

U.S. Not-For-Profit Transportation Issuers Strengthen On Tax Revenue Growth And Support; Priority Lien Ratings Unchanged

November 22, 2024

BOSTON (S&P Global Ratings) Nov. 22, 2024--S&P Global Ratings said today that a review of U.S. not-for-profit transportation infrastructure enterprise (TIE) issuers benefiting from tax support has resulted in positive rating actions of generally one notch on about 6% of the total TIE universe (see table 1).

These rating actions reflect our view of the often-substantial financial benefits of nonoperating tax revenue provided to many transportation infrastructure entities that reduce volatility as well as post-pandemic actions taken by local or regional stakeholders to support credit stability.

In some cases, TIE issuer credit ratings (ICRs) represent the obligor's creditworthiness for separate priority lien ratings (e.g., sales tax) on debt often issued by the same obligor. We affirmed the related priority lien ratings, however, we narrowed our view of the relationship or linkage between the TIE ICRs or obligor's creditworthiness (OC) of transportation entities and their priority lien rating (see table 2).

The rating actions affect several transportation asset classes, including smaller ports and airports as well as many mass transit issuers, the latter of which represented about half of the total upgrades.

While mass transit issuers continue to experience the effects of the pandemic with weaker ridership and farebox revenue, many also received higher and sometimes offsetting levels of nonoperating revenue from taxes, particularly sales taxes. Some also benefited from increased financial support from governments--as well as federal operating support--as policymakers and other stakeholders stepped in to fill the gap left by lower farebox revenue collections.

In our view, the combined result of higher tax receipts and local or regional measures to support transit operators provides credit stability for the sector. (See "U.S. Transportation Infrastructure Transit Update: Sector View Now Stable As Dedicated Tax Growth Mitigates Lower Ridership Revenue," published Sept. 11, 2024, on RatingsDirect.)

Under our criteria, TIE issuers can receive as many as four notches of uplift to their anchor from taxes received--either directly or from recurring allocations, distributions, or appropriations from other governmental entities--which smooths revenue volatility.

Considerations in each of our reviews included the size, wealth and income levels, and diversity of the tax base, the performance of and outlook for tax revenue and trends, the significance of tax revenue to total revenue sources, and the willingness and ability to increase taxes. Rating and outlook changes detailed in table 1 incorporate a review of these factors, informed by

PRIMARY CREDIT ANALYST

Kurt E Forsgren
Boston
+ 1 (617) 530 8308
kurt.forsgren
@spglobal.com

SECONDARY CONTACT

Rob M Marker
Denver
+ 1 (303) 721 4264
Rob.Marker
@spglobal.com

U.S. Not-For-Profit Transportation Issuers Strengthen On Tax Revenue Growth And Support; Priority Lien Ratings Unchanged

policymakers' and governments' supportive actions that we believe enhanced stability and long-term credit quality.

Finally, the relationship between the TIE ICR or obligor creditworthiness of transportation entities and their priority lien rating reflects our observation that providers of critical public services, particularly mass transit operators, do not demonstrate an extraordinary ability to reduce expenditures during periods of stress. This evolution in our view resulted in a change in the relationship or linkage to either "close" or "mitigated" as outlined in our priority-lien criteria.

Table 1

U.S. not-for-profit transportation infrastructure enterprise rating and outlook actions

Issuer	Asset class	Previous rating	Previous outlook	Current rating	Current outlook
Hidalgo County Regional Mobility Authority, 1st lien	Toll road	BBB-	Stable	BBB	Stable
Hidalgo County Regional Mobility Authority, 2nd lien	Toll road	BB+	Stable	BBB-	Stable
Missoula Parking Commission	Parking	A	Stable	A+	Stable
Peninsula Corridor Joint Powers Board	Transit	A+	Stable	AA-	Stable
Port of Tacoma, 1st lien	Port	AA	Stable	AA+	Stable
Port of Tacoma, 2nd lien *	Port	AA-	Stable	AA	Stable
Port of Vancouver	Port	A+	Stable	AA-	Stable
Regional Transportation District	Transit	AA	Stable	AA+	Stable
Roaring Fork Transportation Authority	Transit	AA	Stable	AA+	Stable
San Francisco Bay Area Rapid Transit	Transit	A+	Negative	AA-	Negative
San Francisco Municipal Transportation Agency	Transit	A+	Negative	AA-	Negative
VIA Metropolitan Transit Authority	Transit	AA	Stable	AA+	Stable
Washington Metropolitan Area Transit Authority	Transit	AA-	Negative	AA-	Stable
Williamson County Airport Authority	Airport	A+	Stable	AA-	Stable

*Joint rating affirmed at 'AA+/A-1'.

