S&P Global
Ratings

RatingsDirect®

Metropolitan Transportation Authority, NY Issuer Credit Rating Lowered To 'A+' From 'AA-'

Primary Credit Analyst:
Paul J Dyson, San Francisco (1) 415-371-5079; paul.dyson@spglobal.com

Secondary Contact:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@spglobal.com

NEW YORK (S&P Global Ratings) March 12, 2018--S&P Global Ratings has lowered its issuer credit rating on Metropolitan Transportation Authority (MTA), N.Y. to 'A+' from 'AA-'. S&P Global Ratings also lowered its long-term rating and underlying rating (SPUR) on the MTA's previously issued transportation revenue bonds (TRBs) to 'A+' from 'AA-'.

In addition, S&P Global Ratings lowered its long-term rating to 'AA+/A-1+' from 'AAA/A-1+' on various other TRBs outstanding, reflecting the application of joint criteria assuming low correlation. The outlook, where applicable, is negative.

S&P Global Ratings also lowered its stand-alone credit profile on the MTA to 'a+' from 'aa-'.

"The lowered ratings reflect our assessment of MTA's most recent estimates and forecasts and our calculation of potentially inadequate consolidated net debt service coverage for unaudited fiscal 2017, budgeted fiscal 2018, and forecast 2019, given rising operating expenses and debt service requirements without corresponding growth in gross revenues," said S&P Global Ratings credit analyst Paul Dyson.

At the same time, S&P Global Ratings affirmed its 'SP-1+' short-term rating on the district's previously issued TRB anticipation notes (BANs) as well as its 'AA+/A-1' and 'AA/A-2' long-term ratings on various other TRBs outstanding, reflecting the application of our joint criteria, assuming low correlation.

S&P Global Ratings also assigned its 'SP-1+' short-term rating to the MTA's proposed $400 million series 2018B transportation revenue BANs. At the same time, S&P Global Ratings assigned its 'A+' long-term rating, with a negative outlook, to MTA's $100 million remarketed series 2002D-2b transportation revenue variable rate refunding bonds (LIBOR floating rate tender bonds).

The series 2018B BANs proceeds will finance existing approved transit and commuter projects.

The negative outlook reflects our view that, if audited fiscal 2017 results or revised estimates for fiscal years 2018 and 2019 do not result in our calculation of consolidated net revenue debt service coverage (DSC) improving to more than 1.0x, we could lower the rating further--potentially by multiple notches.

We could revise the outlook to stable during the next two years if the authority's DSC stabilizes and it manages its significant and growing capital needs and debt plans.

We could lower the rating in the next two years, potentially by more than a notch, if DSC falls to or near the inadequate levels forecast, ridership falls and stays materially short of forecasts, or liquidity decreases materially.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

RatingsDirect®

Summary:

Metropolitan Transportation Authority, New York; Joint Criteria; Note; Transit

Primary Credit Analyst:
Paul J Dyson, San Francisco (1) 415-371-5079; paul.dyson@spglobal.com

Secondary Contact:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@spglobal.com

Table Of Contents

Summary:

Metropolitan Transportation Authority, New York; Joint Criteria; Note; Transit

Credit Profile		
US$400.0 mil transp rev BANs ser 2018B due 03/15/2020		
Short Term Rating	SP-1+	New
US$100.0 mil transp rev var rate rfdg bnds ser 2002D-2B dtd 03/29/2018 due 11/01/2032		
Long Term Rating	A+/Negative	New
Metropolitan Transp Auth		
Long Term Rating	AA+/A-1+	Downgraded
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth		
Long Term Rating	AA+/A-1+	Downgraded
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transit		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transit		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transit		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transit (AGM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded

Credit Profile (cont.)		
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transit (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev bnds rmktd 05/16/2016 (Fltg Rate Tender Nts) ser 2012A-2 dtd 05/16/2016 due 11/15/2041		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transp rev rfdg bnds ser 2017D due 11/15/2047		
Long Term Rating	A+/Negative	Downgraded
Metropolitan Transp Auth transp rev rfdg green bnds ser 2017C-2 due 11/15/2040		
Long Term Rating	A+/Negative	Downgraded
Unenhanced Rating	NR(SPUR)	
Metropolitan Transp Auth transp rev var rate bnds		
Long Term Rating	AA+/A-1+	Downgraded
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev var rate bnds		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev var rate bnds		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev var rate bnds		
Long Term Rating	AA/A-2	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev var rate bnds		
Long Term Rating	AA+/A-1+	Downgraded
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp rev var rate rmktd 12/13/2017 bnds		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp (AGM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp (AGM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp (AGM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded

