S&P Global Ratings

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New York State Thruway Authority; Toll Roads Bridges

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New York State Thruway Authority; Toll Roads Bridges

Credit Profile		
US$1100.0 mil general rev bnds ser P due 01/01/2054		
Long Term Rating	A+/Stable	New
New York St Thruway Auth toll rds & br		
Long Term Rating	A+/Stable	Upgraded
New York St Thruway Auth toll rds & br		
Long Term Rating	A/Stable	Upgraded
New York St Thruway Auth toll rds & br		
Unenhanced Rating	A(SPUR)/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating on the New York State Thruway Authority's (NYSTA) general revenue bonds outstanding to 'A+' from 'A'.
- S&P Global Ratings also raised its long-term rating on NYSTA's general revenue junior indebtedness obligations (JIOs) outstanding to 'A' from 'A-'.
- At the same time, we assigned our 'A+' rating to NYSTA's pro forma $1 billion series P general revenue bonds.
- The outlook on all ratings is stable.
- The upgrade reflects NYSTA's financial resiliency and recently approved annual toll rate increases, which we expect will allow NYSTA to maintain financing margins (i.e., total debt service coverage [DSC] per our calculations above 1.25x) as it issues debt to fund its capital needs.

Security

The general revenue bonds are direct general obligations of NYSTA, secured by a lien on net thruway revenues. The JIOs are special obligations of the authority, secured by a pledge of system revenue funds and accounts established under the junior indebtedness general resolution, which are subordinate to the pledge under NYSTA's general revenue bond resolution. Concession revenues from 27 food service plazas also secure the bonds.

The series P bond proceeds will be used to fund a portion of the authority's multiyear capital program, refund a portion of its bonds outstanding, and purchase through voluntary tender certain outstanding bonds on the authority. NYSTA has approximately $5.9 billion of debt outstanding, consisting of about $3.3 billion of senior debt and $2.5 billion of JIOs.

Credit overview

The combination of NYSTA's demonstrated financial resiliency, recent toll rate increases, and approved multiyear annual rate increases are key contributors to the rating action. The 'A+' rating reflects a large mature statewide toll with relatively low toll rates, serving a large and economically healthy service area with limited competition from toll-free routes, as well as historically modest changes in traffic growth as a result of toll rate increases, economic downturns, and changes in demographic trends.

The rating also reflects our expectation that recently approved annual toll rate increases, in turn reflecting NYSTA's good rate-setting flexibility and improving traffic levels, will allow it to maintain DSC (S&P Global Ratings-calculated) of combined senior and subordinate debt at least near 1.25x, debt-to-EBIDA below 15x, and days' cash on hand and liquidity-to-debt near 400 days and 7.5%, respectively. Further upward rating movement, however, is currently constrained by the uncertain financial outcome related to a contractor dispute with Tappan Zee Constructors LLC (TZC) that could necessitate additional debt issuance, resulting in lower coverage and higher debt levels than currently projected.

NYSTA's credit strengths, in our opinion, are:

- The thruway system's essential role in the state and region, serving 37 of New York's 62 counties and a majority of the state population; the size and scale of the system as one of the nation's largest toll systems (at 570 center-lane miles); and limited competition from toll-free alternatives;
- Good rate-setting flexibility from having toll rates we consider competitive relative to those of other toll road agencies, along with good revenue diversity with commercial vehicle traffic, which has been more resilient to pandemic-related demand effects on the system;
- Approved annual toll rate increases in 2024 through 2027, which are projected to generate up to $290 million in additional toll revenue per year by 2028 compared with prior estimates, helping NYSTA maintain financial margins to address rising debt service requirements, fund its capital plan, and address future borrowing needs; and
- Detailed financial and capital planning, formal DSC targets, and a history of maintaining thruway assets in generally good condition.

Key credit weaknesses, in our view, are:

- NYSTA's reliance on revenue growth from toll rate increases to maintain or improve DSC as it issues debt to fund its capital needs; and
- Toll revenues that could be lower than projected if passenger traffic levels are negatively affected in the long term by the service area's declining population trends and decreasing levels of commuting or travel for business or other purposes because of increased use of remote work environments and technology.

Environmental, social, and governance

We evaluated NYSTA's environmental, social, and governance (ESG) risks and opportunities relative to its market position, management and governance, and financial performance, and view all as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that NYSTA will increase toll rates and adjust expenses and capital spending as needed to maintain strong financial metrics as it issues debt to fund its capital plan, and if traffic volumes trend lower than forecast.

