MOODY'S
INVESTORS SERVICE

CREDIT OPINION
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New Issue

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Central Florida Expressway Authority, FL

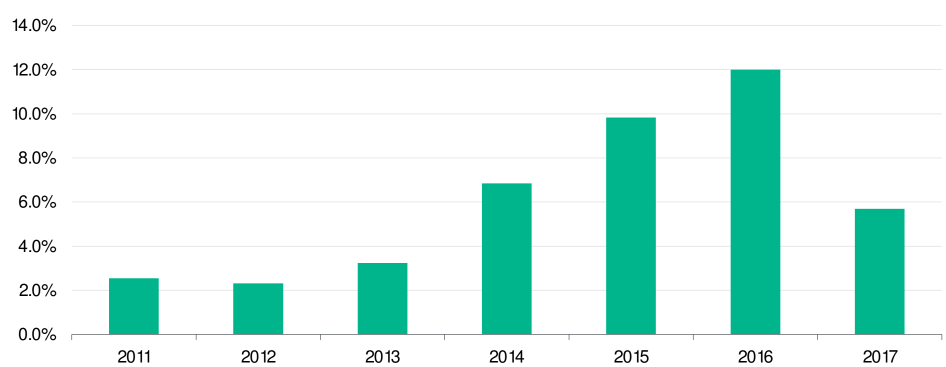
New Issue: Moody's assigns A1 to Central FL Expy. Auth., FL's 2017 senior bonds; upgrades revenue debts; outlook stable

Summary Rating Rationale

Moody's Investors Service assigns an A1 rating with a stable outlook to the $148.925 million Senior Lien Refunding Revenue Bonds, Series 2017 of the Central Florida Expressway Authority (CFX) and upgrades to A1 from A2 $2.57 billion senior lien bonds and to A2 from A3 $193.7 million junior lien obligations outstanding. We also have revised the outlook to stable from positive. The upgrade is based on our expectation that the expanding service area economy and population growth in the service area and annual CPI-indexed toll increases will continue to drive traffic and revenue performance above forecast, notwithstanding the recent negative impact of Hurricane Irma. We also note that the Wekiva Parkway project is progressing on schedule and within budget and is expected to be operational by the beginning of April 2018.

The stable outlook reflects better than forecasted traffic and revenue performance and improved financial metrics in recent years that we expect will be sustained by continued economic expansion, assuming debt 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 $1.65 billion capital plan. A high debt load, on-going construction of large projects and lack of a standard 12-month debt service reserve fund (DSRF) for all outstanding bonds and exposure to variable rate debt (18.9% of total) and swaps are on-going credit risks that are somewhat offset by the authority's strong liquidity.

Exhibit 1
Total Transactions Annual Growth



Source: Moody's Investors Service Municipal Financial Ratio Analysis

Credit Strengths

» Solid traffic and revenue growth in FYs 2016 and 2017 due to population growth and economic growth in the service area continues to support healthy DSCRs and liquidity

» Increasingly diverse service area economy that is forecasted to continue to grow and contribute to traffic growth

» Limited competition from non-tolled roads

» Effective toll increase policy linked to CPI

» Historically strong liquidity, though expected to be somewhat reduced for pay-go funding of capital projects including the Wekiva Parkway project, scheduled to be completed in April 2018

» Junior lien TIFIA has essentially the same legal security provisions as the senior lien, but does not have a springing lien

Credit Challenges

» Extensive capital program planned totaling $1.65 billion, which may require more debt than currently planned, particularly given population and employment growth in the service area economy

» Overall high debt to operating revenue

» Significant though reduced exposure to variable rate debt and swaps

» Possible acquisition of the Osceola County Expressway in 2018, though this is expected to be undertaken as a non-system asset

Rating Outlook

The rating outlook is stable based on Moody's expectation that the expansion of the service area economy will continue to spur traffic and toll revenues growth that will continue to provide good financial margins and DSCRs, and that the authority will retain strong levels of liquidity, despite a capital plan that requires significant borrowing.

