



RATING ACTION COMMENTARY

Fitch Takes Rating Actions on Large Expressways & Bridge Systems Amid Coronavirus Disruptions

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Fitch Ratings - San Francisco - 01 Apr 2020: Fitch Ratings affirms the following ratings and revised their Outlooks to Negative from Stable:

- Central Florida Expressway (CFX) 'A+' rating on senior revenues bonds and 'A' rating on the subordinate Transportation Infrastructure Finance and Innovation Act (TIFIA) loan;

- Delaware River Joint Toll Bridge Commission, PA (DRJTBC) 'A+' rating on bridge system revenue bonds.

Fitch affirms the 'AA' and 'AA-' ratings on the Bay Area Toll Authority's senior and subordinate revenue bonds, respectively. The Rating Outlook on the subordinate

bonds was revised to Negative from Stable. The Rating Outlook on the senior bonds is maintained at Stable.

Fitch affirms the 'BBB+' rating on Miami-Dade County Expressway Authority, FL's (MDX) toll system revenue bonds. The Rating Outlook is maintained at Negative.

Fitch affirms the ratings on the following toll systems and their Rating Outlooks are Stable:

- Central Texas Turnpike System, TX 'A' rating on first-tier revenue bonds and 'BBB+' rating second-tier revenue refunding bonds;
- Harris County Toll Road Authority, TX 'AA' rating on senior toll revenue bonds issued by Harris County, TX and commercial paper notes;
- Illinois State Toll Highway Authority 'AA-' rating on toll highway senior revenue bonds;
- Massachusetts Turnpike Authority Metropolitan Highway System 'A+' rating on senior revenue bonds;
- Triborough Bridge & Tunnel Authority, NY 'AA-' rating on senior revenue bonds and 'A+' rating on subordinate revenue bonds.

RATING RATIONALE

Central Florida Expressway

The revision of CFX's Outlook to Negative from Stable reflects a weaker out-year revenue environment caused by the coronavirus crisis and the potential for material financial degradation absent action to increase toll rates or reduce expenditures. Under the revised rating and sensitivity cases, average DSCRs from 2021-2025 on the senior and subordinate liens fall to 1.6x/1.5x and 1.5x/1.4x, respectively, which are low for the current rating levels. The Orlando area could also potentially have a delayed recovery due to the economy's dependence on the hospitality and leisure sector. Although CFX's out-year financial profile has weakened, its liquidity position is strong and Fitch views the system as well-positioned to meet its short-term debt service and other expenditure obligations.

Delaware River Joint Toll Bridge Commission

The revision of DRJTBC's Outlook to Negative from Stable also reflects a weaker out-year revenue environment caused by the coronavirus crisis and the potential for material financial degradation absent action to increase toll rates or reduce expenditures. Under the revised rating and sensitivity cases the average DSCRs from 2021-2025 fall to low levels of 1.4x and 1.2x, respectively, which are very low for the current rating level. Although forecasted out-year financial metrics have weakened, the commission's large cash balance and debt-service reserve account sized to maximum annual debt service provide ample liquidity over the short term.

Bay Area Toll Authority

Although BATA's senior lien retains strong DSCR levels under both of Fitch's cash flow cases, the authority's subordinate lien experiences material financial deterioration with DSCR falling to just 1.4x and 1.3x under Fitch's new rating and sensitivity cases from 2021-2025. These different outcomes result in a Stable Outlook for the senior lien and a revision of the subordinate lien's Outlook to Negative from Stable.

Fitch acknowledges that BATA enjoys a high degree of revenue flexibility that could result in stabilization of the lien's rating at current levels if realized. These include ultimate collection and access to RM3 funds, now escrowed pending litigation, the ability to raise toll rates outside of the RM3 framework without limit at the board's discretion and the ability to temporarily defer spending on rehabilitation projects. To the extent RM3 funds are ultimately made accessible, Fitch would anticipate a degree of offsetting leverage to finance a major capital program and would need to assess any future borrowing plan's size, timing and structure to determine the net impact on the authority's financial profile.