Downside scenario

We could lower the ratings over the two-year outlook period if NYSTA's coverage levels are materially weaker as a result of traffic volumes trending lower than forecast, increased expenses, or other unfavorable variances. If we believe NYSTA's rate-setting flexibility is constrained, that could also contribute to a downgrade.

Upside scenario

We could raise the ratings if we believe NYSTA's financial metrics will not be materially negatively affected following resolution of the dispute between the New NY Bridge Project design-build contractor.

Credit Opinion

Uncertainty of dispute outcome with TZC LLC constrains rating

NYSTA's ongoing dispute regarding final costs associated with the construction of the Governor Mario M. Cuomo Bridge (previously known as the New NY Bridge Project), submitted in 2018, limits further upward movement in the rating. The bridge was constructed under a fixed-price, date-certain, design-build contract with TZC LLC, a special-purpose joint venture. TZC submitted a dispute to the authority alleging that TZC is owed additional payments plus interest for time and extra work, currently valued at approximately $1.28 billion. Pursuant to the design-build contract, TZC's dispute is subject to a nonbinding contractual dispute resolution procedure, consisting of a four-tiered administrative review process. At the conclusion of the process, TZC may be entitled to pursue litigation in the New York State Court of Claims. On July 7, 2021, the first level of the administrative review process was completed when the project director for the New NY Bridge Project issued a determination rejecting the dispute, except for granting limited time extensions. TZC has appealed this determination to the next tier of administrative review. In December 2023, the advisory committee recommended that the authority pay TZC $101.5 million, plus interest, for the claims in the dispute. The acting executive director is reviewing the recommendation and is required to provide a written determination of the dispute by Feb. 29, 2024. Any determination made by the acting executive director in favor of NYSTA is subject to reconsideration and shall not be considered NYSTA's final and binding decision. NYSTA indicates that about $238 million in available contingency funds remains for the project. Officials, however, are still not certain when this dispute will be resolved and what the financial effects could be.

Enterprise Profile--Very Strong

Our assessment of NYSTA's enterprise risk profile reflects the authority's very strong market position, due to the service area's strong economic fundamentals, lack of significant competition from toll-free roads, and strong post-pandemic recovery.

Large system within an extremely strong service area

The service area, in our opinion, has extremely strong economic fundamentals, owing to a relatively high GDP per capita, a highly populated area, and unemployment rates that are comparable with the national average. The thruway serves 37 of New York's 62 counties and a majority of its population. NYSTA benefits from serving a strong and diverse economy with about 19.6 million people, with income levels above the national average, tempered somewhat by projected modest population declines for the state. New York's overall economy is deep and well-diversified by employer, in our view, with a significant corporate headquarters presence and major industrial and commercial concerns across a broad range of employment sectors. However, we believe the state's economy retains some inherent vulnerability because of the significant geographic disparities between the upstate and downstate areas' economic performance. Furthermore, we also note the inherent vulnerability in the state's historical reliance on the financial services and insurance sectors in New York City.

The thruway is one of the largest tolled highway systems in the U.S., with 570 center-lane miles, serving 37 of the state's 62 counties and the majority of its population. In addition to being the principal artery of travel and commerce within New York connecting the state's principal cities, the thruway system is a vital link to long-distance interstate travel, with few alternatives. It is also an important interstate connector, joining with the Massachusetts Turnpike (I-90), Connecticut Turnpike (I-95), and New Jersey's Garden State Parkway, as well as several other interstate routes such as I-287 from New Jersey and I-90 in Pennsylvania. The thruway includes two types of toll systems: a controlled (ticket) system and a barrier system. The controlled system (approximately 481 miles) makes up the largest portion, running from Woodbury (in the southeast corner of the state) north along I-87 to Albany, then west on I-90 to Buffalo and south of Lake Erie to the Pennsylvania border. In addition to this main stretch of the controlled system, there is a small branch south and east of Albany providing a connection to the Massachusetts border and the I-90 Massachusetts Turnpike. The barrier systems, located in the southeast and northwest corners of the state, include the new Governor Mario M. Cuomo Bridge barrier, Yonkers Barrier, New Rochelle Barrier, Spring Valley Barrier (where passenger cars only are toll-free), Harriman Barrier, and the Grand Island Bridges.

