Metropolitan Transportation Authority (MTA)

Assigned	Rating(s)	Outlook
Transportation Revenue Green Bonds, Series 2019A (Climate Bond Certified) *Consisting of* Subseries 2019A-1, 2019A-2, and 2019A-3	AA+	Negative
Transportation Revenue Bond Anticipation Notes, Series 2019A (maturing 2/3/2020)	K1+	n/a
Affirmed	**Rating(s)**	**Outlook**
Transportation Revenue Bonds	AA+	Negative
Transportation Revenue Bond Anticipation Notes, Series 2017C (partially maturing 2/15/2019 & 5/15/2019)	K1+	n/a
Transportation Revenue Bond Anticipation Notes, Series 2018A (maturing 8/15/2019)	K1+	n/a
Transportation Revenue Bond Anticipation Notes, Series 2018B Subseries 2018B-1 (maturing 5/15/2020)	K1+	n/a
Transportation Revenue Bond Anticipation Notes, Series 2018B Subseries 2018B-2 (maturing 5/15/2021)	K1+	n/a
Transportation Revenue Bond Anticipation Notes, Series 2018C-1 (maturing 9/1/2020)	K1+	n/a
Transportation Revenue Bond Anticipation Notes, Series 2018C-2 (maturing 9/1/2021)	K1+	n/a

For mapping of the long-term rating to the short-term rating, please refer to the short-term KBRA Rating Scale.

Methodology:

U.S. Public Toll Roads, Bridges & Tunnels Revenue Bond Rating Methodology

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Rating Summary: The Transportation Revenue Green Bonds, Series 2019A (the "Bonds"), consisting of Subseries 2019A-1, 2019A-2, and 2019A-3, will be issued to retire the MTA's outstanding Transportation Revenue Bond Anticipation Notes, Series 2017C-1. The Transportation Revenue Bond Anticipation Notes, Series 2019A will be issued to finance existing approved capital projects and retire a portion of the Taxable Series 2019A Transportation Revenue Bond Anticipation Notes (BANs).

While not losing sight of the significant strengths provided by the essential nature of the MTA transportation services and the gross revenue pledge which covers debt service over 8.7x, KBRA has grown concerned regarding the inability of MTA's political leadership to build consensus and begin executing plans to address MTA's worsening operational and revenue trends. Ridership declines are now showing a consistent multi-year downward trend despite years of robust growth in the New York metropolitan area economy (see Figure 3). The ridership declines are caused by delays, disruptions, overcrowding, and, most important, the expanding popularity of alternatives such as rideshare services and biking. While all these issues are complex, KBRA believes they can be addressed once legislative and other elected leaders develop the urgency to do so.

While the MTA operational leaders are working to address service quality issues through emergency action plans, it has yet to demonstrate marked improvements in service delivery or a sustained reversal in ridership trends, which are becoming more crucial to the MTA's ability to generate the cash balances projected under its operating budget and financial plan. KBRA notes that the November Financial Plan (NFP) projects minimal cash balances for FY 2018 and 2019 but that the projected out-year deficits have increased significantly from the amounts projected in the July Financial Plan (JFP). In KBRA's view, the MTA will need to implement an additional revenue source, or sources, while also continuing to exert control over operating expenditures as it continues to seek operational efficiencies and address labor contracts that expire in FY 2019. While there has been positive support for the MTA at the State and City level, a high level of uncertainly will remain until there is actual consensus on behalf of all stakeholders regarding the ability effectuate actual and sustainable change. The MTA's financial operations are likely to remain pressured at the current level until such actions are taken.

Keeping all this in perspective, pledged revenues under the transportation resolution reflect strength in the regional economy and will continue to provide strong gross lien debt service coverage. Total coverage from pledged revenues, on a gross lien basis, was 8.7x in FY 2017 with the non-operating portion providing annual debt service of 4.2x. Projected coverage is expected to remain in line with FY 2017 levels at 8.7x in FY 2018 and 8.4x in FY 2019.

The **Negative Outlook** reflects the potential deterioration in financial position that may emerge because of the inability of political leaders to act with urgency and execute a vision for MTA's operations, service, and revenue mix. The MTA transportation system is among the most successful and complex infrastructure operations in the world, providing the underpinning to the New York Metropolitan area economy. Yet, if state and local leaders fail to reach consensus around, among other things, the implementation of new sustainable revenue streams, and if there is continual inaction, or lack of significant progress, in the actual implementation of a plan then KBRA may downgrade the overall rating in the near term.

