

RatingsDirect®

Summary:

Florida Turnpike Enterprise Florida; Toll Roads Bridges

Primary Credit Analyst:

Oscar Padilla, Dallas + 1 (214) 871 1405; oscar.padilla@spglobal.com

Secondary Contact:

Sussan S Corson, New York + 1 (212) 438 2014; sussan.corson@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Related Research

Summary:

Florida Turnpike Enterprise Florida; Toll Roads Bridges

Credit Profile

US\$176.68 mil dept of transp tpk rev rfdg bnds (Florida Turnpike Enterprise) ser 2023A due 07/01/2043

Long Term Rating

AA/Stable

New

State of Florida, Florida

Florida Tpk Enterprise, Florida

Florida (Florida Tpk Enterprise) dept of transp tpk rev bnds ser 2020B due 07/01/2021-2050

Unenhanced Rating

AA(SPUR)/Stable

Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Florida's proposed \$176.68 million series 2023A turnpike revenue refunding bonds, issued for the Florida Turnpike Enterprise (FTE).
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating on FTE's turnpike revenue bonds outstanding.
- The outlook is stable.

Security

A pledge of the system's net revenues after operation and maintenance expenses secures the bonds. Unlike certain previous parity issuances, the bonds will not benefit from debt service reserve (DSR). As adopted in the 48th supplemental resolution (December 2018), on consent of 50% of holders of principal outstanding, FTE may issue parity bonds without a DSR or reduce the DSR requirement to zero for certain outstanding bonds (series 2018A-2021B). We understand existing DSR subaccounts will remain in place for certain previously issued bonds, though FTE may remove them in the future. To the extent coverage and liquidity remain relatively high, the adoption of the amendment will not have a substantial credit impact on the turnpike system, in our view. Should credit metrics weaken, however, the lack of a DSR could cause downward rating pressure. Only the series 2012A-2021B bonds currently benefit from the DSR subaccounts. Bond proceeds will be used to refund outstanding debt for debt service savings.

FTE expects to have approximately \$3.27 billion of revenue bonds outstanding following the issuance of the series 2023A bonds. As of fiscal year-end 2022 (June 30), it also had approximately \$16.5 million of subordinate state infrastructure bank loans outstanding.

Credit overview

The rating reflects our view of FTE's very strong enterprise and financial risk profiles. While we anticipate broader economic momentum to decelerate in 2023, we believe Florida's demographic strengths will support positive traffic

trends and corresponding financial resiliency through economic cycles.

Our enterprise risk profile assessment incorporates the turnpike system's historically favorable traffic trends due to its strategic location and lack of significant competition from toll-free roads in the state. Our financial risk profile assessment considers the turnpike system's historically good revenue growth from periodic toll-rate increases and favorable traffic trends, which we anticipate will remain stable within our outlook period.

The financial losses resulting from the temporary suspension along certain toll segments, as result of Hurricane Ian (Sept. 28-Oct. 15), are estimated at roughly \$24 million, or 2% annual revenues, which we believe will not have a material effect on the system's overall financial metrics. The system did not experience meaningful storm-related damage and remained fully operational. Fiscal year-to-date transactions (latest available) have averaged roughly 135% of fiscal 2019 over the same period. We view the temporary toll relief program, authorized by the legislature in late 2022 for calendar year 2023, as credit neutral in that the program is wholly subsidized by the state's resources. Given the appropriated pool of financial resources (\$500 million) is credited monthly, there will not be a change in FTE's financial metrics in the current or next fiscal year.

With continued traffic level growth anticipated, we believe the system can maintain strong financial performance and a potentially extremely strong capacity to manage rising debt levels from its rolling, multibillion-dollar capital improvement program (CIP). In tandem, we believe it can maintain its strong overall liquidity and financial flexibility as traffic levels recover and management remains proactive in adjusting its capital spending and timing its toll-rate increases. Of note, however, is that an extension or modification of the state's toll relief program without a dedicated external funding stream could result in a reassessment and weakening of our views of FTE's longer-term overall financial metrics.

The pace of the system's recovery following the onset of global pandemic demonstrated the system's overall resiliency and central importance to commuting travelers. In fiscal year-end 2022, toll revenues increased approximately 14% relative to fiscal 2021 and are forecast to continue stronger transaction growth across the system.

Key credit strengths, in our opinion, are the turnpike system's:

- Resilient demand characteristics given its important role in facilitating intrastate and interstate commerce, strategic location, and lack of significant competition;
- Historically strong total debt service coverage (DSC; S&P Global Ratings-calculated) over 2.0x, extremely strong debt capacity (debt-to-net revenues below 5x), and relatively high unrestricted cash reserves; and
- Conservative and comprehensive financial and capital planning, as evidenced by a history of meeting or exceeding most operational and financial goals, detailed financial forecasts that are updated frequently to address material variances, and a very capable staff that has considerable experience operating a statewide tolling agency.

The key credit strengths above are somewhat offset by the turnpike system's significant CIP (\$9.8 billion current capital plan and a five-year work program for fiscal years 2024-2028) that requires approximately \$3 billion of planned bond issuances through fiscal year 2028, including current offering, and the potential use of cash reserves to fund, which could pressure financial metrics.

Environmental, social, and governance

We evaluated the turnpike system's environmental, social, and governance (ESG) risks relative to its market position, management and governance, and financial performance, and determined that, with the exception of environmental factors, all are credit neutral in our rating analysis. We note the state's broader population growth positions the system to benefit to the extent that it translates to greater transactions and revenues. However, in our view, the turnpike's environmental risks are a moderately negative consideration in our rating analysis based on the state's vast coastline, which exposes it to extreme weather events and long-term sea-level rise that could disrupt the turnpike's operations following an event.

