FitchRatings

Fitch Places Major U.S. Transit Agencies on Rating Watch Negative Amid Coronavirus Disruptions

Fitch Ratings - San Francisco - 20 March 2020:

Fitch Ratings has placed the ratings of five large U.S. public transit agencies on Rating Watch Negative. The following ratings are affected:

--Metropolitan Transportation Authority (MTA), NY's 'AA-' transportation revenue bond and 'F1+' transportation revenue bond anticipation note ratings;--San Francisco Bay Area Rapid Transit District (BART), CA's 'AA+' Issuer Default Rating (IDR) and sales tax revenue bond ratings;--Washington Metropolitan Area Transit Authority(WMATA), DC's 'AA-' gross revenue transit bond ratings;--Metropolitan Atlanta Rapid Transit Authority (MARTA), GA's 'AA-' IDR and third indenture sales tax revenue bond ratings;--Regional Transportation District (RTD), CO's 'AA' IDR and sales tax revenue bonds, 'AA-' certificate of participation (COP) and 'A+' Eagle Project Counterparty ratings.

For a complete list of the affected ratings, please see the detailed list of ratings below.

SECURITY

The MTA's transportation revenue bonds are backed by a gross lien on the MTA's operating revenues, which include, among other sources, fares received from the subway and bus systems operated by the MTA New York City Transit and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority, the commuter railroads operated by MTA Long Island Rail Road and MTA Metro-North Railroad, and buses operated by MTA Bus. TRBs are also backed by a gross lien on operating subsidies from the state of New York, New York City, and MTA Bridges and Tunnels surplus.

BART's sales tax revenue bonds are payable from a first lien on 75% of the 1/2 cent BART sales and use tax (sales tax) levied in Alameda and Contra Costa counties, and the City and County of San Francisco (collectively, the BART counties).

WMATA's gross revenue transit bonds are backed by a pledge of the trust estate established pursuant to the 2003 gross revenue bond resolution on parity with the Authority's outstanding gross revenue transit bonds, except that the series 2018 bonds and all other bonds issued under the resolution on or after Nov. 15, 2018, will not have a lien on future dedicated revenues provided by certain supporting overlapping entities.

MARTA's sales tax revenue bonds are payable from a first lien on sales tax receipts from the levy of a 1% sales tax within Fulton and DeKalb counties and the city of Atlanta (the authority's original sales tax) and a first priority lien on receipts of a 1% sales tax levied in Clayton County. The bonds were sold with a third lien on pledged revenues, but bonds issued under the prior liens have been repaid. Title ad valorem taxes on motor vehicles are also pledged.

RTD's sales tax revenue bonds are secured by a first lien on the district's 0.4% FasTracks sales tax and a subordinate lien on the 0.6% base system sales tax. The COPs are subordinate to the senior sales tax bonds, FasTracks bonds, Transportation Infrastructure Innovation Act (TIFIA) loan, and the capital portion of the Eagle Project payment, and are repaid out of all available revenues of the district, subject to annual appropriation. Base rental payments for the COPs are on parity with operating expenses of the base system and the non-capital portion of the Eagle project payment.

KEY RATING DRIVERS

Analytical Conclusion: The move to Rating Watch Negative reflects actual and expected severe declines in transit ridership and revenues due to coronavirus pandemic. The rating action applies to the transit agencies that have the highest dependence on fares to fund operations, though further rating action may be necessary in the sector as the degree of second order impacts (declines in economically sensitive tax revenues) becomes clear.

Sharp Revenue Declines Expected: Fitch expects widespread and sharp declines in transit ridership and fare revenues to create significant near-term stress in the U.S. public transit sector with the credits identified here at the greatest risk. Some transit agencies in major urban areas that have already been impacted by the pandemic are reporting ridership declines of as much as 70% to 90% amid efforts at social distancing, a widespread shift to telecommuting, and shelter-in-place orders.