Key Rating Strengths

- MTA provides a critical transportation network for over 15 million people in the greater New York metropolitan area, which is essential to the economic and social fabric of the area.
- MTA has autonomy in setting rates and charges for its services.
- MTA has a well-defined structure for managing financial operations, which includes specific policies governing the budget process, multi-year financial and capital planning and debt management.
- Despite near-term challenges, MTA management has a strong track record of balancing its operating budget over changing economic cycles and unforeseen events as well as managing complex capital programs designed to improve and expand the System.

Key Rating Concerns

- Funding for necessary capital projects will continue to be controversial. The 2015-2019 Capital Program was approved after substantial delay and extensive negotiations amongst key stakeholders. Both New York State's and New York City's commitments represent significant increases anticipated to be funded in future years.
- MTA's high fixed cost structure, in combination with its existing resource base, will continue to make the MTA's ability to balance the operating budget and fund capital requirements challenging without the identification of a new sustainable revenue source.
- The ability to control growth in labor-related costs and costs stemming from future labor contracts will remain a key factor in maintaining budgetary balance.

Drivers for Rating Change	
Significant increase in debt service coverage, revenues, and non-fare revenue streams	+
Significant decline in funding support from the MTA's principal funding partners; Inability to successfully negotiate labor contract renewal with outcomes that could help control the System's escalating fixed costs; Inability to identify or enhance and secure new or existing revenue sources dedicated to operations and capital budgets; Changes in the regional economy and/or ridership patterns leading to consistent additional declines in ridership and farebox revenue.	-

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

RD1: Size and Scope of Operations

The MTA provides critical transportation system services for 15.3 million people in the 5,000-square-mile New York City metropolitan area. In KBRA's view, the System is an essential element of the economic framework of the metropolitan area, which is also New York State's largest population center and largest economic base. MTA has the largest subway-car fleet in the world and operates more buses than any other public agency in North America. In 2017, the System carried 2.3 billion passengers on its transit and commuter lines and 309.9 million vehicles on its toll bridges and tunnels. The System operates over 2,000 track route miles, 2,900 bus route miles, and employs over 73,000 people.

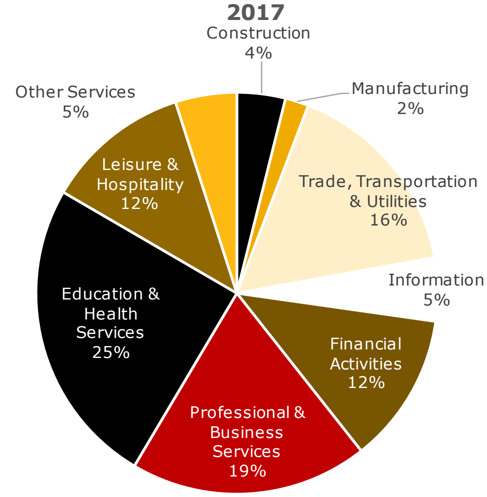
The City had a total estimated residential population of 8.6 million, which is 5.4% greater than 2010, exceeded the nationwide growth rate of 4.5% during the same period.

The employment base of New York City is generally stable and diverse. While financial services and professional services remain the major economic drivers of the City, generating over one-third of GDP of the NYC metropolitan area, KBRA notes that six of the ten top private sector employers are in healthcare and higher-education (Figure 1). According to the New York State Department of Labor, the City's largest private employers in 2016 include American Airlines, Columbia University, JPMorgan Chase, Memorial Sloan Kettering Cancer Center, Morgan Stanley Children's Hospital, Mount Sinai Hospital, New York Presbyterian Hospital, Nielsen Company, Northwell Health, Inc., and Verizon.

Unemployment trends in both Manhattan and New York City continue to improve. The City had an unemployment rate of 4.1% in 2018, which is lower than the State of New York's 4.2% but higher than the nation's 3.9%.

Figure 1

NYC Employment Distribution 2017



Source: City of New York New York Taxable General Obligation Bonds, Fiscal 2018 Series F Official Statement

Based on the foregoing, KBRA continues to view the MTA's size and scope of operations as consistent as a AAA Rating Determinant rating.

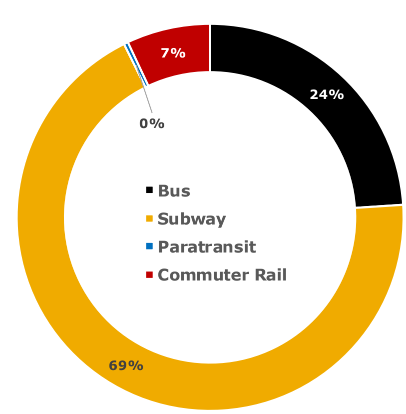
RD2: Demand Assessment

The System is comprised of four major modes of public transportation in the Greater New York area: subway, buses, commuter rails, and paratransit. For the past ten years, the System serviced at least 2.5 billion annual trips. Of the various services provided by the MTA, the subway carries approximately 70% of passengers annually, followed by bus services 24%, and commuter rail services 7%. The System also provides special transportation services for people with disabilities; at less than 1% total ridership in this category is (Figure 2). Ridership recorded in 2017 equaled approximately 2.5 billion.