BATA benefits from unusually strong liquidity, including \$1.2 billion of unrestricted cash and cash equivalents, \$133 million escrowed in relation to RM3, \$425 million set aside for discretionary capital projects that could be deferred if needed and \$522 million in debt service reserve funds. BATA's \$1 billion "hard deck" was accumulated to ensure the authority could financially withstand a major earthquake, such as the 1989 earthquake that caused the partial collapse of the western span of the Bay Bridge. The hard deck and cash equivalents alone are equivalent to 658 days cash on hand, inclusive of transfers and debt service, and as a result the authority is

well-equipped to deal with even the most severe revenue declines on a short-term basis.

Miami Dade Expressway Authority

Maintenance of the Negative Outlook for MDX reflects ongoing uncertainty surrounding the impact dissolution legislation will have on the authority's governance structure and strategic approach to capital planning and operations. The Authority's state of governance uncertainty leaves it uniquely exposed to coronavirus-related traffic and revenue losses as it could be legally and politically challenging to implement countervailing measures such as toll rate hikes until a final judicial decision is rendered. The Outlook will be resolved after the status of the authority and its long-term strategy is finalized. If MDX were ultimately dissolved, Fitch would seek clarification from the incoming board regarding their policy goals for toll rates, finances, maintenance and capital planning, among other factors, prior to making a rating determination.

Triborough Bridge & Tunnel Authority

TBTA's average DSCR from 2021-2025 remains strong under the revised rating case at 2.1x senior and 1.9x subordinate, commensurate with the 'AA-' and 'A+' respective ratings. However, TBTA makes large annual transfers to Metropolitan Transportation Authority (MTA), which drains the authority's liquidity and makes it highly dependent on debt to fund its large and growing capital program. MTA itself is facing severe coronavirus-related revenue losses and, to the extent that transfers to MTA should grow from current levels, TBTA may be more reliant on debt issuances moving forward as its capital plan continues to expand. Fitch will monitor the authority's capital and debt issuance plans for continued sustainability at current rating levels. Also, given that New York City is one of the epicenters of the coronavirus outbreak, Fitch will continue to closely monitor TBTA's traffic and revenue performance.

KEY RATING DRIVERS

No key rating drivers were changed as part of this review.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Positive rating action is not expected in the near future given substantial uncertainty in relation to the coronavirus crisis with knock-on effects on economic growth, traffic and revenues;
- CFX's Outlook may return to Stable if DSCR is sustained at or above 1.7x and 1.5x on a senior and subordinate basis, respectively;
- DRJTBC's Outlook may return to Stable if DSCR is sustained at or above 1.7x;
- BATA's subordinate lien's Outlook may return to Stable if DSCR is sustained at or above 1.5x;
- MDX's Outlook may return to Stable upon legal resolution of dissolution legislation and if the ultimate board should stabilize financial operations.

Factors that could, individually or collectively, lead to negative rating action/upgrade:

- Material degradation of out-year traffic and revenue expectations should the coronavirus crisis result in anticipated long-term economic impairment;
- Sustained deterioration of liquidity levels.

BEST/WORST CASE RATING SCENARIO

Best/Worst Case Rating Scenarios - Public Finance:

Ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best-

and worst-case scenario credit ratings

<https://www.fitchratings.com/site/re/10111579>.

CREDIT UPDATE

The coronavirus pandemic represents a significant challenge to both the global economy and to the toll road sector. State and local governments across the US have begun issuing orders for residents to self-quarantine for all but essential travel in an effort to slow the spread of the virus. These efforts to slow the spread of coronavirus have had the unintended consequence of slowing the economy and have resulted in severe traffic declines well in excess of peak losses during the global financial crisis (GFC), which was itself outsized in its severity.

Typical light vehicle traffic and revenue declines range between 50% and 60%. Truck traffic has fared much better so far, generally down less than 10%-15%. However truck traffic shows signs of steady deterioration and may fall significantly further if discretionary goods production is halted or supply chains become increasingly dysfunctional. Both light and heavy vehicle traffic is likely to decline further as the severity and scope of quarantines and social distancing weighs down the economy and suppresses all but essential traffic.

