STANDARD & POOR'S RATINGS SERVICES
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Summary:
Miami-Dade County Expressway Authority, Florida; Toll Roads Bridges

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Table Of Contents

Summary:

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Credit Profile		
Miami Dade Cnty Expwy Auth toll sys		
Long Term Rating	A/Stable	Upgraded
Miami Dade Cnty Expwy Auth toll (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
Miami Dade Cnty Expwy Auth toll sys		
Unenhanced Rating	A(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its rating on Miami-Dade County Expressway Authority (MDX), Fla.'s toll system revenue bonds outstanding to 'A' from 'A-'. The outlook is stable.

The upgrade reflects the authority's successful conversion to open-road tolling (ORT), which is largely complete, except for two locations that will be operational this summer; and results exceeding forecasts.

The rating reflects what we consider to be the following credit strengths:

- The critical links that the urban toll system provides within the Miami-Dade County region roadway network, featuring moderate-to-significant time savings compared with travel times on free alternative routes;
- Debt service coverage (DSC) and liquidity we expect to remain strong; and
- No additional borrowing plans.

Offsetting credit concerns, in our opinion, include:

- Increasing debt service requirements that could pressure DSC should revenue growth wane; and
- The potential that the authority could issue debt to fund projects added to its rolling five-year capital program.

Net system revenues secure the bonds. We consider bond provisions credit neutral, despite an open flow of funds structure, because we expect any transfers out, if any, will be limited since we expect most of net excess system revenues will fund the authority's capital program on a pay-as-you-go basis. We also expect the authority will maintain a strong liquidity position. However, should MDX transfer material amounts of net excess system revenue out to fund non-authority projects, we could view the bond provisions as credit negative because they might limit the authority's ability to maintain or build up cash reserves. Provisions include a 1.20x rate covenant and a debt service reserves funded with cash. The additional bonds test is somewhat permissive, allowing the authority to issue additional bonds if projected net revenues, reflecting any toll rate increases scheduled to take effect, meet the rate covenant based on pro forma debt service requirements.

MDX was created in 1994 to operate and expand the existing system as well as build other regional transportation projects on an expressway system within Dade County. The 33-mile system includes five expressways running primarily east-west through the metropolitan Miami area. It is overwhelmingly an urban commuter system, with approximately 98% of revenue derived from two-axle vehicles. The five expressways include:

- Don Shula (South Dade) Expressway (SR 874): Opened in 1974, running 7.2 miles connecting southwest suburban areas of the county
- Gratigny Parkway (SR 924): Opened in 1992, running 5.4 miles connecting Broward County via Interstate 75 and from the Palmetto Expressway in northwest Miami-Dade County to major arterials in northern Miami-Dade County, which connect to Interstate 95 (I-95)
- Snapper Creek Expressway (SR 878): Opened in 1980, running 3.0 miles connecting SR 874 to US Highway 1
- Airport Expressway (SR 112): Opened in 1961, running 4.1 miles connecting Miami International Airport on the west to I-95 on the east
- Dolphin (East-West) Expressway (SR 836): Opened in 1969, running 14.0 miles through downtown Miami, to Miami International Airport and the central and western parts of the county

MDX has accomplished its goal to implement ORT and remove toll plazas; all tolls are collected electronically via either SunPass (the current electronic tolling system) or video tolling (toll-by-plate). This enables the authority to capture drivers who don't pay. Three of the five expressways (Don Shula, Gratigny Parkway, and Snapper Creek) were previously converted to ORT in 2010. The other two expressways, Airport Expressway and Dolphin Expressway, with the exception of two ramps expected to be complete in the summer of 2016, are fully converted to ORT.

