GMX RECEIVES FAVORABLE REPORT FROM BOND RATING AGENCY

FITCH ACKNOWLEDGES GMX'S SUCCESSFUL TRANSITION, FISCAL RESPONSIBILITY AND THE IMPLEMENTATION OF OPERATIONAL REFORMS

South Florida – Today, the Fitch Bond Credit Agency issued its first Notification of Fitch Ratings' Analytical Decision of the Greater Miami Expressway Agency (GMX) since the August 2023 operational transition from the dissolved Miami-Dade Expressway Authority (MDX). The report affirms GMX's bond rating and asserts a stable outlook for GMX, considering the progress made during the operational transition process, GMX's sound financial policies and practices and the overall reforms implemented during the transition period from the state legislatively dissolved predecessor agency. The ratings update further acknowledges that all these factors would warrant increasing GMX's credit rating. GMX has only governed since July 1, 2023, so Fitch is required to continue monitoring the favorable trajectory as well as how several external matters, identified within the report, are resolved before elevating the current bond rating.

The Fitch report was welcome news to the GMX Board, as it has prioritized effective governance, fiscal sustainability, daily operations and an overall compassionate transition. GMX Board Treasurer Rodolfo Pages, who continually monitors the agency's fiscal policies and practices commented: "I'm proud of the GMX staff and my fellow Board members throughout the transition process. Their professionalism and dedication in implanting much-needed financial accountability for the residents of South Florida, is recognized by the positive assessment in the report concerning GMX's governance."

The Board Chair, Marili Cancio, added: "Our focus from day one has been to transparently and wisely invest the resources of our riders to improve their daily commute as we meet the growing infrastructure needs of our community. I'm very pleased that the Fitch report confirms we are on the right path."

Since the transition, GMX has implemented a series of fiscally-centered reforms, including a $10 million toll savings program for commuters who frequently use GMX roads, called 'South Florida Saves.' The savings initiative was launched in January 2024 and will continue through June of this year. It's one example of the changes GMX has carried out in just seven months of operation.

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About the Greater Miami Expressway Agency (GMX)
The Greater Miami Expressway Agency (GMX) operates five expressways in Miami-Dade and portions of northeast Monroe County that include SR 836/Dolphin Expressway, SR 112/Airport Expressway, SR 874/Don Shula Expressway, SR 878/Snapper Creek Expressway and SR 924/Gratigny Parkway. GMX is funded almost entirely by toll revenue and is dedicated to making your commute safer and more efficient.

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Miami-Dade County Expressway Auth (Operating as GMX), FL's Sr. Revs at 'BBB+'

Mon 04 Mar, 2024 - 2:02 PM ET

Fitch Ratings - New York - 04 Mar 2024: Fitch Ratings has affirmed Miami-Dade County Expressway Authority, FL's (MDX, now operating as the Greater Miami Expressway Agency [GMX]) $1.3 billion of outstanding senior revenue bonds at 'BBB+'. The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING		PRIOR
Miami-Dade County Expressway Authority (FL)			
Miami-Dade County Expressway Authority (FL) /Toll Revenues - First Lien/1 LT	LT	BBB+ Rating Outlook Stable Affirmed	BBB+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

RATING RATIONALE

The rating reflects the progress made as GMX, the state appointed successor agency, has taken full operational control of the former MDX system since July 2023. Since then, GMX has demonstrated its ability to manage a smooth business as usual transition through assumption of all prior policies, contracts, commitments and full obligations to bondholders with no disruptions to services or payments.

Florida statute 348 passed during the 2023 legislative session reinforces GMX's authority and control over operations and the new agency has shown effectiveness in enacting policies with a direction that is largely prudent, similar to its predecessor. While key decisions around future capital and debt plans remain uncertain, should the new agency finalize its legal status, demonstrate a continued stability in managing the system and provide further clarity around longer term capital and debt plans while maintaining healthy financial metrics, Fitch would consider positive action on the rating.