RATINGS STEADY DESPITE NEGATIVE OUTLOOKS

Although three Rating Outlooks were revised to Negative, all ratings were affirmed at their current levels. The affirmations were broadly supported by the sector's ability to withstand a severe but time-limited revenue shock in 2020. This resilience stems from most tolling entities' strong overall liquidity levels, the presence of debt service reserve accounts sized to roughly one year's debt service and DSCR cushions that support either no draws on liquidity in 2020, or the possibility of limited draws on unrestricted cash that would likely be replenished quickly.

Although liquidity concerns did not materially weigh down the sector, projected out-year financial deterioration had material effects on three tolling entities where financial metrics triggered negative rating sensitivities. In those cases Negative Outlooks reflect the gravity of coronavirus-related losses assuming no mitigating action is taken. However, in each of these cases potential countervailing actions from management, such as toll rate hikes and O&M reductions, may stabilize

financial metrics at levels commensurate with current rating levels and result in Outlook revisions back to Stable.

While some of the entities on Rating Outlook Negative have strong pricing frameworks with a demonstrated history of raising rates, Fitch acknowledges the political difficulty of raising rates in the midst of a health crisis with knock-on economic impacts on the most vulnerable segments of the population.

FINANCIAL ANALYSIS

FITCH CASES

Fitch applied two cash flow cases to all toll roads as described in detail in Fitch Ratings Defines Coronavirus Scenarios for U.S. Toll Roads dated March 24, 2020. Fitch assumed traffic losses anchored to actual declines experienced on facilities located in regions that were hit early by the coronavirus such as San Francisco and Seattle. These parameters translated into rating case forecasted passenger vehicle revenue losses of 6%, 60%, 30% and 15% in 1Q20, 2Q20, 3Q20 and 4Q20, respectively, or an annualized loss of 28% for 2020. Revenues are assumed to recover to 2019 levels by 2021 minus 5% and grow by prior rating case levels thereafter. Variable rate O&M is assumed to fluctuate with traffic levels for the first two years and revert to prior rating case assumptions in 2022 and beyond.

Fitch also ran a sensitivity cash flow case with steeper revenue losses of 8%, 75%, 35% and 20% in 1Q20, 2Q20, 3Q20 and 4Q20, respectively, or an annualized loss of 34% for 2020. Revenues are assumed to recover to 2019 levels by 2021 minus 10% and grow by prior rating case levels thereafter. Variable rate O&M is assumed to fluctuate with traffic levels for the first two years and revert to prior rating case assumptions in 2022 and beyond. The results of these scenarios will be published as Coronavirus Stress Tests.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Massachusetts Turnpike Authority Metropolitan Highway System (MA): 4; Exposure to Social Impacts: 4. The system operates in a highly politicized toll environment, as the Commonwealth of Massachusetts (Commonwealth) acts as a practical limit on ratemaking ability.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Miami-Dade County Expressway Authority (FL)			
● Miami-Dade County Expressway Authority (FL) /Toll Revenues/1 LT	LT	BBB+	Affirmed
Delaware River Joint Toll Bridge Commission (PA)			
● Delaware	LT	A+	Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Infrastructure and Project Finance Rating Criteria \(pub. 24 Mar 2020\) \(including rating assumption sensitivity\)](#)

[Completion Risk Rating Criteria \(pub. 24 Mar 2020\)](#)

[Toll Roads, Bridges and Tunnels Rating Criteria \(pub. 24 Mar 2020\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Bay Area Toll Authority (CA)	EU Endorsed
Central Florida Expressway Authority (FL)	EU Endorsed
Delaware River Joint Toll Bridge Commission (PA)	EU Endorsed
Harris County (TX)	EU Endorsed
Illinois State Toll Highway Authority (IL)	EU Endorsed
Massachusetts Department of Transportation (MA)	EU Endorsed
Miami-Dade County Expressway Authority (FL)	EU Endorsed
Orlando-Orange County Expressway Authority (FL)	EU Endorsed
Texas Transportation Commission (TX)	EU Endorsed
Triborough Bridge & Tunnel Authority (NY)	EU Endorsed

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