Although currently challenged, MTA's core ridership demand is strong given the long-term inelasticity of demand and relatively stable (Figure 3). The Subway is generally the cheapest and the fastest method to traverse the City by avoiding possible road traffic congestion. Bus services provide transportation to areas without subway access, mostly in the outer boroughs and connecting them to the subway network. Commuter rail services transport residents from outside of

Figure 2

Ridership Composition 2017

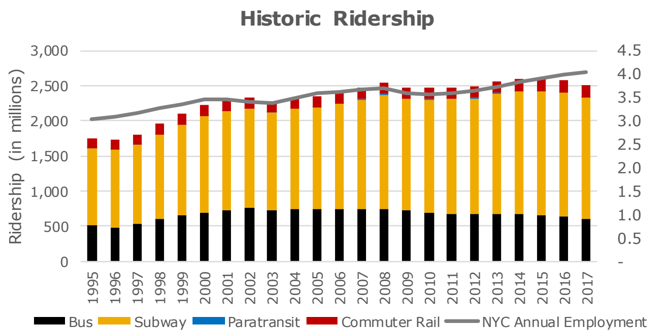


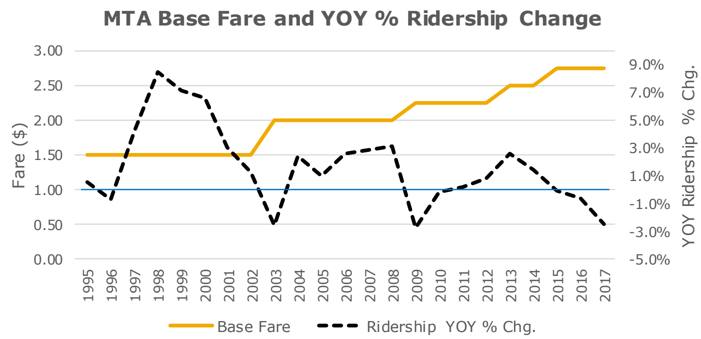
Source: Metropolitan Transportation Authority the NYC five boroughs to employment opportunities in the City, where the time and expense of driving is too high for most daily commutes.

Overall System ridership has increased since 1995, with fairly minimal declines in some years due primarily to recessionary conditions. During that time, farebox revenue has grown at a greater rate than ridership as a result of several fare increases. Total system volume dropped 2.9% from 2008 to 2010 due to the Global Financial Crisis of 2008, but rebounded to its historic peak in 2014 with almost 2.6 billion annual trips. Record-high ridership contributed to crowded stations, which led to extended wait times and longer overall running times. The increase in ridership strained the aged facilities and caused frequent delays and breakdowns.

Ridership levels are further strained by the improved local economy coupled with the rise of rideshare services as easy and affordable alternatives to the subway. Total ridership began to decline in 2015 and slipped by 2.5% in 2017, which was the largest drop in a single year since the Global Financial Crisis. Amongst the four modes of transportations, bus ridership declined the most by over 7% (48 million trips) during the period between 2015 and 2017 followed by subway ridership declines of 2% (39 million trips) (Figure 3). Significantly, ridership in the outer boroughs was mostly affected by service changes and the availability of rideshare services for inter-borough trips.

Figure 3





Source: Metropolitan Transportation Authority

In 2017, the MTA began to develop strategic plans to address the top causes of subway delays. Currently, the MTA plans to partially resolve issues by adding a new fleet of rolling stock, upgrading its signal and track infrastructure, keeping subway stations up to date, and improving accessibility to subway stations. The MTA has yet to identify funding sources for its plans and anticipates ridership will continue to be challenged while funded system upgrades are in progress.

MTA Subway Action Plan (SAP) and Ongoing Development

In summer of 2017, the Governor signed an executive order, declaring a disaster emergency within the MTA Commuter Transportation District. The order suspended procurement rules and enabled the MTA to bypass certain bureaucratic procedures and expedite capital projects and repairs to the subway and commuter rail system. The Governor also committed an additional $1 billion to the Capital Program. The initial phase is intended to address ongoing subway system service disruptions, delays, overcrowding and infrastructure disrepair. Phase 2 is being developed and will focus on capital program enhancements to modernize the System.