Outlook

The stable outlook reflects our view that FTE's credit metrics will be supported by continued growth in transactions and revenues while it manages its CIP.

Downside scenario

Although we do not anticipate it, we could lower the rating within the outlook period if FTE's debt issuance were to outpace organic revenue leading to a diminished debt burden capacity and cash on hand metrics from current levels for a persistent period.

Upside scenario

We do not expect to raise the rating during the next two years due to FTE's sizable additional debt plans and our opinion that its market position will not change.

Credit Opinion

Our enterprise risk profile assessment of very strong reflects service area economic fundamentals, a market position, industry risk, and management and governance assessments we consider extremely strong, very strong, low, and extremely strong, respectively. The turnpike system's size, diversity, historically favorable traffic trends due to its strategic location and lack of significant competition from toll-free roads in the state were key considerations.

The turnpike system serves 20 of Florida's 67 counties, accounting for more than two-thirds of the state's population. The principal component, the 320-mile Mainline (representing two-thirds of the turnpike system's total gross toll revenues for fiscal 2022), runs north-south from Interstate 75 at Wildwood in Sumter County to Florida City in southern Miami-Dade County, with an east-west segment intersecting at Orlando in Orange County. The Mainline consists of three subcomponents: Turnpike Mainline-SR 821, Turnpike Mainline-SR 91 (MP OX to MP 309), and the Beachline West Expressway.

Large portions of the system have historically functioned as congestion relievers. The Beachline West, Western Beltway (Part C), and Southern Connector Extension, however, serve more tourist and recreational areas, providing access to Disney World and other area attractions, which were disproportionately affected by pandemic-related restrictions in 2020, though they have subsequently recovered.

Our financial risk profile assessment of very strong reflects: strong financial performance, extremely strong debt and liabilities capacity, strong overall liquidity and financial flexibility, and financial policies as credit neutral. Our assessment considers audited 2022 results, estimated 2023 results, current toll revenue projections, and financing of its rolling, multibillion-dollar CIP.

S&P Global Ratings-calculated fiscal 2022 metrics (latest audited) for the turnpike system are favorable, with DSC over 2.8x, a debt-to-net revenue ratio below 5x, and nearly 875 days' cash on hand as of June 30, 2022. Based on estimates for fiscal 2023, credits metrics are expected to be in line with fiscal 2022, and well within their historical levels. The latest Traffic and Earnings Report assumes gross revenues will be up approximately 5% in fiscal year 2024 (reflecting adjustment for fiscal year 2023 due to suspensions), and nearly 2.7% in fiscal year 2025. Overall, we anticipate transactions and revenues continuing the trend of strengthening and based on trends, though broader economic softness could partially mute growth. S&P Global Ratings sees possible dampening of demand as weaker macroeconomic conditions take hold, with our report "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28, 2022, on RatingsDirect, pointing to a shallow recession in 2023. In our view, traffic trends will nevertheless continue to be shaped by evolving consumer preferences, behavior, and shifting employment pattern shifts, which could generate longer-term structural challenges, in our view.

Current toll revenue projections do not include the statutorily required toll-rate indexing that was set to occur by the end of calendar year 2022 or subsequent years. However, the legislature adopted legislation that would prohibit an increase in tolls in fiscal 2023. We have viewed the system's scheduled toll-rate increases as important in terms of enabling the turnpike system to maintain financial metrics consistent with the current rating, given its borrowing plans. Preceding the legislative change, SunPass and TOLL-BY-PLATE toll-rate adjustments were to occur no more frequently than annually and no less frequently than once every five years, while the cash toll rate is to be adjusted every five years by the change in CPI over the previous five years and adjusted to the next-higher quarter. All toll rates were held constant in the last four fiscal years. To the extent policy changes alter financial metrics, we would assess the longer-term credit effect, if any. Given that the turnpike system has a track record of exceeding forecasts and using conservative forecasting assumptions, we believe traffic and toll revenues will likely exceed their initially forecasted levels.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of January 27, 2023)

State of Florida, Florida

Florida Tpk Enterprise, Florida

Florida Tpk Enterprise (Florida) toll rds / br

Long Term Rating

AA/Stable

Affirmed

Florida (Florida Tpk Enterprise) toll rds & br

Long Term Rating

AA/Stable

Affirmed

Florida (Florida Tpk Enterprise) tpk rev bnds (Florida Tpk Enterprise) ser 2004A dtd 12/01/2004 due 07/01/2005-2031 2034

Ratings Detail (As Of January 27, 2023) (cont.)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Florida (Florida Tpk Enterprise) tpk rev rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Florida (Florida Tpk Enterprise) tpk rev rfdg bnds (Florida Dept of Transp) ser 2003B dtd 07/01/2003 due 07/01/2004-2025		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Florida (Florida Tpk Enterprise) tpk ser 2000B dtd 11/01/2000 due 07/01/2001-2025 2030		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
Florida (Florida Turnpike Enterprise)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Florida (Florida Turnpike Enterprise) rev bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
State of Florida tpk rev bnds ser 2022C due 07/01/2052		
<i>Long Term Rating</i>	AA/Stable	Affirmed
State of Florida (Florida Tpk Enterprise) dept of transp tpk rev bnds (Florida) ser 2020B due 07/01/2021-2050		
<i>Long Term Rating</i>	AA/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.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.