S&P Global Ratings

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Central Texas Regional Mobility Authority; Toll Roads Bridges

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Credit Profile		
Central Texas Regional Mobility Authority Senior Lien rev bnds ser 2010 dtd 03/01/2010 due 01/01/2015 2017-2020 2025 & cap apprec due 01/01/2025-2040		
Long Term Rating	AA/Stable	Current
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth		
Long Term Rating	A+/Stable	Upgraded
Central Texas Regl Mobility Auth		
Long Term Rating	A/Stable	Upgraded
Central Texas Regl Mobility Auth sr ln toll rds br (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth TIFIA		
Long Term Rating	A+/Stable	Upgraded
Central Texas Regl Mobility Auth (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Central Texas Regl Mobility Auth (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'A+' from 'A' on the Central Texas Regional Mobility Authority's (CTRMA) senior-lien revenue bonds and subordinate-lien Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.
- At the same time, S&P Global Ratings raised its long-term rating and SPUR to 'A' from 'A-' on the CTRMA's subordinate-lien debt outstanding.
- The outlook is stable.
- The rating action reflects our view of CTRMA's continued strong traffic and revenue growth, spurred by a rapidly expanding metropolitan statistical area (MSA), the toll system's importance to the road network, expanding toll assets with new segments expected to open in 2025 and 2026, and annual toll rate increases. The upgrade further reflects CTRMA's history of strong financial performance exceeding financial metrics that we expect will continue, coupled with a record of delivering construction projects largely on time and near budget.

Security

The toll system's net revenues secure the authority's toll road revenue bonds and TIFIA loans. The 'A' rating on the bond anticipation notes reflects their subordinate claim on net revenues and what we consider a low market risk profile, strong market access, and strong information disclosure. Because of bond provisions that elevate their claim on revenues upon default, we equate the rating on all of CTRMA's TIFIA loans to the 'A+' rating on the senior bonds, despite the loans' subordinate position in the cash waterfall.

Credit overview

The upgrade reflects our view that the rapidly growing MSA will support favorable traffic and revenue trends, allowing the authority to maintain strong financial metrics, despite having some projects still under construction. While the authority also faces escalating debt service requirements, which rise to $137 million in 2026 from approximately $98 million in 2024 with a maximum annual debt service requirement of about $170 million in 2040, we believe the system's underlying demand will allow the authority to maintain strong debt service coverage (DSC). Our rating assumes the authority will proceed with planned expansion projects and construction will be completed on schedule and within budget, and that management will adjust toll rates and expenses to meet financial forecasts. While CTRMA has no additional near-term debt plans, it is evaluating large capital projects, which could result in significant additional debt needs.

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

- Strong demand characteristics, given its important role as a regional urban infrastructure provider, with important linkages in the Austin area, despite nontolled alternatives;
- Financial performance that has trended favorably, with DSC (S&P Global Ratings-calculated) fluctuating at levels we consider strong (1.25x-3.0x) supported by strong toll rate flexibility;
- Extremely strong service area economic fundamentals, which include favorable income levels and economic activity as measured by GDP per capita, a large population base, and above-average expected population growth; and
- Very strong management and governance, reflecting the authority's conservative approach to financial and capital planning, history of meeting or exceeding most operational and financial goals, detailed financial forecasting that is updated frequently, and a very capable staff that has considerable experience operating a regional tolling agency.

Key credit weaknesses, in our view, are:

- Escalating debt service needs that require growth in revenues, from either toll rate increases or higher demand, to sustain robust financial metrics; and
- Ongoing construction projects related to new segments that could incur higher-than-forecast costs or delays, or possible ramp-up periods in traffic that are lower than expected.

Environmental, social, and governance

We analyzed CTRMA's environmental, social, and governance risks relative to its market position, management and governance, and financial performance and determined that all are neutral in our credit rating analysis. We believe that long-term credit stability is supported by favorable demographic trends and economic growth within the Austin MSA and represents a social capital opportunity that generates demand for the system.

Outlook

The stable outlook reflects our expectation that CTRMA will continue to adjust toll rates and meet forecast traffic and revenue levels, allowing it to maintain financial metrics (S&P Global Ratings-calculated) consistent with a strong financial risk profile.

Downside scenario

We could lower the rating if CTRMA's performance is materially weaker than forecast or it experiences delays and cost increases related to the ongoing construction projects, and we believe the resultant financial metrics are no longer commensurate with the current rating, particularly given potential significant additional debt in the medium term.

Upside scenario

Although unlikely, we could raise the rating in the next two years if CTRMA outperforms forecasts, resulting in DSC (S&P Global Ratings calculated) above 3.0x, and we believe it is sustainable.

Credit Opinion

Enterprise Risk Profile: Improved To Very Strong

Our improved enterprise risk profile assessment of extremely strong reflects the authority's role as a provider of a growing and diverse system within the congested and rapidly growing Austin MSA, which provides CTRMA with good pricing power with an expanding system. CTRMA owns and operates a toll road system in the Austin MSA that includes 183A phase I and II, 290 East phase I, II, and III, SH 71 East, SH 45 Southwest, and 183 South, which are all operational; and 183A phase III and 183 North, which are under construction and expected to be open for tolling Jan. 1, 2025, and Jan. 1, 2026, respectively. The system benefits from having existing segments open and available to help support additional planned improvements. The authority has a record of completing roads to enhance and expand the system, providing additional diversity.

