MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A1 to Central Florida Expressway Authority FL's $554.73 million Senior Lien Revenue Bonds, Series 2019A and 2019B; outlook stable

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New York, October 29, 2019 -- Moody's Investors Service ("Moody's") assigns A1 to the Central Florida Expressway Authority FL's $554.73 million Senior Lien Revenue Bonds, Series 2019A and 2019B and at the same time affirms A1 on the $2.4 billion outstanding Senior Lien Revenue Bonds and A2 on the $193.7 million outstanding Junior Lien Revenue Bonds. The rating outlook is stable. The authority also has $102.8 million Series 2013C Senior Lien Revenue Bonds and $42.2 million Series 2012A Junior Lien Revenue Bonds outstanding.

RATINGS RATIONALE

Central Florida Expressway Authority (CFX or authority)'s A1 senior and A2 junior ratings reflect strong traffic and revenue performance, which is trending above forecast despite hurricane-related disruptions, an adopted policy of indexed toll increases that sustains strong financial metrics, and a proactive approach to undertaking capital improvement and expansion projects to serve a rapidly growing service area. With the expected Series 2019 bonds CFX will have approximately $3.27 billion debt outstanding, including the $193.7 million Junior Lien TIFIA Loan (Wekiva Parkway Project) rated A2.

DSCRs are forecasted to be at around 2.0x, slightly decreasing as the authority incurs additional debt, for both senior and junior lien debt under a reasonably conservative traffic and revenue growth case scenario that includes the anticipated issuance of $1.4 billion in additional parity debt, including $500 million from the Series 2019 bond issuance, through 2024 to fund the authority's adopted $2.5 billion 5-year work plan. Approximately 46.2% of the program will be for existing system improvements and 33.2% for system expansion projects.

A high debt load, 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, which is expected to decrease to 15% with the Series 2019 bond issuance from 19% as of fiscal 2018, and swaps are on-going credit risks.

The rating also considers the relative inelasticity of demand experienced following a 2.05% toll rate increase implemented in July 2018 and more recently a 2.22% increase in July 2019, in line with the authority's toll schedule policy approved in 2017. The low elasticity reflects the strategically vital role CFX plays in Central Florida's rapidly growing service-oriented economy anchored by theme parks, the tourism industry as well as by growing healthcare and higher education sectors. System transactions increased 3.2% and toll revenues 4.3% in fiscal 2018, following strong growth of 6.1% and 8.4%, respectively, in fiscal 2017. Unaudited results for fiscal 2019 show a 8.4% toll revenue increase over fiscal 2018.

The CFX board adopted the current toll policy in February 2017. Per this toll policy, each year beginning in fiscal 2019, the toll rates for electronic toll collection (ETC) customers will increase by the greater of CPI or 1.5% rounded to the penny, and the cash rate will be increased by a quarter when it gets to be within 10% of the ETC rate. In October 2019, a change was implemented to the toll policy where it creates a new Pay By Plate (PBP) toll rate to go along with the established rates for ETC and cash. This new PBP rate will be twice the ETC rate and it will take effect on July 1, 2020. The main rationale for this change was to better address the recovery of the additional costs related to the collection of PBP transactions, including the leakage-related negative impacts.

RATING OUTLOOK

The rating outlook is stable based on our expectation that the expansion of the service area economy will continue to spur traffic and toll revenue growth that will continue to provide good financial margins and adequate DSCRs and liquidity though at lower levels than historical due to additional debt related to the authority's five year 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 above 2x and lowers the ratio of adjusted debt to operating revenues consistent with medians for Aa-rated toll roads

- Reduction of exposure to variable rate debt and related swaps

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Traffic and revenue growth below projections

- Increased leverage at a rate that results in DSCRs lower than 1.75x on a sustained basis

LEGAL SECURITY

The Senior Lien Revenue Bonds, Series 2019A and Series 2019B are payable from and secured by a pledge of and lien on the system pledged revenues on a parity with outstanding parity bonds and any additional parity bonds and qualified swap payments related to such bonds. The Senior Lien Revenue Bonds, Series 2019A and Series 2019B are also secured by and payable from monies in the respective subaccount within the debt service reserve account, which required amount is the lesser of maximum annual debt service or maximum amount permitted by federal tax law to be funded from bond proceeds without requiring yield restriction.

Both senior and junior lien debt have a rate covenant of 120% of annual average debt service by system wide net revenues. Systemwide 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.

CFX currently has a board-adopted debt policy that is more conservative than required under the master senior and junior bond resolution. In order to issue senior lien debt, 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 Senior Lien Revenue Bonds, Series 2019A proceeds will be used to (i) finance the costs of purchasing and acquiring the Poinciana Parkway (SR 538) from Osceola County, (ii) fund debt service reserve account and (iii) pay certain issuance costs.

The Senior Lien Revenue Bonds, Series 2019B proceeds will be used to (i) pay a portion of the costs of various capital improvements to the system included in the 5-year work plan, and includes reimbursing CFX for the costs paid on an interim basis from other available funds of CFX, (ii) fund debt service reserve account and (iii) pay certain issuance costs.

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.

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 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.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities published in March 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Cintia Nazima
Lead Analyst
Project Finance
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007

US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Kurt Krummenacker
Additional Contact
Project Finance
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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