MOODY'S
INVESTORS SERVICE

# Rating Action: Moody's assigns A2 to 2016B & C Senior Bonds of Central Florida Expressway Auth. (CFX), FL; Outlook positive

**Global Credit Research - 08 Sep 2016**

New York, September 08, 2016 -- Issue: Senior Lien Refunding Revenue Bonds, Series 2016B; Rating: A2; Rating Type: Underlying LT; Sale Amount: $367,815,000; Expected Sale Date: 10/25/2016; Rating Description: Revenue: Government Enterprise;

Issue: Senior Lien Refunding Revenue Bonds, Series 2016C; Rating: A2; Rating Type: Underlying LT; Sale Amount: $83,725,000; Expected Sale Date: 10/25/2016; Rating Description: Revenue: Government Enterprise;

Summary Rating Rationale

Moody's Investors Service assigns an A2 rating with a positive outlook to the $451.54 million Series 2016B and 2016C Senior Lien Refunding Revenue Bonds of the Central Florida Expressway Authority (CFX). We also affirm the A2 on $2.61 billion senior lien debt and the A3 on $193.7 million junior lien bonds and revise the outlook to positive from stable. The ratings are based on the growing service area population in the Orlando area in Central Florida, strong traffic and revenue performance that is ahead of forecast, a long history of stable financial performance including strong liquidity and debt service coverage levels as well as the successful implementation of CPI-linked toll increases without a meaningful negative effect on transaction volumes.

The positive outlook reflects significantly better than forecasted traffic and revenue performance and improved financial metrics in recent years that we expect will be sustained, assuming borrowing does not increase above the current plan. Moody's expectation is that steady traffic growth and toll revenues will continue to provide healthy financial margins and debt service coverage ratios (DSCRs), and that the authority will retain adequate liquidity levels, despite a $1.36 billion capital plan. A high debt load, lack of a standard 12-month debt service reserve fund (DSRF) for all outstanding bonds and exposure to variable rate debt (17.8% of total) and swaps are on-going credit risks that are somewhat offset by the authority's high liquidity.

Rating Outlook

The rating outlook is positive based on Moody's expectation that traffic growth and toll revenues will continue to provide good financial margins and DSCRs and that the authority will retain adequate liquidity, despite a capital plan that requires significant borrowing.

Factors that Could Lead to an Upgrade

Stronger than currently forecasted traffic and toll revenue growth that strengthens DSCRs

Successful delivery of the Wekiva Parkway project on schedule and within budget

Reduction of exposure to variable rate debt and/or swaps

Factors that Could Lead to a Downgrade

Traffic and revenue growth below projections that result in lower than targeted DSCRs

Increased leverage at a rate that exceeds the authority's ability to comfortably pay annual debt service

Appreciable cost overruns on the Wekiva Parkway project

Failure to adhere to current toll rate increase policy

Legal Security

Senior Lien: First lien on net revenues and series specific debt service reserve funds.

DEBT SERVICE RESERVE FUND (DSRF): Senior and junior DSRFs funded at maximum annual debt service (MADS).

RATE COVENANT: Senior and junior: 120% of annual average debt service by system wide net revenues.

ADDITIONAL BONDS: For both senior and junior: System wide net revenues of the preceding fiscal year, or 12 consecutive months out of the preceding 15 months must equal at least 120% of outstanding and proposed parity annual debt service. TIFIA requires at least 120% debt service coverage for the remaining life of the loan as well as no rating downgrade of the then existing rating.

The CFX has a current debt policy that is more conservative than required under the master senior and junior bond resolution. In order to issue senior lien, the authority must demonstrate that revenues will be sufficient to cover the existing and new debt service coverage by 1.45 times versus 1.20 times in the senior and junior resolution. The debt policy further states that for planning purposes, the authority maintains minimum debt service coverage of at least 1.60 times on the existing and planned senior lien debt issues. For the junior lien, CFX has proposed a target debt service coverage 1.50 times for planning purposes.

Use of Proceeds

The Series 2016B and 2016C bonds are being issued to refund the outstanding Series 2007A, 2010A, 2010B, 2010C and 2013C bonds for interest savings. The refunding is expected to generate $66.2 million of total savings or $37.1 million in net present value savings. This amounts to 7.4% of the refunding bonds and 8.2% of the refunding bonds.

A large amount of the savings will be applied in FY 2017 ($7.7 million), with annual savings of $500,000 from 2018 to 2023, at which point, the savings step up to $1.6 million in 2024, and $3.3 million in 2025, and range between $3.3 million and $6.6 million per year through 2035.

Obligor Profile

The authority was established in 1963 and operates and maintains an integrated system of five toll roads spanning 109 miles of roadway in and around the City of Orlando. The CFX system also connects with the two other limited access roadways in the area, the I-4 and Florida's Turnpike.

Methodology

The principal methodology used in this rating was Government Owned Toll Roads published in October 2012. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

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