S&P Global Ratings

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Summary:

Miami-Dade County Expressway Authority, Florida; Toll Roads Bridges

Primary Credit Analyst:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@spglobal.com

Secondary Contact:
Kevin R Archer, Chicago; Kevin.Archer@spglobal.com

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Summary:

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Credit Profile		
US$99.145 mil toll sys rfdg rev bnds ser 2016A due 07/01/2034		
Long Term Rating	A/Stable	New
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC, AGM & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys rev		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings has assigned its 'A' rating to Miami-Dade County Expressway Authority (MDX), Fla.'s $99.1 million series 2016A toll system revenue and refunding bonds. At the same time, S&P Global Ratings affirmed its 'A' rating on the authority's outstanding rated bonds. The outlook is stable.

The rating reflects what we consider 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 long-term borrowing plans.

Offsetting credit concerns, in our opinion, include:

- Increasing debt service requirements that could pressure DSC should revenue growth wane; and
- The system's large, ongoing capital needs.

Bond proceeds will refund debt outstanding.

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 will be limited and MDX will maintain a strong liquidity position. However, should it transfer excess material amounts of excess revenue out to fund non-authority projects, we could view the bond provisions credit negative because of them eroding or limiting MDX's ability to maintain or build cash reserves. Provisions include a 1.2x rate covenant and a debt service reserves funded with cash. The additional bonds test is somewhat permissive, allowing the authority to issue 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. MDX 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 and connecting southwest suburban areas of the county;
- Gratigny Parkway (SR 924): Opened in 1992, running 5.4 miles and 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 and connecting SR 874 to US Highway 1;
- Airport Expressway (SR 112): Opened in 1961, running 4.1 miles and connecting Miami International Airport on the west to I-95 on the east; and
- 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 open road tolling (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 currently pay. Three of the five expressways (Don Shula, Gratigny Parkway, and Snapper Creek) were previously converted to ORT in 2010. The last two, Airport Expressway and Dolphin Expressway, were fully converted to ORT more recently, with the conversion's completion in April 2016.

As a result of the final two expressways' conversion, revenue and transactions in 2015 grew by 41% and 50%, respectively. Unaudited operational data for fiscal 2016 indicate that traffic revenues and transaction data is 39% and 50% higher, respectively, compared with the same period a year earlier. Total revenue growth (including fee revenue) in fiscal 2016 has outpaced forecasts by about 8%. We expect the higher levels of revenue will be sustainable due to the system-wide shift to ORT.

DSC (S&P Global Ratings-calculated) improved to a strong 2.0x in fiscal 2015 from 1.4x in fiscal 2014 because of the improved revenue. However, because of increasing debt service requirements, we are expecting DSC to be lower than that achieved in fiscal 2015, but still remain strong. Unaudited fiscal 2016 figures show reduced, but still strong, total DSC of 1.7x. MDX's annual debt service requirement will increase about 28% from fiscal years 2017 to 2021. Management projects DSC will be no less than about 1.8x for fiscal years 2017-2021, assuming average annual transaction growth of 2.4%, no toll increases, and no additional debt. In addition, based on our sensitivity analysis, which was based on flat revenue growth and no additional rate increases, we expect DSC to remain relatively strong. Our coverage calculations include debt service for authority's senior and subordinate obligations and exclude 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. However, DSC for fiscal 2016 and beyond does not include capital contributions which the authority is not projected to make or receive. In addition, DSC projected for fiscal 2017 and beyond do not include any subordinate obligations, which were paid off in fiscal 2016.

Liquidity remains a key credit strength, and we expect this will continue. The 2015 audit reported $144 million, or 1,158 days' cash on hand against that year's expenses. Management reported an unaudited unrestricted portion of the general fund of $145.8 million as of Dec. 31, 2015, and an unaudited unrestricted portion of the general fund of $163 million as of June 30, 2016. However, although on a days' cash basis liquidity remains a source of strength, 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's unrestricted cash position will be maintained near current levels.

MDX's five-year work program (fiscal years 2017-2021) totals about $634 million, of which $578 million is for the transportation improvement program, $34 million the capital improvement program, and $22 million the renewal and replacement program. Expected funding sources include the series 2014A bond proceeds and operating cash flow from the system. We expect the authority could use up to $50 million of commercial paper (CP) to provide bridge financing of certain capital improvement program (CIP) project costs. We expect it will repay the CP with cash on hand, not long-term financing. However, MDX could issue additional debt should the program change, including the possibility of additional costs associated with construction projects added to the CIP. Long-term projects that the current plan does not capture would only be debt-financed if they are able to service the related debt after five years of operating.

The authority has approximately $1.5 billion in principal outstanding, all of which is parity senior revenue bonds. Nearly 95% of its debt is fixed-rate. MDX has $80 million of direct purchase obligations outstanding, which have no acceleration provisions. The authority has one swap outstanding with JPMorgan Chase Bank N.A., which, as of June 30, 2016, had a mark-to-market value of $28.3 million, not in favor of MDX. We consider the contingent liquidity risk from the remaining swap outstanding low, given the authority's strong liquidity position.

Outlook

The stable outlook reflects our expectation that DSC (S&P Global Ratings-calculated) 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 the next two years if DSC and liquidity significantly erode.

Ratings Detail (As Of August 11, 2016)		
Miami Dade Cnty Expwy Auth toll sys		
Long Term Rating	A/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

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 the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.