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North Carolina Turnpike Authority Senior Toll Bond Rating Raised To 'A-' From 'BBB+' On Improved Financial Performance

NEW YORK (S&P Global Ratings) June 20, 2024--S&P Global Ratings raised its long-term rating to 'A-' from 'BBB+' on North Carolina Turnpike Authority's (NCTA) Monroe Expressway senior toll revenue bonds outstanding and the authority's subordinate Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. The outlook is stable.

"The upgrade reflects our view of Monroe Expressway's improved financial performance as measured by debt service coverage and our expectation that the expressway will continue to maintain financial metrics supportive of a strong financial risk profile," said S&P Global Ratings credit analyst Andrew Stafford.

A pledge of the expressway's receipts secures bondholders. The authority's TIFIA loan provisions allow the loan to spring to parity with senior obligations on a bankruptcy-related event. Because of these considerations, we equalize the senior- and subordinate-lien ratings.

Monroe Expressway is 19.8 miles long, of which approximately 18 miles are tolled extending from U.S. Highway 74 (US 74) at Interstate 485 in eastern Mecklenburg County, N.C., to US 74 near Marshville. It provides a limited-access, four-lane road and an alternate and timesaving route for travelers who are currently taking US 74 through the town of Monroe and several other communities. The expressway commenced toll collection operations in November 2019.

The stable outlook reflects our view that the expressway's activity levels and revenues will continue to meet or exceed current forecasts such that financial metrics are maintained at levels consistent with a strong financial risk profile.

Although unlikely, we could lower the rating if traffic volumes are materially lower than forecast, significantly weakening DSC (S&P Global Ratings-calculated) and debt to net revenue metrics.

We do not expect to raise the rating during the two-year outlook period given the expressway's smaller revenue and transaction base compared with that of higher-rated peers.

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