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Summary:

Metropolitan Boston Transit Parking Corp.

Massachusetts Bay Transportation Authority; Parking

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Credit Profile

Metro Boston Transit Pkg Corp, Massachusetts

Massachusetts Bay Transp Auth, Massachusetts

Metro Boston Transit Pkg Corp (Massachusetts Bay Transp Auth) PARKING

Long Term Rating

A+/Stable

Affirmed

Rationale

S&P Global Ratings affirmed its 'A+' rating on the Metropolitan Boston Transit Parking Corp.'s (MBTPC) series 2011A senior-lien parking system revenue bonds, issued for the Massachusetts Bay Transportation Authority (MBTA). The outlook is stable.

The bonds are secured by a gross pledge of parking system revenues.

The rating is based on our opinion of the following credit strengths:

- The overall diversity of the MBTA's parking system that secures the bonds, with about 48,000 parking spaces at about 100 sites controlled by the MBTA, with no single facility more than 14%;
- The importance of these spaces to support mass transit, and the public purpose MBTA's support of mass transit that, in our opinion, would create incentive to operate the parking sites even if individual sites may not be profitable;
- Strong coverage of debt service by gross parking revenues, exceeding 2.5x each of the past four years through fiscal 2015, including 2.7x in 2014 and 2015, although we note that, unless margins improve, coverage will decline to below 2.0x once principal begins amortizing;
- A 1.25x gross revenue rate covenant and, in our view, flexibility to raise daily parking rates due to the absence of widespread availability of alternatives to commuters; and,
- A large, diverse, and populous metropolitan area that is strongly dependent on mass transit, whose stations are the primary location of most of the system's parking spaces, and which exhibits only modest seasonality.

These strengths are partially mitigated by our opinion of a low 1.5x gross revenue additional bonds test (ABT), a 1.5x test for release of parking sites from the revenue pledge, and an open flow of funds. Additionally, debt service is back-loaded, with principal amortization not occurring during the first 10 years after issuance of the bonds.

In 2011, the MBTPC issued \$304.6 million of bonds to refund a portion of the MBTA's debt maturing in 2012-2017 to provide the MBTA with some budget relief. The MBTPC is the issuer, and a private non-profit corporation and agency of the MBTA, which is the corporation's sole member.

The transit system is large and diverse, serving a population that relies heavily on private vehicles for transportation.

The MBTA system extends into Rhode Island, serving as far south as Providence. The parking facilities comprising the system provide approximately 48,000 spaces at nine garages and 90 surface lots spread throughout the transit system. The system's subway, trolley, bus, boat, and commuter rail services operate throughout eastern Massachusetts, covering 175 cities and towns and 3,244 square miles. The MBTA operates over 1,250 route miles, with an average 1.3 million passenger trips per business day. With over 4.6 million people served, more than half of Massachusetts' population lives within the MBTA service territory, with the city of Boston as the main hub of the system.

Current daily rates and charges range from \$4 to \$7, depending on the type of space, with garages and attended lots costing more than self-pay lots. The MBTA does target certain markets with slightly lower market-based rates to attract more customers. Additionally, it continues to use technology to move away from cash-based payments, and offers a variety of payment options that it expects will increase overall collections.

Fiscal 2015 gross system revenues of \$41.54 million in fiscal grew at an average rate of 2% over the past five years. Fiscal 2015 gross revenues provided maximum annual debt service (MADS) coverage of 1.66x. Based on the debt service schedule for the 2011 bonds, and assuming no increase in annual revenues beyond 2015's figure, debt service coverage (DSC) would remain strong before falling to 1.8x (fiscal 2022) and then 1.7x (fiscal 2023) once principal begins amortizing.

Legal provisions are adequate, in our view. Bondholders benefit from a senior-lien pledge of gross parking revenues. The indenture flow of funds does not include operating expenses from the corporation's funds because the MBTA is responsible for operations, pursuant to a systemwide parking and revenue disposition agreement between the corporation and the authority. The effect of a 1.25x rate covenant is limited, since an event of default related to the rate covenant does not occur until coverage is below 1.1x. The ABT requires 1.5x coverage of MADS from historical revenues. A debt service fund equal to 50% MADS provides additional protection.

Outlook

The stable outlook reflects our expectation that the parking system's broad demand base and diverse system will continue to translate to strong DSC from gross parking revenues.

Upside scenario

We could raise the rating if rate increases, demand growth, or a combination thereof leads to stronger MADS coverage.

Downside scenario

While we do not expect to lower the rating, we could consider doing so if coverage levels materially slip below those demonstrated over the past five years.

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