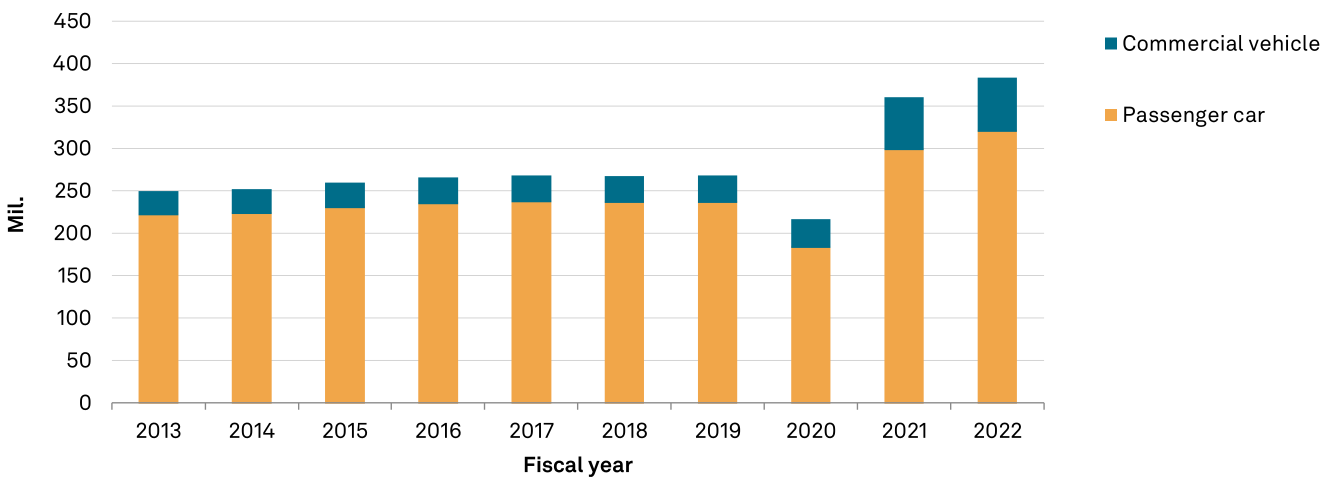
Resilient demand contributes to a very strong market position

We consider NYSTA's overall market position very strong, given its status as a large mature statewide system. The system serves a diverse customer base of regional commuters as well as longer-distance intrastate and interstate commercial and business travel, which has contributed to modest traffic growth. The route from the New York City line to the Pennsylvania line is 496 miles and includes a 426-mile mainline connecting the state's two largest cities, New York City and Buffalo. In 2022, the Governor Mario M. Cuomo Bridge accounted for more than 27% of the thruway's $820 million of total toll revenues. In 2022, 32% of E-ZPass toll transactions were from customers that had non-New York-issued transponders, underscoring the importance of the thruway system for through traffic.

Traffic volumes have trended relatively well with minimal and temporary dips, despite historical toll rate increases, providing NYSTA with the ability to manage its growing capital plans. Historically, slow traffic growth and traffic losses have been associated with economic downturns, toll increases, high fuel costs, harsh weather conditions, and/or traffic shifts due to construction. Traffic growth was flat in 2018 and 2019, then declined by 23% in 2020 due to COVID-19 before rebounding by 24.6% in 2021 (inclusive of systemwide toll increases) then growing again by 6.4% in 2022.

Chart 1

Toll transactions



Source: NYSTA 2022 Continuining Disclosure. Note: All Electronic Toll Collection (AETC) began at all Controlled System toll locations on Nov. 14, 2020; with the new configuration, a vehicle can have multiple transactions per trip. The toll transactions in 2020 and 2021 are therefore not indicative of traffic growth.

Very strong management and governance

NYSTA's management and governance reflect our view of its strategic positioning, risk and financial management, and organizational effectiveness.

We view the authority's quality of planning involved in its budgeting process for operations, maintenance, and capital improvements as comprehensive. Management annually updates a rolling five-year financial and capital plan. NYSTA has a history of maintaining its assets in generally fair-to-good condition. The authority has a relatively simple capital structure free of swaps and variable-rate debt, with little exposure to direct-purchase debt. We also view management's consideration of minimum DSC thresholds (1.55x senior and 1.35x combined) in its financial planning process and ongoing operational streamlining initiatives as fiscally prudent. NYSTA's relatively low toll rates compared with the region overall provide the authority with good rate-setting flexibility.

