Moody's Investors Service

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New Issue: Triborough Bridge & Tunnel Authority, NY

MOODY'S UPGRADES RATINGS OF NEW YORK'S TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY (TBTA) AND ASSIGNS Aa2/VMIG1 TO GENERAL REVENUE VARIABLE RATE BONDS

Ratings Upgraded to Aa2 for $4.5 Billion Outstanding Parity General Resolution Bonds and to Aa3 for the $2.4 Billion Subordinate Lien Bonds

Toll Roads
NY

Moody's Rating

ISSUE	RATING
General Revenue Variable Rate Bonds, Series 2005A	Aa2/VMIG 1

Sale Amount	$150,000,000
Expected Sale Date	05/03/05
Rating Description	Revenue Bonds

Moody's Outlook Stable

Opinion

NEW YORK, May 3, 2005 -- Moody's has assigned an Aa2/VMIG 1 rating to the $150 million Triborough Bridge and Tunnel Authority's (TBTA) General Revenue Variable Rate Refunding Bonds, Series 2005A. We also have upgraded the rating on the TBTA's parity General Revenue bonds to Aa2 from Aa3 and the rating on the Subordinate Lien revenue bonds to Aa3 from A1. The upgrade results from the strong debt service protection provided by the revenues generated by TBTA's vital, diverse and resilient facilities. In addition to the TBTA credit fundamentals, the Series 2005A bonds are supported by a standby bond purchase agreement (SBPA) from Dexia Credit Local (rated Aa2/P-1), which provides liquidity in the event of a failed remarketing of tendered bonds.

The long-term portion of the rating carries a stable outlook and reflects strong debt service coverage by pledged revenues. The General Revenue bonds are secured by a senior lien on the net revenues of the Authority and the Subordinate bonds are secured by a lien on the revenues available after senior bonds debt service is paid The rating reflects the critical nature of the Authority's facilities, strong inelastic demand and toll setting autonomy, and a reasonable capital improvement program. The rating also reflects the TBTA's role in the Metropolitan Transportation Authority (MTA), and its required subsidization of the transit and commuter railroad systems.

Credit Strengths

*TBTA facilities provide critically important transportation links in the New York City Metropolitan area

*Multiple facilities provide revenue diversity with no one facility accounting for more than 25% of total toll revenue

*Traffic and revenue remain resilient through economic cycles and severe disruptions as well as toll rate increases

*Security provisions for senior and subordinate bonds are adequate and ensure that debt service is paid prior to any transfers to the MTA

Credit Challenges

*Legally required TBTA subsidies to transit and commuter agencies reduce liquidity and increase leveraging

*While overall traffic and revenue growth is steady the system remains somewhat vulnerable to regional economic cycles as well as fuel cost escalation

*Balance sheet and lack of debt service reserve fund are weaker than average for toll road systems

STRONG LIQUIDITY SUPPORT FOR DEMAND FEATURE

Dexia Credit Local provides liquidity support for these bonds in the form of an SBPA, that covers the bonds in the weekly mode. The facility and its VMIG 1 rating will expire on May 9, 2012, unless there is an earlier substitution, extension, or termination. Conversion to other than a weekly mode requires a mandatory tender. The SBPA has satisfactory legal provisions to ensure timely access to the liquidity facility. The liquidity agreement covers full principal and 35 days of accrued interest on the bonds. In the event that some bonds are not successfully remarketed, the remarketing agent will confirm to the Trustee and tender Agent the transfer of the purchase price. The trustee will then draw on the liquidity facility and the proceeds of the draw will then be transferred to the tender agent. The legal documents provide sufficient structural mechanics to allow the tender agent to access the SBPA to make timely payment of the purchase price of the tendered bonds. While the obligation of the bank to fund the purchase price of the tendered bonds under the SBPA is conditional, the conditions precedent to purchase and terminating events of default are limited and considered highly unlikely. Immediate termination events include TBTA default on any of its debt, the taking of a substantial part of its property by a receiver or custodian, or TBTA bankruptcy or insolvency. The above conditions are in accord with Moody's criteria for such facilities. Other termination events require 30 days notice by the bank, allowing investors sufficient time to tender the bonds.

TOTAL TRAFFIC AND REVENUE GREW STEADILY AS REGIONAL ECONOMY IMPROVED

Notwithstanding the impact of a toll rate increase in 2003, traffic and revenue at the TBTA's five bridges and two tunnels continued to grow at a healthy pace in FY 2004, reflecting the positive trends in the Metropolitan New York City economy. Toll revenues increased a strong 7.4% in FY 2004, reflecting sustained economic recovery and the full impact of the toll rate increase implemented on May 18, 2003. Toll transactions for FY 2004 increased by 1.8%, demonstrating the inelastic demand for the Authority's facilities. This follows a minimal 0.8% reduction in toll transactions in FY 2003 and a 9.5 % increase in toll revenues, $4.4 million ahead of the traffic consultant's forecast. Toll revenues comprise about 97% of total TBTA operating revenues.

