

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **S&P Credit FAQ: Global Not-For-Profit Transportation Criteria Implementation Results Show How Operational Risk And Tax Support Influence Ratings**

### **Key Takeaways**

- The implementation of S&P Global Ratings' updated not-for-profit transportation infrastructure enterprise (TIE) criteria resulted in 22 rating actions (15 upgrades and seven downgrades) where the TIE criteria were the primary criteria applied; and four priority-lien rating upgrades where the updated TIE criteria were used to determine the obligor's creditworthiness for 32 priority-lien ratings of 21 different mass transit obligors that issued sales tax-backed obligations.
- For operating revenue-backed ratings on TIEs, positive rating changes were due to the added financial stability and flexibility from receiving significant tax revenues (like property or sales taxes) that do not fluctuate with transportation activity levels; for sales tax-backed ratings on TIEs where our priority-lien tax revenue debt criteria are applied, positive rating changes were generally due to an improvement in the linked obligor's creditworthiness, which incorporates pledged tax revenues that were generally resilient, as further evidenced during the COVID-19 pandemic; and for property tax-backed ratings on TIEs, negative rating changes were largely attributed to our incorporation of operating risk exposure for debt issued by TIE entities as well as weakened market positions for those issuers sensitive to changes in transit ridership or air travel volumes.
- Twenty-nine TIE entities benefiting from tax support received one to three notches of rating uplift; 14 received one notch of uplift, 13 receiving two notches of uplift, and two received three notches of uplift. Key considerations behind the amount of uplift were the significance of the tax revenue relative to total revenues, the type of tax (for example, sales versus property taxes), tax base characteristics as measured by diversity and stability, and a demonstrated willingness and ability to increase the tax levy.

[Continue reading.](#) (Registration required.)

17 Aug, 2021