Traditional Tools Inadequate: Fitch does not believe that the traditional tools available to balance transit agency budgets will be sufficient to offset a meaningful proportion of revenue losses. While some capital spending may be delayed, service is unlikely to be curtailed enough to offset revenue losses due to the essentiality of the public service provided and need to continue providing transportation to health care workers and other essential workers. Fare increases are unlikely to be a meaningful budget balancing tool in the current environment and would be insufficient to offset the magnitude of revenue losses expected if attempted.

Liquidity Positions at Risk: These fare-dependent transit agencies entered the current period with solid to strong liquidity and operating reserves to offset typical ridership and economic volatility; however, the current period of stress is significantly greater than the rating case stresses factored into Fitch's transit ratings and a more extreme stress than transit agencies routinely plan for. Fitch believes transit agency liquidity positions are likely to erode rapidly given the current the scope of revenue losses and the need to continue essential public services.

Federal, State Responses Key: Major transit agencies have requested emergency federal assistance to support continued provision of transit services in U.S. urban areas. Fitch expects some degree of state and federal support to be forthcoming due to the essentiality of transit services to public health and safety. The degree of support and the speed with which it is provided will largely determine the near-term ratings impacts of the current ridership losses on these credits.

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Negative Rating Action

--Failure of state and federal policymakers to provide substantial and timely emergency assistance to transit sector could lead to multi-notch downgrades;--A decline in liquidity at any of the affected agencies, particularly declines that approach 60 days cash;--A substantial decline in non-fare revenues.

Developments That May, Individually or Collectively, Lead to Positive Rating Action --The Rating Watch Negative could be removed and ratings affirmed if Fitch sees sustained recovery in ridership and revenues due to easing of pandemic or adaptation strategies and/or federal or state action that convincingly stabilizes the finances of affected transit agencies.

CREDIT PROFILE

Data reported by major U.S. transit agencies show a sharp decline in revenues and ridership due to the coronavirus pandemic and Fitch expects the impact on transit to continue to worsen and spread to more areas of the country in the near-term. The current rating action is the result of an event-driven rating committee and reflects publicly available data and disclosures from the affected transit agencies, as well as Fitch's expectation that other agencies will experience similar stresses in the weeks to come even if they are not yet reporting the same degree of stress. The RWN applies to all Fitch-rated transit agencies with a Fitch-calculated fare box ratio (operating revenues as a percentage of operating expenses excluding depreciation) of 25% or more.

Further analysis will follow in the weeks to come with detailed analyses of management reactions, state and federal policy responses, and incoming data on revenues, ridership and economic activity. In the longer-term, Fitch will analyze ridership and revenue impacts caused by possible changes in commuting patterns and increases in telecommuting as a result of the current experience.

Fitch believes the fare-dependent agencies listed here face the greatest risk to financial performance. Transit agencies that rely more heavily on tax revenues to fund operations are also likely to experience revenue losses due to general slowing of the economy and sales tax revenue collections in particular, but the impact is likely to be less acute and less immediate. Transit funding agencies with limited operations are expected to experience meaningful declines in sales tax revenues, but Fitch believes they are substantially less vulnerable than the agencies being placed on Rating Watch Negative.

Fitch expects some degree of federal and state support for transit agencies, given their strategic importance to regional economies, strong track records of state and federal support for transit, and the important role that transit agencies currently play in providing transportation to essential workers. The American Public Transportation Association has requested that $12.9 billion of emergency federal for fiscal 2020 be included in the economic stimulus bills under consideration by the U.S. Congress. The degree and timing of such support is uncertain, and given the liquidity strains expected to affect transit agencies, Fitch believes a credit risks are heavily weighted to the downside. The outcome of the current Rating Watch Negative is unusually dependent upon the actions of federal policymakers. The range of possible outcomes includes fairly manageable scenarios where a combination of extraordinary state and federal aid, cost containment, local revenue measures and reserve spending stabilize transit agency finances with only moderate declines in ratings and credit quality. However, absent a robust policy response or an unexpectedly rapid easing in the pandemic, Fitch believes the ratings of the most affected issuers could come under substantial downward pressure in the near-term.