The 10-year average debt service coverage (DSCR) in Fitch's ratings case, which assumes no toll rate increases, remains robust at 1.9x, commensurate with a higher rating level. Sensitivity scenarios including additional debt raised for the Kendall project show pressure on future coverages. However, Fitch expects with any large debt raise, GMX would assess the financial feasibility and consider offsetting with toll increases if needed, which they will have the authority to do after July 2024 with a supermajority board vote.

The rating also reflects the essentiality of the expressway system to commuters in the growing, large, diversified Miami area; the maturity of the system's traffic profile; an adequate financial margin; and a limited degree of competition. While GMX's dedicated policies, including a prolonged moratorium on rate increases and higher targeted discounts under a frequent-driver program, pose some risk to the financial profile, this is somewhat offset by continued resiliency of system traffic growth and the proven ability of management to manage costs well below budgets.

KEY RATING DRIVERS

Governing Board and Policy Uncertainty - Ownership and Sponsors: Negative to the Rating

While GMX has taken operational control of the system, there remains lingering uncertainty over the ultimate governance authority as litigation continues. This poses a unique risk resulting in Fitch's negative assessment of the authority's governance structure. Should the new governing body prove to govern effectively and prudently, the ownership and sponsors rating factor would likely return to neutral. The lack of legal certainty regarding ultimate control continues to be viewed as credit negative and is reflected in the current rating level.

Revenue Risk - Volume - High Stronger

Stable Commuter Base with Strategic Importance: The expressway system has a mature traffic profile with steady annual growth in toll transactions. Revenues come from a robust system of assets that provide critical links within the Miami-Dade transportation network. The availability of limited alternative routes ensures the importance of the system to the region.

Revenue Risk - Price - Weaker

High Levels of Political Interference: House Bill 385 (HB 385), signed by the Florida Governor in 2019, created GMX to operate the expressway system. The bill effectively stripped the agency of meaningful rate-setting autonomy through a required rate reduction and banned toll rate increases until July 2024, unless needed to comply with bond covenants or through a supermajority board vote. GMX will continue to abide its tolling policy in accordance with the bill.

The bill also requires a toll rebate program for frequent users with a goal of rebating 25% of tolls paid by SunPass holders. Since the transition, GMX has continued discount programs with its latest South Florida Saves Program, which rebates 20% of SunPass tolls for frequent users through the first half of the 2024 calendar year. The board is considering whether to put in place a permanent program in the future that is similar to the current program subject to financial feasibility.

Infrastructure Dev. & Renewal - Midrange

Reduced CIP but Funding Uncertainty: Due to the ongoing litigation, specifics in regard to refinancing and issuance of debt is unclear until the legal status of GMX is finalized. HB 385 requires all debt-financed capital projects to receive approval from the Florida Legislative Budget Commission, which could politicize capital planning. As such, GMX's adopted capital improvement program (CIP) remains entirely cash-funded.

The agency's sole reliance on surplus cash and reserves to fund its capital plan without rate support or new debt elevates the risk preserving a strong asset maintenance regime. These concerns are mitigated by the facilities' satisfactory operational condition and a diligent inspection schedule, above that required by the Florida Department of Transportation.

Debt Structure - 1 - Stronger

Senior Fixed Rate Debt with Some Variable-Rate: GMX's debt portfolio is senior and mostly fixed-rate with only 5.5% variable rate debt, the majority of which is hedged. The overall debt service profile is moderately escalating and the debt service reserve is cash funded at maximum annual debt service (MADS). The agency operates according to a policy of maintaining a DSCR above 1.5x, higher than its legal bond covenant minimum of 1.2x.

ESG - Governance Structure: Due to the potential impact of HB 385 and the ongoing legal proceedings, there could be a follow-on effect to the ultimate oversight, policy direction and effectiveness of the board. GMX's legal status, future tolling policy and ability to raise financing for asset maintenance, capital plans or to refinance outstanding debt remains uncertain, elevating the overall risk profile of the system.

Financial Profile

GMX's financial profile historically has been stable, with annual DSCR above 1.8x in each of the five years before the coronavirus pandemic and fiscal 2023 DSCR recovering back to this level. Discount programs and a moratorium on toll rate hikes have not yet diminished underlying metrics. DSCR remained in the 1.6x-1.8x range during the ongoing litigation and pandemic, and averages 1.9x under Fitch's rating case, which assumes no debt issuances. The agency's strong traffic and revenue performance, internal financial policies, and delay of over $1 billion of planned debt issuance associated with the Kendall Parkway project mitigate the potential pressure on its financial profile.

