

Maryland Transportation Authority's Credit Quality Not Affected By Francis Scott Key Bridge Collapse

March 26, 2024

NEW YORK (S&P Global Ratings) March 26, 2024--S&P Global Ratings today said that the disruption and damage from the recent collapse of the Francis Scott Key Bridge (Interstate 695) in Baltimore is not expected to have immediate credit implications for its ratings on Maryland Transportation Authority (MDTA; AA-/Stable), which operates the bridge, nor on the ratings on the City of Baltimore general obligation (GO) debt (AA/Stable) or the State of Maryland GO debt (AAA/Stable). However, the long-term financial impact, particularly for MDTA, will likely be unknown for some time.

Maryland's governor declared a state of emergency early on March 26, as recovery efforts were underway. The Biden Administration has expressed a commitment to provide emergency funding in response to the disaster. The National Highway Transportation Administration administrator is expected to travel to Baltimore and oversee the release of federal emergency funds.

S&P Global Ratings expects receipt of federal, state, and local assistance, in addition to insurance reimbursements, will provide credit stability in the near term.

MARYLAND TRANSPORTATION AUTHORITY

We believe MDTA's credit quality remains resilient given that the authority is a diverse, multiasset system that achieves robust financial margins, providing 3.3x debt service coverage in fiscal 2023. MDTA also has sizable unrestricted liquidity balances, with approximately \$889 million in available reserves as of fiscal year ended June 30, 2023. This level of reserves, in our view, provides MDTA with a sizable cushion to offset temporary revenue losses from the bridge collapse. However, potentially negative revenue trends and large capital needs resulting from bridge reconstruction could weaken the authority's creditworthiness. We will continue to monitor the financial impacts of the bridge collapse and the extent of state, local, and federal assistance to MDTA.

The Francis Scott Key Bridge is one of seven toll facilities designated as Transportation Facilities Projects under the trust agreement securing MDTA's toll revenue bonds outstanding. The authority had approximately \$2.8 billion of toll revenue bonds outstanding as of fiscal year-end 2023. Toll revenues from the bridge (\$56.1 million in fiscal 2023) represented 7.4% of the authority's \$755.7 million of annual toll revenues. In our view, the MDTA's conservative approach to financial and capital planning; history of meeting or exceeding operational and financial goals; detailed financial forecasts that the authority updates frequently; and a capable, experienced management team that has considerable experience operating a tolling agency continue to support the rating.

The MDTA has a comprehensive program of insurance covering loss of revenues; general liability; and damage to bridges, tunnels, elevated roadways, approaches, and other property. Property

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damage and business interruption are insured by commercial policies that cover up to \$300 million per occurrence. The MDTA has purchased excess insurance policies that provide general liability coverage in an aggregate limit of \$148 million after a self-insured retention of \$5 million; and terrorism and property liability coverage in an aggregate limit of \$35 million after a self-insured retention of \$5 million.

STATE OF MARYLAND

We believe the event is unlikely to affect the State of Maryland GO rating, although we will continue to monitor the ongoing closure of the Port of Baltimore, which the Maryland Department of Transportation owns and operates through the Maryland Port Administration. The state's long history of proactive financial and budget management and strong reserves should address any potential fiscal pressures. In addition, we do not expect the bridge collapse and temporary closure of the Port of Baltimore will have a material impact on expenditures in the state's general fund, particularly given the likelihood of federal emergency support.

CITY OF BALTIMORE

In our view, the event is unlikely, in the near term, to affect the credit profiles of the city's GO, water utility revenue (first lien: A+/Stable; second lien: A/Stable), sewer utility revenue (first lien: A+/Stable; second lien: A/Stable), and stormwater utility revenue (AA-/Stable) debt. Baltimore has very strong available reserves and we do not expect an indefinite bridge closure to materially alter its ability to raise general operating revenue, nor do we anticipate material expenditures in the general operating fund, given expected federal and state support. Furthermore, we expect the city's utility systems will continue operating with minimal impact on user-charge collections or operations.

This report does not constitute a rating action.

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