

**Metropolitan Boston Transit Parking
Corp.
Massachusetts Bay Transportation
Authority; Parking**

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Metropolitan Boston Transit Parking Corp. Massachusetts Bay Transportation Authority; Parking

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+' long-term 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) using its U.S. And Canadian Not-For-Profit Transportation Infrastructure Enterprises (TIE) criteria. The outlook is stable.

The rating reflects our opinion of the parking system's very strong enterprise risk profile and strong financial risk profile. The enterprise risk profile reflects the diversity of the parking system that secures the bonds and the importance of MBTA's parking facilities to support its transit operations in a large, diverse, and populous metropolitan area. The financial risk profile reflects our view that the MBTPC operates as a break-even enterprise, because all excess revenues available, after meeting the project's funding requirements, are transferred to MBTA; it also reflects our view of the lack of additional parking revenue-secured debt needs.

The enterprise risk profile reflects our view of the parking system's:

- Very strong market position due to the overall diversity of the MBTA's parking system securing the bonds, with approximately 44,000 parking spaces across all the pledged facilities (about 100 sites) controlled by the MBTA with often limited parking alternatives, particularly in urban areas, with no single facility accounting for more than 12% of total parking spaces;
- Extremely strong service area economic fundamentals, supported by the strength and breadth of the Boston-Cambridge-Newton metropolitan statistical area (MSA);
- Low industry risk relative to that of other industries and sectors; and
- Very strong management and governance supported by management's track record of managing the large parking system and of increasing system profitability through successful financial and risk management practices.

The financial risk profile reflects our view of the parking system's:

- Strong financial performance given our view the MBTPC operates as a break-even enterprise when all excess parking revenues are transferred to MBTA and our opinion of favorable rate-setting flexibility;

- Very strong debt and liabilities capacity that we expect to continue, given the lack of additional new money debt needs and sustainable revenue levels to support the current debt; and
- Highly vulnerable liquidity and financial flexibility because of the open flow of funds structure, which results in the parking fund maintaining a zero balance of unrestricted cash and equivalents because transfers to the MBTA occur monthly.

Bondholders benefit from a senior-lien pledge of gross parking revenue. The indenture's open flow of funds does not include operating expenses from the corporation's funds because the MBTA is responsible for operations, pursuant to a system-wide parking and revenue disposition agreement between the corporation and the authority. The effect of a 1.25x rate covenant is limited given that an event of default related to the rate covenant does not occur until coverage is below 1.1x. The additional bonds test requires 1.5x maximum annual debt service (MADS) coverage from historical revenue. A debt service reserve fund equal to 50% MADS and a debt service fund provide additional protection. We believe the bond provisions are credit neutral.

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 budgetary relief. The MBTPC is the issuer as well as a private nonprofit corporation and agency of the MBTA, which is the corporation's sole member. Principal payments do not begin until fiscal 2022. As such, \$304.6 million remains outstanding on the bonds.

Outlook

The stable outlook reflects our expectation that the parking system's broad demand base and diversity will continue to translate into high utilization rates and resultant gross parking revenue.

Upside scenario

We do not expect to raise the rating during the outlook period given our expectation that financial metrics will remain comparable with current levels.

Downside scenario

Although unlikely, we could lower the rating if utilization of the parking facilities materially falls, reflecting a weaker market position.

Enterprise Risk Profile

Our assessment of MBTPC's enterprise risk profile considered its service area economic fundamentals, industry risk, market position, and management and governance.

Economic fundamentals

The assessment of the service area economic fundamentals reflects favorable per capita personal income levels at \$70,157 (almost 140% of the U.S. level) and GDP per capita at \$91,148 (almost 150%). The Boston MSA is the 10th-most populous in the U.S. and, while it has over 4.8 million residents, the population growth rate is slow with a 1.8% projected three-year average compared with the U.S. average of 2.4%. The region has diverse employment

sectors, including technology, finance, health care, biotechnology, and education. Its unemployment rate was 3.4% in 2017 compared with the U.S.'s 4.4%.

