

07 JAN 2025

Fitch Rates Oklahoma Turnpike Auth. Senior Rev Bonds 2025A and 2025B 'AA-'; Outlook Stable

Fitch Ratings - Chicago - 07 Jan 2025: Fitch Ratings has assigned an 'AA-' rating to the Oklahoma Turnpike Authority's (OTA) approximately \$1.1 billion series 2025A and \$223 million series 2025B second senior revenue and revenue refunding bonds, respectively. Fitch has also affirmed the rating on \$2.0 billion in outstanding second senior revenue bonds at 'AA-'. The Rating Outlook on all of the bonds is Stable.

RATING RATIONALE

The rating reflects the turnpike system's demonstrated mature and stable traffic profile along with significant rate-making flexibility. In addition, the system's financial profile in Fitch's forward-looking cases remains strong, factoring in an estimated \$3.0 billion of new debt issuances over the next 10 years to fund system expansions. The rating also recognizes the availability of motor fuel excise tax (MFET) revenue in the flow of funds, which further enhances debt service coverage ratios (DSCRs) and supports the 'AA' category rating.

KEY RATING DRIVERS

Revenue Risk - Volume - High Stronger

Resilient Traffic Demand: The OTA system consists of a diverse enterprise of eleven turnpikes, playing a critical role for intra- and inter-state traffic. The lack of alternatives in Oklahoma for long-distance travel and essentiality of the system contribute to an established and stable traffic demand base. The average toll rates of \$0.07 per mile for passenger cars and \$0.25 per mile for commercial vehicles effective Jan. 1, 2025 remain competitive compared to Fitch's rated portfolio and demand has been substantially inelastic to past toll increases.

Revenue Risk - Price - Stronger

Considerable Rate-Making Flexibility: The OTA's board has the ability and demonstrated willingness to raise rates in excess of inflation without legislative approval. If pledged revenues or other available funds prove insufficient to cover debt service, the OTA is entitled to raise tolls in a timely manner or apply a portion of MFET collected on the turnpikes.

Infrastructure Dev. & Renewal - Stronger

Proactive Capital Improvement Plan: The OTA has an ongoing five-year capital plan that focuses on asset preservation. Projects are funded by accumulated balances in the general fund and reserve

maintenance fund. OTA started ACCESS, a 15-year long range capital plan to reduce congestion on existing turnpikes, improve safety and expand the system. The approximately \$8.2 billion ACCESS improvement plan will be funded with new debt issuances.

Debt Structure - 1 - Stronger

Conservative Debt Structure: OTA's debt structure is entirely fixed-rate and fully amortizing. The debt service reserve is fully cash funded and covers maximum annual debt service (MADS). OTA also benefits from a pledge of motor fuel excise taxes. Fitch does not expect OTA to access the MFET funds because net revenues will exceed debt service requirements.

Financial Profile

OTA maintains a healthy financial position due to stable traffic and revenue growth. Total DSCR was 2.6x in 2023 (2.2x excluding MFET) and is expected to remain above 2x in 2024. Under Fitch's rating case, the 10-year average DSCR is 2.2x (1.8x excluding MFET). Net debt/cash flow available for debt service (CFADS) was low for the rating level 4.7x in fiscal 2023. Leverage increases with debt issuances for capital projects but remains commensurate with the rating at 10.9x in 2028 in Fitch's rating case. OTA has ample liquidity of over 600 days cash on hand as of 2023.

PEER GROUP

OTA's closest peers include Ohio Turnpike and Infrastructure Commission (OTIC, senior lien debt: AA, junior lien debt: AA-, Stable Outlook) and Pennsylvania Turnpike Commission (PTC, senior lien debt: AA-, junior lien debt: A, Stable Outlook). Each operates long-distance segments in both urban and rural regions. OTA and OTIC benefit from low toll rates and considerable pricing flexibility compared to PTC, which has moderate toll rates and potential exposure to political risk.

PTC's senior 10-year average rating case DSCR of 2.6x is comparable to OTA's average of 2.2x. OTIC's senior lien is subject to relatively restrictive covenants and is minimally leveraged with 10-year average DSCR in excess of 9x, supporting its higher 'AA' rating. Unlike OTIC and PTC, OTA's coverage is boosted by the MFET in excess of the standard net revenue pledge.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Declines in traffic and revenue performance or increased borrowing that result in coverage falling below 1.8x including MFET;

--Declines in traffic and/or legislative acts that negatively impact MFET apportionments.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Sustained Fitch rating case DSCR at or above 2.5x including MFET incorporating all future issuances.

TRANSACTION SUMMARY

OTA plans to issue \$1.1 billion in series 2025A second senior revenue bonds. Proceeds of the series 2025A bonds will be used to fund future ACCESS capital projects, reimburse previously authorized ACCESS capital expenditures, several years of capitalized interest, a deposit to the debt service reserve fund, and costs of issuance. The bonds are fixed rate, on parity with outstanding senior bonds, and mature in 2054.

OTA also plans to issue \$223 million in series 2025B refunding second senior revenue bonds. Proceeds will be used to refund all or a portion of the series 2017A second senior revenue bonds and pay costs of issuance. The bonds are fixed rate, on parity with outstanding senior bonds, and mature in 2041.

SECURITY

The authority's revenue bonds are secured by revenues of the system after the payment of operating expenses in addition to the MFET apportioned to the OTA for deposit to the credit of the turnpike trust fund.

ASSET DESCRIPTION

The Oklahoma Turnpike Authority operates a system of 11 turnpikes comprising approximately 624 centerline miles. The OTA was created as an instrumentality of the State of Oklahoma in 1947 with power to construct, operate and maintain the turnpike system and issue turnpike revenue bonds payable only from tolls and other OTA revenues.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Fitch Ratings Analysts

Gavin Weiss

Associate Director

Primary Rating Analyst

+1 312 606 3301

Fitch Ratings, Inc. One North Wacker Drive Chicago, IL 60606

Jen Carroll



Analyst
Secondary Rating Analyst
+1 212 908 0326

Margaret Rowe
Managing Director
Committee Chairperson
+1 312 368 3167

Media Contacts

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Oklahoma Turnpike Authority (OK)			
<hr/>			
• Oklahoma Turnpike Authority (OK) /Toll Revenues ^{LT} - First Lien/ 1 LT	AA- 	Affirmed	AA- 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		

RATINGS KEY OUTLOOK WATCH

STABLE



Applicable Criteria

[Infrastructure & Project Finance Rating Criteria \(pub.17 May 2023\) \(including rating assumption sensitivity\)](#)

[Transportation Infrastructure Rating Criteria \(pub.18 Dec 2023\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

GIG AST Model, v1.4.2 [\(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Oklahoma Turnpike Authority (OK) EU Endorsed, UK Endorsed

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