

# RatingsDirect®

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## Central Florida Expressway Authority; Toll Roads Bridges

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# Central Florida Expressway Authority; Toll Roads Bridges

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US\$259.485 mil sr lien rev bnds ser 2024B due 07/01/2036		
<i>Long Term Rating</i>	AA-/Stable	New
US\$148.2 mil sr lien rev bnds ser 2024A due 07/01/2054		
<i>Long Term Rating</i>	AA-/Stable	New
Central Florida Expwy Auth		
<i>Long Term Rating</i>	AA-/Stable	Upgraded
Central Florida Expwy Auth (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded

## Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA-' from 'A+' on the Central Florida Expressway Authority's (CFX) senior-lien revenue bonds outstanding.
- At the same time, S&P Global Ratings assigned its 'AA-' long-term rating to CFX's proposed \$148.2 million series 2024A bonds and \$259.5 million series 2024B bonds.
- The outlook is stable.
- The rating action reflects our view of the system's strong traffic and revenue trends through different economic cycles and strong rate-setting flexibility, which we expect will allow CFX to maintain favorable financial metrics as it issues additional debt to finance its five-year work plan.

## Security

Net revenue of the CFX toll system secures the authority's toll road revenue bonds.

CFX has approximately \$2.9 billion of debt outstanding: senior-lien debt totaling \$2.7 billion, and subordinate-lien and Transportation Infrastructure Finance and Innovation debt totaling \$211 million. All the authority's debt is fixed rate, and the authority has no interest rate swaps outstanding.

The series 2024AB bond proceeds will be used to finance projects included in the authority's work plan.

## Credit overview

The rating reflects our view of the authority's essential role serving a large and rapidly growing five-county region with approximately 513 million transactions in 2023, and a positive holistic analysis adjustment to accurately reflect CFX's overall creditworthiness as a large regional system with critical links and a strategic location. The system has historically experienced favorable traffic and revenue trends and has demonstrated strong rate-setting flexibility, with a long history of annual toll increases that has produced good revenue trends through different economic cycles to maintain financial margins.

The rating further reflects our view of CFX's:

- Important role as a regional infrastructure provider, with critical transportation links in a five-county region in Central Florida;
- Very strong management and governance, reflecting a history of meeting or exceeding most operational and financial goals, detailed financial forecasts that management updates frequently to address material variances, and a very capable staff that has considerable experience operating a regional tolling agency; and
- Favorable coverage and debt to net revenue that we expect will continue given a history of strong revenue growth stemming from a willingness and ability to increase toll rates and the toll road's favorable traffic trends that, in our view, will support stable metrics as CFX issues additional debt through 2028.

Partly offsetting the above strengths, in our view, are CFX's:

- Large five-year work plan totaling \$4.2 billion, which will be partly funded with \$2.5 billion in additional debt and cash on hand; and
- Some competition from toll-free roads.

### **Environmental, social, and governance**

We analyzed CFX's risks and opportunities related to environmental, social, and governance credit factors relative to its market position, management and governance, and financial performance. We believe CFX has exposure to physical climate risks associated with extreme weather events, which could leave the service area vulnerable to hurricanes that bring storm surges, inland flooding, and destructive wind events. Favorable demographic trends and economic growth within the Central Florida region support long-term credit stability, which represents a social opportunity that generates demand for the system. We consider risks related to governance factors credit neutral in our rating analysis.

## **Outlook**

The stable outlook reflects our expectation that favorable toll transaction and revenue growth will allow CFX to maintain financial metrics consistent with a strong financial risk profile as it issues additional debt to fund its large work plan.

### **Downside scenario**

We could lower the rating if the authority is unable to adjust revenue, expenses, and capital spending to maintain financial metrics consistent with a strong financial risk profile, or if traffic trends weaker than expected, suggesting characteristics consistent with a lower rating.

