

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

Global Credit Research - 11 Dec 2015

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 puttable 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.

Please see Moody's Ratings Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the time horizon in which a credit rating action may be after a review or outlook action took place.

Please see ratings tab on the issuer page on www.moodys.com for the last rating action and the history of the rating. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com/disclosures for further information.

Please see the ratings disclosure page on www.moody's.com/disclosures for disclosures on significant Moody's shareholders and on certain relationships between Moody's, its shareholders and/or rated issuers.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

Analysts

Earl Heffintrayer
Lead Analyst
Public Finance Group
Moody's Investors Service

Chee Mee Hu
MANAGING_DIRECTOR
Public Finance Group
Moody's Investors Service

Kurt Krummenacker
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS

OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you

represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.