MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Maryland Transportation Authority's $200 million Series 2022 TIFIA Loan; outlook stable

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New York, April 14, 2022 -- Moody's Investors Service ("Moody's") has assigned a Aa2 rating to approximately $200 million of Maryland Transportation Authority's ("MDTA" or "the authority") Series 2022 TIFIA Loan. At the same time, Moody's affirmed the Aa2 rating on MDTA's $2.1 billion outstanding revenue bonds. The outlook is stable.

RATINGS RATIONALE

Maryland Transportation Authority's Aa2 rating reflects the essentiality of the authority's road network, the fundamental strength of the service area and its history of strong financial and operational performance. MDTA's rating also incorporates the authority's financial policies and history of conservative budgeting coupled with track record of exceeding its forecasts. This strong financial policy with a proven track record is one of the main strengths of this credit that somewhat mitigates the projected metrics being lower than peers. Taken together, these factors support the authority's board-approved $2.8 billion capital expenditure program spanning fiscal 2022 through fiscal 2027, with 65% of the program expected to be funded with pay-go funds and the rest expected to be financed with debt, including the currently proposed $200 million TIFIA loan.

The continued declining liquidity coupled with the increasing leverage and debt service requirements could place pressure on the authority's current rating should toll revenues not keep pace with growing debt service requirements through either traffic growth or toll rate increases. The rating incorporates our expectation of the authority's willingness to maintain strong financial metrics by increasing toll rates or making other adjustments to preserve its financial position.

The authority expects to possibly refinance its Series 2012 bonds in the short term, depending on market conditions, to get net present value savings with no considerable changes to the debt service profile.

RATING OUTLOOK

The stable outlook reflects our view that the authority will take action as necessary to support cash flows in order to keep strong financial metrics through the implementation of its capital expenditure program.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued significant and sustained higher-than-projected traffic levels

- Successful completion of planned capital projects

- Toll revenues that support adjusted debt to operating revenues of less than 3.0x while maintaining strong liquidity could exert upward pressure on the rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Lower traffic and revenue levels than assumed in the authority's base case forecast

- Significantly higher debt financing of the capital program than currently envisioned

- A sustained decline in the DSCR below 2.0x

- A sustained increase in leverage resulting in adjusted debt to operating revenue above 4.5x

- Liquidity below 400 days cash on hand

LEGAL SECURITY

The Series 2022 TIFIA Loan is on parity with the authority's outstanding revenue bonds, which are secured by a pledge of revenues from the Transportation Facility Projects and from the General Account Project, which is subject to reallocation at the option of the MDTA. The authority's rate covenant requires net revenues, which include the Transportation Facility Projects, to be at least the sum of 1.2x annual debt service and 100% of the amount required to be deposited in the maintenance and operations reserve account. The additional bonds test requires the rate covenant to be met on a 5-year prospective basis.

The outstanding municipal bonds are also secured by debt service reserve subaccounts sized at the lesser of maximum annual debt service, 125% of average annual debt service or 10% of the proceeds of the principal amount of the bonds funded with surety policies. MDTA decided not to create the Series 2022 TIFIA Loan's debt service reserve subaccount at this point.

USE OF PROCEEDS

The Series 2022 TIFIA Loan will be used to fund the acquisition, construction, improvement, and equipping of the Potomac River (Harry W. Nice/Thomas "Mac" Middleton) Bridge Replacement.

PROFILE

The authority is an independent agency with autonomous rate-setting authority, however the Secretary of Maryland Department of Transportation (MDOT), also serves as chairman of the authority's 8-member board which is appointed by the governor (and confirmed by the Senate). The two agencies work together to address state-wide transportation needs and this high level of coordination benefits the authority as it undertakes capital projects.

The authority owns and operates 8 facilities, of which revenues from 7 are deemed Transportation Facilities Projects: the John F. Kennedy Memorial Highway; the Fort McHenry Tunnel; the Baltimore Harbor Tunnel; the Francis Scott Key Bridge (formerly the Baltimore Harbor Outer Bridge); the Governor Harry W. Nice Memorial Bridge (formerly the Potomac River Bridge); the Chesapeake Bay Bridge; and the ICC. The last facility is the Thomas J. Hatem Memorial Bridge (formerly the Susquehanna River Bridge), which the authority operates as a General Account Project.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1091602. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

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