Bond Case Briefs

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Fitch to Take Actions on Triborough Bridge and Tunnel Auth, NY Series 2003B-2 General Rev VR Bonds.

Fitch Ratings-New York-11 July 2024: On the effective date of July 18, 2024, Fitch Ratings will revise the long-term rating to 'AA+' from 'AA-' and assign a short-term 'F1+' rating to the Triborough Bridge and Tunnel Authority, NY's general revenue variable rate bonds subseries 2003B-2. The Rating Outlook will be Stable for the long-term rating.

The rating action will be in connection with (1) the mandatory tender of the subseries 2003B-2 bonds,(2) the addition of an irrevocable direct-pay letter of credit (LOC) to be issued by TD Bank, N.A. (TD Bank, rated AA-/F1+/Negative), which will provide support for the subseries 2003B-2 bonds; (3) the remarketing of the subseries 2003B-2 bonds as VRDBs in the daily rate mode; and (4) the amendment and restatement of the certificate of determination for the bonds, which will take place on July 18, 2024.

KEY RATING DRIVERS
The long-term 'AA+' rating will be determined using Fitch's dual-party pay criteria and will be based jointly on the underlying long-term rating assigned to the subseries 2003B-2 bonds by Fitch (AA-/Stable), and the long-term rating assigned by Fitch to TD Bank (AA-/Negative), which will provide a LOC to support the subseries 2003B-2 bonds. The short-term 'F1+' rating will be based solely on the short-term rating of the bank providing the LOC. For information about the underlying credit rating see Fitch's rating action commentary dated Jan. 31, 2024 at 'www.fitchratings.com'.

Fitch's dual-party pay criteria considers the likelihood of the failure of both a rated obligor and a bank LOC provider. The methodology results in a long-term rating that is up to two notches higher than the stronger of the two credits if the following conditions are met: (1) both entities have a rating of 'A' or higher; (2) the transaction is structured such that payments from both the municipal issuer and the bank are in the flow of funds and both entities would have to fail to perform before the bonds defaulted; and (3) the interest rate modes to be covered by Fitch's rating provide for either a mandatory purchase at the end of each interest rate period, or a purchase demand option. A one- or two-notch uplift will apply to the long-term rating depending on the frequency of the purchase demand option or the duration of the interest rate period which concludes with a mandatory tender.

The bonds will provide holders with a same day tender option while in the daily rate mode and an option to tender bonds upon seven-days notice while the bonds bear interest in the weekly interest rate mode; both daily and weekly modes will be rated by Fitch. Fitch will apply a two-notch uplift, which will result in a long-term rating of 'AA+' for the bonds.

TD Bank will be obligated to make regularly scheduled payments of principal and interest on the bonds in addition to payments upon maturity, acceleration and redemption, as well as purchase price for tendered bonds. The LOC will have a stated expiration date of July 18, 2029, unless extended or earlier terminated, and will provide full and sufficient coverage of principal plus an amount equal to 53 days of interest at a maximum rate of 9% based on a year of 365 days and purchase price for tendered bonds, while in the daily and weekly rate modes. TD Securities (USA) LLC will be the remarketing agent for the bonds.

The subseries 2003B-2 bonds will initially bear interest at a daily rate but may be converted to a weekly, commercial paper, term or fixed interest rate. While the bonds are in the daily or weekly rate modes interest payments will be on the first business day of each month starting on Aug. 1, 2024. The trustee will be obligated to make timely draws on the LOC to pay principal, interest, and purchase price. Funds drawn under the LOC are held uninvested, and are free from any lien prior to that of the bondholders.

Holders may tender their bonds on any business day, provided the tender agent and remarketing agent are given the requisite prior notice of the purchase. The bonds are subject to mandatory tender: (1) upon conversion of the interest rate; (2) upon expiration, substitution or termination of the LOC; (3) following receipt of written notice from the bank of an event of default under the letter of credit and reimbursement agreement, and (4) following receipt of notice from the bank that the interest component will not be reinstated and directing such mandatory tender. Optional and mandatory redemption provisions also apply to the bonds.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade
The Long-Term rating will be tied to the underlying long-term rating assigned to the bonds and the long-term rating that Fitch maintains on the bank providing the LOC. Changes to one or both of these ratings may affect the long-term rating assigned to the bonds. Additionally, if either the underlying bond rating or the bank rating were downgraded to 'A-' or lower, the dual-party pay criteria could no longer be applied, and the Long-Term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

The short-term rating to be assigned to the bonds will be adjusted downward in conjunction with the short-term rating of the bank providing the LOC.

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade
The long-term rating will be tied to the underlying long-term rating assigned to the bonds and the long-term rating that Fitch maintains on the bank providing the LOC. Changes to one or both of these ratings may affect the long-term rating assigned to the bonds.

The short-term rating to be assigned to the bonds is at the highest rating level and cannot be upgraded.