Triborough Bridge and Tunnel Authority (TBTA)

Issuer: Triborough Bridge and Tunnel Authority	Ratings	Watch Status
General Revenue Bonds	AA	Watch-Downgrade
Subordinate Revenue Bonds	AA-	Watch-Downgrade

Methodology:

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

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Rating Summary: KBRA has placed the long-term rating on the Triborough Bridge and Tunnel Authority (TBTA) General Revenue Bonds and Subordinate Revenue Bonds' ratings on Watch-Downgrade reflecting the significant decline in toll revenue caused by the COVID-19 crisis. While there is a high likelihood of substantial recovery of traffic on the TBTA's tolled bridges and tunnels, the timing and velocity of this recovery is unclear. The bonds are secured by a pledge of net revenues of the TBTA.

Based on MTA's latest Disclosure[1], toll traffic for the MTA Bridges and Tunnels declined by 59.93%, the day after the "New York State on PAUSE" executive order. A prolonged loss of toll revenues of this magnitude will impact the TBTA's ability to meet debt service obligations from current net revenues in FY 2020 and may also reduce or eliminate TBTA's ability to transfer surpluses to support the MTA's other operations. The next debt service date is May 15. The TBTA has a track record of setting aside funds to meet pro rata monthly debt service requirements.

KBRA performed a breakeven analysis that shows TBTA (which operates on a calendar year basis) can withstand an annualized 41% decline in toll revenues ($870 million) relative to the FY 2020 budget before its combined debt service coverage falls below 1.00x. Given that January and February 2020 were slightly above budget (up by 1.2%), TBTA could withstand a roughly 47% decline for the remainder of the year before breaching 1x combined debt service coverage. Though unlikely to occur, this analysis indicates that TBTA would not be able to withstand a full year of traffic declines that it is currently experiencing without falling below 1x total debt service coverage.

TBTA bonds are not secured by 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. MTA anticipates $3.8 billion from the passage of the CARES Act. 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 for FY 2020. In this scenario KBRA assumes that TBTA toll revenue declines by 50% in the second quarter and 25% in the third quarter from budgeted FY 2020 figures, and fully recovers by the last quarter. KBRA assumes investment income, expenses, debt service, amounts remain as shown in the FY 2020 Budget. This stress demonstrates that TBTA has significant cushion and can absorb significant declines in traffic. However, KBRA will continue to monitor toll revenue closely to determine if this stress needs to be modified.

[1] MTA Annual Disclosure Statement Supplement dated March 25, 2020; data reflects the year-over-year change on March 23.

Figure 1

FYE December 31 ($ in millions)	2019 Final Estimate	2020 Final Proposed Budget	KBRA's Current Stress Scenario 2020	2021	2022	2023
B&T Revenues						
Total B&T Revenues	**2,078**	**2,118**	**1,721**	**2,118**	**2,118**	**2,118**
Investment Income and Other	24	20	20	20	20	20
Total Revenues	**2,102**	**2,138**	**1,741**	**2,138**	**2,138**	**2,138**
% chg. vs 2020 Budget			*-19%*	*0%*	*0%*	*0%*
Total Operating Expenses	**527**	**555**	**555**	**572**	**588**	**591**
Net Revenues Available for DS	**1,574**	**1,583**	**1,186**	**1,566**	**1,550**	**1,547**
MTA B&T Senior Lien DS	576	611	611	634	644	742
Senior DSCR	**2.73x**	**2.59x**	**1.94x**	**2.47x**	**2.41x**	**2.09x**
MTA B&T Subordinate Lien DS	102	102	102	102	103	103
Total DS	678	713	713	736	748	845
Combined DSCR	**2.32x**	**2.22x**	**1.66x**	**2.13x**	**2.07x**	**1.83x**
Source: TBTA Preliminary Offering Statement						
Note: Figures represent non-reimbursable amounts						
Necessary Reconstruction Fund Balance	412	412	412	412	412	412
balance as % of total OpEx	78%	74%	74%	72%	70%	70%
Days Cash on Hand based on the Necessary Reconstruction Fund (NRF)* Balance	**284**	**270**	**270**	**262**	**255**	**254**
Surplus to Support Mass Transit	766	870	472	830	803	702

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

The Watch Downgrade reflects the uncertainty regarding the magnitude and tenor of the impact on toll revenues 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 on the U.S. public toll roads, bridge & tunnel sector.

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 with historic traffic demand that remains strong despite toll increases.
- Strong historical operating surplus with high DSC of 2.62x on outstanding General Revenue Bonds and 2.16x on a combined basis based on audited FY 2018 results.

Credit Challenges

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

Rating Sensitivities

• Growth in traffic volume that increases TBTA net revenues and results in a substantial and sustained increase in DSC.	+
• 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.	-

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 criteria to 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 and demographic changes, income, 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.

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