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INVESTORS SERVICE

Rating Update: Moody's maintains A2 on Tampa Port Authority's, FL revenue bonds; outlook is stable

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Authority has a total of $15 million rated debt outstanding

TAMPA PORT AUTHORITY, FL
Ports
FL

NEW YORK, December 11, 2015 --Moody's Investors Services maintains the A2 rating of the Tampa Port Authority's, FL $15 million outstanding revenue bonds. The outlook is stable.

SUMMARY RATING RATIONALE

The A2 rating is based on the Tampa Port Authority's (TPA) growing market in the economically dynamic central Florida region that should support stable demand for imported goods. The authority, as a landlord port, benefits from long term contracts with a broad range of tenants that provide minimum annual financial and tonnage guarantees, and TPA has also accumulated cash balances above 750 days cash on hand that serve to offset the significant throughput volatility of the port sector. The rating is additionally supported by the ability to levy ad valorem taxes on the highly rated Hillsborough (County of) FL (Aaa stable) economy, and TPA's current and planned millage rates are well below the statutory cap. The authority faces a long term risk with the Sunshine Bridge that crosses Tampa Bay as it poses a clearance restriction on the newer and planned classes of cruise ships, which account for 22% of revenue, though management estimates that such restrictions will not be a major factor for approximately 15 years, at which point most debt outstanding will have matured. The rating is also negatively pressured by the lack of cash funded debt service reserve funds on the rated debt and no debt service reserve on the bank debt, though unrestricted liquidity offsets that risk.

OUTLOOK

The stable outlook is based on TPA's healthy financial position and Moody's view that projections provided by management are sufficiently conservative and provide upside potential if throughput growth outperforms and as new projects come on line.

WHAT COULD MAKE THE RATING GO UP

-Significant cargo and revenue growth

-Debt service coverage on a bond ordinance basis (i.e. without ad valorem taxes) above 2.0 times.

WHAT COULD MAKE THE RATING GO DOWN

-Loss of a major cruise line

-Depletion of cash balances

-Substantial increase in debt to address a new cruise terminal

STRENGTHS

-Solid competitive position: the largest port in Florida (on a tonnage basis); proximity to Central and South America; closest deepwater port to the Panama Canal; supply of developable land; and gateway to a large, expanding metropolitan area that provides a high level of non-discretionary cargo

-Well established trend of favorable financial performance and large cash balances

-Taxing authority supports capital investments with property tax revenues ranging from $13.5 million to $16.8 million over the past five years

-Increasing connectivity with regional transportation network through new intermodal facility and direct connection to Interstate 4

-Low debt levels with manageable overall debt structure

-Port is well positioned to see increased revenues from mixed-use development near it's Channelside and cruise terminal facilities

CHALLENGES

-Access to the port's cruise facilities will become increasingly constrained by the Sunshine Skyway Bridge as cruise ships continue to grow in size

-Port remains vulnerable to industry shifts in the competitive cruise and cargo businesses, especially in phosphate, sulphur, and petroleum products. However, this trend will have minimal impact on the authority's own financials as the volatility has mostly been experienced at privately owned (non-authority owned) facilities

-Expansive facilities with multiple points of entry creates security challenges and expenditure pressures

-Debt profile, while manageable, is complicated by putable bank debt and lack of debt service reserves

RECENT DEVELOPMENTS

Unaudited financial results for FY2015 show that operating revenues increased to $51 million in FY2015, a 6% increase over FY2014 while operating expenses stayed flat at $28 million.

DETAILED RATING RATIONALE

REVENUE GENERATING BASE

TPA's revenues are derived from bulk cargo, general cargo (which includes containers), and cruise ships. Bulk cargo, including petroleum products, provides the largest share of operating revenue at 42%, while revenues from cruise operators make up roughly 22% of operating revenues. The remainder is a combination of general cargo and land rentals. Management notes that a multi-year decline in petroleum products can be attributed to a weakening in demand for petroleum products; however, unaudited FY2015 results have shown an 8% increase over FY2014, returning the commodity to FY2012 levels. Cruise passengers have also rebounded after a down year in FY2013, to 888,343 in FY2014 from 854,260 in FY2013. The increase was possible because the authority was successful in attracting a Carnival Cruise ship that it had lost only a few years ago. The contract with Carnival Cruise lines (Carnival Corporation, Baa1 stable) was extended through September 2017. Agreements with operators Royal Caribbean Cruises Ltd. (Ba1 stable) and Norwegian (NCL Corporation Limited, Ba3 negative) extend through FY2016 with a one year option and two one-year options, respectively. TPA already has berth reservations into FY2018 for the three cruise lines. The authority anticipates approaching 1 million cruise passengers in FY2017.

TPA has recently added unit train capability to its main Hookers Point complex, providing for additional business lines. The new rail, built in a collaboration with CSX, Transflo, and Kinder Morgan, was accompanied by increased throughput of ethanol. The new rail service can also accommodate containers, which supplements TPA's recent expansion of its container yard from 25-40 acres. While the container volume is still small compared to regional and national peers, the combination of new rail service and two new post-Panamax cranes on order will help facilitate the diversification of TPA's cargo flows.

The Tampa-St. Petersburg-Clearwater FL MSA has rebounded after a sluggish first quarter and is now surging above the national average as net migration trends are overwhelmingly positive for the region. According to Moody's Analytics, Tampa added jobs at the fastest pace in more than a decade and the 5.3% unemployment rate is the lowest observed rate since 2007. Although the concentration of leisure and hospitality jobs remains high at 11%, the economy will continue to expand as hotel and tourism infrastructure increases in the region. Construction employment has reached its highest levels in six years, and it is likely that the growth will persist as multifamily housing permits outpace single family homes, demonstrating a changing demographic profile moving into the region, which is skewing younger. Population growth and increased construction projects will drive local demand for goods coming into the port.

TPA is also positioned to benefit from a nearly $1 billion investment in mixed-use development in downtown Tampa

2.) Diversity and Volatility

a.) Financial Revenue Variation (5-year operating revenue CAGR) - A (3.9%)

b.) Customer Diversity - Baa (60%)

3.Capital Program

a.) Capital Needs Requiring Leveraging - Aa

4.Financial Metrics

a.) Net Revenues DSCR (3 year avg) - Aa (2.60x)

b.) Debt to Operating Revenue (3 year avg) - A (2.54x)

Notching Factors

-Tax Support for Operations - +1 notch

-Liquidity - 0 notch

-Scorecard outcome: A2

OBLIGOR PROFILE

TPA is primarily a landlord port serving the greater Tampa Bay area on approximately 2,600 acres. The authority is a self-supporting organization and generates revenues from port users to fund all operating expenses, debt service requirements and a portion of capital projects. The authority has the ability to levy up to $0.50 mills in ad valorem taxes each year. The Port Authority's FY2014 millage rate was $0.1750 mills.

LEGAL SECURITY

The bonds are secured by gross revenues of port operations, excluding property tax revenues. Additional legal security is provided by a rate covenant that requires gross revenues to cover 100% of operating expenditures, 120% of annual debt service, and 100% of reserve account deposits if needed. The additional bonds test requires that net revenues received in 12 of the last 24 months must equal at least 125% of maximum annual debt service on all outstanding and additional bonds. The bonds are also secured by a debt service reserve fund equal to the lesser of maximum annual debt service or 125% of average annual debt service. The authority's debt service reserves are funded by a surety provided by National Public Finance Guarantee. The authority's bank loans do not have debt service reserve funds.

USE OF PROCEEDS

Not Applicable

The principal methodology used in this rating was Public Port Revenue Bonds published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

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