NEW YORK--(BUSINESS WIRE)--Fitch Ratings assigns an 'A' rating to the Metropolitan Transportation Authority (MTA), New York's $500 million revenue bonds, series 2014B.

Additionally, Fitch affirms the 'A' rating on approximately $18.5 billion (excluding Bond Anticipation Notes (BANs) and Commercial Paper (CP)) in outstanding MTA transportation revenue bonds. The Rating Outlook is Stable.

KEY RATING DRIVERS

--Strategic Importance: The MTA transportation network is essential to the economy of the New York region, with New York City Transit carrying an average of 7.6 million daily subway and bus riders and Metro-North Railroad (MNR) and Long Island Rail Road (LIRR) carrying another 566,000 daily commuter rail passengers. While an independent authority, the MTA has received significant support from the State of New York in the form of additional tax sources aimed at closing projected operating budget gaps and addressing capital needs.

--Highly Constrained Financial Operations: Despite high debt service coverage ratios from gross pledged revenues, the MTA's financial position is constrained given its extremely large operating profile and high fixed costs, including significant retiree pension benefits. In addition, some of the MTA's operating subsidies are vulnerable to economic conditions. While the MTA is required to provide a balanced current year budget, some tools available to meet a balanced budget, such as service reductions and fare increases, are politically unpopular.

--Strong Security Pledge: The bonds are secured by a gross lien on a diverse stream of pledged operating and non-operating revenues.

--Extremely Large Capital Needs: The MTA anticipates issuing a total of $10.5 billion in debt (excluding Sandy Recovery) and a $2.2 billion Railroad Rehabilitation and Improvement Financing (RRIF) loan to fund the $22.2 billion 2010-2014 MTA Capital Program, some of which has already been issued. In January 2013, $4 billion of MTA capital projects were added in the wake of Hurricane Sandy related damages and more recently $5.7 billion in MTA mitigation projects were added. The MTA has the constant challenge of delicately balancing the large rehabilitation and expansion needs of the system while covering operating expenses and maintaining financial flexibility.

--Growing Annual Debt Burden: The MTA's capacity to continue to leverage resources to fund expansion projects while meeting renewal and replacement needs may be limited in the future if projected financial performance or additional operating subsidies do not come to fruition.

RATING SENSITIVITIES

--Inability to achieve future projected operating efficiencies and implement other key elements of the cost reduction initiatives and/or maintain an ongoing state of good repair and other elements of the capital program;

--Significant cost overruns or delays in the capital program's mega-projects that lead to additional borrowing;

--Future service cuts or deferral of core capital projects that result in deterioration of key transportation services;

--Receipts in dedicated tax subsidies that are measurably below forecasted levels.

SECURITY

The transportation revenue bonds are secured by a gross lien on the MTA's operating receipts and subsidies, including: transit and commuter rail fares and other operating revenues, surplus toll revenues, and certain dedicated tax sources, state and local operating subsidies, and reimbursements.

TRANSACTION SUMMARY

The series 2014B bonds are being issued to finance transit and commuter projects.

The MTA's 2014 - 2017 February Financial Plan (2014 Adopted Budget) incorporates Board-approved actions and technical adjustments to the MTA's 2014-2017 November Financial Plan (2014 Final Proposed Budget) budgets and forecasts. Thus, the forecasts in the February Plan project similar financial performance through 2017. Risks to the February plan are consistent with recent financial plans and include the ability to achieve a favorable outcome from the current labor negotiations, potential volatility in some operating subsides (real estate related dedicated tax sources), greater than expected elasticity from future proposed fare and toll increases and the ability of the MTA to deliver on planned operating efficiencies. Furthermore, uncertainties associated with the final completion and operating costs of the East Side Access and 2nd Ave Subway projects could materially change financial performance in the near to medium term. To the extent that any of these elements fail to reach current expectations, projected year end cash balances may be materially different than currently estimated. While the MTA has a demonstrated history of closing outer-year deficits, it is Fitch's opinion that the options available for new revenue generation are fewer in the current environment; however, the MTA continues to explore and implement new operating efficiencies and cost reduction measures to close outer-year gaps.

For more information on the MTA's credit profile please see 'Fitch Rates Metropolitan Transportation Authority (NY) Revs at 'A'; Outlook Stable' (dated Feb. 12, 2014) or 'Fitch Affirms Metropolitan Transportation Authority (NY) Revs at 'A'; Outlook Stable' (dated Sept. 4, 2013). Both are available at www.fitchratings.com .

Additional information is available at ' www.fitchratings.com '.

Applicable Criteria and Related Research:

--'Rating Criteria for Infrastructure and Project Finance' (July 11, 2012);

--'Tax Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

Rating Criteria for Infrastructure and Project Finance

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=682867

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=825171

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