Information is just beginning to be reported on the degree of ridership losses that transit agencies are facing with the most comprehensive data being reported by the large transit agencies that serve communities that have already implemented serious social distancing measures. All of the affected transit agencies have announced additional cleaning and public safety measures that are likely to add somewhat to costs. Thus far, the following data have been reported:

--The New York MTA, which is the largest U.S. public transit agency, reported preliminary data showing that subway ridership fell 60% compared to a year ago on March 16, while bus ridership fell 48%. Peak morning ridership fell 90% on the Metro North Railroad and 67% on the Long Island Rail Road. Bridge and Tunnel usage has been less heavily impacted with traffic counts down by about 21%. Fares, tolls and other operating revenues equaled 67% of operating expenses excluding depreciation and certain non-cash expenses in 2018. On March 18, 2020, the MTA estimated current weekly revenue loss against its February projections of $87 million, annualized to $4.5 billion if the ridership losses were sustained for an entire year. The MTA estimates revenue losses could reach $3.7 billion if current ridership levels are sustained for a six month period following by a gradual recovery to pre-outbreak traffic levels. MTA reported current liquidity resources of $3.9 billion, including a cash balance of $1.4 billion, commercial bank lines of credit of $1 billion and $325 million of reserves set aside for other post-employment benefits. It has requested $4 billion in federal assistance. The MTA had $3.5 billion of unrestricted cash and investments, or 89 days cash on hand, as of Dec. 31, 2018. Including lines of credit, available resources equaled 112 days cash. While liquidity levels are lower than peer agencies, MTA benefits from greater support from its sponsoring governments (New York City and the State of New York) than typical U.S. transit agencies and has the highest strategic and economic importance among its peer group.

--BART, which serves the San Francisco Bay Area counties that have issued shelter-in-place orders, has reported worsening ridership losses in recent weeks with an 89% decline on March 19. Fares equaled 61% of operating expenses excluding depreciation in fiscal 2019. Sales and property taxes make up much smaller proportions of total revenues. The district estimates that a sustained loss of 85% of ridership and 50% decline in economic activity would reduce monthly revenues by $55 million, a 69% decrease. BART's board of directors has requested emergency assistance from the Federal Emergency Management Agency as well as additional federal stimulus support, state funding, and additional local funding allocations from the Metropolitan Transportation Commission. The district announced March 19 that it will curtail night and weekend service due ridership losses, but it has thus far maintained day-time service due to the need to provide transport for essential workers and to provide adequate excess capacity to allow a degree of social distancing on trains. BART had $707.7 million of unrestricted cash and investments, or 327 days cash on hand, as of June 30, 2019.

--WMATA, which serves the nation's capital, has curtailed hours, canceled non-emergency track work, and recommended that the public limit system usage to only "essential travel." The authority reported that ridership was down nearly 70% on March 16. Fares and other operating revenues equaled 38% of operating expenses excluding depreciation in fiscal 2019. Subsidies from the federal government, Maryland, Virginia, the District of Columbia and local jurisdictions within the authority's service area provided 58% of authority revenues in fiscal 2019. WMATA had $186.9 million of unrestricted cash and investments, or 33 days cash on hand, as of June 30, 2019. The authority also has certain available commercial bank lines of credit in the aggregate amount of $350 million. Including lines of credit, available resources equaled 95 days cash. While liquidity levels are lower than peer agencies, WMATA benefits from greater support from its sponsoring governments than typical U.S. transit agencies.

--MARTA, which serves 1.7 million people in metropolitan Atlanta, has not yet filed disclosures related to ridership declines. Fares and other operating revenues equaled 26% of operating expenses excluding depreciation in fiscal 2019. Local press reports suggest the authority has experienced ridership losses of approaching 50% and has begun to take measures to limit expenditures. The authority has also publicly urged teleworking when feasible. Sales taxes, which are highly sensitive to economic activity, are the authority's largest source of income at about 64% of revenues excluding capital grants. The agency had $378.3 million of unrestricted cash and investments, or 243 days cash, on hand, as of June 30, 2019.