As of March 2018, both the State and the City have confirmed the matching SAP contribution commitments totaled $836 million. The SAP funding commitments have been incorporated in the 2018 November Financial Plan and are being received by the MTA. Additionally, the State has established a surcharge on for-hire vehicles operating within the congestion zone (defined as Manhattan below 96th street) to fund Phase 1 of the SAP projects. The surcharge is expected to generate roughly $415 million in FY 2019 and $435 million annually thereafter to keep the System maintained at the level started by SAP. Currently, the surcharge has not been implemented due to litigation challenges. A hearing is scheduled for January 31, 2019.

Based on the foregoing, KBRA continues to view the MTA's demand assessment as a AA+ Rating Determinant rating.

RD3: Regulatory/Management Framework

The MTA operates under a strong regulatory framework that provides detailed policies governing operations, financial and capital planning, debt, and disclosure. MTA benefits from significant autonomy in managing the day-to-day operations of the System and has sole authority for setting fares and tolls. KBRA notes that fares and tolls have historically been set at levels that maximize revenue generation while attempting to maintaining affordability.

In KBRA's view, the MTA has an established track record of managing its financial operations, developing and executing large and complex capital programs, and managing debt issuance. Financial operations remain thinly balanced but the MTA has consistently managed to maintain modest net cash balances at year-end. KBRA notes that declining revenues linked to declining ridership have been exerting increasing pressure on the MTA's finances and heightened the need to identify and implement additional expenditure reductions and cost efficiencies.

KBRA continues to expect that the MTA will manage operations and control operating expenditures to address its sizable out-year budget gaps without further depletion of projected year end cash balances as identified in the 2018 November Financial Plan for plan period 2019-2022. As stated in previous reports, it is KBRA's view that the MTA will need to make significant near-term progress to identify and implement expenditure reductions while working with its funding partners to identify and implement sustainable revenue sources to offset the current pressures within the operating budget.

KBRA notes the operating budget reflects the public-purpose nature of the services provided and the need to balance limited resources against a labor and capital-intensive operation. KBRA also notes MTA's long history of managing financial challenges and view's the challenges as currently manageable but escalating. However, KBRA also believes that delayed implementation of solutions, resulting from inaction by the MTA or its funding partners, is putting downward pressure on the overall rating.

Based on the foregoing, KBRA views the MTA's regulatory and management framework as a AA+ Rating Determinant rating.

RD4: Financial Profile

Operating revenues include farebox revenues from the transit, commuter and bus systems as well as surplus revenues from the TBTA. Non-operating revenues consist of state and local operating subsidies and specific dedicated taxes. The combination of revenues gives MTA flexibility to adjust fares, tolls, and expenses in a manner that maintains affordability, without significantly impacting operations and payment of debt service. The level and diversity of non-operating revenues can also provide some protection during periods of service disruptions or delayed government appropriations. As required by its governing statutes, the MTA has historically acted in a timely manner to raise fares and tolls, seek additional resources, and reduce operating expenses to maintain structural balance in its operating fund.

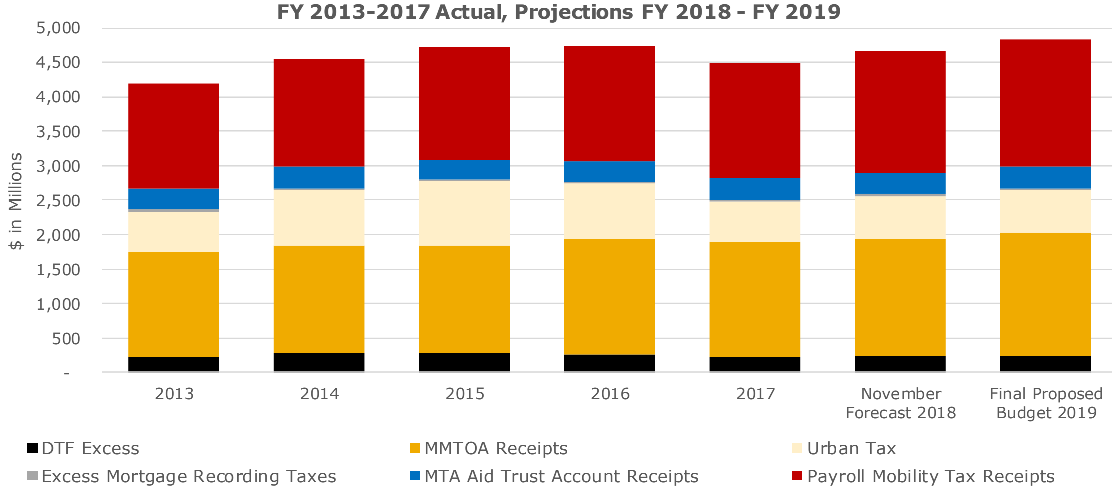
Current Financial Operations of the MTA

The **KBRA Report** on the MTA published on October 10, 2018 discussed the MTA's 2019 Preliminary Budget/July Financial Plan (JFP). Subsequently, the MTA published the Final Proposed Budget/ November Financial Plan (NFP) on November 15, 2018. The NFP updates the JFP, presents the 2018 November Forecast, the 2019 Final Budget and a Financial Plan for the years 2019-2022. The MTA Board approved the proposed 2019 budget on December 12, 2018.

