THE BOND BUYER

More good news for N.Y. MTA as Fitch upgrades the agency's revenue bonds

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The New York Metropolitan Transportation Authority has pulled off a hat trick with the rating agencies as it scored even more good news about its transportation revenue bonds.

Fitch Ratings upgraded the MTA's TRBs to A from A-minus and assigned a stable outlook to the bonds.

A rider makes his way to the Wall Street subway station near the New York Stock Exchange. The MTA's revenue bonds were upgraded by Fitch. **Bloomberg News**

The upgrade "reflects a material improvement in the MTA's fiscal outlook, which was largely driven by New York State increasing the maximum rate of the payroll mobility tax (PMT)," Fitch said. "This resulted in a substantial increase in recurring revenues for the operating budget."

Fitch said the PMT increase will help the MTA's financial standing in future years.

"The MTA-reported out-year gaps through 2027 have been eliminated by the PMT increase, continued ridership recovery and fare and toll rate increases, identified operating efficiencies, and the use of remaining federal pandemic aid to support pre-payments of debt service and retiree benefit costs," according to Fitch.

The TRBs are backed by a gross lien on the MTA's operating revenues, which include fares received from the MTA's subway and bus systems operated by New York City Transit and the Manhattan and Bronx Surface Transit Operating Authority and the commuter railroads operated by Long Island and Metro-North railroads. TRBs are also backed by a gross lien on operating subsidies from the state and the city and surplus funds from the MTA's bridges and tunnels operations.

Fitch noted the A rating incorporates "the exceptional franchise strength of the MTA system and its importance to the regional and national economy, as evidenced by the PMT increase and the substantial federal commitment to the MTA following the onset of the pandemic."

Still, Fitch said downside risks to the MTA forecast "center on the adverse impact on dedicated tax revenue from slower-than-expected economic growth and reversion of recent ridership gains."

Earlier this month, S&P Global Ratings raised the MTA's long-term and underlying rating and the rating on the TRBs to A-minus from BBB-plus, also citing the increase in the PMT. It has a positive outlook on the bonds.

"The rating action is spurred by improving ridership performance as well as increased financial flexibility and operating stability resulting from the state of New York's decision to raise the PMT to enhance one of MTA's recurring revenue sources to help offset lower fare revenues," S&P credit analyst Joseph Pezzimenti said on Oct. 4.

Late last month, Moody's Investors Service revised its outlook on the TRBs to positive from stable "based on the significant increase in state tax support that will offset the post-COVID ridership losses and structurally balance projected budget gaps." At the same time, Moody's affirmed the A3 rating on the MTA's $20.6 billion of outstanding TRBs.

The MTA's TRBs are also rated AA by Kroll Bond Rating Agency, which has a stable outlook on the bonds.

The MTA is a public benefit corporation of the state created in 1965. It is responsible for establishing a unified mass transportation policy for its coverage area, which includes New York City and Duchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties. In addition, the MTA's service area includes Fairfield and New Haven counties in Connecticut.

MTA operations are performed through nine different agencies, including the TBTA. The TBTA surplus left over after paying its own bills and debt service are transferred to MTA to subsidize subway, bus and commuter rail operations in New York City and its environs.

Since 2012, the MTA has sold almost $41 billion of bonds, with the most issuance occurring in 2012 when it offered $6.7 billion and the least in 2022 when it sold $378 million.