PEER GROUP

Central Florida Expressway Authority (CFX, senior debt rated 'A+'/Stable) is a comparable peer with GMX in terms of a large expressway system in Florida. Both mature systems have 'High Stronger' volume scores as evidence to the essentiality and resiliency of their systems to their respective reference areas. GMX's significantly weaker pricing framework and overhang from its ongoing litigation primarily drives the rating differential. While CFX has similar Fitch rating case coverage at 1.9x, its rating case assumptions are more conservative, including $2.6 billion of future debt issuances to fund its future capital plan, supporting its higher rating level.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Policy decisions that become further detrimental to establishing appropriate toll rates, financial policies, capital plans and debt financings;

--Rating case average DSCRs falling below 1.5x for a sustained period due to underperformance in volume activity or elevated costs.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Legal resolution over the agency's legal status and future oversight with clarity around longer term tolling policy, including established discount programs, and capital and financing plans;

--Longer track record of effective and stable governance by the new GMX board;

--Traffic and revenue performance supportive of rating case average DSCRs above 1.6x.

CREDIT UPDATE

Stemming from the passing of HB 385 in July 2019, GMX and MDX have been embroiled in years of legal disputes over control of the expressway system. Despite legal progress made over the past few years, the litigation has not yet reached a conclusive end. However, an important milestone was achieved in August 2023 when MDX ceded control of the system to GMX, the state appointed successor agency under HB 385. All assets and liabilities of MDX were transferred to GMX, with the latter assuming all prior policies, contracts and commitments. GMX's authority and control over the system was further enacted under statue 348 during the 2023 Florida legislative session. Management has also indicated major collaboration and communication with state and local partners resulting in steady support and assistance for the new agency.

The ongoing litigation consists of an outstanding hearing on a motion to dismiss filed by GMX in regards to an amended complaint by MDX filed in November 2023. The amended complaint challenges the constitutionality of statute 348, which granted the operating authority to GMX, and seeks declaratory and injunctive relief to enforce the provisions of an October 2023 ordinance adopted by the county to re-establish MDX's authority under a home rule authority. Management indicated the ongoing hearings could take the remainder of this year or longer to resolve, subject to further potential appeals. A final resolution on the issue of authority control will be instrumental to assessing a stable governance structure, policy direction and capital planning.

Since the transition, GMX has reached a quorum for its governing board, brought on a new interim executive director and maintained many core management team personnel to ensure stability of operations. GMX has assumed all fiduciary responsibilities, prior contracts, agreements, and employees from MDX and has demonstrated ability to maintain continuity of services and operations. The agency is also undergoing rebranding efforts across the system, carrying on with maintenance efforts to improve roadway asset condition and continues to refine its official policies with no indicated material changes so far.

In relation to its obligations to bondholders, regardless of who the ultimate governing entity is, under the bond indenture, that authority is required to comply with the requirements of the indenture and all other agreements. A January 2024 court order granted Bank of New York's (BONY), the bond trustee, motion to preserve the status quo throughout the duration of the litigation. Hence GMX was established as the "Deemed Authority" and provided access to all accounts held by the trustee and the authority to collect revenues, pay expenses and to make payments on the outstanding bonds. With the court order, a prior plan of transfer agreement that was in the works between BONY and GMX is no longer needed.

Total system traffic and revenue performance continued to support healthy financial metrics despite the moratorium in toll rate increases. Fiscal 2023 traffic and revenue grew 5.3% and 3.8% respectively from prior year, representing 12.1% and 17.1% above 2019 levels respectively. Fiscal 2024 YTD (seven months through January 2024) traffic and revenue growth rates are tracking slightly above management budget expectations at 3.3% and 3.8% respectively above the same period last year. Under statute 348, GMX will not implement toll rate increases until 2029 except if needed to comply with covenants or starting July 1, 2024 if approved by a supermajority vote or two-thirds of the members of the board.