Credit Profile (cont.)		
Metropolitan Transp Auth transp (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth transp (BAM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth LOC		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth LOC		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth (BAM)		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Metropolitan Transp Auth		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded
Long Term Rating	AA+/A-1	Affirmed
Metropolitan Transp Auth transp		
Unenhanced Rating	A+(SPUR)/Negative	Downgraded

Rationale

S&P Global Ratings has lowered its issuer credit rating on Metropolitan Transportation Authority (MTA), N.Y. to 'A+' from 'AA-'. S&P Global Ratings also lowered its long-term rating and underlying rating (SPUR) on the MTA's previously issued transportation revenue bonds (TRBs) to 'A+' from 'AA-'.

In addition, S&P Global Ratings lowered its long-term rating to 'AA+/A-1+' from 'AAA/A-1+' on various other TRBs outstanding, reflecting the application of joint criteria assuming low correlation. The outlook, where applicable, is negative.

S&P Global Ratings also lowered its stand-alone credit profile (SACP) on the MTA to 'a+' from 'aa-'.

The lowered ratings reflect our assessment of MTA's most recent estimates and forecasts and our calculation of potentially inadequate consolidated net debt service coverage (DSC) for unaudited fiscal 2017, budgeted fiscal 2018, and forecasted 2019, given rising operating expenses and debt service requirements without corresponding growth in gross revenues. These factors, in addition to other risks, including MTA's significant capital plan and high debt burden, create uncertainty about MTA's near-term financial performance and credit profile.

The negative outlook reflects our view that, if audited fiscal 2017 results or revised estimates for fiscal years 2018 and 2019 do not result in our calculation of consolidated net revenue DSC improving to more than 1.0x, we could lower the rating further--potentially by multiple notches.

At the same time, S&P Global Ratings affirmed the following ratings on the MTA:

- 'SP-1+' short-term rating on the MTA's previously issued transportation revenue bond anticipation notes (BANs); and
- 'AA+/A-1', and 'AA/A-2' long-term ratings on various other TRBs outstanding, reflecting the application of our joint criteria, assuming low correlation.

S&P Global Ratings also assigned its 'SP-1+' short-term rating to the MTA's proposed $400 million series 2018B transportation revenue BANs. At the same time, S&P Global Ratings assigned its 'A+' long-term rating and negative outlook to MTA's $100 million remarketed series 2002D-2b transportation revenue variable rate refunding bonds (LIBOR floating rate tender bonds).

The series 2018B BANs proceeds will finance existing approved transit and commuter projects.

The 'A+' rating and 'a+' SACP reflect our view of the MTA's:

- Very low industry risk, with low cyclicality and volatility of earnings during economic cycles, and very low competition;
- Extremely strong economic fundamentals, with a large service area that has good population growth, strong employment growth (and no significant employment concentration), and strong per capita wealth that exceeds the national average by more than 38%;
- Very strong market position, given its monopolistic business position and good overall demand trends as a result of the essentiality of its various mass-transit services and tunnel-and-bridge system, although ridership--especially on buses--has weakened slightly in the most recent year;
- Very strong management and governance policies, with very strong financial policies;
- Very strong financial flexibility, with an extremely strong consolidated farebox recovery ratio (including farebox and toll revenue) of 65% for fiscal 2016, and a moderate consolidated debt service carrying charge of approximately 17%; and
- Strong liquidity that we anticipate the authority will sustain, given indications from management.

Partially offsetting these strengths, in our view, are the MTA's:

- All-in consolidated net revenue DSC (per our calculations) that was only adequate at 1.23x in fiscal 2016, down from 1.45x in fiscal 2015, with indications that DSC for fiscal years 2017, 2018, and 2019 could be less than 1.0x;
- Continuing pressures to maintain a structural balance, with projected operating deficits of $403 million in fiscal 2020, and $602 million in fiscal 2021, although management has historically resolved operating deficits to obtain a near-term structural balance; and
- Very high debt burden that we anticipate will continue as a result of significant capital needs, with a 2015-2019 capital program of $32.5 billion.

The 'SP-1+' rating on the MTA's BANs reflects what we consider a low market risk profile, strong market access, and strong information disclosure. In addition, the 'SP-1+' rating reflects our 'A+' long-term rating and SPUR on the revenue bonds and our 'A+' ICR. Principal of and interest on the notes are payable solely from the proceeds of other notes and take-out bonds, and, with respect to interest payable, amounts available for payment of subordinated debt. The BANs are not secured by any other funds, accounts, or amounts that are pledged to the payment of bonds or parity obligations issued under the resolution. The series 2018 BANs have a proposed final maturity of March 15, 2020.