On March 13, 2005 the TBTA implemented its second toll increase in two years and expects to increase toll rates biennially by this approximately amount. For fiscal 2005, traffic is forecasted to decline by 1% with toll revenues increasing by approximately 10% to $1.2 billion. The average weekday market share of E-ZPass increased from 72% in 2003 to 72.9% in 2004. E-Z Pass usage is expected to grow 0.5% annually in the forecast period through 2015.

BONDS TEST AND RATE COVENANT ENSURE ADEQUATE COVERAGE

The indenture contains strong bondholder protections and ensures that senior and subordinate lien debt service as well as all required deposits and fund replenishments are made ahead of statutory transfers. By state law the TBTA is required to transfer its operating surplus to the Transit Authority and to MTA. While these transfers limit the TBTA's ability to build a stronger balance sheet and constrain the Authority's financial flexibility, in Moody's opinion thus far they have been managed appropriately relative to the TBTA's robust cash flow. In FY 2004 the TBTA's support to the capital and operating budgets of the Transit and Commuter Systems totaled approximately $690 million. The independent consultant's traffic forecast through 2015 assumes general growth rates of 0.55% to 1.7% annually, consistent with the growth in the Metropolitan economy; however, these growth rates have been adjusted downward to factor in the impact of planned biennial toll increases of approximately 5%.

A two-tiered rate covenant requires establishment of rates sufficient to cover operating expenses and all debt service requirements for the general purpose revenue bonds and any subordinate debt; the second test requires net revenues sufficient to provide 1.25 times coverage of the senior General Purpose Revenue Bonds. The additional bonds test is also two-tiered and provides that any additional bonds for new transit or commuter projects must demonstrate that net revenues are equal to 1.40 times peak outstanding and additional debt service as well as an engineer's certificate that historical 12-month net revenues ending not less than 24 months after project completion are at least 1.40 times debt service for that period.

Senior lien debt service coverage has been well above two times historically with the exception of FY 2002 when the full impact of 9/11 facility closures (Brooklyn Battery Tunnel) vehicle restrictions and security related costs were being felt. This very systemic severe shock has now been fully absorbed and operating expenses have returned to a normalized pattern, with FY 2004 expenses 2.9% lower than the prior year. Debt service coverage of all bonds, senior and subordinate has been well above two times in FY 2003 and FY 2004 due to the toll rate increase and the growth in traffic spurred by the regional economic recovery. Historical debt service coverage has ranged between 1.75 and 1.80 times from 1998 to 2002 and is forecasted to remain close to these levels through the financial forecast period from 2005 to 2009 as it bond-finances its $1.2 billion capital program for this period.

Outlook

The stable outlook reflects solid credit fundamentals and assumes that the TBTA will continue to weather fluctuations in economic cycles with limited impact on operations and revenues. The rating also assumes that the TBTA will continue to have rate-setting autonomy and will prudently manage its capital program dedicated to maintaining its bridges and tunnels.

What Could Change the Rating - DOWN

Significantly reduced traffic and revenues combined with increased transfers to the MTA or additional borrowing for transit projects could place downward pressure on the rating.

What Could Change the Rating - UP

Sustained growth in traffic and revenues and debt service coverage while reinvesting in facilities as needed and building a stronger balance sheet through the limitation of transfers could have a positive rating impact.

USE OF PROCEEDS: Provide funding for TBTA's five-year capital program projects, primarily related to system upkeep.

LEGAL SECURITY: First lien on net system revenues.

DEBT RELATED DERIVATIVE INSTRUMENTS: The TBTA has approximately $1 billion in variable rate outstanding under its General and Subordinate lien bond resolutions representing approximately 16.7% of its total outstanding debt. In addition, in order to hedge its interest rate exposure the Authority has entered into six floating to fixed interest rate swaps with counterparties rated by Moody's. The swaps have a notional value of approximately $1 billion, with termination option by the counterparty limited to highly unlikely events, such as a downgrade of the Authority's debt rating below Baa3. Under the Authority's bond resolution payments relating to debt service on the swaps are on parity with the payments for the associated bonds. All other payments, including termination payments, are subordinate.

RATED DEBT: $4.5 billion senior bonds; $2.4 billion subordinate lien bonds.

KEY INDICATORS:

Type of System: Multi-asset toll road

Size of System: 7 bridges and 2 tunnels in NYC Metro area

Transactions, FY 2004 ('000): 307 million (303 million toll paying)

Toll Revenue, FY 2004 ($000): $1.1 billion

Operating Expenses: $319 million

% Change in Toll Revenue, FY 2003-2004: 7.4%

% Change Transactions, FY 2003-2004: 1.8%

Average Annual Transaction Growth, FY 1999-FY2004: 0.9%

Average Annual Revenue Growth, FY 1999-FY 2004: 3.8%

Senior Debt Service Coverage by Net Revenues, FY 2004 (x): 3.25

Total Debt Service Coverage by Net Revenues, FY 2004 (x): 2.10

Operating Ratio, FY 2004: 28.2%

Debt Service Safety Margin, FY 2004: 71.8%

Debt Outstanding: Senior lien: $4.5 billion

Debt Outstanding: Subordinate lien: $2.4 billion (including current issue)

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