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Fitch Places Northwest Parkway, Colorado, 'BBB-' on Rating Watch Negative

NEW YORK--(BUSINESS WIRE)--Oct. 3, 2005--Fitch Ratings places the 'BBB-' rating on \$404.5 million in outstanding Northwest Parkway Public Highway Authority, CO (Northwest Parkway, or the authority) senior revenue bonds, series 2001A, 2001B, and 2001C on Rating Watch Negative. The series 2001 senior bonds are insured by Ambac Assurance Corporation and Financial Security Assurance, Inc., both of whose insurer financial strength is rated 'AAA' by Fitch. Fitch's action reflects continuation of significantly lower than expected traffic and revenue trends that are not consistent with the current rating without a debt restructuring.

On April 30, 2004, Fitch assigned a Negative Outlook to the senior bonds' 'BBB-' rating. While traffic and revenue have steadily increased since the Northwest Parkway toll road opened in November 2003, traffic growth has been significantly below levels anticipated by both the authority and by Fitch's stress analysis. Fiscal 2004 toll revenues equaled \$4.2 million, or 67% of expected toll revenues, based on the traffic and revenue forecast when the bonds were sold. Although traffic and revenue have increased by about 40% through August 2005, toll revenues for this year are likely to come in at 50%-55% of forecast, indicating an increased divergence from forecast.

In January 2006, the authority is expected to implement a scheduled toll increase that will raise the mainline toll rate to \$2.00 from \$1.75, and open the Sheridan Interchange. The interchange, which is expected to improve access to a portion of Broomfield, CO, will be operational three years ahead of forecast. While these actions will raise revenues, toll revenues and investment earnings alone will not be sufficient to meet the authority's 1.30 times (x) senior and 1.15x senior and subordinate debt service rate covenants (\$52.5 million first-tier subordinate bonds not rated by Fitch). Rather, the authority will likely need to draw on a portion of its \$21.1 million in remaining construction funds to meet its senior and subordinate debt service obligations (\$6.1 million senior debt service and \$2.3 million subordinate debt service). The senior debt service reserve fund of \$36.2 million and the first-tier subordinate debt service reserve fund of \$5.1 million remain untouched and provide additional important near-term liquidity.

The significantly lower revenue profile combined with escalating debt service requirements pose a significant financial challenge that if left as is will likely result in a draw on the senior and first-tier subordinate debt service reserve funds in fiscal 2007. The authority is currently developing a debt restructuring. In Fitch's opinion, the authority will likely also need to accelerate its plan of rate increases. Fitch's experience with tolls roads indicates that while traffic and revenue consultants may overstate early year volumes, they tend to understate toll rate sensitivity. Toll roads have demonstrated a greater rate-making flexibility than the consultants indicate. If Northwest Parkway is unsuccessful in implementing a plan to restore fiscal stability within the next few months, Fitch expects to likely downgrade the rating on the senior revenue bonds.

The senior revenue bonds are secured by toll revenues after payment of operations and maintenance expenses. The Northwest Parkway Public Highway Authority, which is a subdivision of the State of Colorado as authorized by the public highway authority law, was established in 1999 by the counties of Broomfield and Weld and the City of Lafayette. The authority is responsible for the financing, design, construction, and operation of the Northwest Parkway. The Northwest Parkway is a westward extension of the Denver region's beltway and consists of the two-mile Interlocken Loop between State Highway 128 and Tape Drive and a nine-mile limited access toll road between Tape Drive and I-25 with a connection to E-470.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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