MOODY'S
INVESTORS SERVICE

Rating Action: Moody's places Metropolitan Transportation Authority, NY's Transportation Revenue Bond and BAN ratings under review for downgrade

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$22.8 billion TRB bonds and $7.5 billion of TRB BANs affected

New York, March 19, 2020 -- Moody's Investors Service has placed the A1 ratings of the Metropolitan Transportation Authority, NY's (MTA) Transportation Revenue Bonds (TRB) and the MIG 1 ratings on MTA's Transportation Revenue Bond Anticipation Notes (BAN) under review for possible downgrade. The outlook on the long term rating has been changed to rating under review (RUR) from negative.

RATINGS RATIONALE

The RUR for possible downgrade of the A1 TRB rating is prompted by the very sharp decline in MTA's ridership and toll revenues since the outbreak of coronavirus in the US, and the authority's potential $4 billion budget shortfall in fiscal 2020, announced March 18. The ridership declines and potential budget shortfall highlight MTA's sensitivity to changing public sentiment and economic disruption related to local and regional efforts to control the coronavirus outbreak. Recovery from this unprecedented disruption will require political and financial support from local, state or federal governments, which has historically bolstered MTA's credit profile. Continuation of this support is highly likely given MTA's unmatched essentiality to the regional and national economy, especially during a post-coronavirus recovery.

The RUR for possible downgrade of the MIG 1 BAN rating is prompted by the potential downgrade in the TRB long-term ratings, which is a key factor in the MIG 1 rating, as well as the increased market access risk associated with recent volatility and economic strain. In addition, we expect that liquidity will decline in the coming months, providing a narrower cushion for the May 15 BAN maturity in the event of a temporary market disruption.

In its review over the next several weeks, Moody's will consider (i) emerging budget balancing actions, such as service level strategies and pace of capital spending; (ii) the type and timing of political and financial support offered by partner governments, including local, state and federal, (iii) the sufficiency of MTA's liquidity profile, including access to lines of credit for operations and borrowing to redeem short-term debt; (iv) evolving market conditions, including interest rates on variable rate interest resets and market access; (v) and the potential to restore its credit metrics and liquidity position in a timely manner following the coronavirus disruption. Possible review outcomes could include confirmation of the A1 rating and negative outlook and the MIG 1 rating, or downgrades of one or more notches.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

RECENT DEVELOPMENTS

MTA's coronavirus-related financial deterioration could lead to a 36% ($6.4 billion) fiscal 2020 budget shortfall if ridership and toll collections are disrupted for the next six months, sanitation spending remains elevated, and dedicated taxes decline at a pace similar to the last recession for the full year. MTA has identified several budget balancing actions, including a request for $4 billion of federal financial aid, shifting capital funding to operations, and additional borrowing. Other options include service cuts and additional fare increases, however these remain politically challenging to date. While MTA is likely to receive external financial support, the timing and format of this support remains uncertain.

MTA is also reliant on continued market access to redeem or remarket large short-term debt obligations in the next six months. The next large maturity is $1 billion of TRB bond anticipation notes (rated MIG 1) coming due on May 15. Market access for BAN repayment is strengthened by MTA's status as a sophisticated, frequent issuer of bonds and notes, strong management team, and reasonable BAN takeout management plans.

However, market access for all participants is evolving during this period of market volatility. MTA's current cash levels would be sufficient to redeem BANs in the event of a sustained market dislocation that impedes timely long-term debt issuance, however liquidity will decline in the coming months due to significant revenue loss. As of February 29, MTA had $3.76 billion of cash and unrestricted investments (per audited financials) to redeem BANs, and lines of credit with JP Morgan ($800 million) and Bank of America ($200 million). MTA also plans to draw $244 million on its remaining RRIF loan, which will become available prior to BAN maturity.

LEGAL SECURITY

The transportation revenue bonds (TRBs) are one of four primary credits that the MTA uses to finance its capital programs. The TRB bonds are special obligations of the MTA, payable on a gross basis from transit and commuter system revenues, certain state and local operating subsidies, dedicated taxes, and operating surpluses of the Triborough Bridge and Tunnel Authority, NY (TBTA) (Aa3/stable senior lien) after operating and maintenance requirements and debt service payments on the TBTA's own debt. TRB financed projects must be approved by the state's Capital Program Review Board (CPRB).

The TRB rate covenant requires sum sufficient coverage by fares and subsidies of debt service and O&M. Only board approval is required to raise fares for the rate covenant. Unlike most other rated transit systems, there is no debt service reserve fund and no explicit additional bonds test for the TRBs, although the balanced budget requirement and CPRB approval provide solid leverage controls. Pledged revenues flow to a trustee held account and are set-aside monthly for debt service before being released for operations. The BANs are payable from proceeds of previously-authorized TRB notes and/or long-term TRB bonds, and the interest portion is further secured by a subordinate pledge of the transportation revenue bond pledged revenues.

PROFILE

The MTA is a public benefit corporation of New York State, created by the New York State legislature in 1965. The MTA's governing board is appointed by the governor with advice and consent of the state Senate. The MTA is responsible for developing and implementing a unified mass transportation policy for the Metropolitan Transportation District which includes New York City and the surrounding Duchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester counties. In addition to these counties, MTA's service area also includes Fairfield and New Haven counties in CT. MTA operations are performed through nine different agencies, including the Triborough Bridge and Tunnel Authority, NY (Sr lien Aa3 stable). TBTA profits, after paying its own O&M and debt service, are transferred to MTA to subsidize transit, bus and commuter rail operations.

METHODOLOGY

The principal methodology used in the Transportation Revenue Bond ratings was Mass Transit Enterprises Methodology published in December 2017. The principal methodology used in the Bond Anticipation Note ratings was US Bond Anticipation Notes and Related Instruments Methodology published in October 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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