Balance	<b>276</b>	<b>270</b>	<b>270</b>	<b>262</b>	<b>255</b>	<b>254</b>
<b>Surplus to Support Mass Transit</b>	<b>783</b>	<b>879</b>	<b>213</b>	<b>869</b>	<b>856</b>	<b>842</b>

\*This Reserve Fund is intended to be used for emergency capital and operating needs of the TBTA based on management discretion.

The Developing Outlook reflects the uncertainty regarding the timing and extent of the overall recovery of tolled traffic due to the evolving nature of the COVID-19 crisis.

### Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click [here](#) to access KBRA's ongoing research on the topic.

The rating and outlook revision reflects the following key credit considerations:

#### Credit Positives

- The TBTA Board's Independent rate setting authority and its proven track record of implementing required rate increases.
- Essentiality of the TBTA facilities to the regional transportation network and the resilience of NYC regional tolled traffic even amidst a near total lock down of the regional economy.
- Toll rates set to generate strong operating surpluses that are used to subsidize MTA's mass transit system.

#### Credit Challenges

- The COVID-19 crisis presents unprecedented challenges to the TBTA's toll traffic and fiscal operations.
- Absence requirement for funding debt service reserve funds.

### Rating Sensitivities

- |  |          |
|--|----------|
| • Growth in traffic volume that increases TBTA net revenues and results in a substantial and sustained increase in DSC.  | <b>+</b> |
| • Significant declines in traffic volume, increases in operating expense, or higher leverage that reduces combined General Revenue and Subordinate Revenue Bond DSC below 1.75x. | <b>-</b> |

### ESG Considerations

When relevant to credit, ESG factors are incorporated into the credit analysis in the same manner as all other credit-relevant factors. Among the ESG factors that have impact on this rating analysis are:

- Discussions in RD 3 and 4 reflect Governance Factors. KBRA considered the MTA/TBTA's Regulatory/Management Framework, financial profiles, and its rate-setting authority as factors that support ongoing debt service.
- Discussions in RD 1 and 2 reflect Social Factors. KBRA has examined the following areas for this credit: trends in population, education, income, poverty levels, employment, unemployment, and the potential impact of the COVID-19 crisis.

More information on ESG Considerations for the Public Finance sector can be found [here](#).

Rating Determinants (RD)	Senior	Subordinate
1. Size and Scope of Operations	AA+	AA+
2. Demand Assessment	AA+	AA+
3. Regulatory/Management Framework	AA+	AA+
4. Financial Profile	AA	AA-
5. Security Provisions	A	A-

There has been no new update to the above-mentioned rating determinants since KBRA’s report published on November 20, 2019. To access the more detailed discussion, please click [here](#). This report focuses on the tolled traffic impact from COVID-19 crisis.

© Copyright 2020, Kroll Bond Rating Agency, LLC, and/or its affiliates and licensors (together, "KBRA"). All rights reserved. All information contained herein is proprietary to KBRA and is protected by copyright and other intellectual property law, and none of such information may be copied or otherwise reproduced, further transmitted, redistributed, repackaged or resold, in whole or in part, by any person, without KBRA’s prior express written consent. Information, including any ratings, is licensed by KBRA under these conditions. Misappropriation or misuse of KBRA information may cause serious damage to KBRA for which money damages may not constitute a sufficient remedy; KBRA shall have the right to obtain an injunction or other equitable relief in addition to any other remedies. The statements contained herein are based solely upon the opinions of KBRA and the data and information available to the authors at the time of publication. All information contained herein is obtained by KBRA from sources believed by it to be accurate and reliable; however, all information, including any ratings, is provided "AS IS". No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any rating or other opinion or information is given or made by KBRA. Under no circumstances shall KBRA have any liability resulting from the use of any such information, including without limitation, for any indirect, special, consequential, incidental or compensatory damages whatsoever (including without limitation, loss of profits, revenue or goodwill), even if KBRA is advised of the possibility of such damages. The credit ratings, if any, and analysis constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. KBRA receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. Please read KBRA’s full disclaimers and terms of use at [www.kbra.com](http://www.kbra.com).