
RATINGS RATIONALE

The Aa3 senior lien rating of the Maine Turnpike Authority is underpinned by its position as the primary link between the State of Maine and the rest of the United States, as well the primary travel corridor through the southern portion of the state, serving the vast majority of Maine's population. Management has historically maintained very strong debt service coverage with relatively low leverage, with coverage exceeding 2.4x on a Moody's net revenue debt service basis and adjusted debt to operating revenue below 3.7x for the last five years. The ratings also reflect weaker than standard debt service reserve fund levels and liquidity levels materially lower than its peers. The A2 rating on the Special Obligation Bonds is based on the subordinated nature of the security pledge and the lack of a debt service reserve fund.

The authority currently estimates its capital program costs for the six-year period from 2020 through 2025 at approximately $529 million to be funded by a combination of pay-go revenue and bond issuance. Management has plans for additional issuance to fund the capital program starting in 2024. The authority has not modified its capital program as a result of the pandemic.

The current offering reflects a potential shift in financial metrics due to the additional leverage for capital improvements. At $130 million, it is a nearly 30% increase in the authority's debt levels. Annual debt service requirements will increase from approximately $38 million pre-issuance in FY 2020 to $52 million in FY 2026. Based on authority projections for traffic and revenue, net revenue debt service coverage is expected to settle in around 2.15x senior/2.0x all-in through FY 2026 before additional issuance is layered in. Further actions to increase revenues or control expenses to maintain all-coverage closer to the historical levels on a Moody's net revenue basis through future issuance would be supportive of the Aa3 ratings.

RATING OUTLOOK

The stable outlook reflects the expectation that the authority's all-in debt service coverage ratios will be maintained above 2.0x on a Moody's net revenue basis through its borrowing plan.

FACTORs THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant and continuing increase in traffic and revenue that translates into better than historical DSCRs and leverage despite increased debt
- Cash levels maintained above 730 days

FACTORs THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Declines in traffic and revenue, such that all-in Moody's Net Revenue DSCR falls below 2.0x on a sustained basis
- Further increase in leverage without a commensurate increase in net revenue
- A drop in days cash on hand below 500 days on a sustained basis

LEGAL SECURITY

The bonds are secured by the net revenues of the authority. The pledge securing the Special Obligation Bonds is subordinate to the pledge granted to secure the Turnpike Revenue Bonds. The authority has the
autonomous right to set and collect tolls. Net revenues must be at least equal to 1.20x aggregate annual bond
ordinance debt service and 1.00x the sum of bond ordinance debt service, the required reserve maintenance
deposit, the required debt service reserve deposit and any other required deposit. The debt service reserve
requirement is 50% MADS as long as the bond ordinance debt service coverage of the prior year exceeds
2.00x; otherwise the requirement increases to MADS for the current and all futures years' turnpike revenue
bonds are outstanding.

USE OF PROCEEDS

The bonds are being used to finance the costs of capital improvements, fund the debt service reserve fund and
pay costs of issuance.

PROFILE

The Maine Turnpike serves as a primary travel corridor through the southern portion of the state, extending
approximately 109 miles from the New Hampshire/Maine border at Kittery northward to Augusta. The vast
majority of Maine's population lives and works in the southern portion of the state served by the Turnpike.
Major communities served include Kittery, Biddeford, Saco, Portland, Westbrook, Auburn, Lewiston and
Augusta. The turnpike is the primary link between Maine and the rest of the United States.

The turnpike is a controlled access divided highway with barrier guardrail. The northern section of the turnpike
through Portland to Augusta consists of two 12-foot travel lanes and an 8-foot outer shoulder on both
roadways. The southern section from Kittery to Portland consists of three 12-foot travel lanes and a widened
12-foot outer shoulder on each roadway. The turnpike owns and maintains 201 bridges or culverts at least 10
feet in length and many other significant structures. The turnpike operates 19 toll plazas, five service areas,
seven highway maintenance facilities, three mechanic garages, a body shop, a sign shop, and a headquarters
building that also houses an E-ZPass customer service, a radio room and Troop G of the Maine State Police.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities
docid=PBC_1091602. Alternatively, please see the Rating Methodologies page on www.moodys.com for a
copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections
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