MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A2 to Tampa-Hillsborough Co. Expressway Auth. (FL) Ser 2017B & 2017C bonds; Outlook stable

Global Credit Research - 05 Dec 2017

New York, December 05, 2017 -- Issue: Refunding Revenue Bonds, Series 2017B; Rating: A2; Rating Type: Underlying LT; Sale Amount: $160,860,000; Expected Sale Date: 12/21/2017; Rating Description: Revenue: Government Enterprise;

Issue: Revenue Bonds, Series 2017C; Rating: A2; Rating Type: Underlying LT; Sale Amount: $42,710,000; Expected Sale Date: 12/21/2017; Rating Description: Revenue: Government Enterprise;

Summary Rating Rationale

Moody's Investors Service assigns A2 to Tampa-Hillsborough County Expressway Authority, FL's (THEA) $160.86 million Refunding Revenue Bonds, Series 2017B and $42.71 million Revenue Bonds, Series 2017C . The rating outlook is stable.The A2 rating reflects significant increases in traffic and revenues over the last three years, which have broadened THEA's traffic base by over 20% and driven meaningful improvements in financial margins and liquidity. While the rating is tempered by THEA's relatively high leverage, we expect the credit profile will remain stable due to strong traffic and revenue growth, spurred in part by the addition of demand driven projects, continued conservative financial and capital project management and an adopted schedule of annual inflation-indexed toll increases. Also considered in the rating is the strong demand for the authority's toll road as an essential commuter facility in the core of the Tampa metropolitan area, which will support modest but steady annual traffic and revenue growth through the forecast period. THEA's existing toll rates are above the median for Florida toll roads but remain at reasonable levels, and we view THEA as well positioned over the next five years due to its very well maintained physical assets and current capital program with no additional planned debt through 2022. We note that approximately one-quarter of THEA's total debt is related to a 2012 agreement with the Florida Department of Transportation (FDOT) to repay prior operations and maintenance (O&M) expenses on a subordinate basis to the senior bonds. While the obligation will increase THEA's total annual debt service costs by $10.8 million starting in 2025, the obligation contains no covenants or events of default that would compromise THEA's revenue bonds, and the agreement provides THEA with operational autonomy and complete control over revenues.

Rating Outlook

The stable outlook is based on our expectation that the authority will continue to maintain strong DSCRs and liquidity as it undertakes the SWE project and manages the additional debt associated with that project. Management's conservative approach to undertaking additional projects and incurring debt will be key to future credit quality and the rating outlook.

Factors that Could Lead to an Upgrade

Steady and sustainable transaction and revenue growth above forecast

Maintenance of DSCRs above 2.0x

Maintenance of stable unrestricted liquidity significantly above one year in days cash on hand

Completion of SWE project on schedule and within current budget

Factors that Could Lead to a Downgrade

Lower than forecasted growth in transactions and revenues that result in DSCRs below 1.75x

Higher than currently estimated debt for the SWE project that significantly weakens DSCRs

Lower than one year of days cash on hand

Legal Security

The senior bonds (Series 2012 and 2017) are secured by a net revenue pledge of and lien on the net system revenues derived from the operation of the expressway system. Additional security is provided by a cash-funded debt service reserve account, sized at the lesser of the three-prong test, available solely for the benefit of senior bondholders. A 1.3x rate covenant, and a 1.2x additional bonds test requiring FDOT approval, also serve as security provisions.

Use of Proceeds

The Series 2017B will advance refund $141.73 million in Series 2012B bonds with maturities in 2037 to 2042. Net present value savings are estimated at $7.029 million, or 4.95% of the refunded bonds. Proceeds of the Series 2017C will fund the South Selmon improvement project and Meridian Ultimate project. Proceeds will also fund the DSRF and pay for issuance costs.

Obligor Profile

The authority is responsible for the construction, reconstruction, improvement, extension, repair, maintenance and operation of the expressway system. The Selmon Expressway is a 15-mile, four-lane, limited access toll road that connects Gandy Boulevard in southwest Tampa to I-75 in the east, which serves as an east-west congestion reliever. The expressway also operates 10-miles of three elevated REL that opened to traffic in 2006, which provide direct access between the Tampa's central business district (CBD) and Brandon. Access to the REL is provided on each end from non-tolled arterials that are owned and maintained by the authority. The REL provides three lanes into the CBD in the peak commuting times in the morning and three lanes to Brandon in the afternoon, and includes an Intelligent Traffic System (ITS) that controls the direction of travel on the express lanes and provides drivers with the current system status. In 2006, the authority also completed the foundation repair project which remedied deficient bridge pier supports. On September 18, 2010, THEA system converted to all electronic tolling (AET) in which tolls are collected electronically using SunPass (about 80%) or video tolling (about 20%).The A2 published rating is the same as the grid indicated rating. The grid is a reference tool that can be used to approximate credit profiles in the toll road sector in most cases. However, the grid is a summary that does not include every rating consideration.

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.

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