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Summary:

Greater New Orleans Expressway Commission, Louisiana; Toll Roads Bridges

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Credit Profile		
US$18.455 mil rfdg rev bnds ser 2014 due 11/01/2033		
Long Term Rating	A/Stable	New
Greater New Orleans Expwy Comm (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Greater New Orleans Expwy Comm		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to the Greater New Orleans Expressway Commission, La.'s approximately $18.5 million series 2014 refunding revenue bonds. At the same time, Standard & Poor's affirmed its 'A' underlying rating (SPUR) on the commission's existing revenue bonds. The outlook is stable.

The ratings reflect our view of stable traffic and the commission's good financial performance. More specifically, the ratings reflect our opinion of the commission's:

- Good competitive position for local and commuter traffic, providing relatively inelastic demand;
- Toll flexibility, as the commission has not increased rates since 1995;
- Diverse revenue pledge that includes toll revenues and 50% of vehicle license taxes flowing into State Highway Fund No. 2. These taxes alone have historically provided at least 1.00x coverage of debt service outstanding;
- Good financial performance, with debt service coverage at 1.92x in 2013 (unaudited), 1.97x in 2012, and 1.68x in 2011; and
- Manageable capital plans, with no additional debt needs in the medium term.

In our opinion, the preceding credit strengths are partly offset by the flat or declining traffic trend from 2007 to 2012, although 2013 traffic is up approximately 1% and by weak bond provisions. Toll traffic growth has historically been strong and steady, driven by the causeway's essential nature. Before Hurricane Katrina, traffic increased by a 1.6% annual average rate from fiscal years 2000 to 2004. However, due to the hurricane in fiscal 2005, traffic declined 12% to 5 million revenue transactions. Traffic rebounded by 29.8% in fiscal 2006 to 6.6 million transactions, which management attributed to a population shift to St. Tammany and Jefferson parishes, coupled with the temporary closure of half of the alternate Interstate 10 route. Traffic has ranged from a 1.9% decrease to a 0.9% increase from fiscal 2007 to fiscal 2013, and it ended fiscal 2013 at 6.4 million.

In our view, the commission's unrestricted liquidity position was good in 2011 and 2012. Days' unrestricted cash was 244 days in 2011 and 257 days in 2012. Liquidity remains good in 2013 at 278 days, based on unaudited results. The

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commission has approximately $47.1 million in revenue bond debt outstanding on a pro forma basis, including the 2014 refunding. All debt is fixed rate, and management has not entered into any interest rate swaps. The series 2014 bonds are being issued to refund series 2003 bonds.

We believe bond provisions are weak in that they include an open flow of funds that directs excess revenue to the state. The flow directs all revenue to the following accounts: the debt service fund, operations and maintenance fund, debt service reserve, extraordinary maintenance reserve, and excess revenue fund. Vehicular license tax revenues go to the debt service fund, and any excess revenue goes to the excess revenue fund. Money in the latter fund pays for the policing costs of the nearby Huey Long Bridge and $50,000 per year to each of seven surrounding parishes. The state treasurer receives any leftover money. However, a 1995 agreement allowed the commission to keep its surplus revenues for capital purposes, and no funds have been disbursed to the state. There are currently no plans to change this agreement.

The bonds benefit from a first-lien pledge of gross revenues of the commission (mostly tolls), coupled with half the money from the State Highway Fund No. 2. In accordance with the state constitution, that fund receives vehicle license taxes from the six surrounding parishes of Orleans, Jefferson, St. John the Baptist, St. Charles, Tangipahoa, and St. Tammany. The commission's revenue consists primarily of causeway toll revenues (73% of revenue in 2013). Costs include operating and maintenance expenses for the causeway and police expenses for the Huey Long Bridge. The commission has been responsible for policing the bridge since 1987. A debt service reserve fund in the amount of maximum annual debt service (MADS) also secures the bonds. The toll covenant requires the commission to set rates such that net revenues equal the greatest of:

- 1.2x the current debt service on the bonds;
- Current debt service on the bonds plus $800,000; or
- Current debt service plus an authority-determined maintenance reserve amount.

The additional bonds test requires that historical net revenue (for 12 of the past 15 consecutive months) be equal to the greater of MADS on the proposed bonds or 1.2x historical debt service for the test period ,plus the current fiscal year's debt service on the proposed bonds plus $800,000.

The commission was created in 1954 to operate and administer the expressway connecting St. Tammany and Jefferson parishes. A five-member board of commissioners governs the commission; four members (two from each parish) serve two-year terms and the fifth serves a one-year term. In addition to providing maintenance to the dual 24-mile causeways, the commission polices both the expressway and the Huey Long Bridge. It also operates the 24-mile-long Lake Pontchartrain Causeway, which consists of two parallel one-way bridges connecting St. Tammany Parish on the north shore of Lake Pontchartrain to Jefferson Parish, immediately west of New Orleans on the lake's south shore. We believe the causeway enjoys a good competitive position for traffic between the two parishes. Alternate routes, including Interstate Highway 10, are toll-free but require a significant detour around Lake Pontchartrain. Tolls are collected southbound only.

Outlook

The stable outlook reflects our assessment of the good competitive position of the Lake Pontchartrain Causeway. We expect traffic and revenues will continue to provide good debt service coverage. Significant declines in coverage or liquidity or additional debt issuances that significantly erode coverage could prompt a lower rating. We could raise the rating in response to sustained increases in coverage and liquidity levels.

Related Criteria And Research

Related Criteria

Toll Road And Bridge Revenue Bonds In The U.S. And Canada, Feb. 25, 2014

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.