



Rating_Action: Moody's affirms Aa3 rating on the Regional Transportation Authority, IL's bonds; outlook stable

28Mar2023

New York, March 28, 2023 -- Moody's Investors Service has affirmed the Aa3 rating on approximately \$1.5 billion of outstanding bonds of the Regional Transportation Authority, IL (RTA). Moody's has also affirmed the short-term P-1 rating on the authority's Series 2005B extendible reset securities. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating reflects continued strong performance in the authority's sales tax base and the expectation that state funding will remain stable and timely. The rating incorporates the breadth of the authority's tax base, which consists of six counties in the Chicago metropolitan region, the healthy coverage of debt service by authority revenue, and the modest debt burden of the authority as measured by total debt relative to revenue.

The rating also considers the authority's role in administering the distribution of funds to the three service boards that provide transit services throughout the region. Across the transit service providers, budget gaps will begin to materialize by fiscal 2026, based on current financial projections, following the spending down of federal aid. The regional tax base could be tapped to address these gaps, but final decisions on how to address future budgetary challenges remain open. The RTA issues debt to address the capital needs of the service boards. In this way, it has some exposure to the operating challenges of those entities, especially to the extent those challenges drive the need to borrow funds.

The P-1 rating reflects sound timing provisions and management's capacity to redeem the reset securities. Under the bond provisions, investors would hold the securities for a period of nine months after a failed remarketing, providing ample time for the authority to issue long-term bonds to cover the debt. Further, the authority maintains healthy liquidity relative to the amount of extendable reset securities outstanding.

RATING OUTLOOK

The stable outlook reflects the expectation of stability in revenue and coverage of debt service. Further, the outlook speaks to the strength of the tax base as a potential resource for additional funding in the coming years.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Steady growth in state funding that adds further upward pressure in the trend of total authority revenue
- Strengthened state credit profile

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant increase in the authority's debt burden
- Weakened revenue performance
- A weakened state credit profile
- The short-term rating on the 2005B bonds could be downgraded with a material downgrade of the long-term rating of the bonds

LEGAL SECURITY

The RTA's general obligation bonds are a full faith and credit obligation of the authority and payable from all revenue of RTA. The bonds also have lien on the authority's sales taxes.

PROFILE

The RTA is a political subdivision and municipal corporation of the state responsible for the oversight, regional planning and funding of three transit agencies (or service boards) in the Chicago area. It distributes regional sales taxes and state funding to the service boards pursuant to state law. The task of operating transit systems falls to the service boards - the Chicago Transit Authority, the subway and bus operator in Chicago; Metra, which runs the region's commuter rail service; and Pace, the provider of suburban bus and paratransit service.

METHODOLOGY

The principal methodology used in the long-term ratings was US Public Finance Special Tax Methodology published in January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70024>. The principal methodology used in the short-term rating was Short-term Debt of US States, Municipalities and Nonprofits Methodology published in July 2020 and available at <https://ratings.moodys.com/api/rmc-documents/67339>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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