Historically special tax revenues subsidized the MTA's operations (Figure 4). Subsidies to the MTA have largely been stable although some decline occurred in FY 2017, due to lower farebox revenues and real estate transfer tax collections. The NFP projects that total subsidies will return to historic levels.

Figure 4

Historical Trend of MTA Special Tax Supported Operating Subsidies
FY 2013-2017 Actual, Projections FY 2018 - FY 2019



Source: Metropolitan Transportation Authority

Figure 5

Consolidated Statement of Operations **Budgetary Basis ($millions)**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**Novemeber Forecast 2018**	**Final Proposed Budget 2019**
Farebox Revenues	5,961	6,050	6,172	6,153	6,122
Toll Revenues	1,809	1,870	1,912	1,967	1,984
Other Revenues	689	688	653	662	705
Total Operating Revenues	**8,459**	**8,608**	**8,737**	**8,782**	**8,810**
Dedicated Taxes and State/Local Subsidies	6,596	6,676	6,416	7,254	7,249
Total Revenues	**15,055**	**15,284**	**15,153**	**16,036**	**16,059**
Labor	8,732	9,238	9,373	9,919	10,086
Non-Labor	3,101	3,168	3,505	3,761	3,882
Other	37	47	49	294	323
Total Operating Expenses	**11,871**	**12,453**	**12,927**	**13,974**	**14,291**
Debt Service	2,373	2,459	2,525	2,559	2,692
Total Operating Expenses + D/S	**14,244**	**14,912**	**15,452**	**16,533**	**16,983**
Net Surplus (Deficit)	810	371	(273)	(498)	(924)
Adjustments/ Carryover	330	480	248	121	64
Net Cash Balance (after cash conversion)	**480**	**248**	**121**	**64**	**18**

Source: Metropolitan Transportation Authority

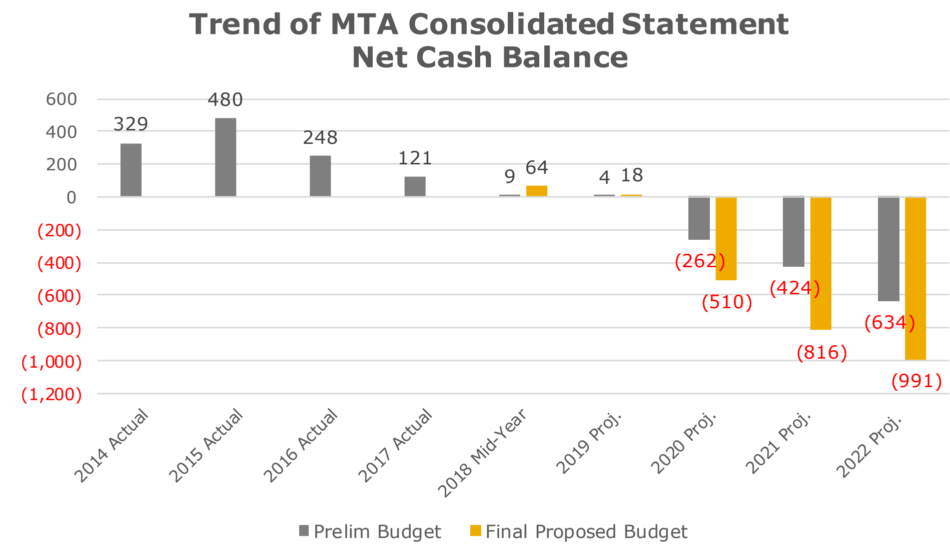
The NFP projects FY 2018 farebox revenue will decrease by 0.3% compared to FY 2017 actuals and that FY 2019 farebox revenues will decrease by another 0.5%, which results in an overall 0.8% decrease compared to FY 2017 actuals (Figure 5). Farebox revenue declines are attributable to lower passenger volume at NYCT (subway and bus services) primarily due to fare evasion, planned service changes, and higher use of for-hire vehicles. Meanwhile, toll revenues remain stable with projected increases in FY 2018 and FY 2019 equal to 2.9% and 3.8%, respectively, compared to FY 2017 actuals.

