

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns A1 to Central Florida Expressway Authority, FL's \$206 million Series 2021D Senior Lien Revenue Bonds, outlook stable

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New York, July 06, 2021 -- Moody's Investors Service, ("Moody's") has assigned an A1 rating to the Central Florida Expressway Authority, FL's \$206.4 million Senior Lien Revenue Bonds, Series 2021D . The authority has approximately \$2.7 billion in senior lien debt outstanding that is rated A1, in addition to roughly \$233.8 million in junior lien debt outstanding that is rated A2. The rating outlook is stable.

RATINGS RATIONALE

Central Florida Expressway Authority's (CFX or authority) A1 senior and A2 junior ratings reflect strong traffic and revenue performance trending above forecasts despite the pandemic, limited competition from non-tolled roads, a policy of CPI indexed annual toll increases that sustains stable financial metrics, and a proactive approach to undertaking capital improvement and expansion projects to serve a rapidly growing service area. Total debt service coverage (DSCR) levels, inclusive of both senior and junior lien debt service, are forecasted to be around 2.0x under a reasonably conservative traffic and revenue growth case scenario, which includes the anticipated issuance of roughly \$1.43 billion in additional senior lien parity debt through 2026 to fund the authority's \$3.2 billion 5-year work plan. Approximately 42% of the program will be for existing system improvements and 45% for system expansion projects.

While manageable given the authority's automatic rate increases, strong liquidity position and continued traffic growth, CFX's leverage profile is relatively high compared to its A-rated toll road peers. In fiscal 2020, the authority had an adjusted debt to operating revenue ratio of 7.12x, which was moderately greater than the 5.76x median for A-rated toll roads and significantly higher than the 3.09x median for Aa-rated toll roads. Moreover, the authority lacks a standard 12-month debt service reserve fund (DSRF) for most outstanding bonds, however this is counterbalanced by the authority's recent exit from all variable rate debt and swaps.

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 DSCR and liquidity levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Total DSCR levels, inclusive of both senior and junior lien debt service, above 2.0x on a sustained basis
- Adjusted debt to operating revenue ratio level that is consistently close to the median ratio for Aa-rated toll roads

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Traffic and revenue growth consistently below projections
- Total DSCR levels, inclusive of both senior and junior lien debt service, below 1.75x on a sustained basis

LEGAL SECURITY

The Senior Lien Revenue Bonds, Series 2021D are payable from and secured by a pledge of and lien on the system pledged revenues on parity with outstanding senior bonds. The Senior Lien Revenue Bonds, Series 2021D 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 Series 2021D bond proceeds will be used to fund various capital expenditures, pay the premium on a reserve account credit facility to be deposited into a debt service reserve subaccount and fund issuance costs.

PROFILE

The authority was established in 1963 and operates and maintains an integrated system of seven expressway toll roads spanning 125 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 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 this rating was Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1091602. Alternatively, please see the Rating Methodologies page on www.moody.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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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