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New York State Thruway Authority; Toll Roads Bridges

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US\$527.67 mil gen rev rfdg bnds ser Q dtd 10/22/2024 due 01/01/2032		
Long Term Rating	A+/Stable	New
New York St Thruway Auth toll rds & br		
Long Term Rating	A+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'A+' long-term rating to the New York State Thruway Authority's (NYSTA) general revenue refunding bonds series Q.
- At the same time, we affirmed our 'A+' long-term rating on NYSTA's general revenue bonds outstanding.
- We also affirmed our 'A' long-term rating on the authority's general revenue junior indebtedness obligations (JIOs)
- The outlook on all ratings is stable.

Security

The general revenue bonds are direct general obligations of NYSTA, secured by a lien on net thruway revenue. 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 revenue from 27 food service plazas also secures the bonds.

The series Q bond proceeds will be used to refund a portion of its bonds outstanding. NYSTA has approximately \$6 billion of debt outstanding, consisting of about \$3.5 billion of senior debt and \$2.5 billion of JIOs.

Credit overview

The rating reflects a combination of NYSTA's demonstrated financial resiliency, recent toll-rate increases, and approved multiyear annual rate increases which will allow the authority maintain financing margins as it issues debt to fund its capital needs. The 'A+' rating also 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 despite toll-rate increases, economic downturns, and changes in demographic trends.

It is our expectation that NYSTA's recent demonstration of good rate-setting flexibility and improving traffic levels, will allow it to maintain debt service coverage (DSC; S&P Global Ratings-calculated) of combined senior and subordinate debt above 1.25x, debt-to-EBIDA below 15x, and days' cash on hand (DCOH) and liquidity-to-debt near 400 days and 8%, respectively. Further upward rating movement, however, will depend on maintaining financial resiliency as NYSTA addresses its capital plans and any potential financial obligations arising from the contractor dispute with Tappan Zee Constructors LLC (TZC) which 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 revenue that could be lower than projected if passenger traffic levels are reduced 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 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 continue its approved toll-rate increases 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 falling more 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 can be maintained despite any softening of traffic levels or potential financial obligations borne by the dispute between the authority and the New NY Bridge Project design-build contractor.

Credit Opinion

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, 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

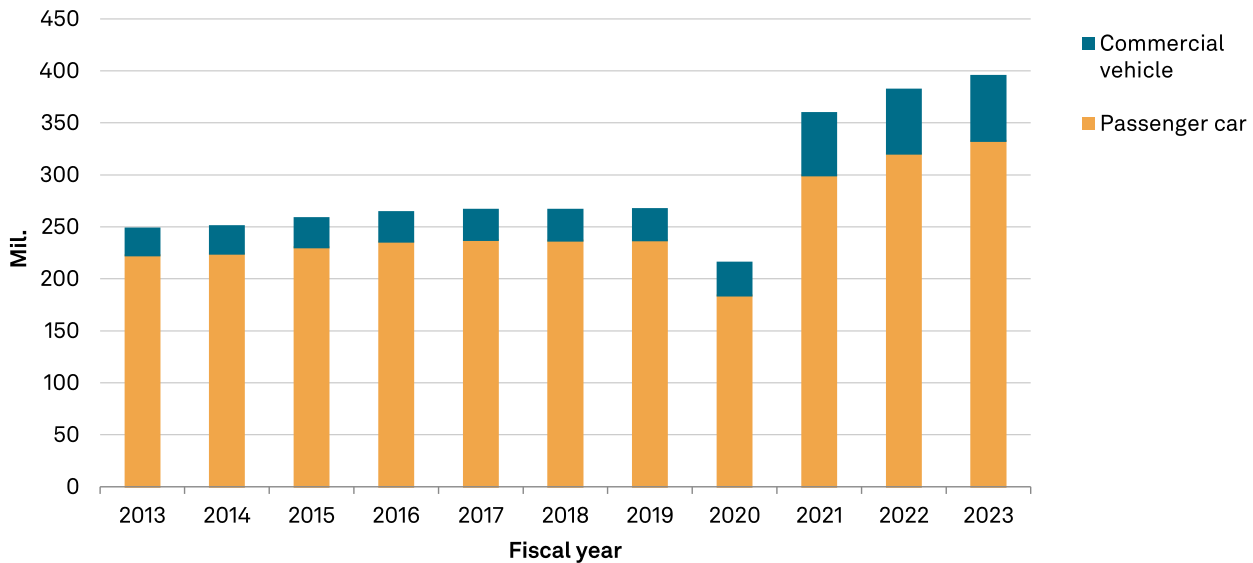
We consider NYSTA's overall market position very strong, given its status as a large mature statewide system. The system serves a diverse customer base of regional commuters as well as longer-distance intrastate and interstate commercial and business travel, which has contributed to modest traffic growth. 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 2023, the Governor Mario M. Cuomo Bridge accounted for more than 27% of the