Despite the current strong local economy, the MTA expects total operating revenue growth in FY 2018 and FY 2019 to be weaker than actual results between FY 2015 and FY 2017. The NFP also projects modest revenue growth extending to the end of the FY 2022 plan period, with an increase of 1.7% compared to FY 2017 actuals. The modest revenue projection reflects the MTA's conservative budget approach as well as uncertainties in ridership as a result of ongoing operational challenges.

KBRA notes that in FY 2017 over 60% of the MTA's operating expenses (including debt service) consists of labor related costs, which are expected to increase by 2.9% annually or by 18.4% by FY 2022. Non-labor related costs, which make up roughly 26% of the MTA's operations, are expected to increase by 1.9% annually or by a total of 6.5% during the same period. Overall Op-Ex (including debt service) is expected to increase by almost 20% from FY 2017 to the end of the plan period, far more rapidly than that of total revenue growth. According to the MTA, the large Op-Ex increase is needed to address maintenance issues and investments made to the System assets. As a result, the NFP projects that the MTA will further draw on existing cash balances. Cash balances are expected to be decline from a very thin level of $64 million in FY 2018 to even thinner level at $18 million in FY 2019.

Despite the incorporation of fare and toll rate increases yielding 4% increase in 2019 and 2021, the use of recurring savings, and one-time revenues, projected out-year deficits in the current plan period are significantly larger than in previous years. Cash deficits in FY 2022 are projected at $991 million, $357 million higher than the JFP projections (Figure 6). Cash deficits will be larger without a fare and toll increase during the plan period at over $1.6 billion in 2022.

Figure 6



Source: MTA 2019 July Financial Plan | Final Proposed Budget/ November Financial Plan 2019-2022

The MTA has very thin near-term projected cash balances and large out-year cash deficits. KBRA notes that the MTA has demonstrated willingness and ability to close its current year budget gaps through various measures in the past, including its authority to adjust fares/tolls and ability to optimize operating efficiencies. KBRA understands that obtaining new sustainable recurring funding sources is a lengthy and highly political process and KBRA will continue to monitor the MTA's progress in working with stakeholders to identify and secure additional funding as well as the operational issues that are affecting the transit system. KBRA notes that failure to secure new funding sources in the near to medium term will pressure the MTA's operations, utilization, revenue generating ability, as well as credit quality.

Moreover, tolls and fares constitute approximately half of the MTA's operating revenues and the MTA plans to implement the next biennial fare and toll rate increase in March of 2019. KBRA notes that the MTA's Financial Plan and Capital Plan are dependent on resources that are economically sensitive and for this reason, a slowdown in economic activity could result in higher fares and/or lower investment in System assets, which would negatively impact System operations and drive up costs over time. Any slowing of the economy that affects pledged revenues would require further budget adjustments.

Debt Service Coverage

The MTA has well-defined policies governing the issuance of debt, including variable rate and synthetic products. As of December 31, 2018, the MTA had approximately $38.8 billion in debt outstanding through four distinct issuing structures, of which approximately $24.9 billion (64.2%) is through the TRB resolution. Outstanding debt, as of December 31, 2018, is largely fixed rate (78.3%), with the remainder divided between synthetic fixed-rate debt, unhedged variable rate debt, and bond anticipation notes. The NFP forecasted that debt levels will decrease by 3% over the plan period compared to the JFP while the MTA continues to fund ongoing capital requirements to maintain and expand the network (Figure 7).

Figure 7

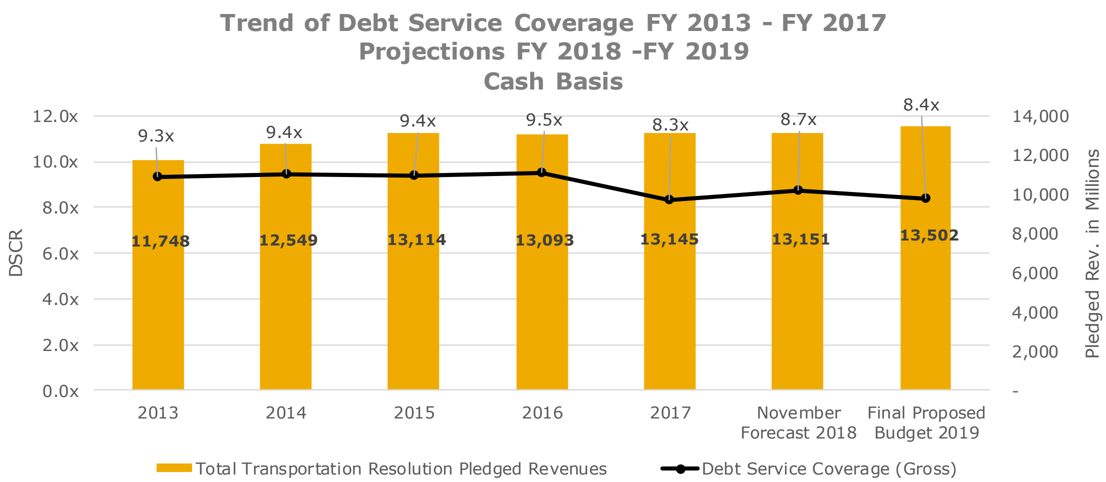
Projected TR New Money Issuance ($ in billion)						
Plan	**2019**	**2020**	**2021**	**2022**	**Plan Period Total**	**Plan-to-plan % chg**
NFP 2019-2022	$1.524	$4.010	$3.427	$1.366	$10.327	-3%
JFP 2019-2022	$1.758	$4.110	$3.209	$1.528	$10.605	