The strong and growing service area supports a good base of traffic demand

The rating further reflects our opinion that demand will increase as the Austin MSA expands, as demonstrated by CTRMA's strong historical traffic trends. The authority's toll road network provides important linkages and congestion relief around Austin, despite some competition from free alternatives. Due to its serving a very congested and populous region and its recent toll rate increases, its traffic volumes and toll revenue have performed relatively well following the height of the pandemic. We also view CTRMA's established rate-setting flexibility as strong, as evidenced by a history of toll rate increase that continue to support strong financial margins and capital needs.

CTRMA's expanding toll assets will bolster the already growing traffic and revenue base

CTRMA has demonstrated robust traffic performance as seen with consistent growth in toll transactions across its toll system. CTRMA benefits from multiple assets in major thoroughfares, which mitigates some risk, but there is some concentration along the 183A toll road. The composition of traffic is primarily passenger vehicles, supplemented by a smaller portion of commercial vehicles, that drive strong toll revenue generation. Unaudited toll transactions have increased to above 200,000 in fiscal 2024 representing a 4% growth from fiscal 2023 levels. The traffic base will be further bolstered over the next two years with the opening of two new segments, and coupled with strategic management and tolling policies, this underpins the enhancing overall creditworthiness of the authority.

Management Insights: Very strong team with proven track record of project delivery

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 because of its long tenure. It provides frequent and high-quality disclosure and maintains a detailed long-range financial forecast. The multiyear capital plan is reviewed and updated regularly and the authority has experience in delivering projects on time and within budget. The authority has a history of only pursuing large capital projects that are self-sufficient and that support financial metrics. The board has a policy of maintaining unrestricted reserves above 12 months' cash expenses and has been supportive of implementing annual CPI-based toll rate increases.

Financial Risk Profile--Strong

Demand and revenue trends will continue to support favorable financial metrics as CTRMA funds its capital plan

Our strong financial risk profile assessment considers CTRMA's historical performance and updated financial projections that maintain robust financial metrics, which conservatively do not include toll rate increases producing strong DSC in the 2-2.5x range through the forecast period (2024-2029) and debt-to-EBIDA in the 10-15x range which we consider to be strong. We expect CTRMA to maintain substantial DCOH, well above 1,000 days cash on hand in the near-term as well (table 1). When toll increases are included, we anticipate some improvement in these metrics ,allowing the authority to maintain strong financial performance and adequate capacity to manage its escalating debt service requirements.

CTRMA is evaluating significant capital projects, such as the 290E phase IV project and the MoPac South project, that could result in significant additional debt needs in the medium term. However, the sizing and timing of potential issuances is unknown at present. We believe the authority's financial profile is sufficiently strong to enable it to maintain its financial profile assessment with additional debt issuances, although this is subject to the pledge of revenues, timing, and sizing of additional borrowings. In addition, the capital projects are devoted to increased revenue-generating capabilities by expanding capacity and are modular in nature to match demand; therefore, we expect DSC will remain strong throughout the forecast period.

Central Texas Regional Mobility Authority, Texas--Financial and operating data						
	--Fiscal year ended June 30--					**Medians for 'A' category rated toll roads**
	2023	**2022**	**2021**	**2020**	**2019**	**2022**
Financial performance						
Total operating revenue ($000s)	225,684	175,039	115,479	116,934	108,355	75,715
Plus: interest income ($000s)	36,276	1,398	492	4,464	5,274	
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	49,299	46,532	39,345	37,927	34,624	18,488
Numerator for S&P Global Ratings' coverage calculation ($000s)	212,661	129,905	76,626	83,471	79,005	
Total debt service ($000s)	88,560	79,021	59,341	51,805	40,035	33,243
Denominator for S&P Global Ratings' coverage calculation ($000s)	88,560	79,021	59,341	51,805	40,035	
S&P Global Ratings-calculated coverage (x)	2.40	1.64	1.29	1.61	1.97	1.75
Debt and liabilities						
Debt ($000s)	2,717,387	2,750,132	2,731,436	1,798,976	1,747,903	569,838
EBIDA ($000s)	176,385	128,507	76,134	79,007	73,731	59,116
Debt to EBIDA (x)	15.4	21.4	35.9	22.8	23.7	6.7
Liquidity and financial flexibility						
Unrestricted cash and investments ($000s)	259,696	186,856	152,816	122,640	132,940	81,937
Unrestricted days' cash on hand	1,922.7	1,465.7	1,417.7	1,180.3	1,401.4	808
Available liquidity to debt (%)	9.6	6.8	5.6	6.8	7.6	15
Operating metrics - toll road						
Total toll revenue ($000s)	225,664	174,812	115,321	116,927	108,314	74,469
Toll transactions (000s)	193,400	175,600	119,200	101,500	97,600	23,964

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations.

Related Research

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