FITCH AFFIRMS MIAMI-DADE EXPRESSWAY AUTH, FLORIDA'S REVS AT 'A-'; MAINTAINS POSITIVE OUTLOOK

Fitch Ratings-New York-30 June 2011: Fitch Ratings affirms the 'A-' rating to approximately $1.067 billion Miami-Dade County Expressway Authority, FL (MDX) toll system revenue bonds. The Rating Outlook for the toll system revenue bonds is maintained at Positive.

The Positive Outlook reflects MDX's encouraging financial performance in 2009 - 10, solid year-to-date performance in 2011 and the expectation that 2012 could continue the trend should management continue prudent operating expense control and economic conditions support traffic anticipated traffic levels. The Outlook also highlights the potential for growing financial flexibility in the medium term. Medium-to-longer term projected debt service coverage ratios of 1.6 times (x) or better will be key. Improved ratios hinge on successful delivery of MDX's large scale capital program and demonstrated financial performance, less than expected diversions as a result of new toll segments and prudent oversight of operating and maintenance expense growth while and proactively maintaining service levels and road conditions of the system.

RATING RATIONALE:
--System includes critical links of the Miami-Dade transportation network and a mature system with a stable traffic base with limited alternatives routes.
--Moderate toll rates provide continued economic rate-making ability.
--Favorable track record of financial performance with results exceeding projections.
--Cooperative partnership with FDOT.
--Capacity constraints could impede traffic growth.
--Political risks related to toll increases.
--Moderately leveraged system.

WHAT WOULD TRIGGER AN UPGRADE?
--Growing financial flexibility is dependent upon management's ability to implement all electronic tolling (AET) system wide, coupled with tolling previously untolled movements in a timely fashion. If successful, these changes should generate a significant increase in revenue.
--Costs/Capital Plan: Management's prudent oversight of operating and maintenance expense growth while proactively maintaining service levels and successful delivery of MDX's large-scale capital program.
--Financial Performance: MDX's demonstrated ability to exceed forecasts supports the Positive Outlook.

SECURITY:
The bonds are secured by a pledge of and lien on the net revenues of the authority.

CREDIT SUMMARY:
MDX is currently embarking on a full AET conversion of its facilities. Portions of the system currently have all tolls collected electronically, and the remaining portions are expected to have full implementation over the next two to three years. While MDX's AET strategy is expected to yield a number of benefits including a more equitable rate structure for all users of the system and reducing toll collection related congestion, the key risks associated with AET is community resistance to the new rate strategy, timely project implementation and the potential for a higher level of toll evasion and revenue recovery costs. Given MDX's experience on the existing AET segments, Fitch expects the impacts of the aforementioned risks to be considerably less as the remaining segments are brought online. As the authority's financial plan is not contingent upon additional rate increases or borrowing, MDX retains economic rate raising flexibility. However, similar to the challenge faced by other toll authorities, the ability to deal with potential financial constraints through additional toll increases may be limited to the extent policymakers and residents perceive MDX as not adequately addressing traffic congestion.

Since FY 2008 toll revenues declined, albeit less than other facilities, with 2009 and 2010 revenue down by 2.4% and 1.0%, respectively, reflecting weakening economic conditions and some construction related traffic diversions. Overall, revenues on the system for FY 2011 have increased around 19% due to new toll configurations and new tolls on the Snapper Creek Expressway. From 2008 - 2010, SR 924 and SR 874 had the greatest traffic declines at 9% and 6.1%, respectively. Through the first 11 months of FY 2011, traffic on SR 112 and SR 836 increased approximately 3.8% and 3.7%, respectively. Due to toll reconfigurations on the SR 874 and SR 924, transaction levels for 2011 as compared to 2010 are not analogous, but, are generally tracking with Fitch's expectations.

While the existing system provides a solid foundation, financial margin is largely dependent upon generating revenues from the AET initiatives. Near-term revenue growth is projected to be generated by the new toll collection points. Although this is a risk to MDX's financial profile, revenues from the toll collection points are to be generated from an existing traffic base and reflect conservative traffic diversion assumptions once tolls are in place. Fitch does note that MDX does retain a moderate-to-high economic ratemaking ability should revenue estimates under the current rate structure not come to fruition.

In fiscal 2010, O&M expenses declined by 9.9% as MDX made significant efforts to manage costs. FY 2011 estimated O&M expenses were budgeted to grow at slightly less than 10%; however, year-to-date actual expenses are around 3% less than budgeted. While O&M expenses are expected to increase in 2012 at 10.6% due to continued staffing associated with toll operations and roadway needs associated with new ORT initiatives, Fitch expects MDX management will continue to carefully manage costs after the initial build-up as has been the case in the past.

Debt service coverage in 2009 and 2010 was solid at 1.7x and 1.56x, respectively. 2011 is expected to be rebound to at least 1.60x. Lower debt service coverage levels in the past two years compared to 2004 - 2008 when coverage was above 1.80x is due to toll revenue declines coupled with expense and debt service growth. Annual debt service is forecasted to significantly escalate in 2012 by 24% then generally level off for the next 10 years. MDX expects debt service coverage to remain around 1.45x -1.50x due to new tolling configurations that are expected to yield some additional revenues. Fitch notes MDX's history of significantly outperforming forecasted debt service coverage levels. To the extent that the authority's assumptions regarding traffic and toll revenue growth meet expectations, new AET endeavors are completed on time, costs are managed prudently, debt service coverage will likely be stronger and could fuel a positive rating change. Under Fitch's rating case assumptions, which include limited traffic growth, lower than anticipated increased toll revenues from new AET initiatives and no toll increases, debt coverage is expected remain between 1.35x and 1.40x in the near-to-medium term.

MDX's 2012 - 2016 $437 million work program includes $397 million for the transportation improvement program, $25 million for renewal and replacement and the remaining $14 million for capital improvements. While the authority expects limited additional debt to finance its work program, the possibility exists that further leveraging may be required over near-to-medium term if excess cash flow to fund a portion of the projects is insufficient and/or the authority faces additional transportation projects and needs.

MDX was formed in 1994 and is a public instrumentality and agency of the State of Florida. MDX is responsible for operating, maintaining and improving an expressway system that currently includes the Airport Expressway (SR-112), the East-West (Dolphin) Expressway (SR-836), the South Dade (Don Shula) Expressway (SR-874), the Gratigny Parkway (SR-924), and the Snapper Creek Expressway (SR-878).

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Applicable Criteria and Related Research:
--'Rating Criteria for Infrastructure and Project Finance' (Aug. 16, 2010);
--'Rating Criteria for Toll Roads, Bridges, and Tunnels' (Aug. 10, 2010).

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