The MBTA system extends into Rhode Island, serving as far south as Providence. The service area extends outward from Boston north to the New Hampshire border, west to the City of Worcester, and south into Providence. This populous metropolitan area will continue to provide strong demand for MBTA's mass transit services (MBTA's stations are the primary location of most of the system's parking spaces).

Market position

Our market position assessment considered the parking facilities that provide gross revenue pledged to the bonds constituting approximately 44,000 spaces at nine garages and 90 surface lots spread throughout the transit system. In all, MBTA's system includes almost 48,000 spaces across 10 garages and 136 surface lots. MBTA's subway, trolley, bus, boat, and commuter rail services operate throughout eastern Massachusetts, covering 176 cities and towns and 3,244 square miles. The MBTA operates over 1,250 route miles, with an average of over 1.3 million passenger trips per business day. The transit system is large and diverse, serving a population that relies heavily on private vehicles for transportation. The importance of these spaces to support mass transit, and MBTA's public-purpose mission to support public transit, in our opinion, would create incentives to operate the parking sites even if individual sites might not be profitable.

Daily rates and charges range from \$2-\$9, depending on the type of space, with garages and attended lots costing more than self-pay lots, although MBTA targets certain markets with slightly lower market-based rates to attract more customers. MBTA has the sole authority to determine parking rates without any further approval or oversight process. In addition, it continues to move away from cash-based payments, offering a variety of payment options that it expects will increase overall collections. We view the rate-setting flexibility favorably as a result of the absence of widespread alternatives for commuters.

Management and governance

The managerial and governance assessment reflects MBTA's strategic positioning; risk management and financial management; and organizational effectiveness. The management team has a record of achieving most of its financial and operational goals. In addition to managing rates toward reaching its goal of gross parking revenues being above \$50 million, management has pursued strategically managing occupancy at all its facilities and increased mass transit ridership levels. Management has been proactive in adjusting rates, as demonstrated in the rate adjustment in September 2018, to meet its goals.

Financial Risk Profile

The assessment of the parking system's financial risk profile considered historical figures in assessing its financial performance, debt and liabilities capacity, and liquidity and financial flexibility that we expect to continue. Our financial profile assessment also considered the authority's financial policies, which we consider credit neutral.

Financial performance

Our assessment of the MBTPC's financial risk profile reflects our view that the parking system operates as a break-even enterprise because it transfers out to the authority all excess revenues available, after meeting all funding requirements. Given the break-even nature of operations, we view debt service coverage as sufficient at 1.0x. However, fiscal 2018 gross pledged revenue of \$44 million provided 1.8x MADS coverage. We expect gross system coverage will remain near or above 1.8x given the rate adjustments in September 2018. In fiscal 2022, annual debt service will increase to \$23.6 million from \$15.7 million. Debt service requirements increase to \$25 million in fiscal 2023 and follow level amortization through maturity in fiscal 2041. As reflected by the gross parking revenue MADS coverage in recent years, no or minimal revenue growth is required to maintain current financial metrics on the bonds under the current amortization schedule. In addition, we believe the financial performance is bolstered by our opinion of favorable rate-setting flexibility across the entire parking system.

Debt and liabilities

We assess the parking system's debt and liabilities capacity based on MBTPC's debt to gross revenues being less than 10x. With continued revenue growth, no additional borrowing plans, and continued amortization of existing debt, we expect these metrics will continue to improve over the next five years. There is \$304.6 million in long-term debt outstanding under the parking pledge.

Liquidity and financial flexibility

Our liquidity and financial flexibility assessment reflects our opinion of the MBTPC's open flow of funds that leads to the transfer out of all surplus parking revenues every month to MBTA. The timing of the transfers somewhat mitigates risk, as surplus balances are generally available to cover contingencies that may arise over the course of the fiscal year. However, the transfer results in the parking system beginning each fiscal year with no unrestricted cash on hand, and thus we consider the liquidity and financial flexibility assessment highly vulnerable. However, MBTA's general fund's total liquidity is available to support the parking system with an unrestricted cash balance of \$256.5 million as of June 30, 2018. We believe MBTA's liquidity position provides some support to the parking system.

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