MOODY'S
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Rating Action: Moody's revises the outlook on the Triborough Bridge & Tunnel Authority to stable

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New York, April 08, 2021 -- Moody's Investors Service has revised the outlook on the Triborough Bridge & Tunnel Authority, NY's (TBTA or MTA Bridges and Tunnels) to stable from negative. The Aa3 ratings on $8.4 billion of General Revenue Bonds and A1 on $867 million of Subordinate Revenue Bonds have been affirmed.

RATINGS RATIONALE

The rating action on the Triborough Bridge & Tunnel Authority was prompted by the significant improvement in MTA's budget flexibility and liquidity position for the next 18-24 months, due to its receipt of substantial federal aid for coronavirus relief and recovery. This reduces the near-term likelihood the MTA will use TBTA liquidity to support mass transit. We note that once federal aid has been exhausted, the MTA's significant budget pressures are expected to return due to the slow, incomplete ridership and revenue recovery, unless the agency makes material adjustments to better match its operations to future revenue levels. The broader MTA's out-year budget gap would once again create downward rating pressure on the TBTA's rating due to the organization's combined liquidity.

The Aa3 senior lien/A1 subordinate lien ratings reflects the essentiality of its facilities to the New York City metropolitan region and its historically solid financial metrics, which are among the strongest of all toll road facilities. TBTA tolls are set at a level to generate a surplus for transit operations, which provides a pledged cushion to bondholders before the transfer to its parent, the MTA. Despite the stress related to the outbreak of coronavirus in the United States, TBTA's credit profile remains strong and the authority is projecting a recovery of toll revenue to pre-pandemic levels in FY 2023.

TBTA's pre-pandemic profile was strong, with paid traffic and toll revenue up 2.2% and 4.8% respectively as of FY 2019 ended December 31st; FY 2019 represents the first time that the authority's toll revenues exceeded $2 billion. Senior lien and all-in coverage were 2.64x and 2.26x respectively on a Moody's net revenue basis; adjusted debt to operating revenue was low at 4.5x. Traffic and revenues saw sharp declines starting in early March 2020 related to coronavirus, which bottomed out in April with monthly traffic 65% down and monthly toll revenues 60% down compared to the prior year. The recovery began in May, and as of January 2021, traffic was down only 17.2% and revenue 11.0% down from the prior year. This recovery is faster than both the moderate and fast scenarios contemplated within the McKinsey analysis released by the MTA in May 2020, and revenue is more than 80% better than the TBTA's budget adopted in the July 2020 financial plan. The TBTA also approved a toll rate increase in February, which is expected to be implemented April 11th and result in a 6% revenue yield. Based on three quarters of 2020 FY results, senior lien and all-in debt service coverage is expected to come in at approximately 1.70x and 1.45x respectively with leverage approximately 6.6x. Financial metrics should return to historic levels in FY 2023, in concert with its projected toll revenue recovery.

Under the MTA's organization structure, TBTA has an open flow of funds after the pledge of net revenues to its bondholders. After the payment of O&M, debt service and deposits to the Necessary Reconstruction Fund, annual surpluses are transferred to the MTA under statutory requirement to support transit and commuter operations. Additionally, the MTA has the ability to manage cash across all its component units; therefore, TBTA's liquidity is available for use by its parent and vice versa. Under the current severe revenue stress at the MTA, this relationship becomes a vulnerability. The risks around TBTA's liquidity are exacerbated by the lack of a trustee-controlled debt service reserve fund. As noted above, mitigating the liquidity risk in the next 18-24 months is the material level of support the MTA has received from federal and state levels, most recently $6.5 billion through the American Rescue Plan Act of 2021 signed into law in early March. Though it doesn't eliminate the possibility that the MTA will use TBTA liquidity to support mass transit, these infusions of cash reduce the immediate need.

The possibility also exists that the MTA will use the TBTA credit to finance mass transit as it is empowered to issue toll revenue-backed debt for transit/commuter capital projects, which occurred during the last economic downturn. We note that any issuance of debt by the TBTA for mass transit purposes is an unlikely initial tool for management as it would have the effect of reducing the annual surplus payment available to the MTA.

RATING OUTLOOK

The stable outlook incorporates our expectation of continued recovery of TBTA's traffic and revenues through FY 2023, when metrics should return to historic levels. The outlook is also based on the stable credit profile of the MTA.

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FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- TBTA traffic and revenues return to pre-coronavirus levels, in concert with stabilization of the longer-term credit profile of the MTA

- Dedication of additional financial liquidity to support TBTA bondholders

- Clarity on future long-term capital requirements for both the TBTA and MTA that allows overall debt metrics and DSCRs to improve over the long-term

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A material decline in the MTA's liquidity position and overall credit quality, increasing the potential that the TBTA revenues are tapped to support the broader organization

- Declines in TBTA traffic and revenues with no sign of rebounding, leading to forecast financial metrics remaining weak for a sustained period

LEGAL SECURITY

Senior lien general revenue bonds are secured by a first lien on net revenues of bridges and tunnels; subordinate lien bonds are secured by a second lien on net revenues. The bonds do not benefit from a debt service reserve fund. There is a rate covenant that requires net revenues to be maintained at 1.25x annual debt service for senior lien debt and a strong additional bonds test that requires net revenues to be 1.40x the maximum annual debt service on outstanding and planned bonds if the bonds are issued for something other than to keep the facilities in good operating condition.

PROFILE

The Triborough Bridge & Tunnel Authority, or MTA Bridges and Tunnels, is a public benefit corporation (a corporate entity separate and apart from the state) without any power of taxation. TBTA is empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. The TBTA's facilities include: Robert F. Kennedy Bridge (formerly the Triborough Bridge), Verrazzano-Narrows Bridge, Bronx-Whitestone Bridge, Throgs Neck Bridge, Henry Hudson Bridge, Marine Parkway-Gil Hodges Memorial Bridge, Cross Bay Veterans Memorial Bridge, Hugh L. Carey Tunnel (formerly the Brooklyn-Battery Tunnel), and the Queens Midtown Tunnel. The TBTA receives its revenues from all tolls, rates, fees, charges, rents, proceeds of use and occupancy insurance on any portion of its tunnels, bridges and other facilities, including the net revenues of the Battery Parking Garage, and bridges and tunnels' receipts from those sources. The TBTA issues debt obligations to finance the capital costs of its facilities; in the past, it has also funded the transit and commuter systems operated by other affiliates and subsidiaries of the Metropolitan Transportation Authority or MTA, though that has not been done since 2008. TBTA's surplus amounts are used to fund transit and commuter operations and finance capital projects.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1091602. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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