Factors that Could Lead to an Upgrade

» Significantly stronger than currently forecasted traffic and toll revenue growth that strengthens total net DSCRs and lower the debt to operating ratio consistent with medians for Aa -rated toll roads

» 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

» Increased leverage at a rate that exceeds the authority's ability to comfortably pay annual debt service and maintain 1.75x and higher DSCRs

» Appreciable cost overruns or construction delays on the Wekiva Parkway project

» Failure to adhere to current indexed toll rate increase policy

Key Indicators

CENTRAL FLORIDA EXPRESSWAY AUTHORITY, FL

	2012	2013	2014	2015	2016	2017
Total Transactions Annual Growth (%)	2.3	3.2	6.8	9.8	12.0	5.7
Debt Outstanding ($'000)	2,666,460	2,546,805	2,547,380	2,530,505	2,700,900	2,684,395
Debt to Operating Revenues (x)	10.0	8.4	7.8	7.0	6.7	6.2
Days Cash on Hand ('000)	1,800	2,265	3,051	2,747	2,619	1,474
Senior Lien Debt Service Coverage By Net Revenues (x)	1.35	1.92	1.93	2.10	2.29	2.09

Source: Moody's Investors Service Municipal Financial Ratio Analysis

Recent Developments

Strong economic growth in the Orlando service area continues to contribute to population and employment growth that is spurring traffic and revenue growth for CFX, nothwithstanding the recent negative impact of Hurricane Irma. Through fiscal year-end 2017 (6/30) traffic is well ahead of forecast. Toll revenues were 7% over FY 2016 and traffic was 5.6% above the forecast. The FY 2017 Moody's calculated net DSCR is 2.09x for senior bonds and 1.79x total debt service. Debt coverage ratios have consistently exceeded 1.60x minimum management planning target and are well above the 1.20x bond resolution requirement.

Due to Hurricane Irma all toll collection was suspended from 9/5/2017 through 9/20/2017. As a result, toll revenues decreased 46.6% and traffic decreased 48.3% in the month of September 2017 compared to September 2016. Total toll revenues decreased 11.4% and traffic decreased 12.3% for fiscal year-to-date 2018 compared to the same month in FY 2017 and CFX lost approximately $18.7 million in toll revenues. While the losses cannot be recovered from business interruption insurance, which does not cover voluntary toll suspensions, CFX has adequate liquidity that helped mitigate the revenue loss and sustained, strong traffic and revenue growth in rest of the fiscal year is expected to offset the loss. CFX sustained very minor physcal damage to facilities and expects repairs to be covered in the routine maintenance budget.

Despite the hurricane impact FY 2018 senior lien DSCR for FY 2018 is expected to be strong at 2.23x and 2.12x for all debt.

Fiscal year 2016 revenue was up 10.3% over FY 2015 and 11.2% over forecast while traffic was up 11.4%.

The annual independent consulting engineer's inspection completed in February 2016 shows system assets to be in good overall condition, with routine maintenance sufficient to address any maintenance conditions.

The Wekiva Parkway project remains on schedule and within budget for a planned opening in April 2018. There were no significant delays or impacts on the project due to Hurricane Irma.

Forecast financial pro formas with lower toll revenue growth assumptions than actually achieved show robust DSCRs including an aggregate $245 million in additional senior bond issues through FY 2018 and the approved CPI-indexed toll increase in FY 2018.

The CFX board voted at its September 8, 2016 meeting vote to pre-pay $151 million in outstanding interlocal lease purchase agreement obligations to the Florida Department of Transportation (FDOT) in calendar year 2017. Even after this payment is made unrestricted cash and investments would remain very strong with well over two years days cash on hand (DCOH).

Detailed Rating Considerations

In 2009, the authority's board adopted a policy that linked toll rate increases to CPI, beginning in July 1, 2012 and every five years after that. Under the recently revised policy effective February 9, 2017, beginning on July 1, 2018, and annually thereafter, toll rates will be automatically adjusted at the higher of CPI-U in the South, or 1.5%. This replaces the prior policy of toll increases every five years. Cash tolls will be increased up to the next quarter when the electronic rate gets to within 10% at each individual plaza.