Source: Metropolitan Transportation Authority

Based on the NFP, FY 2018 pledged revenues are projected to be $13.2 billion, an increase of 4.1% over the FY 2017 total. FY 2018 pledged revenues are expected to provide 8.7x DSC on the transportation revenue bonds (TRBs) on a gross basis and forecasts that FY 2019 DSC on the TRBs would be at 8.4x (Figure 8).

KBRA continues to view debt service coverage on the TRBs as strong and notes that non-operating revenues provide additional protection for debt service during periods of temporary disruption in services and/or periods of operational challenges. KBRA notes that coverage levels are expected to decline over the plan period, as debt service related to capital projects continues to grow.

Figure 8



Source: Metropolitan Transportation Authority

Labor Contracts

MTA's largest labor contract agreement has been ratified by the Transit Workers Union Local 100 (TWU) membership and was approved by the MTA Board in March of 2017. While MTA had assumed a 2% wage increase in its operating budget and financial plan, the actual contract calls for a 2.5% increase in the first 26 months, plus a $500 bonus for the final two months (November and December 2018). MTA management believes the additional costs for the revised contracts to be manageable and close to its budgeted amounts due to the contract being a 28-month agreement. In KBRA's view, the MTA's high fixed-cost structure for capital, labor, pensions, and other post-employment benefit obligations, and potential growth in future costs will continue to put pressure on fares and service lines. Balancing the operating budget will continue to be a challenge. KBRA notes that the majority of the MTA's union contracts expire in 2019. The MTA's ability to successfully negotiate the contract renewal process with outcomes that could help control the System's escalating fixed costs will be important to the MTA's outyear fiscal health and credit rating.

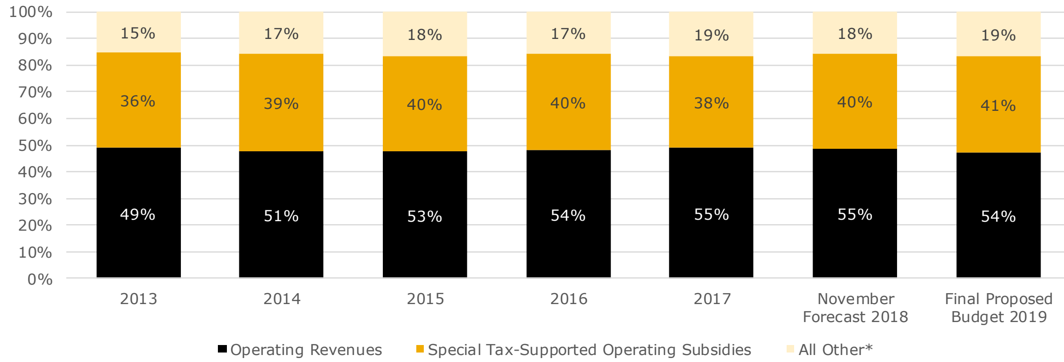
Based on the foregoing, KBRA views the MTA's financial profile as consistent with a AA Rating Determinant rating.

RD5: Security Provisions

The TRB are secured by a lien on pledged revenues, which consist of: i) fares and other operating revenues from the New York City Transit, MTA Commuter and MTA Bus system, ii) surplus operating revenue from MTA Bridges and Tunnels (TBTA), iii) various State and Local government subsidies and iv) certain dedicated tax revenues (Figure 9).

Principal and interest on the Bond Anticipation Notes are payable solely from proceeds of other notes or proceeds of the Take-Out bonds. Interest payments on the BANs may also be paid from revenues available for subordinated debt.