The statute also requires establishment of a rebate program for SunPass customers that targets a 25% discount. The GMX board is considering putting in place a permanent program in the future subject to financial feasibility that is similar to the current South Florida Saves frequent user program that grants a 20% discount for frequent SunPass users. Under the discount programs, over $6.1 million in rebates were processed in fiscal 2023 with an additional $10 million expected in fiscal 2024, which Fitch views as manageable for its financial profile as it represents approximately 4% of total toll revenues.

Operating expenses continued to be well controlled in fiscal 2023, growing 9.0% yoy, well below management's budget and driven by reduced contracting costs and conservative budgeting. Alongside better traffic and revenue performance, lower operating expenses supported stronger coverages with fiscal 2023 DSCR of 1.9x, above Fitch's base case expectation of 1.6x.

GMX continues to implement its asset maintenance plan with the intention to restore the system to higher performance standards under the FDOT Maintenance Rating Program by the end of this fiscal year. The current five-year capital program of $330 million remains fully cash-funded and does not include $178 million in longer term renewal and replacement projects or $2.3 billion in long-range mobility projects, primarily the Kendall Parkway project. GMX is drafting its five-year work program for 2025-2029, which will prioritize the use of system revenues for all projects, in accordance with the commitment to cash funding.

While GMX maintains the authority to issue debt under statute 348, Fitch does not expect debt issuances until the final resolution of GMX's legal status and hence long-term capital planning remains unclear beyond the five-year pay-go window. However, there remains strong public support for the Kendall Parkway project, which is estimated to cost over $1 billion. Limited design and planning works for Kendall Parkway are underway, but unresolved environmental litigation is preventing further progress.

FINANCIAL ANALYSIS

Fitch's base case incorporates actual 2024 YTD traffic and revenue performance and is overlaid with conservative assumptions for the forecast period, including no toll rate increases. Revenues, net of discount program rebates, is conservatively projected to increase 2% in fiscal 2024 and thereafter grows at an average of 1.3% per year similar to the pace of traffic given no movement in toll rates. Fitch adopts management's budget for forecasted operating expenses in 2024, which are budgeted conservatively and thereafter expenses grow 3.5% per annum. Under these assumptions, average base case DSCR through fiscal 2033 is a robust 2.0x and leverage declines to a modest 3.6x in fiscal 2028.

Fitch's rating case adopts base case assumptions for 2024 and applies a recessionary traffic stress of -4.0% in fiscal 2025, followed by three-year recovery to base case traffic levels by 2028. Thereafter, traffic is projected to grow at a conservative 1.0% per year. Toll revenues grow in line with traffic, as tolls rates remain flat. Operating expense growth is stressed 50 basis points over the base case. This results in a still solid rating case average DSCR of 1.9x and leverage of 3.6x in 2028. In a hypothetical sensitivity scenario in which $1 billion of new debt is issued in phases from 2026 onwards for the Kendall Parkway project, Fitch rating case DSCR averages 1.4x. Fitch expects any large financing plan would assess financial feasibility in order to adhere to the agency's internal financial policy of maintaining DSCR above 1.5x.

ASSET DESCRIPTION

Under HB 385, GMX a public instrumentality and agency of the State of Florida, was formed in 2019 as the successor agency of the former MDX expressway system. GMX is responsible for operating, maintaining and improving an expressway system that currently includes the Airport Expressway (SR-112), the Dolphin Expressway (SR-836), the Don Shula Expressway (SR-874), the Gratigny Parkway (SR-924) and the Snapper Creek Expressway (SR-878). GMX's jurisdiction and geographical boundaries also include the portion of northeast Monroe County, which includes County Road 94 and the portion of Monroe County bounded on the north and east by the borders of Monroe County and on the south and west by County Road 94.

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

GMX has an ESG relevance score of '5' for 'Governance Structure' due to the potential impact of HB385 and the risk derived from the ongoing litigation, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in an implicitly lower rating.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

Infrastructure & Project Finance Rating Criteria (pub. 17 May 2023) (including rating assumption sensitivity)

Transportation Infrastructure Rating Criteria (pub. 18 Dec 2023) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

GIG AST Model, v1.3.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

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Endorsement Policy

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