The July 1, 2012 increase also marked the first implementation of differential toll rates, by which cash customers pay a higher rate than customers paying with transponders. The toll increase raised cash rates by $0.25 and ETC rates by $0.03 to $0.12 (9%). To change this policy, in addition to board approval, DSCRs must be above 1.50x. We note that beginning in FY 2016, CFX implemented a 5%

commuter discount for certain customers over a six year period to coincide with the construction of the I-4 Ultimate project. The 5% discount will only be offered in months when actual toll revenue exceeds current revenue projections by more than 2%.

Despite the toll rate increase in FY 2013 there was minimal to no reduction in traffic on the authority's roads in FYs 2013 and 2014, indicating further margin for increases. The next rate increase is planned in FY 2018.

The Wekiva Interlocal Agreement provides that CFX will finance, construct, manage and maintain 11.32 miles of the Wekiva Parkway Project, located in Orange and Lake Counties, while FDOT will finance, construct, manage and maintain the remaining 12.81 miles of the Wekiva Parkway Project. The project is proceeding on schedule and on budget, with construction bids coming in lower than expected despite strong construction activity in the area. The CFX portion of the project is scheduled to be placed into service by the beginning of April 2018.

Revenue Generating Base

The CFX operates an integrated system of five toll roads in the greater Orlando area. Other high-speed highways in the service area, such as I-4 and sections of the Florida Turnpike complement rather than compete with the authority's route network. Direct competition is limited to local roads which are generally congested during peak commuting times and have multiple traffic lights. With over 86% toll transactions collected electronically, the CFX is well positioned to be able to easily implement future toll rate increases. The area's unemployment rate has dipped below 4% for the first time in 10 years, but average wages are lower today than they were one year ago. The area's labor force is growing six times faster than the national pace, and this surge in the supply of workers has shackled wage growth. The mushrooming workforce is good for the area's housing market. Year-over-year house price growth has outstripped the national pace every month for nearly two years, and despite a nationwide shortage of construction workers, the number of housing permits issued over the last 12 months is hovering near a 10-year high.

Operational and Financial Performance

LIQUIDITY

The authority has maintained very strong liquidity, though substantial cash and investment balances are expected to be used for pay-go funding of the Wekiva Parkway and the longer-term capital program. As of the end of FY 2017 the authority had substantial liquidity equivalent to 1,474 DCOH, including a dedicated $160 million swap reserve. This is a planned drop from the over 2,600 DCOH in FY 2016 in order to fund capital projects.

The plan of finance for the Wekiva Parkway that includes debt issuance of $257 million through 2021 in addition to the TIFIA loan shows a minimum capital and contingency fund balance of $160 million for future years.

Debt and Other Liabilities

The CFX has outstanding $2.57 billion senior bonds, $193.7 million TIFIA loan and $53.8 million in subordinate obligations.

The current $1.6 billion five-year capital work plan covers FYs 2018 through 2022 and includes $755 million in existing system improvements; $155.9 million in expansion projects, including the Wekiva Project; $355 million for new interchange projects and $226.9 million for renewal and replacement projects. The authority plans to issue $112 million in additional parity bonds in FY 2018; $238 million in FY 2019; $277 million in 2020 and $208 million from 2021 to 2024 to fund projects in the plan, with the balance of the funding from annual excess cash flow and construction and maintenance funds on hand.

DEBT STRUCTURE

Annual senior lien debt service escalates gradually through 2026 then declines through final maturity in 2042.

DEBT-RELATED DERIVATIVES

The authority has three swaps on a notional amount of $497.2 million to hedge 100% of its variable rate bonds, which is reduced from $999 million two years ago. The mark-to-market valuation was negative $165.2 million as of October 31, 2017. CFX has set aside $160 million available in a dedicated swap reserve to cover potential risks associated with its swap exposure.

PENSIONS AND OPEB

Authority employees participate in the State of Florida Retirement System (FRS), a public employee defined benefit pension plan.