Securing the TRBs is gross revenue before expenses of the MTA, the New York City Transit Authority, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA), the Long Island Rail Road Co. (LIRR), Metro-North Commuter Railroad Co. (MNCRC), and MTA Bus Co. The pledged revenue consists of fares and other operating receipts from some MTA subsidiaries (MTA Bus, LIRR, and MNCRC) and the MTA's affiliates (the transit authority and MaBSTOA). MTA non-operating revenue, which consists of Triborough Bridge and Tunnel Authority (TBTA) surplus revenue, various tax revenue, subsidies, interest, and other miscellaneous MTA income, also secures the bonds. The MTA receives a cash subsidy from the U.S. Treasury for its Build America Bonds (BABs). The subsidy payments are not part of the trust estate of the transportation resolution. Although the bonds are secured by gross revenue, which provides DSC of more than 9x on a gross basis, our analysis focuses on consolidated system revenue available for all-in debt service after consideration of operating costs (net revenue) because, in our view, a system must pay operating expenses to remain viable.

The series 2002D-2b transportation revenue variable rate refunding bonds (LIBOR floating rate tender bonds) are subject to mandatory tender for purchase. The MTA plans to remarket the bonds on or before the mandatory purchase dates and apply the remarketing proceeds to pay the tender price. The authority expects to appoint a remarketing agent to offer for sale and use its best efforts to find purchasers for all tendered bonds. A failed remarketing would not constitute an event of default, although the interest rates would increase to 9% until the bonds are remarketed.

We characterize the MTA's industry risk as very low. The system, and the mass-transit industry as a whole, is mature and has historically demonstrated only minor cyclicality (including ridership trends), so we therefore characterize the cyclicality and volatility of operating earnings as low risk. We also characterize competition and the threat of substitute products or services as very low risk. Barriers to entry are very high, in our opinion, given the system's size and its large infrastructure.

In our view, the MTA's economic fundamentals are extremely strong and its market position is very strong. According to IHS Global Insight data as of November 2017, population growth was good at 1.9% overall from 2011-2016, with employment growth very strong, in our opinion, at 10.3%. As of November 2017, IHS Global Insight forecasts population and employment growth at 0.1% and 1.3%, respectively, for fiscal 2017, and 0.2% and 0.8%, respectively, for 2018. Ridership (including bridge and tunnel vehicle crossings) grew a healthy 4.5% overall between 2011-2016, despite just 0.3% growth in 2015, and a slight 0.1% decline in 2016, partially due to winter storms. Subway ridership alone fell by 5.8 million riders (0.3%) in 2016, while bus ridership declined 1.9%. The MTA's latest estimate and forecast indicate a ridership decline of 1.7% in 2017 (ended Dec. 31) and growth of 0.9% in 2018. Soft ridership in 2017 resulted from a series of winter storms, a rainy and unusually cold Memorial Day weekend, and a derailment on Metro North Railroad's New Haven line. Reduced track capacity at Penn Station during Amtrak's emergency repairs in July and August 2017 also affected ridership in 2017 by an estimated 1.1 million. Per capita effective buying income in

MTA's overall area is what we consider very strong at 38% above the national average. This, along with the essentiality of the transportation network, adds considerable fare-raising flexibility, in our view.

The MTA published its February 2018 Financial Plan for 2018-2021 (2018 adopted budget) on Feb. 20, 2018, with the next version of the MTA's financial plan due in July 2018. The plan incorporates Board-approved adjustments--captured "below-the-line" and on a consolidated basis in the November Financial Plan--into the authority's financial plan baseline budgets and forecasts. As opposed to the July and November plans, the February plan doesn't include any new proposals or programs.

The MTA's previous November 2017 plan projected year-end cash balances from operations as follows:

- $78 million for 2017;
- $30 million for 2018;
- $69 million for 2019;
- Negative $352 million for 2020; and
- Negative $643 million for 2021.

Given technical adjustments and other changes, the February 2018 plan projects revised year-end cash balances as follows:

- $118 million for 2017;
- $9 million for 2018;
- $4 million for 2019;
- Negative $403 million for 2020; and
- Negative $602 million for 2021.

