S&P Global Ratings

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Tampa Hillsborough County Expressway Authority, FL Toll Revenue Bonds Upgraded To 'A+' From 'A'

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CHICAGO (S&P Global Ratings) Aug. 10, 2017--S&P Global Ratings has raised its long-term and underlying ratings on Tampa Hillsborough County Expressway Authority (THEA), Fla.'s toll revenue bonds outstanding to 'A+' from 'A'.

At the same time, S&P Global Ratings assigned its 'A+' rating to THEA's series 2017 toll revenue bonds. The outlook is stable.

"The upgrade reflects our expectation that THEA will maintain its historically strong debt service coverage levels," said S&P Global Ratings credit analyst Kevin Archer.

The rating reflects our view of the following factors:

Strong revenue growth in recent years that has allowed the authority to maintain generally strong debt service coverage (DSC);
A service area that has shown steady improvement in population growth and unemployment rates that we expect will provide adequate demand for the expressway; and
A tolling policy that includes automatic toll-rate increases of no less than 2.5% per year.

Offsetting credit weaknesses, in our opinion, are:

The single-asset nature of the Lee Roy Selmon Expressway;
Escalating debt service requirements; and
Capital needs beyond THEA's current six-year capital plan that may include sizeable additional borrowing.

Bond proceeds will finance a portion of the cost of acquisition, construction, and equipping some capital improvements to the expressway system, fund a deposit to the debt service reserve account, and pay costs of issuance related to the toll-revenue bonds.

Post-sale, THEA will have about $607 million in senior-lien revenue bonds and about $214 million in subordinate debt outstanding with the Florida Department of Transportation. We do not rate the subordinate debt and expect it to be repaid in equal annual installments of approximately $10.7 million, starting July 1, 2025. The authority's total annual debt service requirements, at present, increase approximately 96% to nearly $50 million in 2025, from about $25 million in 2016.

Net system revenues secure the bonds. We consider the bond provisions credit neutral, consisting of a 1.3x rate covenant and additional bonds test, and a debt service reserve account funded to the IRS maximum.

The stable outlook reflects our expectation that automatic toll-rate adjustments and reasonable annual transaction growth rate assumptions will continue to provide a revenue base that will allow THEA to maintain strong DSC and a strong liquidity position in the next two years, despite rising debt-service requirements.

Given the system's single-asset nature and the geographic concentration, we do not expect to raise the rating during the two-year outlook period.

We could lower the rating if the authority's DSC and liquidity position materially erode.

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