Financial Risk Profile--Strong

Our assessment of NYSTA's financial risk profile as strong reflects the authority's strong financial performance, debt and liabilities capacity, and liquidity and financial flexibility. Our financial profile risk assessment considers the authority's historical performance and current traffic and revenue forecasts, recent and planned toll rated increases, and its plans to issue bonds to provide about $1.27 billion of proceeds to fund a $2.4 billion 2024-2028 capital program. Our financial profile assessment also considers NYSTA's financial policies, which we view as credit neutral.

Expectation of strong operating performance with recent toll increases

Our financial risk profile assessment considers NYSTA's historical financial performance and financial projections, and its demonstrated willingness and ability to increase toll rates to address its capital needs. We expect NYSTA will maintain total DSC (S&P Global Ratings-calculated) above 1.25x, debt-to-net revenue below 15x, and available liquidity above 400 days' cash on hand. For the fiscal year ending December 2023, its unrestricted and investments balance totaled $493.7 million, equating to a very strong 407 days' cash on hand.

NYSTA's recent toll rate adjustments for 2024-2027 were as follows:

For Governor Mario M. Cuomo Bridge (GMMCB):

- 50-cent annual increases to base NY E-ZPass Rates beginning January 2024;
- GMMCB commuter discount plan (40% discount) maintained; and
- Increased Westchester and Rockland Resident discount plan to 20% from 17%.

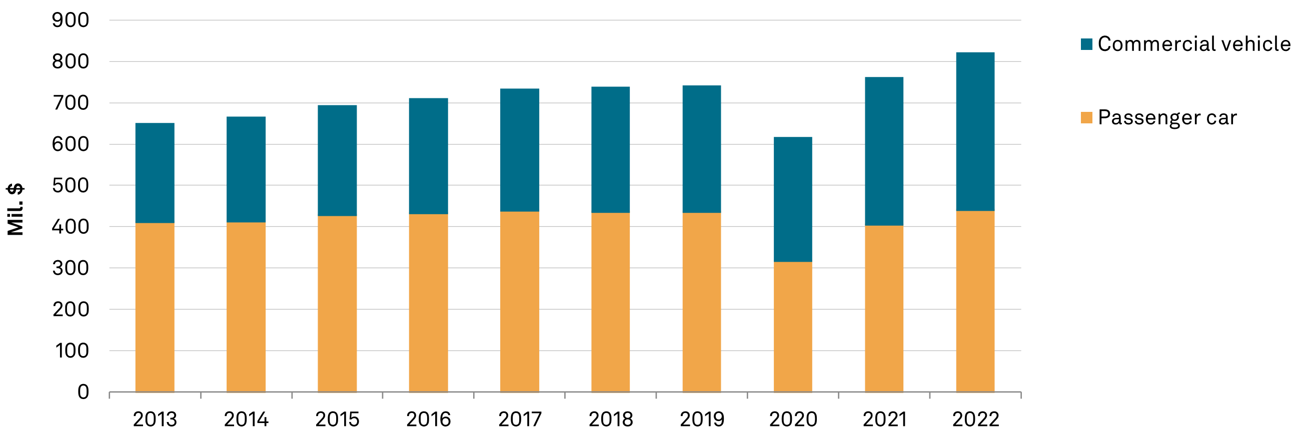
For systemwide tolling:

- 5% increase on N.Y. E-ZPass toll rates on January 2024 and January 2027;
- Non-N.Y. E-ZPass rate (75% above the N.Y. E-ZPass rate); and
- Tolls By Mail rate (75% higher than N.Y. E-ZPass).

NYSTA's updated forecast reflects the effects of the proposed toll adjustments detailed above, with coverage maintained at 1.2x-1.5x through 2027. Coverage, as per our calculations, includes state police patrolling costs as an operating expense. We include thruway state police enforcement activity costs in our coverage calculation, since NYSTA reimburses the state for such costs. We note, however, that the 1.55x senior debt service coverage ratio (DSCR) and 1.35x total DSCR targets management has defined do not include reimbursements NYSTA will make to the state for state trooper patrolling costs along the thruway, which it pays for out of available money from its general reserve fund. These reimbursements are subordinate to all other debt. The 1.35x DSCR target approximates to roughly 1.2x, per our calculation, which includes NYSTA's reimbursements to the state. As a result of this target, along with NYSTA's good rate-setting flexibility and approved toll rate increases in through 2027, NYSTA's DSCR target could be close to about 1.2x-1.25x over the next few years.

