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S&P Bulletin: New York MTA's Proposed \$51 Billion Capital Program Indeterminate As A Credit Risk

SAN FRANCISCO (S&P Global Ratings) Sept. 18, 2019-S&P Global Ratings said today that it cannot yet determine if the New York Metropolitan Transportation Authority's (MTA) Sept. 16 announcement of its proposed \$51.5 billion fiscal 2020-24 capital program will affect S&P Global Ratings' A/Negative long-term rating and underlying rating (SPUR) on the MTA's transportation revenue bonds (TRBs) outstanding. Given the new program's preliminary nature, which still requires approval, timing of its implementation and impact to MTA key credit metrics is not yet available. Potential operating cost savings from MTA's Transformation Plan may offset potential higher debt service expenses from debt-financing the proposed program, if approved. The proposed capital program is 70% larger than the current fiscal 2015-19 program, and, according to the plan, as much as \$35 billion, or 68%, will be debt financed, including as much as \$15 billion secured with future revenue from implementation of congestion pricing. While we already consider the MTA's all-in debt burden of approximately \$40 billion (as of fiscal 2018) very high, the proposed plan could almost double the MTA's consolidated debt burden and place additional pressure on liquidity and already thin debt service coverage metrics, as calculated by S&P Global Ratings on an all-in, net revenue basis. Mitigating this risk is the MTA's ongoing work on its Transformation Plan, which could produce as much as \$530 million of annually recurring savings, once fully implemented, from consolidation and efficiency opportunities. The MTA anticipates that the unprecedented capital investments will result in improved reliability, accessibility, and efficiency of its overall transportation network. The proposed capital program is subject to modification and approval by the Capital Program Review Board later this year prior to finalization. We also understand that, over the next few months, the MTA intends to implement its previously announced Transformation Plan and potentially publish the revised savings estimates in its November 2019 Financial Plan. We believe the November Plan will likely shed additional light on the proposed capital program and its potential timing and impact. Thus, in our view, it is too early to conclude the proposed capital program's potential rating impact until additional information becomes available with regard to forecast bond issuance timing and the Transformation Plan's impact on key financial metrics. We will continue to monitor the developments related to the proposed capital plan and the MTA's progress with regard to the Transformation Plan and their combined impact on the MTA's TRB credit.

For more information with regard to our rating on the MTA's TRBs, see our report published Aug. 7, 2019 on RatingsDirect.

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