

THE BOND BUYER

Bill targeting Florida toll road agency brings a third rating downgrade

By Shelly Sigo

Published May 13, 2019

For the third time this month, a rating agency has downgraded the Miami-Dade County Expressway Authority because of a bill that Florida lawmakers passed to dissolve the toll road agency.

Moody's Investors Service lowered the authority's rating to A2 from A1 on Friday. The authority, also known as MDX, has about \$1.53 billion of outstanding revenue bonds.



An open road toll gantry on the Miami-Dade Expressway Authority system in Florida, which has been downgraded by three rating agencies in recent weeks.

“The downgrade is driven by the persistent political interference into MDX operations, particularly where it influences the authority's ability and willingness to increase rates which then impacts financial margins,” said analyst Myra Shankin. “The ratings remain under review for further downgrade pending developments around House Bill 385.”

HB 385 was passed by the Senate May 2 and by the House May 3. It would fire MDX's current board members and create a new agency with the goal of lowering tolls through monthly rebates of up to 25%. It would also place a 10-year moratorium on toll rate hikes.

The new entity created by the bill, called the Greater Miami Expressway Agency, would have a “dramatically reduced ability and willingness to increase rates” as compared to MDX,” Shankin said.

Although there are exceptions in the bill for the new agency to comply with bond covenants, Moody's said it also places new restrictions on the board's future operations, such as requiring a supermajority vote to increase tolls — as opposed to the current majority vote — and needing the approval of the state Legislative Budget Commission to issue bonds.

Other ways the rating could be cut include significantly increased costs for capital projects or unanticipated increases in project costs that would be debt-financed, lower than currently forecasted debt service coverage ratios without using reserves, and an appreciable reduction in currently strong liquidity levels, Moody's said.

Moody's also said there are substantial questions around the legality of several provisions in HB 385, which led MDX to file a lawsuit seeking declaratory and injunctive relief in an attempt to block the bill in Leon County Circuit Court on May 5.

On Friday, Judge John Cooper ruled that he would not consider an injunction at this time because the bill hasn't been signed into law. The bill hasn't yet been sent to Gov. Ron DeSantis for his approval or veto.

The MDX is also considering hiring special attorneys file a second lawsuit challenging the removal of locally appointed board members.

The legislation punishes volunteer board members and community leaders for doing their jobs, board member Louis V. Martinez said at MDX's meeting Thursday.

Martinez, who is an attorney, said he believed attacks that were leveled at board members when the bill was considered by lawmakers at the state capital have the "connotation that we've done something wrong."

Miami-Dade County Mayor Carlos Gimenez, chairman of the board, said he agreed with Martinez and added, "I take offense at that."

The board also discussed the impact the legislation is already having on MDX's ratings. Since the beginning of May, S&P has downgraded the authority to A from A-plus and Fitch Ratings lowered its rating to A-minus from A, both citing political interference in the agency's operations.

Gimenez said analysts he consulted told him that a one-notch rating downgrade would cost MDX an additional \$40 million in bond expenses, and much more if ratings are cut further.

If Florida lawmakers can implement legislation having this kind of impact, Gimenez said their next target may be expressway authorities in other parts of the state.

Rating downgrades are a "high price to pay" for some lawmakers disgruntled because of local toll rates, Gimenez said, adding, "Our residents will pay more for this."