thruway's \$857 million of total toll revenue. In 2023, 14% 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 remained relatively strong 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 (including systemwide toll increases), then growing again by 6.4% in 2022, and by about 3.4% in 2023.

Chart 1

Toll transactions



Source: NYSTA Continuing 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.

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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 no 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-rate 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 the authority will maintain total DSC (S&P Global Ratings-calculated) above 1.25x, debt-to-net revenue below 15x, and available liquidity above 400 DCOH. For the fiscal year ended December 2023, its unrestricted and investments balance totaled \$489.6 million, equating to a very strong 402 DCOH. The authority's revenue has continued to show strong variances compared to projections based on 2024 year-to-date revenue.

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:

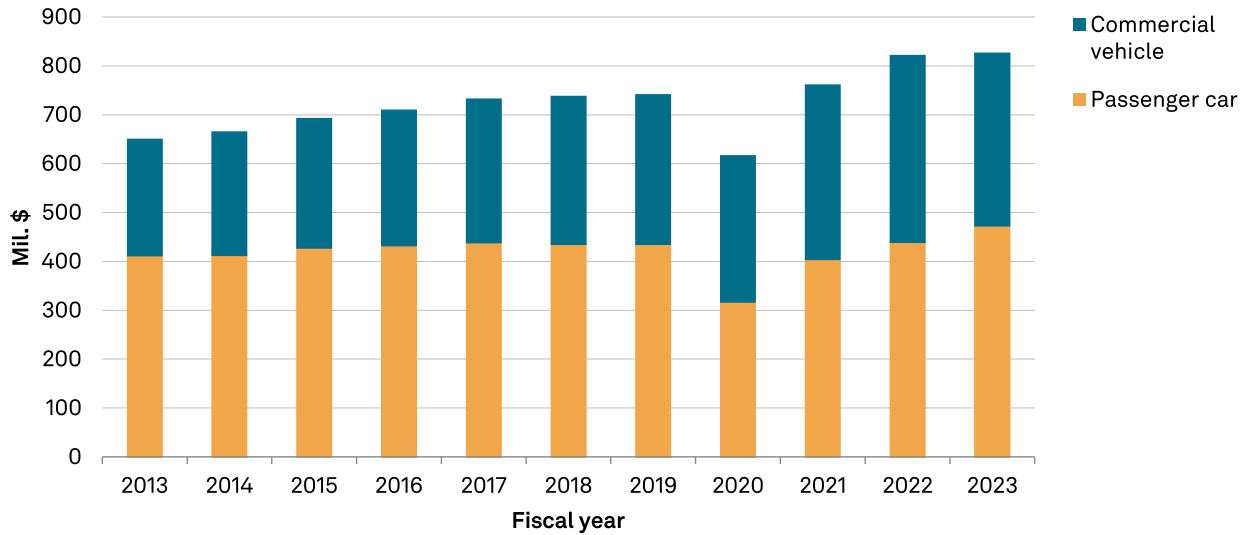
- 5% increase on New York E-ZPass toll rates on January 2024 and January 2027;
- Non-NewYork E-ZPass rate (75% above the N.Y. E-ZPass rate); and
- Tolls By Mail rate (75% higher than N.Y. E-ZPass).

NYSTA's updated forecast reflects the effects of the proposed toll adjustments detailed above, with coverage maintained at 1.4x-1.6x through 2028. 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, we expect management to maintain coverage above 1.2x over the next few years.

Chart 2

Gross toll revenue



Source: NYSTA Continuing Disclosure.
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Strong debt and liabilities capacity

We have assessed NYSTA's debt and liabilities capacity as strong, based on our expectation that debt-to-EBIDA will improve to about 10.5x in 2024 and will remain below 15x as toll increases lead to higher revenue, after incorporating near-term debt needs.