Chart 2

Gross toll revenue



Source: NYSTA 2022 Continuining Disclosure.

Strong debt and liabilities capacity

We have assessed NYSTA's debt and liabilities capacity as strong, based on our expectation that the authority's debt-to-EBIDA will improve to below 15x as toll increases lead to increase in revenues, after incorporating near-term debt needs.

NYSTA's forecast for its 2024-2028 capital program totals $2.43 billion, of which $1.27 billion will be debt-financed. The capital program expects to complete major, job-sustaining reconstruction projects currently underway and includes new projects that address reconstruction and rehabilitation of roadway, bridges, facilities, and support systems of the thruway system; congestion relief and mobility enhancements; and provision for replacement of equipment and other nonbridge and highway projects of the authority. The capital program represents a $493 million, or 26%, increase from the previous program.

Strong liquidity and financial flexibility

We have assessed NYSTA's liquidity and financial flexibility as strong, reflecting our expectation that the authority will maintain unrestricted cash reserves comparable with historical levels, which have averaged about 412 days' cash on hand and about 7.8% of debt for fiscal years 2020-2022. Although NYSTA does not have a minimum unrestricted cash and investments balance target, we are not expecting its unrestricted cash and investments to materially deviate from recent levels, which have ranged from about $385 million to $493 million over fiscal years 2018-2022.

Table 1

New York State Thruway Authority--Financial and operating data

	--Year ended Dec. 31--							
	2024f	**2023f**	**2022a**	**2021a**	**2020a**	**2019a**	**2018a**	**Medians for 'A' category toll roads 2022**
Financial performance								
Total operating revenue ($000)	1,087,000	919,700	899,939	827,218	667,017	814,157	799,401	94,891
Plus: interest income ($000)			20,535	2,439	7,616	6,104	5,493	--
Less: total O&M expenses excluding noncash expenses ($000)	483,100	469,400	444,700	410,900	375,900	426,391	404,398	19,326
S&P Global Ratings-calculated net revenue ($000)	603,900	450,300	477,776	419,082	295,118	393,870	400,496	77,070
Total debt service ($000)	364,200	354,600	359,731	287,900	296,873	274,200	299,521	--
S&P Global Ratings-calculated coverage (x)	1.7	1.3	1.3	1.5	1.0	1.4	1.3	1.8
Indenture coverage reported by the NYSTA (x)	1.9	1.5	1.7	1.7	1.8	1.7	1.5	--
Debt and liabilities								
Debt ($000)§	6,518,940	6,339,795	6,093,150	6,198,495	5,881,140	5,532,085	5,446,835	607,837
EBIDA ($000)			457,241	416,643	287,502	387,766	395,003	--
Debt to net revenue (x)	10.8	14.1	12.8	14.8	19.9	14.0	13.6	6.5
Liquidity and financial flexibility								
Unrestricted cash and investments ($000)			493,717	462,215	442,650	385,570	383,088	86,795
Unrestricted days' cash on hand (excluding credit facilities)			407	411	426	330	346	898
Available liquidity to debt % (excluding credit facilities)			8	8	8	7	7	14
Operating data								
Total toll revenue ($000)	986,000	817,700	820,400	760,269	615,293	731,500	736,504	--
Toll transactions (000)	382,600	390,500	382,100	359,230	215,457	266,993	266,387	23,964

f=forecast. a=actual.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- U.S. Not-For-Profit Transportation Infrastructure 2022 Medians: Demand Recovery And Management Actions Powered A Financial Rebound, Oct. 18, 2023

Ratings Detail (As Of January 8, 2024)

New York St Thruway Auth toll rds br (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Ratings Detail (As Of January 8, 2024) (cont.)		
New York St Thruway Auth toll rds br (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
New York St Thruway Auth toll rds & br		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
New York St Thruway Auth toll rds & brs		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
New York St Thruway Auth toll rds & brs (BAM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
New York St Thruway Auth toll rds & br (AGM)		
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Many issues are enhanced by bond insurance.