

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings revises outlook to positive and assigns A1 to Central Florida Expressway Authority, FL's Series 2024AB Senior Lien Revenue Bonds**

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17 Jul 2024

New York, July 17, 2024 -- Moody's Ratings (Moody's) has revised Central Florida Expressway Authority (CFX)'s outlook to positive from stable. At the same time, we assigned an A1 rating to the Central Florida Expressway Authority, FL's \$146.9 million Senior Lien Revenue Bonds, Series 2024A and \$259.5 million Senior Lien Revenue Bonds, Series 2024B and affirmed the A1 rating on the authority's senior lien debt outstanding, and the A2 rating on the authority's junior lien debt outstanding. It currently has approximately \$2.7 billion in senior lien debt outstanding and \$211.4 million in junior lien debt outstanding.

The revision of the outlook to positive from stable reflects our view that CFX's importance as a regional transportation network continues to grow and that revenue increases will outweigh the negative impacts from capital needs.

#### RATINGS RATIONALE

The A1 senior and A2 junior ratings reflect strong traffic and revenue performance that together with a proactive approach to undertaking capital improvement and expansion projects to serve a rapidly growing service area result in strong financial metrics. Total debt service coverage (DSCR) levels, inclusive of both senior and junior lien debt service, are forecasted to average around 2.2x in the medium term under a reasonably conservative traffic and revenue growth case scenario, which includes the anticipated issuance of roughly \$2.8 billion in additional senior lien parity debt through 2029. Approximately \$2.5 billion of this amount, including about \$380 million from the Series 2024AB bonds, will be used to fund the authority's \$4.2 billion 5-year work plan. The majority of the work plan, 69% will be for system expansion projects, which are expected to be revenue additive to the system.

While manageable given the authority's proactive management and continued traffic growth, we expect the implementation of its large work plan to deal with increasing

demand will weaken CFX's financial metrics from current strong levels.

## RATING OUTLOOK

The positive outlook reflects our expectation that the expansion of the service area economy will continue to spur traffic and toll revenue growth. It also incorporates our expectation that CFX will continue to implement its large work plan to deal with this increased demand in a prudent manner in order to still keep strong metrics.

## FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- 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 below 5.5x, while maintaining at least 400 days cash on hand

## FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- 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
- Greater capital needs that result in significantly higher than CFX's expected increase in leverage or decline in liquidity

## LEGAL SECURITY

The senior lien revenue bonds are payable from and secured by a pledge of and lien on the system pledged revenues. Specific senior lien revenue bonds are also secured by and payable from monies, or a reserve credit facility, in the respective subaccount within the debt service reserve account, which has a required amount that 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 2024A and B bond proceeds will be used to finance, refinance or reimburse various capital expenditures, deposit funds into a debt service reserve subaccount and pay 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 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 these ratings was Publicly Managed Toll Roads and Parking Facilities published in May 2023 and available at <https://ratings.moodys.com/rmc-documents/403120>. Alternatively, please see the Rating Methodologies page on <https://ratings.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  
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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