Table 2

Priority lien tax rating and outlook actions

Issuer	Previous rating	Previous outlook	Current rating	Current outlook	Previous OC linkage	Current OC linkage
Central Puget Sound Regional Transit Authority, first lien	AAA	Stable	AAA	Stable	Mitigated	Close
Central Puget Sound Regional Transit Authority, fourth lien	AA+	Stable	AA+	Stable	Mitigated	Close

Table 2

Priority lien tax rating and outlook actions (cont.)

Issuer	Previous rating	Previous outlook	Current rating	Current outlook	Previous OC linkage	Current OC linkage
Central Puget Sound Regional Transit Authority, second lien	AAA	Stable	AAA	Stable	Mitigated	Close
Dallas Area Rapid Transit *	AA+	Stable	AA+	Stable	Limited	Mitigated
Greater Cleveland Regional Transit Authority	AAA	Stable	AAA	Stable	Limited	Mitigated
Harris County Metropolitan Transit Authority	AAA	Stable	AAA	Stable	Limited	Mitigated
Indianapolis Public Transportation Corp.	AA-	Stable	AA-	Stable	Mitigated	Close
Los Angeles County Metropolitan Transportation Authority, general revenue bonds	AA+	Stable	AA+	Stable	Mitigated	Close
Los Angeles County Metropolitan Transportation Authority, Measure R junior subordinate lien	AA	Stable	AA	Stable	Limited	Mitigated
Los Angeles County Metropolitan Transportation Authority, Measure R senior lien	AAA	Stable	AAA	Stable	Limited	Mitigated
Los Angeles County Metropolitan Transportation Authority, Proposition A	AAA	Stable	AAA	Stable	Limited	Mitigated
Los Angeles County Metropolitan Transportation Authority, Proposition C	AAA	Stable	AAA	Stable	Limited	Mitigated
Metropolitan Atlanta Rapid Transit Authority *	AAA	Stable	AAA	Stable	Limited	Mitigated
New Orleans Regional Transit Authority	AA-	Stable	AA-	Stable	Limited	Mitigated
Peninsula Corridor Joint Powers Board, Measure RR sales tax revenues	AA+	Stable	AA+	Stable	Limited	Mitigated
Regional Public Transportation Authority	AA+	Stable	AA+	Stable	Limited	Mitigated
Regional Transportation District, first lien of 0.4% sales tax and second lien of 0.6% sales tax	AAA	Stable	AAA	Stable	Limited	Mitigated
Regional Transportation District, first lien of 0.6% sales tax	AAA	Stable	AAA	Stable	Limited	Mitigated
Roaring Fork Transportation Authority, sales tax	AA	Stable	AA	Stable	Mitigated	Close
San Francisco Bay Area Rapid Transit District, sales tax	AA+	Negative	AA+	Negative	Limited	Mitigated
San Mateo County Transit District	AAA	Stable	AAA	Stable	Limited	Mitigated
Santa Clara Valley Transportation Authority, 1976 sales tax	AAA	Stable	AAA	Stable	Limited	Mitigated

Table 2

Priority lien tax rating and outlook actions (cont.)

Issuer	Previous rating	Previous outlook	Current rating	Current outlook	Previous OC linkage	Current OC linkage
Santa Clara Valley Transportation Authority, Measure A	AAA	Stable	AAA	Stable	Limited	Mitigated
Santa Cruz Metropolitan Transit District, Measure G	AA	Stable	AA	Stable	Limited	Mitigated
Snohomish County Public Transportation Benefit Area Corp.	AAA	Stable	AAA	Stable	Mitigated	Close
Sonoma-Marín Area Rail Transit District	AA	Stable	AA	Stable	Limited	Mitigated
St. Louis Transit, Proposition A Sales Tax	AA	Positive	AA	Stable	Limited	Mitigated
St. Louis Transit, Proposition M Sales Tax	AA	Positive	AA	Stable	Limited	Mitigated
Tri-County Metropolitan Transportation District	AAA	Stable	AAA	Stable	Limited	Mitigated
Utah Transit Authority, senior lien	AA+	Positive	AA+	Positive	Mitigated	Close
Utah Transit Authority, subordinate lien	AA	Stable	AA	Stable	Mitigated	Close
VIA Metropolitan Transit Advanced Transportation District, sales tax revenue bonds	AAA	Stable	AAA	Stable	Mitigated	Close
VIA Metropolitan Transit Authority, sales tax	AAA	Stable	AAA	Stable	Mitigated	Close

*Short-term rating affirmed at 'A-1+'. OC--Obligor's creditworthiness.

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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.