Two significant changes between the plans are the lower projected surplus of $4 million for 2019 versus the previous plan's projection of $69 million. Also, for 2020, there is now a higher projected deficit of $402 million versus the November 2017 plan's projection of negative $352 million. For fiscal years 2017-2019, the overall change is a worsening of $46 million, such that the overall plan's projected combined deficit of $874 million for 2017-2021 is $56 million higher compared with the November plan.

As compared with the previous plan, the February 2018 plan reflects changes that include lower-than-assumed state subsidies (Metropolitan Mass Transportation Operating Assistance [MMTOA]) of $61 million for 2018, additional debt service savings over the plan period of $161 million, and $28 million in better-than-projected operating results for bridge and tunnel. The MTA's unidentified annual savings targets are $214 million in 2018, $309 million in 2019, $388 million in 2020, and $418 million in 2021 (for a total of $1.3 billion) per the February 2018 plan. This is up from $1.1 billion as indicated in the November 2017 plan, a level that we view as increasingly challenging.

Although the authority has historically projected operating deficits, the authority has recently managed to obtain structural balance in most years through increased fares and tolls, operating expense reductions, higher tax revenue, low interest costs because of a continued low-interest-rate environment, and refinancing. However, we believe MTA's growing out-year deficits present a challenge, which reflects MTA's financial projections that indicate consolidated net revenue DSC could be inadequate (less than 1.0x). Other challenges for the MTA include securing full funding for its Subway Action Plan, identifying additional revenue sources to support a growing budget and capital plan, keeping revenue (especially fare and toll revenue) apace with inflation and other rising costs, achieving incremental efficiencies and savings given the amount already achieved, and potentially dealing with higher interest rates.

The MTA's audited financial results and operating statistics for fiscal 2016 (ended Dec. 31) were adequate to good, in our view. We consider DSC adequate, reflecting our assessment of consolidated DSC based on 2016 final audited numbers and estimated or forecast coverage metrics for 2017 and 2018. Although bondholders benefit from a pledge of gross transportation resolution revenue (which yielded gross DSC of no less than about 9.4x from 2010-2016), we calculate DSC net of operating expenses per our criteria. DSC calculated this way has fluctuated, measuring 1.29x in 2013, 1.20x in 2014, 1.45x in 2015, and 1.23x in 2016. While we consider consolidated DSC generally adequate, our analysis of the February 2018 plan indicates consolidated DSC on a net basis (per our calculations) of 0.9x for 2017 and 0.7x for 2018, which we consider inadequate, although improving from 0.8x for 2017 and 0.6x for 2018 as per the November 2017 plan. In previous years in which the MTA forecast less than 1.0x DSC (as is the case for fiscal years 2017 and 2018), actual results were comfortably above 1.0x. Estimated DSC for 2017 is on a cash basis and we expect audited financial statements in the next few months. Audited fiscal 2017 financial results on an accrual basis could be better than cash-basis estimates for 2017 indicate. However, if not, and revised estimates for 2018 and 2019 don't indicate DSC will improve to more than 1.0x, we could lower the rating further. We include the payment of state service contract bonds (the debt service is very little) in our DSC calculation, since there can be no assurance the legislature will make such appropriations. However, whether these payments are included or not amounts to just two basis points differential on DSC.

The MTA has had what we view as a strong improvement in audited fiscal year-end consolidated unrestricted cash and investments, resulting in a strong liquidity score. The consolidated unrestricted cash and investment balance increased to nearly $4.8 billion (143 days' cash on hand) in audited 2016, from about $2.3 billion (82 days') in 2012. This increase is mostly due to higher operating revenue from systemwide fare and toll increases in March 2013 and March 2015 (with an average fare increase of 7.5% and 4% for March 2013 and March 2015, respectively) with a 25-cent, or 10%, increase in base fare in the latter month), higher grants, appropriations, and taxes, cost savings, and Hurricane Sandy-related relief subsidies from the Federal Transit Administration and Federal Emergency Management Agency. To bolster its liquidity position, the MTA obtained a $350 million revolving line of credit from the Royal Bank of Canada (RBC) a few years ago. The line expired July 7, 2017 and was replaced with a $350 million taxable revolving line of credit with JP Morgan, effective Aug. 24, 2017, through Aug. 24, 2022. An initial draw of $3.5 million was made upon closing. Management reported an unaudited consolidated balance of $3.9 billion as of Dec. 31, 2017 (excluding lines of credit). We factor in a positive adjustment in the liquidity score for the authority's exceptional market access, which the lack of forward-looking year-end consolidated unrestricted cash and investment balances somewhat offsets. Cash-to-debt-service (including the RBC line) increased to 2.14x in 2016 from 2.02x in 2015, and management projects it at 1.72x for 2017 and 1.61x for 2018. All-in liquidity (including the new JP Morgan line), assuming no significant drawdowns (the MTA does not perform formal cash projections), is estimated at $4.25 billion, or 120 days' for fiscal 2017 and 109 days' for fiscal 2018.