### **Upside scenario**

We do not anticipate raising the rating during the two-year outlook period given our expectation that financial metrics will remain near current levels.

## Credit Opinion

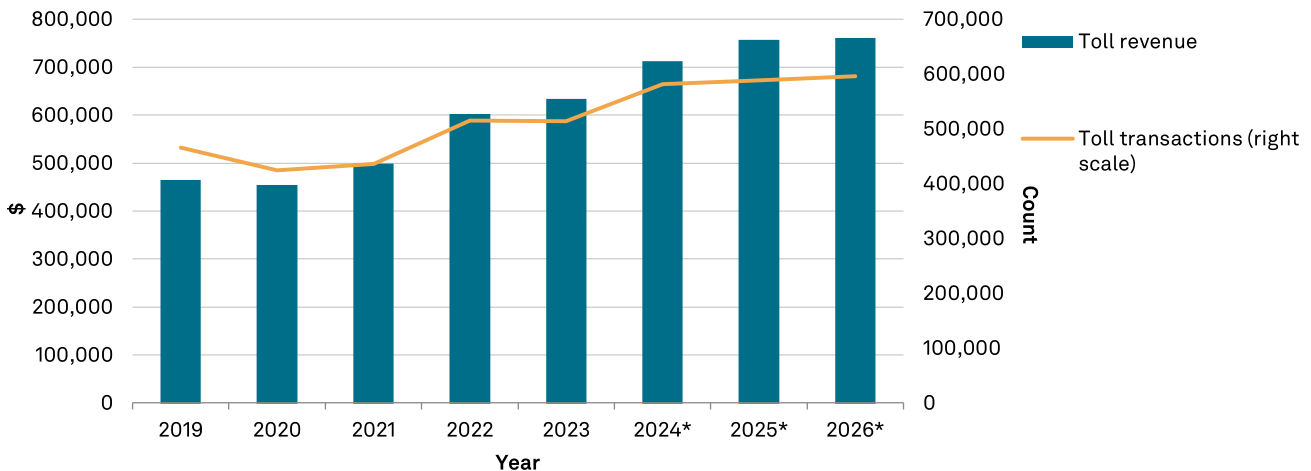
### Enterprise Risk Profile--Very Strong

#### The strong and growing service area supports a good base of traffic demand

The expressway system consists of several contiguous segments totaling 125 centerline miles in the Orlando metropolitan statistical area. It connects the growing residential areas east and west of the city to downtown. There are six limited-access expressways: the East-West Expressway, the Central Florida GreeneWay, The Beachline Expressway, the Western Beltway/Wekiva Parkway, the John Land Apopka Expressway, and the Poinciana Parkway.

Since 2013, transactions and toll revenue have grown at compound annual rates of 5.6% and 7.8%, respectively. In the first 11 months of fiscal 2024 ended May 2024, toll transactions and toll revenue increased by 8.7% and 13.2% compared with the prior-year period.

Central Florida Expressway Authority toll revenue and transactions



\*Fiscal 2024 is projected, fiscal 2025 is budgeted, and fiscal 2026 is forecast.  
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#### Very strong management team with solid financial policies and planning

Management has very detailed capital planning, budgeting, and financial reporting practices that it updates annually. When project planning, management considers the region's growth and capacity needs. For planning purposes CFX has a debt policy target of no less than 1.6x debt service coverage, which it has well exceeded historically. CFX aims to maintain a minimum of 365 days' cash on hand and projects maintaining an average of 451 days over the next five years as it funds its work plan. The board policy also includes annual toll increases adjusted to the higher of 1.5% or the Consumer Price Index. The latest toll rate increase was 4.5%, effective July 1, 2024.

