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Ratings

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Central Texas Regional Mobility Authority; Toll Roads Bridges

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Credit Profile		
US$51.86 mil sr ln rev bnds ser 2018 dtd 11/01/2018 due 07/01/2049		
Long Term Rating	A-/Stable	New
US$44.89 mil subord ln rev BANS ser 2018 dtd 11/01/2018		
Long Term Rating	BBB+/Stable	New
Central Texas Regl Mobility Auth (AGM)		
Unenhanced Rating	A-(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth (AGM)		
Unenhanced Rating	BBB+(SPUR)/Stable	Upgraded

Rationale

S&P Global Ratings raised its long-term rating and underlying rating on the Central Texas Regional Mobility Authority's (CTRMA or authority) senior-lien revenue bonds and the authority's 2015C subordinate Transportation Infrastructure Finance and Innovation Act bonds outstanding to 'A-' from 'BBB+'. At the same time, S&P Global Ratings raised its long-term rating on the CTRMA's existing subordinate-lien debt outstanding to 'BBB+' from 'BBB'. The outlook is stable.

The rating action reflects the application of our revised criteria, "U.S. And Canadian Not-For-Profit Transportation Infrastructure Enterprises," published March, 12, 2018.

S&P Global Ratings also assigned its 'A-' long-term rating to the CTRMA's proposed approximately $51.9 million series 2018 senior-lien revenue bonds and its 'BBB+' long-term rating to the authority's approximately $44.9 million series 2018 subordinate-lien revenue bond anticipation notes (BANs).

The ratings reflect the combination of the authority's strong enterprise risk profile and strong financial risk profile. Our enterprise risk profile assessment incorporates the CTRMA's strong traffic trends due to the authority's important linkages and strategic location within the road network that provide congestion relief around Austin, despite facing some competition from free alternatives. Our financial risk profile assessment considers the CTRMA's strong revenue growth from annual toll rate increases and favorable traffic trends that we expect to continue. This will allow the authority to maintain strong financial performance and an adequate capacity to manage its increasing debt service requirements, which increases to $120 million in 2029 from $47 million in 2019. The rating further considers that the system has projects under construction and not yet open and that the CTRMA's historical growth occurred during relatively strong economic conditions and it has not experienced an economic downturn.

The strong enterprise risk profile reflects our view of the CTRMA's:

- Strong market position, due to the toll road's strong demand characteristics given its important role as a regional urban infrastructure provider, with important linkages in the Austin area, despite nontolled alternatives;

- Extremely strong service area economic fundamentals, which include favorable income levels and economic activity as measured by GDP per capita, a large population base, above-average expected population growth, and below-average unemployment levels;
- Low industry risk relative to that of other industries and sectors; and
- Very strong management and governance, reflecting the authority's history of meeting or exceeding most operational and financial goals; detailed financial forecasts that management updates frequently to address material variances; and a very capable staff that has considerable experience operating a regional tolling agency.

The strong financial risk profile reflects our view of the CTRMA's:

- Strong financial performance that we expect to continue due to the authority's history of strong revenue growth based on its willingness and ability to increase toll rates frequently, and the toll road's favorable traffic trends and planned system growth that, in our view, will allow the CTRMA to maintain total debt service coverage (DSC; S&P Global Ratings-calculated) above 1.25x;
- Adequate debt and liabilities capacity that factors in forecast growth in net revenue we expect will continue because the authority counters rising debt service requirements with additional revenue from toll increases and planned growth; and
- Strong liquidity and financial flexibility based on our expectation that the CTRMA's liquidity position--1080 days' cash on hand and 5.9% of debt in fiscal 2018--will remain near current levels.

The toll system's net revenues secure the authority's toll road revenue bonds. The 'BBB+' rating on the 2016 subordinate-lien revenue refunding bonds and the authority's series 2015D and 2015E Texas Department of Transportation bonds reflects our view of their subordinate lien on the net revenues. CTRMA has approximately $919 million of senior-lien debt and $517 million of subordinate debt outstanding for a total of about $1.44 billion.

The 'BBB+' rating on the series 2018 BANs reflects the subordinate pledge of net revenues and what we consider a low market risk profile, strong market access, and strong information disclosure.

Bond proceeds will finance a portion of the costs of the 290E Phase III Project, which consists of two direct connectors and associated improvements at the intersection of the existing 290E Project and State Highway 130 in Travis County, Texas; pay costs of issuance; and fund the senior-lien reserve.

The CTRMA owns and operates a toll-road system in the Austin metropolitan statistical area (MSA) that includes 183A, 290 East, and SH71 East, which are all operational, and 183 south that is under construction. The authority has a record of completing roads to enhance and expand the system. Having opened to traffic in March 2007, the fully operational 183A toll road was completed on April 6, 2012, on time and within budget. It completed construction of U.S. 290 East, a 6.2-mile toll road with four direct connectors at the western terminus of the project, on schedule and within budget. Toll collections on U.S. 290 commenced in January 2013 for the interim construction, and on May 17, 2014, for the full project. Average weekday transactions for the system are above forecast. We expect the 183 south project to commence tolling of interim phase 1 in August 2019, with the full project to follow in August 2020. The project is on schedule and within budget.

Outlook

The stable outlook reflects our opinion that the CTRMA will maintain total DSC (S&P Global Ratings-calculated) at or above 1.25x and its financial capacity to manage its rising debt burden will not diminish.