We view the MTA's financial flexibility as very strong, reflecting a consolidated 2016 farebox recovery ratio of approximately 65% and a consolidated debt service carrying charge of about 17%. Based on the February 2018 plan, which we consider conservative, we calculate the MTA's consolidated farebox recovery ratio at 62% for 2017 and 60% for 2018. For the MTA, we include toll revenues in our calculation of farebox recovery ratio (a measure of financial flexibility) given its ability to adjust tolls as needed. The authority has historically been willing to adjust fares and tolls as it deems necessary to maintain a structural balance. The February 2018 plan reflects the effect of a 4% fare and toll increase in March 2019 and March 2021 (in addition to an average 4% increase in March 2017). The MTA receives non-operating revenue from a broad range of sources, helping to insulate it from occasionally delayed state payments.

The authority's debt burden is very high, in our view, and we expect this to continue because of a large, ongoing capital program that focuses on system preservation, enhancement (especially the subway system), and expansion that the MTA will largely debt-finance. The 2015-2019 capital program of $32.5 billion will be about 31% debt-financed. Debt-to-total-revenue was 2.55x in 2016, having gradually declined from a recent peak of 2.77x in 2009, and is projected at 2.41x in 2017 and 2.50x in 2018. Debt-to-net-revenue was 12.02x in 2016, down from more than 15.6x in 2010, but the MTA expects it will surpass 22.0x by 2018. For 2018, in addition to the proposed series 2018B BANs, the MTA anticipates additional debt issuances totaling $2.4 billion (mostly BANs), with various other refinancings and remarketings also planned. About $1.1 billion in existing debt will amortize in 2018.

We view the MTA's enterprise risk score as extremely strong and its financial risk score as strong, resulting in an indicative SACP of 'aa-', as per our "Mass Transit Enterprise Ratings: Methodology And Assumptions," published Dec. 18, 2013, on RatingsDirect. Based on peer analysis, particularly with regard to the size of MTA's capital plan, debt burden and its weakening DSC, we applied a notch of flexibility downward in arriving at the final SACP of 'a+'. Given that we do not consider the MTA a government-related entity, our ICR on the authority is also 'A+', reflecting our opinion of its overall ability to pay its financial obligations. The ICR also reflects our view of the authority's capacity and willingness to meet its financial commitments as they come due, and does not refer to any specific financial obligation.

TRB provisions include a gross revenue pledge and a rate covenant that requires sufficiency, whereby pledged revenue is sufficient to cover annual operating expenses and debt service. In addition, the authority is statutorily required to achieve a balanced budget each year. The bonds, however, lack a debt service reserve. The system's liquidity, $347 million (net) line of credit, and exceptional market access offset the lack of this reserve. Given our analysis of the bond provisions in the context of the MTA's financial metrics and industry standards, we view the provisions as credit neutral. Therefore, the issue rating on the authority's TRBs is 'A+'.

Outlook

The negative outlook reflects our view that MTA's cash flow could weaken over the next few years and could cause key metrics to erode. The negative outlook also reflects our view that consolidated net revenue DSC for fiscal 2017 could be less than 1.0x, with fiscal years 2018 and 2019 also at risk of being insufficient, absent implemented solutions.

Upside scenario

We could revise the outlook back to stable during the next two years if the authority's DSC stabilizes and it manages its significant and growing capital needs and debt plans.

Downside scenario

We could lower the rating in the next two years, potentially by more than a notch, if DSC falls to or near the inadequate levels forecast, ridership falls and stays materially short of forecasts, or liquidity decreases materially.

Ratings Detail (As Of March 12, 2018)		
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-1b due 02/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-1c due 02/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-1d due 02/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2a due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2b due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2c due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2d due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2e due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2f due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2017C-2g due 05/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2018A-2 due 08/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2018A-3 due 08/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2018A-4 due 08/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev bnd antic nts ser 2018A-5 due 08/15/2019		
Short Term Rating	SP-1+	Affirmed
Metropolitan Transp Auth transp rev BANs		
Short Term Rating	SP-1+	Affirmed

Many issues are enhanced by bond insurance.