Figure 9
Trend of MTA Total Pledged Revenues Composition
FY 2013-FY 2017 Actual
FY 2018-2019 Projections



*All other includes TBTA surplus, state and local general operating subsidies, station maintenance and service reimbursements, city subsidy for
Source: Metropolitan Transportation Authority

The TRB Resolution provides that bondholders will be paid from pledged revenues, prior to the payment of operating or other expenses of the MTA, New York City Transit (NYCT), Metro-North Railroad (MNR), Long Island Rail Road (LIRR), and MTA Bus. The TRB resolution requires MTA to transfer all pledged revenues, upon receipt, to the Trustee for deposit into the revenue fund. KBRA views the monthly deposits of pledged revenues with the Trustee, prior to payment of operating expenses, to be a strong security feature of the TRB resolution.

Bondholder protections are further supported by provisions in MTA governing statutes which, among other things, require MTA to maintain a balanced operating budget and to set rates and charges at a level sufficient to provide for coverage of all operating and debt service expenses as well as necessary reserve requirements. The statutes also include a non-impairment provision and prohibition on MTA and its related entities from seeking or being forced into bankruptcy, which KBRA views as positive security factors.

Highlights of Security Provisions	
Flow of Funds Pursuant to the TRB Resolution, MTA is required to transfer all pledged revenues, upon receipt, to the Trustee for deposit into the Revenue Fund. The Trustee is required to make deposits into the debt service accounts equal to the amount of debt service that will accrue on outstanding TRB parity obligations through the end of the current calendar month. Excess revenues are released to MTA upon satisfaction of the monthly debt service requirements. This ensures that debt service on TRB obligations are satisfied prior to payment of system operating expenses. The flow of funds also reduces the magnitude of any shortfalls in the debt service accounts that occur from revenue deficiencies later in the revenue period. KBRA views the monthly deposits to debt service accounts held with the Trustee as a positive security feature.	**Rate Covenant** The New York State Public Authorities Law requires MTA to be self-sustaining and gives it control over setting rates which in their judgment produces sufficient revenues to pay principal and interest on outstanding obligations as well as operating expenses and maintenance of reserves. MTA also covenants in the TRB Resolution to charge fares, which together with other available revenues, are sufficient to meet all debt service requirements as well as operating and maintenance expenses of the system. The Resolution also includes a covenant that requires MTA to operate and maintain system assets in good repair and working condition.
Additional Bonds Test There is no coverage requirement for the issuance of parity bonds, which KBRA considers a weakness in the security provisions. However, the issuance of additional bonds is subject to approval by the State Capital Program Review Board in conjunction with MTA's Capital Program and must be accompanied by a certification that the rate covenant will be met for the succeeding fiscal year.	**Debt Service Reserve Fund** The TRB resolution does not provide for funding of a debt service reserve fund, which KBRA also views as a weakness in the security provisions. However, MTA does maintain a General Reserve Policy equal to 1% of operating expenses, which helps to offset liquidity risk. It also currently maintains a $700 million liquidity facility to address potential liquidity issues. The monthly deposit of pledged revenues into the debt service account further helps to offset potential liquidity concerns for TRB bondholders.

Based on the foregoing, KBRA views the security provisions of the MTA TRBs as consistent with a AA- Rating Determinant rating.

Bankruptcy Assessment

KBRA has consulted with external counsel regarding the statutory framework for municipal bankruptcy in New York State. KBRA understands that to be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code ("Chapter 9"), an entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code and must be specifically authorized to file a municipal bankruptcy petition by the State in which it is located. It is KBRA's understanding that the MTA likely meets the definition of "municipality" contained in the Bankruptcy Code. KBRA further understands, however, that a public benefit corporation, such as the MTA, is not specifically authorized under New York State law to file a petition under Chapter 9. Additionally, KBRA understands that New York State law further restricts the power of the MTA to file a Chapter 9 petition under Section 1269 of the New York Public Authorities Law, which does not allow a Chapter 9 filing by the MTA so long as bonds or other obligations issued by the MTA pursuant to Section 1269 or 1266-c of the New York Public Authorities Law are outstanding. Furthermore, pursuant to section 1271 of the New York Public Authorities Law, the State of New York has pledged to not alter the rights and remedies of bondholders in a way that would impair such holders, including altering the prohibition against the MTA filing a Chapter 9 petition included in Section 1269.

Conclusion

Based on the foregoing, KBRA assigned a Long-Term Rating of AA+ with a Negative Outlook to the Metropolitan Transportation Authority Transportation Revenue Green Bonds, Series 2019A (Climate Bond Certified). KBRA also assigned a Short-Term Rating of K1+ to the Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series 2019A.

Concurrently, KBRA affirmed the Long-Term Rating of AA+ on the Metropolitan Transportation Authority's outstanding Transportation Revenue Bonds and revised the Outlook to Negative. KBRA also affirmed the Short-Term Rating of K1+ on the Metropolitan Transportation Authority's outstanding Transportation Revenue Bond Anticipation Notes.