--RTD, which serves eight Colorado counties that contain over one-half of the state's population and the city and county of Denver, has not yet disclosed updated ridership statistics and financial projections, but local news reports suggest the district has experienced ridership declines of as much as 60% with public health officials mandating 30-day state-wide closure of all bars, restaurants, theaters, gymnasiums and casinos. RTD operating revenues equaled 26% of operating expenses excluding depreciation in fiscal 2018. Like MARTA, RTD's sales taxes are its largest income source, accounting for 71% of revenues excluding capital grants. While RTD recently announced some changes to its appointment-based transportation for people with disabilities and high-level RTD discussions are occurring as to whether or when service changes will be necessary, it has not yet curtailed service due to the need to provide transport for essential workers and to provide adequate excess capacity to allow a degree of social distancing on trains. RTD had an available cash reserve of $352 million, or 222 days cash on hand, as of Dec. 31, 2018.

ESG Considerations

The MTA, BART and WMATA have exposure to the impact of labor frameworks that are more complex than the typical U.S. public finance credit. Fitch's ESG score for Labor Relations & Practices is a 4 for these credits, which means that the factor is relevant to the rating but not a key rating driver on its own. Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entities, either due to their nature or the way in which they are being managed by the entities. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
Metropolitan Atlanta Rapid Transit Authority (GA) [General Government]	LT IDR AA- Rating Watch On		AA-
Metropolitan Atlanta Rapid Transit Authority (GA) /Issuer Default Rating - General Government/1 LT	LT AA- Rating Watch On		AA-
Metropolitan Atlanta Rapid Transit Authority (GA) /Sales Tax Revenues/1 LT	LT AA- Rating Watch On		AA-
Metropolitan Transportation Authority (NY) [General Government]			
Metropolitan Transportation Authority (NY) /Transportation Revenues/1 LT	LT AA- Rating Watch On		AA-
Metropolitan Transportation Authority (NY) /Transportation Revenues/1 ST	ST F1+ Rating Watch On		F1+
Washington Metropolitan Area Transit Authority (DC) [General Government]			
Washington Metropolitan Area Transit Authority (DC) /Transportation Revenues - Non Dedicated Revenues/2 LT	LT AA- Rating Watch On		AA-
Washington Metropolitan Area Transit Authority (DC) /Transportation Revenues/1 LT	LT AA- Rating Watch On		AA-
Regional Transportation District (CO) [General Government]	LT IDR AA Rating Watch On		AA
Regional Transportation District (CO) /Issuer Default Rating - General Government/1 LT	LT AA Rating Watch On		AA
Regional Transportation District (CO) /Lease Obligations - Standard/1 LT	LT AA- Rating Watch On		AA-
Regional Transportation District (CO) /PPP Counterparty Obligation - Eagle Project/1 LT	LT A+ Rating Watch On		A+
Regional Transportation District (CO) /Sales Tax Revenues - FasTracks Project/1 LT	LT AA Rating Watch On		AA
Regional Transportation District (CO) /Sales Tax Revenues/1 LT	LT AA Rating Watch On		AA
San Francisco Bay Area Rapid Transit District (CA) [General Government]	LT IDR AA+ Rating Watch On		AA+
San Francisco Bay Area Rapid Transit District (CA) /Issuer Default Rating - General Government/1 LT	LT AA+ Rating Watch On		AA+
San Francisco Bay Area Rapid Transit District (CA) /Sales Tax Revenues/1 LT	LT AA+ Rating Watch On		AA+

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The following issuer(s) did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure: Metropolitan Atlanta Rapid Transit Authority (GA)

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 07 Nov 2019)
U.S. Public Finance Tax-Supported Rating Criteria (pub. 10 Jan 2020)

Additional Disclosures

Solicitation Status
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