S&P Global
Ratings

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Summary:

Greater Orlando Aviation Authority, Florida; Airport

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Summary:

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Credit Profile		
US$107.2 mil arpt fac rev bnds ser 2016B due 10/01/2046		
Long Term Rating	AA-/Stable	New
US$86.06 mil arpt fac rev bnds ser 2016A due 10/01/2046		
Long Term Rating	AA-/Stable	New
US$40.0 mil arpt fac taxable rfdg rev bnds ser 2016C due 10/01/2039		
Long Term Rating	AA-/Stable	New
Greater Orlando Aviation Auth 1st ln		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings has assigned its 'AA-' rating to Greater Orlando Aviation Authority (GOAA), Fla.'s pro forma $86 million series 2016A (AMT) airport facilities revenue bonds, $107 million series 2016B (non-AMT) airport facilities revenue bonds, and $78 million series 2016C airport facilities taxable refunding revenue bonds. At the same time, S&P Global Ratings affirmed its 'AA-' rating on GOAA's (senior-lien) airport facilities revenue bonds and 'A+' rating on GOAA's priority subordinated airport facilities revenue bonds. The outlook is stable.

In our opinion, key credit strengths include the following:

- A large origin and destination (O&D) base (about 95% of the airport's total);
- An expanding service area that has a very strong tourist industry, which several major theme parks anchor;
- Retention of a strong enplanement base, increasing at a compounded annual average rate of about 1.5% per year the past four through 2015. This includes strong 7.4% growth in 2015, and 10.5% growth for the first nine months (through June 30) of fiscal 2016;
- A low airline cost structure (at $4.50 for fiscal year-end 2015 [Sept. 30]) that we expect will increase to levels we consider moderate-to-moderately high; and
- A relatively diverse revenue base that we expect to continue, with nonairline sources-parking, rental car companies, various terminal area revenue sources, and hotel operations-accounting for roughly 60% or more of operating revenues.

We believe that offsetting these strengths somewhat is a large, demand-driven $3 billion capital improvement plan (CIP) covering fiscal years 2016-2023, which we believe could affect coverage levels; and the airline cost structure as a result of GOAA issuing roughly $1.5 billion of additional debt ($1 billion senior debt and $530 million of subordinated debt) in the next three years.

We rate the subordinated bonds one notch below the senior-lien obligations, pursuant to our criteria for municipal

operating entities. The 2016A and 2016B bond proceeds, together with other available GOAA funds, will finance a portion of the costs of the 2016 project; fund a deposit to the composite reserve subaccount; pay capitalized interest on the bonds; repay a portion of the approximately $160 million of draws made on existing lines of credit; and pay some costs of issuance. The 2016C bond proceeds, together with other available authority funds, will advance refund all or a portion of GOAA's series 2009C and 2010A airport facilities revenue bonds outstanding.

With the series 2016 bonds, GOAA will have approximately $1.1 billion of debt outstanding, consisting of roughly $1.07 billion of senior debt and $62.76 million of subordinated debt. Senior-lien bondholders benefit from a first-lien net revenue pledge, which can include available passenger facility charge (PFC) revenues up to 1.25x debt service with respect to senior-lien bonds issued for PFC projects. Also securing the bonds is a debt service reserve funded to the least of maximum annual debt service, 10% of bond principal outstanding, or 125% of the average annual debt service. Debt service reserves are cash-funded.

GOAA operates the airport system, which is composed of Orlando International Airport (MCO) and Orlando Executive Airport (ORL), a general aviation airport. The City of Orlando owns both airports, and the authority operates them under a 50-year agreement expiring in 2065. MCO serves commercial air carriers and ORL serves general aviation. ORL's revenues are not pledged to the bonds outstanding.

In fiscal 2015, MCO ranked sixth among U.S. airports in terms of domestic O&D passengers, 15th in enplaned passengers, and second-busiest airport in Florida (behind Miami) in in terms of enplaned passengers. We consider Orlando a unique destination market, because MCO's air trade area has the largest concentration of theme parks in the nation, with several parks having opened major new attractions in recent years. Orlando continues to attract both domestic and international visitors, and had the highest number of visitors of any U.S. city over the past five years. The area's economy is also diversifying; the ongoing development of a large medical complex has increased employment in research, medical care, and education. Also, the tourist-related attractions that Orlando is widely known for have been expanding, and plans from companies in this sector indicate this will continue over the next few years. The Orlando MSA is home to the 7 million square feet Orange County Convention Center, the second-largest convention facility in the U.S. after Chicago's McCormick Place.

