

# THE BOND BUYER

## New York MTA, amid 'biggest liquidity crisis ever,' downgraded by S&P

By

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New York's Metropolitan Transportation Authority, in the midst of what Chairman Patrick Foye called the "biggest liquidity crisis ever" for the nation's largest mass transit system, received a downgrade from S&P Global Ratings.

S&P lowered its issuer rating to A-minus from A. The same downgrade to A-minus applies to its long-term underlying rating of the MTA's transportation revenue bonds, and a planned \$800 million series 2020C transportation revenue bond issue was rated A-minus. The outlook is negative.

S&P's action follows warning shots from Kroll Bond Rating Agency, Fitch Ratings and Moody's Investors Service, all of which put the authority on reviews for possible downgrades.

Kroll Tuesday, citing severe ridership drops from the COVID-19 pandemic, revised the outlook on its long-term AA-plus rating of the MTA's transportation revenue bonds, to [watch downgrade](#) from negative.

## New York MTA ridership drops

Transit mode	Decline
Subway	87%
Bus	60%
Metro-North Railroad	94%
Long Island Rail Road	76%
Paratransit (Access-a-Ride)	71%

Source: Metropolitan Transportation Authority, year-over-year, March 23

That applies to the Series 2020C transportation revenue bonds, which the MTA is expected to issue to retire transportation bond anticipation notes, Subseries 2018B-1 and Subseries 2019B-2, maturing on May 15.

The MTA may be in store for \$3.7 billion in federal aid. According to a "Dear Colleague" letter from Senate Democratic Leader Chuck Schumer, transit will receive \$25 billion in the deal made in the early hours of Wednesday. Foye said that would cover needs for six months. A coalition of transit groups nationwide [has asked congressional leaders for up to \\$25 billion](#).

Subway ridership dropped 87% year-over-year since the pandemic escalated over the past month, Foye told reporters Tuesday. Bus ridership is down 70%, while Metro-North and LIRR are down 94% and 71%, respectively. Paratransit's drop is 71%.

According to Kroll, watch downgrade reflects uncertainty about the timing and amount of state and federal financial support needed to help MTA.

Transportation revenue bonds are the workhorse credit for the authority, which operates New York City's subways and buses, Long Island and Metro-North commuter railroads, and several interborough bridges and tunnels.

KBRA also affirmed its short-term rating of K1-plus on the MTA's outstanding transportation revenue bond anticipation notes for several 2018 and 2019 series and subseries.

Last Friday, Moody's Investors Service and Fitch Ratings issued similar review-for-downgrade warnings about the authority's TRBs and BANs. Moody's rates the bonds and notes A1 and MIG1, respectively. Fitch has respective ratings of AA–minus and F-1 plus.

The MTA that day also tapped \$1 billion of its credit facility. The authority is one of the largest municipal issuers with \$45.3 billion of debt, according to authority documents.

Also Wednesday, the MTA's board authorized its finance department to issue an additional \$2 billion in revenue anticipation notes. The authority drew down on its existing \$1 billion credit facility last week.

The existing liquidity program of \$1 billion consists of two revolving credit agreements: \$800 million with JPMorgan Chase Bank NA; and \$200 million with Bank of America NA.

According to data on the Municipal Securities Rulemaking Board's [EMMA website](#), a block of Series 2013C transportation revenue bonds maturing in 2038 that originally priced at 108.124 cents on the dollar and a 5% coupon sold to a customer Wednesday morning at a price of 103.375 cents and a yield of 3.845%.

Kroll developed an "extreme stress-test scenario," which it said would help quantify the authority's short-term challenges. It excludes any savings from a planned transformation, which according to Foye the MTA has put on hold during the pandemic.

Based on current ridership declines, Kroll expects farebox revenues to decline by 16% for the first quarter versus the 2020 budget; it then assumes worst-case 85%, 65% and 45% declines in the second through fourth quarters, respectively. This would equate to an operating revenue decline of \$3.4 billion, or 51% decline, from its 2020 adopted budget.

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For special tax-supported operating subsidies, Kroll assumes a 25% decline for 2020 on all the tax receipts for the period between April to December, or roughly the level of decline that Metropolitan Mass Transportation Operating Assistance receipts experienced during the great recession. For 2021 to 2023 in this

category, KBRA assumes a decline of 25%, 15%, and 10%, respectively, due to the lingering economic impact from the virus.

Kroll also assumes a bridge-and-tunnel traffic decline of 50% in the second quarter 2020, 25% in the third quarter from budgeted 2020 figures, with full recovery by the last quarter. This, Kroll said, equates to a reduction in Triborough Bridge and Tunnel Authority surplus by roughly \$330 million from the 2020 adopted budget or a 43% decline.

For operating expenses, Kroll includes an increase of \$300 million due to sanitizing efforts.

Speaking at MTA headquarters, Foye said the authority would cut subway service by 25% starting Wednesday under its "essential service plan" with emphasis on morning and evening peak runs.

"It was just a matter of time for this logical next step," said Lisa Daglian, executive director of the Permanent Citizens Advisory Committee to the MTA, the authority's in-house ridership advocacy group.

Foye insisted that service will remain open. "We have no plans to shut down stations, period. We have no plans to shut down service, period," he said. Citing the most recent data available, Foye said 52 employees have tested positive for the virus.

Reduced service, he added, will help social-distancing protocols in place to help minimize virus spread, although local media outlets on Tuesday showed a video with a packed Lexington Avenue train.

Any savings from the service cuts will be a drop in the bucket, according to Foye.

"There will be savings. That's not what is driving this," he said.

"I don't have a number at my fingertips. I will say this: In terms of the billions and billions of deficit that we face because of the ridership decline and the decline in subsidies, these numbers are not going to make a material difference."

*The original story was updated with S&P's downgrade and the board's decision to authorize new revenue anticipation notes.*

### **[Paul Burton](#)**

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