NYSTA's forecast for its 2024-2028 capital program totals \$2.43 billion, of which about \$1.3 billion (52.6%) 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 DCOH and about 7.8% of debt for fiscal years 2020-2023. 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 \$386 million to \$490 million over fiscal years 2019-2023.

Uncertainty of dispute outcome with TZC LLC weighs on outlook for financial profile

NYSTA's ongoing dispute regarding final costs associated with the construction of the Governor Mario M. Cuomo Bridge (f/k/a the New NY Bridge Project), submitted in 2018, introduces uncertainty and currently clouds our outlook on future financial performance. NYSTA indicates that about \$230 million in available contingency funds remains for the project. Officials, however, are still not certain when this dispute will be resolved and what the final financial effects could be.

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 of approximately \$928 million plus interest. 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 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. In March 2024, the executive director determined that TZC is entitled to \$15.6 million for the claims and further concluded that TZC owes NYSTA a minimum of \$62.7 million (after deducting a contract balance of \$33.1 million) for liquidated damages and remedial work. The determination made by the executive director in favor of NYSTA is subject to reconsideration and will not be considered NYSTA's final and binding decision.

In August 2024, NYSTA also filed a lawsuit against TZC and its affiliated entities to recover cost of evaluation and remediation for work installed on the Governor Mario M. Cuomo Bridge. However, the bridge has been declared safe by multiple independent engineers and the planned corrective work is not expected to have a material adverse effect on operations.

New York State Thruway Authority--Financial and operating data

	--Year ended Dec. 31--							Medians for 'A' category toll roads 2023
	2025f	2024f	2023a	2022a	2021a	2020a	2019a	
Financial performance								
Total operating revenue (\$000)	1,103,400	1,087,047	910,234	899,939	827,218	667,017	814,157	75,244
Plus: interest income (\$000)			63,944	20,535	2,439	7,616	6,104	
Less: total O&M expenses excluding noncash expenses (\$000)	492,700	483,100	444,026	442,698	410,575	379,515	426,391	19,853
S&P Global Ratings-calculated net revenue (\$000)	610,700	603,947	530,152	477,776	419,082	295,118	393,870	34,306
Total debt service (\$000)	392,067	332,252	362,649	359,731	287,900	296,873	274,200	
S&P Global Ratings-calculated coverage (x)	1.6	1.8	1.5	1.3	1.5	1	1.4	1.8
Indenture coverage reported by the NYSTA (x)	1.7	1.9	1.7	1.7	1.7	1.8	1.7	

New York State Thruway Authority--Financial and operating data (cont.)

	--Year ended Dec. 31--							Medians for 'A' category toll roads 2023
	2025f	2024f	2023a	2022a	2021a	2020a	2019a	
Debt and liabilities								
Debt (\$000)§	6,317,790	6,342,361	5,978,790	6,093,150	6,198,495	5,881,140	5,532,085	301,307
EBIDA (\$000)			466,208	457,241	416,643	287,502	387,766	
Debt to net revenue (x)	10.3	10.5	11.3	12.8	14.8	19.9	14	7
Liquidity and financial flexibility								
Unrestricted cash and investments (\$000)			489,579	493,717	462,215	442,650	385,570	77,467
Unrestricted days' cash on hand (excluding credit facilities)			423	407	411	426	330	930
Available liquidity to debt % (excluding credit facilities)			8	8	8	8	7	
Operating data								
Total toll revenue (\$000)	1,020,200	986,000	825,500	820,400	760,269	615,293	731,500	
Toll transactions (000)	384,900	382,600	395,117	382,100	359,230	215,457	266,993	20,570

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

Ratings Detail (As Of September 25, 2024)

New York State Thruway Authority gen rev jr indebt oblig ser 2019B due 01/01/2021-2041 2045 2046 2050 2053		
Long Term Rating	AA/Stable	Affirmed
Unenhanced Rating	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br		
Long Term Rating	A/Stable	Affirmed
New York St Thruway Auth toll rds & br		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (AGM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (BAM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Ratings Detail (As Of September 25, 2024) (cont.)

New York St Thruway Auth toll rds & br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
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<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
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<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
New York St Thruway Auth toll rds & br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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