The authority experienced a 7.4% jump in enplanements in fiscal 2015, following a slight rebound in enplanements in 2014. The 2015 figure represents a record for enplanements, topping that of 2008. Through the first nine months of fiscal 2016, domestic and international enplanements have increased 9.8% and 15.9%, respectively. We expect GOAA's enplanement growth in the near term to remain favorable given the airport's historically resilient air travel demand profile, increasing regional economy, and growth trend of its international business. An airport consultant report prepared in connection with bond issue assumes that the authority's compound annual growth rate (CAGR) for enplanements is 2.2% for 2016-2023, which we consider moderately aggressive, given that GOAA's CAGR for enplanements from 2000-2015 is 1.5%. Nevertheless, we consider such forecast achievable since enplanements for the first nine months of fiscal 2016 is up 10.5%, higher than the 9.4% increase assumed for the entire fiscal year.

We consider MCO's air carrier diversity relatively good, despite recent mergers in the airline industry, with Southwest Airlines Co. accounting for 26.9% of total enplanements in fiscal 2015, is the leading carrier by passenger volume, followed by American Airlines (15.5%), and Delta Air Lines Inc. (14.7%).

We consider coverage (S&P Global Ratings-calculated) to be good, having ranged from 1.47x-2.0x from 2011-2015. Indenture coverage, which includes 125% of PFC-eligible debt service as revenues (whereas S&P Global Ratings counts 100%), was 2.02x in fiscal 2015, including senior and subordinated debt service. The financial projections prepared in connection with this show continued good coverage (S&P Global Ratings-calculated) no lower than about 1.7x through fiscal 2019, before dropping to around 1.3x to 1.4x for 2020-2023. We attribute the drop primarily to increasing debt service requirements from $1 billion of senior and $530 million of subordinate bonds in fiscal years 2017-2019 to fund the south terminal complex project. Our coverage calculations count PFC used to offset debt service as part of revenues and include the debt service for all of GOAA's senior and subordinate debt.

The authority's fiscal 2015 cost per enplanement is $4.50, net of revenue sharing with airlines, which we expect will increase to $9 to $10 for fiscal years 2020-2023, a level we consider moderate-to-moderately high, but manageable, as a result of issuing debt to fund CIP projects.

GOAA's unrestricted cash and investments as of fiscal year-end 2015 totaled approximately $259 million, or about 393 day's operating cash on hand, according to our calculations. As of June 30, 2016, authority officials reported an unaudited unrestricted cash and investment balance totaling approximately $267 million (or 387 days according to our calculations based on fiscal 2016 budgeted operating expenses of $251 million). We expect GOAA to maintain a liquidity position comparable to these levels over the forecast period (2017-2023). As well, the authority has access to three lines of credit totaling $550 million that it will use for interim CIP financing, and management plans to retire any borrowings on these lines with long-term financing. As of Sept. 1, 2016, it had drawn approximately $160 million on these facilities. GOAA entered two bond transactions (series 2013A and 2013B) directly with banks in 2013, totaling $82.8 million. We believe the optional tender provisions in the transaction documents present low contingent liquidity risk, due to the remote likelihood of the events triggering the tender option, and the sufficient amount of time between the event and any early payment due date.

Outlook

The stable outlook reflects our expectation that, over the next two years, MCO enplanement trends will remain generally favorable, given the local economy's diversity and the market's attractiveness. The outlook also reflects our expectations that management will proactively implement revenue and expense adjustments and reassess the timing of debt financing capital needs to ensure a manageable debt burden and generally good coverage (S&P Global Ratings-calculated), in the event demand growth does not meet expectations.

Upside scenario

We consider it unlikely we will raise the rating in the next two years, given the authority's significant additional borrowing plans.

Downside scenario

We could lower the rating in the next two years should enplanements weaken or fall below projected levels that we view as moderately aggressive, but achievable, or the planned increase in leverage erode coverage (S&P Global Ratings-calculated) significantly from currently high levels.

Ratings Detail (As Of September 16, 2016)		
Greater Orlando Aviation Auth arpt		
Long Term Rating	AA-/Stable	Affirmed
Greater Orlando Aviation Auth priority subord arpt facs rev rfdg bnds (Amt) ser 2016 due 10/01/2027		
Long Term Rating	A+/Stable	Affirmed
Greater Orlando Aviation Auth 1st ln		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.