Directly because of the conversion of the final two expressways, revenue and transaction growth in 2015 increased 41% and 50%, respectively, compared to 2014. Operational data for the first seven months of fiscal 2016 indicate that traffic revenues and transaction data is 39% and 50% higher, respectively, compared with the same period a year earlier. Furthermore, fee revenue increased by about 180%. Total revenue growth (including fee revenue) in the first seven months of fiscal 2016 has outpaced forecasts by about 9% although two ramps, which were assumed to be collecting electronic tolls at the time the forecasts were developed, have not become operational yet. We expect the higher levels of revenue will be sustainable due to the fundamental system-wide shift to ORT, allowing the authority to capture those motorists who have not previously paid a toll.

In fiscal 2015, the governing board implemented the cash-back toll dividend program. This program provides a cash back payment to eligible SunPass customers who register with the authority. In 2015, 83,000 customers registered for the program while only 37,000 qualified and received a combined payback totally $2.2 million. The authority will not declare cash back if it does not meet the current-year financial and operational performance measures and will not senior-lien DSC to fall below 1.5x coverage because of this program.

Senior-lien DSC (Standard & Poor's-calculated) improved to a strong 2.2x in fiscal 2015 from 1.5x in fiscal 2014 because of the authority's significant revenue increases. However, because of increasing debt service requirements we are expecting DSC to be lower than that achieved in fiscal 2015, but still remain strong. The authority's annual debt service requirement will increase 36% in fiscal 2016 from fiscal 2015 and 25% overall from fiscal years 2016-2020. Management projects DSC will be no less than about 1.8x for fiscal years 2016-2020, assuming average annual transaction growth of 1.7%, no toll increases, and no additional debt. We expect further increases in toll revenue to provide strong DSC. Our DSC calculation for fiscal years 2014 and 2015 excludes capital contributions from revenues because we only consider recurring revenues in our calculation, although the rate covenant allows the inclusion of capital contributions as a part of revenues. Projected DSC for fiscal 2016 and beyond does not include capital contributions which the authority is not projected to make or receive.

Liquidity remains a key credit strength, and we expect this will continue. The 2015 audit reported $144 million, or 1,158 days against that year's expenses, while management reported an unaudited unrestricted portion of the general fund of $145.8 million as of Dec. 31, 2015, and is projecting the unrestricted portion of the general fund to be $170 million for June 30, 2016. However, although liquidity remains a source of strength on a days' cash basis, we believe it is low compared to total debt, with the most recent audited figure representing about 10% of total debt. We expect the authority to maintain its unrestricted cash position near current levels.

MDX's five-year work program (fiscal years 2016-2020) totals about $707 million, of which $664 million is for the authority's transportation improvement program, $23 million is allocated to the authority's capital improvement program, and $20 million is allocated to the authority's renewal and replacement program. Expected funding sources include the series 2014A bond proceeds and net excess system revenue. The authority could issue additional debt should the program change, including the possibility of additional costs associated with construction projects added to the capital improvement program. However, long-term projects the current plan does not capture would only be debt-financed if they are able to service the debt issued to fund it after five years of operating.

MDX has approximately $1.5 billion in principal outstanding, all of which is parity senior revenue bonds. Nearly 95% of debt is fixed-rate. The authority has some direct purchase obligations outstanding, which have no acceleration provisions. It has one swap outstanding with JPMorgan Chase Bank N.A., which, as of June 30, 2015, had a mark-to-market value of $19.0 million, not in favor of the authority. We consider the contingent liquidity risk from the remaining swap outstanding low, given the MDX's strong liquidity position.

Outlook

The stable outlook reflects our expectation that DSC and liquidity will remain strong in the next two years.

Upside scenario

We could raise the rating in the next two years if DSC exceeds projected levels and we believe it is sustainable.

Downside scenario

Although unlikely, we could lower the rating in that time if the authority's DSC and liquidity significantly erodes.

Related Criteria And Research

Related Criteria

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- Criteria: Toll Road And Bridge Revenue Bonds In The U.S. And Canada, Feb. 25, 2014
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011

- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (As Of March 15, 2016)		
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC, AGM & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
Miami Dade Cnty Expwy Auth toll sys rev		
Unenhanced Rating	A(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.