Upside scenario

We could raise the rating during the next two years if planned capital investment projects open on schedule and within budget, and the authority continues to meet or exceed financial projections.

Downside scenario

We could lower the ratings in the next two years if revenue growth is materially below forecast, resulting in debt and liabilities assessments we view as vulnerable, or if DSC nears levels we view as adequate.

Enterprise Risk Profile

Our assessment of the CTRMA's enterprise risk profile as strong reflects the authority's extremely strong economic fundamentals, low industry risk, strong market position, and very strong management and governance.

Economic fundamentals

The primary service area, the Austin-Round Rock MSA, has extremely strong economic fundamentals due to favorable income levels and economic activity as measured by GDP per capita, a large population base, above-average expected population growth, and below-average unemployment levels.

Austin is the fourth-largest city in Texas and is the state capital. The employment base is diverse, with opportunities in various sectors, such as government, education, information technology, health care, and professional services. The city hosts six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin, the sixth-largest public university in the nation, anchors the presence of higher education. The state government is the city's largest employer.

Market position

We consider the authority's overall market position strong, reflecting its important role as a regional urban infrastructure provider, with important linkages in the Austin area, despite nontolled alternatives.

Because of the system's important role and strategic location, it has exhibited resilient and favorable traffic trends that have exceeded forecast. Since 2013, monthly and annual transactions have surpassed the previous year's levels. Transactions in 2017 increased 18% and transactions in 2018 increased 15% to 92 million. Transaction growth should continue given the strong population growth in the region and the planned opening of 183 south in 2019.

Management and governance

The authority's management and governance, in our opinion, is very strong, reflecting our view of the CTRMA's strategic positioning, risk management and financial management, and organizational effectiveness. The management team has considerable expertise and experience due to its long tenure. It provides frequent and high-quality disclosure and maintains a detailed long-range financial forecast.

Financial Risk Profile

Our assessment of the CTRMA's financial risk profile as strong incorporates the authority's strong financial performance, adequate debt and liabilities capacity, and strong liquidity and financial flexibility. We base our financial profile risk assessment on a review of historical and projected figures, which reflect our expectation that key financial metrics will continue near current levels. In our analysis, we evaluate the CTRMA's updated detailed financial plan that we believe includes reasonable assumptions, and yield results (S&P Global Ratings-calculated) comparable with historical ones. Our financial profile assessment also considers the authority's financial policies, which we view as credit neutral.

Since 2011 and in accordance with the CTRMA's board-adopted toll rate policy, the authority has implemented a system-wide toll increase annually based on CPI.

The current traffic and revenue study by the authority's consultant estimates toll revenue will increase to $317 million by fiscal 2030 from $91 million in fiscal 2018, or 12.8% average annual growth, due to a combination of transaction growth, annual toll increases, and the completion of 183 south. Annual transaction growth from 2018 to 2030 averages 9%, including the completion of 183 south. From 2025 to 2030, average growth in transactions is 2.5% per year. We consider the forecast reasonable and achievable based on expected growth in the Austin MSA. Any operational or financial performance below forecast would be a credit risk. The escalating debt service schedule requires consistent increases in traffic and revenues to meet the forecast.

Financial performance

We view the CTRMA's financial performance as strong, which we expect to continue. Our assessment incorporates our expectation that the authority will maintain total DSC, as per our calculations, at or above 1.25x, the CTRMA's demonstrated willingness and ability to raise tolls as necessary to meet or exceed projections, and its resilient and favorable traffic trends.

Average total DSC, as per our calculations, for fiscal years 2016-2018 is 1.99x. Our DSC calculations include the authority's audited financial results reported on a GAAP basis, adding total operating revenues, interest income, subtracting total operating expenses net of depreciation, and then dividing by the combined annual debt service of the CTRMA's senior and subordinate debt. Toll revenue has increased to $91 million in 2018 from approximately $34 million in 2013. Total revenue increased 21% in 2018 from 2017.

For the CTRMA to maintain DSC (S&P Global Ratings-calculated) at its projected levels through the forecast, it will have to continue relying on growth in toll revenue due to toll increases, growth in traffic, and completion of planned projects, which we believe is attainable given the authority's demonstrated ability and willingness to increase tolls, favorable traffic trends, and track record of completing projects.

Debt and liabilities capacity

The CTRMA's debt capacity, in our view, is adequate. Based on historical results, the debt capacity would be vulnerable; however, looking at growth in net revenues, we expect debt capacity to move to adequate within the next three years and it should continue to strengthen. The authority's debt to net revenues in fiscal 2018 is 22.7x, and we expect it to improve to below 20x due to additional revenue from planned toll rate increases, transaction growth, as well as completion of planned system growth.

Liquidity and financial flexibility

In our assessment of the CTRMA's liquidity and financial flexibility as adequate, we consider the authority's audited fiscal year-end 2018 (June 30) unrestricted cash and investments balance of $84.7 million (1080 days' cash on hand and 5.9% of debt), which we consider strong. We expect the authority to maintain cash at the strong level.

Ratings Detail (As Of October 3, 2018)		
Central Texas Regl Mobility Auth sr lien (AGM) (SEC MKT)		
Unenhanced Rating	A-(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth sr ln		
Long Term Rating	A-/Stable	Upgraded
Central Texas Regl Mobility Auth TIFIA		
Long Term Rating	A-/Stable	Upgraded
Central Texas Regl Mobility Auth		
Long Term Rating	A-/Stable	Upgraded

Many issues are enhanced by bond insurance.