

**Rating Action: Moody's assigns Aa2 to Florida Department of Transportation's Turnpike Revenue Refunding Bonds, Series 2023A; outlook stable**

---

27 Jan 2023

New York, January 27, 2023 -- Moody's Investors Service ("Moody's") has assigned a Aa2 rating to the Florida Department of Transportation's (FDOT) \$176.7 million Turnpike Revenue Refunding Bonds, Series 2023A. The turnpike has \$3.1 billion of debt outstanding rated Aa2 by Moody's. The outlook is stable.

**RATINGS RATIONALE**

The Aa2 rating reflects the strategically vital role the turnpike system plays in Florida's economy as the turnpike system is a well-established multi-asset, statewide system that has a long history of effective tolling operations with a prudent approach to financial and capital management. The rating is also supported by sustained above-average financial metrics that we expect to continue even as the \$9.8 billion large capital improvement plan (CIP) is implemented through fiscal 2028. We expect forecast toll revenue growth and annual debt amortization to balance the \$3.0 billion of new debt forecast to be issued to support the CIP. The majority of the capital projects are revenue additive widenings and expansions. In addition, the turnpike system also has a declining debt service schedule that provides room to add new debt without materially increasing near-term debt service costs. The rating further incorporates the turnpike system's demonstrated strong relationship with its owner FDOT and the state through centralized debt and financial oversight, FDOT's covenant to pay the turnpike's annual operating and maintenance (O&M) expenses on a reimbursable basis since 1997.

An amendment to the state legislated toll rate regime passed in early 2022 is credit negative as it contradicts the historically credit supportive state legislated toll rate regime that requires toll rates to be adjusted by CPI at least once every five years on state-owned toll roads. The amendment prohibits inflation toll rate adjustments from taking place in fiscal 2023, which would have been the year the turnpike would have been required to adjust its toll rates by the total cumulative CPI over the last five years since its last toll rate increase. If a toll rate adjustment was needed to comply with bond covenants it can still be made, but this is not required. Owing to the strong coverage and liquidity and low leverage of the turnpike, a toll rate increase is not needed to maintain sound financial metrics as traffic continues to grow over time. We expect the turnpike to adequately adjust its toll rates when needed to ensure its financial position remains strong and in line with its rating category. At this point, management's projection does not contemplate any toll rate increase.

In December 2022, a bill that reduces the amount frequent commuters pay in tolls in 2023 was passed. This toll relief program, which applies to all toll roads in the state, does not reduce the turnpike system's toll revenue because credits issued under the program will be reimbursed from funds appropriated by the State Legislature. In September 2022, the governor had approved a separate, six-month toll discount program for state-owned toll roads, which is also expected to be reimbursed. It was intended to run until February 2023 but stopped once the new toll relief program started in January 2023 and the total amount of credits to customers was approximately \$16 million. These programs are the latest examples of the state's involvement in toll rate-setting for purposes beyond cost recovery.

**RATING OUTLOOK**

The stable outlook reflects Moody's view that the turnpike system's traffic and revenue will continue to grow over time and in step with its forecasted new debt plans to ensure strong financial metrics are sustained.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Traffic and revenue growth that produces sustained net revenue DSCRs above 3.0x and debt to operating revenues below 2.0x
- Successful delivery of the CIP with planned new debt while maintaining strong financial metrics

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Declines in traffic and revenue combined with additional leverage that reduces total net DSCRs below 2.0x

-Liquidity levels below 400 days cash on hand

-Delays in or failure to implement timely toll increases as planned and statutorily required

## LEGAL SECURITY

The revenue bonds benefit from a senior lien on the net revenues of the state's multi-component turnpike system with a rate covenant and additional bonds test is 1.2x annual senior lien debt service and 1.0x for all other payments required under the resolution. FDOT covenanted on August 21, 1997, to pay all costs of O&M of the turnpike system from the State Transportation Trust Fund (STTF), in effect making 100% of the turnpike system gross revenues available first for debt service. The O&M costs paid from the STTF are to be reimbursed from the turnpike system general reserve fund only after the provision has been made for payment of debt service and other amounts required for the outstanding turnpike revenue bonds. The STTF is funded with transportation related taxes, fees, fines, surcharges including motor fuel and license taxes, and federal aid (15% reserved for public transportation projects).

With the issuance of the Series 2021C bonds in fiscal 2022, the turnpike system reached the threshold (50% of principal outstanding) required to invoke a new covenant allowing the turnpike system to eliminate the debt service reserve fund (DSRF) requirement. As a result, the Series 2023A bonds will not have a DSRF and the turnpike system does not plan to fund DSRFs for future bond issuances. The financial covenant removing the DSRF requirement for new bonds also allows the turnpike system to liquidate the outstanding DSRFs for all bondholders that consented to the covenant, which includes bond series 2018A through 2021B. There is currently no intention to liquidate these DSRFs that are cash-funded at 125% of average annual debt service. As the turnpike system continues to issue debt without DSRF, a greater portion of the debt outstanding starts to have a weaker legal security package, however the turnpike system has a long history of maintaining high levels of internal liquidity maintained through strong DSCRs, and the system has state support of O&M expenses if needed.

According to the Florida Turnpike Enterprise Law, new turnpike expansion projects must pass a statutory test for economic feasibility: Project estimated net revenues must pay 50% of project debt service on bonds by the end of the 12th year since the project opened and 100% by the 30th year.

## USE OF PROCEEDS

The Series 2023A bond proceeds will refund a portion of the Series 2013A and Series 2013C bonds maturing in 2024 through 2043 for approximately 6% net present value savings with no extension of the debt maturity.

## PROFILE

The turnpike system is a large, multi-asset toll system that traverses the most populous areas of the state and consists of several components totaling over 500 miles, with new miles consistently under construction and added to the system annually. The Florida Turnpike Enterprise operates the turnpike system for FDOT and all debt issued must be approved by the Governing Board of the Division of Bond Finance before being issued.

## METHODOLOGY

The principal methodology used in this rating was Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at <https://ratings.moodys.com/api/rmc-documents/60219>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory

disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moody.com>.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moody.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moody.com/documents/PBC\\_1288235](https://ratings.moody.com/documents/PBC_1288235).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moody.com>.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moody.com>.

Please see <https://ratings.moody.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moody.com> for additional regulatory disclosures for each credit rating.

Cintia Nazima  
Lead Analyst  
Project Finance  
Moody's Investors Service, Inc.  
7 World Trade Center  
250 Greenwich Street  
New York 10007  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Kurt Krummenacker  
Additional Contact  
Project Finance  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

**Moody's**  
INVESTORS SERVICE

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or

the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.