MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades to A1 senior rating of Miami-Dade County Expressway Authority, FL and changes outlook to stable

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New York, February 13, 2018 -- Moody's Investors Service has upgraded Miami-Dade County Expressway Authority, FL's (authority or MDX) senior rating to A1 from A2 and changed the outlook to stable from positive.

RATINGS RATIONALE

The upgrade to A1 is based on stabilizing traffic and revenue performance, strong financial metrics and operating profile of this multi-asset system and strong liquidity even after considering a potential reduction to a court ordered litigation judgment. The authority's sound financial management practices and an adopted but not yet implemented policy to index toll rates starting in 2019 (FY 2020) and continued expected service area growth are credit strengths that support the rating upgrade and stable outlook. The rating is tempered by annual debt service that escalates through 2026, large capital needs and legislative actions by the state that could constrain revenue raising flexibility, or add capital projects that could increase debt and weaken financial metrics. We expect that recently enacted state legislation directed at MDX will not have a significant negative credit impact based on the statuary prohibition against contract impairment in Florida.

Traffic and revenues have nearly doubled since 2013 following successful implementation of system-wide open road tolling (ORT) projects on previously un-tolled system segments. We note as a credit positive that net revenues for FY 2017 already provide 1.4 times coverage of current maximum debt service (MADs) in FY 2026, excluding other required funding for capital as well as potential debt for additional new projects that fall outside of the current FY 2019 to 2023 capital work program.

At the year-end FY 2017, total operating revenues were $237.8 million or 1% above FY 2016, compared to an increase of $52.0 million or 28.3% in FY 2016 due to the addition of new tolling gantries on the system. Net toll and fee revenues of $236.9 million increased 0.9% in FY 2017, compared to an increase of 28.4% in FY 2016. Operating revenues are comprised mostly of toll and fee revenues. Total operating expenses for FY 2017 were $52.6 million, or 1.7% lower than FY 2016.

Through December 2017, traffic, as measured in toll transactions was down 8.6% from forecast, and toll revenues were down 4.2% largely on account of the impact of Hurricane Irma, which caused tolling to be suspended from 9/5/2017 through 9/20/2017. Traffic is budgeted to be essentially flat for FY 2018. While traffic grew 5.1% in FY 2017, this was significantly less than the 28.5% growth in FY 2016 and the 50.1% FY 2015, the authority added tolling gantries and the system was closed to previously untolled traffic movements. In FY 2017, maintenance costs decreased by 3.3% primarily due to a decrease in periodic maintenance of $270,000 due to completion of repairs in the prior year, and reduced roadway and other maintenance services.

On a Moody's calculated net revenue basis, total FY 2017 DSCR was 1.86 times, up from 1.76 times the prior year, and down from 2.04 times in FY 2015. FY 2017 liquidity as measured in days cash on hand was strong at 1,113 days, but lower than 1,509 in FY 2016 due to planned transfers for renewal and replacement and capital projects.

The authority's 2019-2023 capital program totals $1.2 billion of which $305.3 million or 25.4% has been previously spent through FY 2017, $220.3 million or 18.3% is projected to be spent in the current FY 2018, $678.3 million or 56.3% is budgeted within FY 2019-2023. The authority plans to issue $250 million in additional senior bonds in FY 2020 and FY 2021 and the debt service has been included in the financial planning forecast. Including the planned debt the authority forecasts DSCRs to remain above 1.66 times including annual inflation indexed toll increases starting in in FY 2020, but excluding use of rate stabilization fund balances. The authority has a board policy to maintain DSCRs above 1.50 times. Beyond FY 2023 MDX has identified $265.9 million in renewal and replacement projects that are required per the trust indenture to keep the MDX system in good condition, however no debt financing is currently planned for these projects. In addition there is $3.6 billion in unfunded needs for long-range mobility projects that are not currently programmed, but which may be undertaken subject to future feasibility analysis.

RATING OUTLOOK

The stable rating outlook reflects our expectation of steady traffic and revenue growth, a moderate amount of debt under the current work program, stable key financial metrics and total DSCRs that exceed the authority's minimum board policy of 1.50 times.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained period of traffic growth through implementation of indexed toll increases

- Sustained DSCRs of 2.0 times or higher

- Maintenance of current strong liquidity levels

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significantly increased costs to implement remaining capital projects, or unanticipated increases in the scope or scale of current capital projects that would be debt-financed

- Changes to the current toll policy that would delay or limit the implementation of indexed toll rate increases by FY 2020

- Lower than currently forecasted DSCRs, excluding use of reserves

- Appreciable reduction in currently strong liquidity levels

LEGAL SECURITY

The senior bonds are secured by net revenues of the toll road system and have a rate covenant of 1.2 times DSCR with the use of reserves and 1.0 times without the use of Rate Stabilization Fund Reserve (RSFR) balances. The MDX board policy is to maintain minimum of 1.5 times coverage including the RSF. The bonds have a fully funded cash Debt Service Reserve Fund equal to MADs. The indenture also requires annual inspections of assets by an independent consulting engineer and the maintenance of a renewal and replacement fund. As of January 2018, the cash position of this fund was equal to $145.8 million. This RRF is restricted by the authority for maintenance capital expenditures, but funds may be transferred out for other purposes, if needed.

USE OF PROCEEDS

Not applicable.

PROFILE

The authority operates five urban expressways in Miami-Dade County (G.O. rated Aa2/stable) totalling 33.6 miles (222.9 lane miles). The expressways connect the Miami International Airport (Miami-Dade (County of) FL Airport Enterprise rated A2/stable) with downtown Miami and Miami Beach, and provide direct links to the Florida Turnpike (Florida Department of Transportation revenue bonds rated Aa2/stable), as well as I-95, I-75, and I-195. The system includes the Airport Expressway (SR 112), the Dolphin (East-West) Expressway (SR 836), the Don Shula (South Dade) Expressway (SR 874), the Snapper Creek Expressway (SR 878) and the Gratigny Parkway (SR 924). The authority's system of toll roads serves a primarily passenger car/commuter base in the Miami-Miami Beach-Kendall MSA and the mainline SR 836 provides direct East/West connectivity to the Miami-Dade (County of) FL Airport Enterprise. The area is a strong transportation logistics hub, and attractive tourist destination and financial center, but is currently showing some slowdown in its economic recovery.

The authority was formed in 1994 as a state agency by Ordinance No. 94-215 enacted by the Miami-Dade Board of County Commissioners. Since 2008, all Florida toll authorities are subject to certain oversight by the Florida Transportation Commission (FTC) pursuant to Section 20.3(2)(b) 8, Florida Statutes, but the FTC has no control over toll rates.

The composition of the authority's nine member board includes three members appointed by the governor, five members appointed by the county commission, plus the District Secretary of District Six of the Florida Department of Transportation as an ex-officio voting member.

During the 2017 legislative session other amendments were made to the authorizing statute regarding the authority's toll setting and reporting requirements. The authority is reviewing and considering the ramifications of the legislation with respect to any conflicts with its covenants under existing bond documents, which are a legal and contractual obligation with bondholders.

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.

REGULATORY DISCLOSURES

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