

28 JUN 2024

Fitch Affirms Regional Transportation Authority, IL's GOs at 'AA+'; Outlook Stable

Fitch Ratings - Chicago - 28 Jun 2024: Fitch Ratings has affirmed the following obligations of the Regional Transportation Authority, IL:

--Various general obligation (GO) bonds and notes at 'AA+';

--\$25.5 million GO variable rate notes (extendable reset securities) series 2005B at 'F1+'.

The Rating Outlook is Stable.

The 'AA+' rating is based on the high coverage of maximum annual debt service (MADS) from pledged revenues and the resilience of pledged revenues to future cyclical stresses. The security structure includes a strong additional bonds test (ABT) mitigating risk to future leveraging. The 'F1+' rating on the series 2005B notes is mapped to the GO rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A decline in pledged revenues that would materially diminish the structure's resilience and debt service cushion to a level approaching the ABT.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--A pattern of revenue growth at a rate consistently above U.S. GDP.

Dedicated Tax Security

The bonds and notes are general obligations of the authority, with a first lien on authority sales taxes levied within Cook County and the collar counties and state public transportation fund (PTF) revenue, which is a statutorily-required 30% state match of regional sales and real estate transfer tax for the Chicago Transit Authority generated within the City of Chicago.

The sales tax rate is set according to state statute and may not be amended without legislative action.

Dedicated Tax Key Rating Drivers

Solid Broad-Based Pledged Revenue Growth Prospects

Sales taxes comprise approximately three-quarters of pledged revenues. Underlying receipts of sales tax and PTF revenues combined are likely to experience relatively solid growth over time, above Fitch's long-term expectation for national inflation, supporting the 'aa' assessment for growth prospects.

Pledged sales and sales tax-related PTF revenues have a 10-year CAGR of 4.4%. These gains have continued despite imposition by the state of a permanent 1.5% administrative fee on locally imposed sales tax collections and varying legislative reductions in PTF distributions since 2017. Notwithstanding these challenges, Fitch expects the strength and diversity of the Chicago-area economy to support a solid pace of revenue growth over time.

Although recent revenue trends have been more in line with GDP, Fitch anticipates that future growth will moderate and settle above inflation but below U.S. economic performance.

Ample Resilience Based on 2.5x Total Pledged ABT

In 2022, gross sales tax and PTF revenue coverage of MADS of \$177.9 million was strong at 11.6x. To evaluate the sensitivity of the dedicated revenue stream to a moderate recessionary decline, Fitch considers both revenue sensitivity results (using a 1% decline in national GDP scenario) via the Fitch Analytical Stress Test (FAST) and the largest pledged revenue decline over the period covered in the sensitivity analysis.

The FAST decline was 1.3% and the largest cumulative revenue decline for this period was 6% (fiscal 2020). Under this scenario, fiscal 2022 available revenues provided a cushion relative to the ABT (3.2) at 52x the FAST result. The coverage cushion is narrower but still ample assuming leverage to the ABT using the largest historical revenue decline. Fiscal 2022 receipts provide a 11x cushion relative to the combined revenue stream's historical experience. The resilience cushion under both the FAST scenario and largest decline is robust and consistent with a 'aaa' assessment, assuming issuance to the ABT.

Limited Operational Risk: The authority does not directly provide transportation services and has little operational risk exposure. Therefore, Fitch does not maintain an Issuer Default Rating on the authority.

PROFILE

Debt service coverage remains high in fiscal 2022, with sales tax and state PTF revenue covering MADS by 11.6x. After declining 6% in 2020 due to the pandemic, pledged revenues grew 24% in fiscal 2021 and nearly 9% in fiscal 2022. Fiscal 2023 sales tax revenues were 3.9% higher yoy than fiscal 2022 levels. Fiscal 2024 revenues are trending above fiscal 2023 levels based on the first few months of collections.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Regional Transportation Authority (IL) [General Government]			
<ul style="list-style-type: none">Regional Transportation Authority (IL) /General Obligation LT - Limited Tax - Dedicated Tax/1 LT	AA+ 	Affirmed	AA+ 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
<ul style="list-style-type: none"> Regional Transportation Authority (IL) /General Obligation - Limited Tax - Dedicated Tax/1 	ST	F1+	Affirmed	F1+

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(pub.02 Apr 2024\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 (1)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

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