Pursuant to GASB 68, as of June 30, 2017, the authority reported a pension liability of $33.866 million for its proportionate share of the state's net pension liability for FRS. Moody's calculates an adjusted net pension liability (ANPL) at $26.267 million, compared with $2.571 billion in outstanding debt. The authority's annual contributions for FY 2016 were $712,000 compared to a cost of $415,000.

Management and Governance

CFX is an independent special district established by the Florida Legislature. On June 20, 2014, the governor of Florida signed the bill to create the CFX, which assumed the governance and control of the former Orlando-Orange County Expressway Authority, including its assets, personnel, contracts, obligations, liabilities, facilities and tangible and intangible property. CFX is responsible for the construction, maintenance and operation of toll roads in Seminole, Lake, Osceola, Orange and Brevard Counties, and may also acquire, construct and equip rapid transit, trams and fixed guideways within the rights-of-way of the expressway system. The CFX board is now made up of ten members, consisting of: one member each appointed by the respective chairs of the county commissions of Lake, Orange, Osceola, Seminole and Brevard Counties; three citizens appointed by the Governor; the Mayor of Orange County; and the Mayor of the City of Orlando. The Florida Turnpike Enterprise Executive Director serves as a non-voting advisor.

Legal Security

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

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 1.45x versus 1.20x 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 1.60x on the existing and planned senior lien debt issues. For the junior lien, CFX has proposed a target debt service coverage 1.50x for planning purposes.

Use of Proceeds

The Series 2017 bonds are being issued to refund the outstanding Series 2010A, 2010B and 2010C bonds for estimated net present value interest savings of $13.4 million, or 8.17% of refunded bonds. The savings will be applied fairly evenly over the term of the bonds without an extension of final maturity.

Obligor Profile

The authority was established in 1963 and operates and maintains an integrated system of seven expressway toll roads spanning 118 miles of roadway (including Wekiva Parkway) 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.

Other Considerations: Mapping to the Grid

The assigned CFX rating is one notch lower than the scorecard indicated rating. The assigned rating incorporates other factors such as the potential for traffic volatility due to the tourism based economy, construction risk for the Wekiva project, and the potential impact of planned additional debt to finance the capital work program.

The grid is a reference tool that can be used to approximate credit profiles in the toll road sector in most cases. However, the grid is a summary that does not include every rating consideration. Please see Government Owned Toll Roads Methodology published in November 2016 for more information about the limitations inherent to grid.

Exhibit 3
Government Owned Toll Roads Methodology Scorecard 3

Factor	Subfactor	Metric	Score
1. Market Position	a) Asset Type		A
	b) Operating History		Aaa
	c) Competition		A
	d) Service Area Characteristics		Aa
2. Performance Trends	a) Annual Traffic Transactions	420,930	Aaa
	b) Traffic Profile	99% passengers	Aaa
	c) Five Year Traffic CAGR	6.8%	Aaa
	d) Ability and Willingness to Increase Toll Rates		Aa
3. Financial Metrics	a) Debt Service Coverage Ratio	1.79	A
	b) Debt to Operating Revenue	6.2	Baa
4. Capacity, Capital Plan and Leverage	a) Asset Condition/Capital Needs		Baa
	b) Limitations to Growth/Operational Restrictions		A

Notching Considerations	Metric	Notch
1 - Debt Service Reserve Fund level		0
2 - Open/Closed Flow of Funds		0
3 - Days Cash on Hand		1
4 - Other Financial, Operating and Debt Factors		-0.5
Scorecard Indicated Rating:		Aa3

Source: Moody's Investors Service

Methodology

The principal methodology used in this rating was Government Owned Toll Roads published in November 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 4

Central Florida Expressway Authority, FL

Issue	Rating
Senior Lien Refunding Revenue Bonds, Series 2017	A1
Rating Type	Underlying LT
Sale Amount	$148,925,000
Expected Sale Date	12/05/2017
Rating Description	Revenue: Government Enterprise

Source: Moody's Investors Service

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