## Financial Risk Profile--Strong

**We expect improving demand and revenue trends will continue to support favorable financial metrics as CFX funds its work plan**

Our strong financial risk profile assessment considers CFX's historical performance and updated financial projections incorporating \$2.5 billion in additional debt plans through 2028, including \$381 million in 2025 and \$186 million in 2026 to fund a portion of its \$4.2 billion work plan (2025 to 2029). Given improving financial trends and recent peak coverage in fiscal 2023, we believe the authority has significant capacity to absorb the additional debt while maintaining strong (1.25-3.00x) debt service coverage and very strong debt and liabilities capacity of 5x to 10x. We also expect that CFX will draw down cash but maintain a strong liquidity position, including days' cash of more than 400 and liquidity to debt ranging from 3.0% to 7.5%, as it funds its work plan.

Central Florida Expressway Authority financial and operating data							
	--Fiscal year ended June 30--						'AA' rated toll road medians
	2028 projections	2023	2022	2021	2020	2019	2022
<b>Financial performance</b>							
Total operating revenue (\$000s)	799,400	644,567	612,603	507,612	467,364	476,197	776,134
Plus: interest income (\$000s)	9,700	23,411	(9,549)	4,142	21,237	14,082	MNR
Plus: other committed recurring revenue sources (\$000s)	N.A.	7,307	7,866	7,174	7,601	7,041	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	169,693	153,259	133,074	125,699	134,886	121,977	218,543
Numerator for S&P Global Ratings' coverage calculation (\$000s)	639,407	522,026	477,846	393,229	361,316	375,343	MNR
Total debt service (\$000s)	323,300	211,686	215,462	219,327	200,421	177,643	138,675
Denominator for S&P Global Ratings' coverage calculation (\$000s)	323,300	211,686	215,462	219,327	200,421	177,643	MNR
S&P Global Ratings-calculated coverage (x)	1.98	2.47	2.22	1.79	1.80	2.11	2.24
<b>Debt and liabilities</b>							
Debt (\$000s)	4,182,934	2,871,645	2,960,625	3,084,620	3,093,595	2,585,680	2,103,100
EBIDA (\$000s)	629,707	491,308	479,529	381,913	332,478	354,220	507,101
S&P Global Ratings-calculated net revenue (\$000s)	639,407	522,026	477,846	393,229	361,316	375,343	507,101
Debt to net revenue (x)	6.5	5.5	6.2	7.8	8.6	6.9	4.9
<b>Liquidity and financial flexibility</b>							
Unrestricted cash and investments (\$000s)	200,000	480,173	407,555	553,742	397,467	276,730	557,050
Available liquidity, net of contingent liabilities (\$000s)	200,000	480,173	407,555	553,742	397,467	276,730	MNR
Unrestricted days' cash on hand (excluding credit facilities)	450.9	1,143.6	1,117.9	1,607.9	1,075.5	828.1	959.0

Central Florida Expressway Authority financial and operating data (cont.)

	--Fiscal year ended June 30--						'AA' rated toll road medians
	2028 projections	2023	2022	2021	2020	2019	2022
Available liquidity to debt (%) (excluding credit facilities)	4.8	16.7	13.8	18.0	12.8	10.7	15.0
<b>Operating metrics - toll road</b>							
Total toll revenue (\$000s)	799,400	631,728	600,037	496,955	451,894	463,236	702,659
Toll transactions (000s)	613,700	513,349	514,467	435,451	424,188	465,407	163,594

The year 2028 is when a majority of additional debt is issued for the five-year work plan. Projections assume that CFX will maintain an average of 451 days' cash on hand over the next five years as management uses cash to fund capital. Advances from FDOT are assumed in 2028 O&M projections rather than treated as other committed recurring revenue sources as they are for historical. CFC--Customer facility charge. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. MADS--Maximum annual debt service. O&M--Operations and maintenance. PFC--Passenger facility charge. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N/A--Not applicable. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of July 18, 2024)

Central Florida Expressway Authority (AGM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
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Central Florida Expressway Authority (AGM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded

**Ratings Detail (As Of July 18, 2024) (cont.)**

Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Central Florida Expressway Authority (BAM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

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