New Issue: Greater Orlando Aviation Authority, FL

MOODY'S ASSIGNS INITIAL A2 RATING TO GREATER ORLANDO AVIATION AUTHORITY'S CAR RENTAL FACILITY BONDS; THE OUTLOOK IS STABLE

RATING APPLIES TO $63.6 MIILLION OF RENTAL CAR FACILITY CHARGE REVENUE BONDS, SERIES 2009

Airport
FL

Moody's Rating

ISSUE		RATING
Special Purpose Facilities Revenue Bonds (Rental Car Facilities), Series 2009		A2
Sale Amount	$63,590,000	
Expected Sale Date	09/24/09	
Rating Description	CFC Revenue	

Moody's Outlook Stable

Opinion

NEW YORK, Sep 14, 2009 -- Moody's Investors Service has assigned an initial A2 rating on the Greater Orlando Aviation Authority's Special Purpose Bonds, Series 2009 for the car rental facility project in the amount of $63.6 million. The rating outlook is stable. The rating and outlook are based on the history of strong demand for rental car transactions, the strong expected debt service coverage, the short 8-year maturity schedule, high project liquidity, and the minimal expected future debt relative to current customer facility charge (CFC) collection levels.

LEGAL SECURITY: Pledged revenues and pledged funds, which includes Customer Facility Charge revenues, the revenue fund, the debt service fund, the debt service reserve fund, the coverage fund, the CFC stabilization fund, and certain amounts in the project fund and facility improvement fund. The CFC has been collected since October 1, 2008 and is initially set at $2.50, but can be changed unilaterally by the GOAA board. The CFC is collected for each rental car transaction day up to a maximum of 5 days.

The bonds are supported by a debt service reserve fund that will be cash funded to maximum annual debt service (MADS) at bond closing, a rate covenant that requires revenues including the coverage account to reach 125% debt service requirements, and an additional bonds test that requires revenues and the coverage account to reach 125% of MADS including additional bonds for either 12 of the past 18 months or for five years following bond issuance.

USE OF PROCEEDS: Bond proceeds will be used to renovate and expand rental car facilities at the airport and complete associated projects. Rental car quick turnaround areas (QTA) and ready/return areas will be expanded to increase capacity and to provide better balance of facilities at each side of the airport's landside terminal. Renovation will include the construction of a common use fuel delivery system and the reconfiguration of terminal roadways to support the expanded facilities.

INTEREST RATE DERIVATIVES: None.

STRENGTHS

* Strong history of rental car demand and the airport is currently the largest U.S. rental car market

* Low CFC, low debt level and rapid debt maturity provide substantial financial flexibility

* Strong debt service coverage that remains near 2.0x even under a stressful sensitivity analysis that keeps visiting passengers below 2004 levels throughout the forecast period

* Strong liquidity from the outset with fully funded coverage and debt service reserve funds that are expected to come from bond proceeds as well as a rate stabilization fund that will be funded from CFC revenues on hand, for a total of $17.5 million

* Low potential for increased construction or operating costs due to minimal complexity of facility design and operation

CHALLENGES

* Debt is supported by only the single revenue stream of CFC collections

* Recent trends include declines in visiting O&D passengers and the propensity of passengers to rent cars due to declining economic conditions and increasing rental costs; Moody's believes future transaction day growth is not likely to reach levels seen in recent years

MARKET POSITION AND OPERATIONS: VERY STRONG HISTORICAL DEMAND HAS SHOWN SIGNS OF WEAKNESS IN RECENT YEARS

The airport has an excellent position as the largest rental car market in the U.S. based on rental car company (RAC) gross revenues. Rental car revenues at the airport were over $550 million in 2007, significantly higher than the just over $500 million collected at Los Angeles International Airport (Los Angeles Department of Airports rated Aa3) the only other market to collect more than $375 million. The airport is currently served by 8 RACs, but at the opening of the new facility this number is being reduced by GOAA to 4 in order to streamline the passenger rental experience. This forced some RACs to partner with other RACs to win the bid as one of the four companies. The four winning bids include a total of 9 brands -- Hertz, Avis/Budget, Enterprise/Alamo/National, and Dollar/Thrifty -- that will serve the airport. L&M/EZ will also serve the airport under an agreement with substantially similar terms. The five companies that have signed the concession agreement have agreed to collect the CFC for GOAA, pay rent on all occupied space, and take care of all maintenance and utility costs for their areas.

The rental car market has softened somewhat in recent years as a result of economic conditions and the reduction of passengers passing through the airport. Enplanements at Orlando International have decreased 9.9% year-to-date in FY 2009; the market share comprised of visiting O&D passengers has fallen from 77.8% of total O&D passengers in FY 2001 to 74.3% in FY 2008; and the propensity of visitors to rent cars has declined from 21.3% in FY 2001 to 19.4% in FY 2008. As a result of these trends, rental car transaction days have declined in FY 2009 and are projected to finish down -9.1%. Base case projections assume a 4.8% decline in FY 2010 before growth slowly returns in 2011.

FINANCIAL POSITION AND PERFORMANCE: HIGH INTERNAL LIQUIDITY AND AMPLE ABILITY TO INCREASE THE CFC PROVIDE FINANCIAL FLEXIBILITY

The financial flexibility of this project -- derived from low, rapidly-amortizing debt, high coverage and high liquidity -- is a key component of the strength of this rating. The project includes high levels of internal liquidity of which $12.5 million will be funded from bond proceeds and $5 million will come from previous collections. At closing the bonds will be supported by a debt service reserve fund (equal to MADS), a coverage fund (25% of MADS), and a CFC stabilization fund ($5 million). These funds are expected to total approximately $17.5 million, providing strong protection to bondholders scheduled to receive approximately $10 million in annual debt service. Given the short duration of the debt (final maturity in 2017) the $17 million also represents approximately 27% of the total outstanding debt.

The project also has flexibility in its ability to cover annual debt service with pledged revenues. The CFC, currently set at $2.50 per transaction day (limited to 5 transaction days) is expected to provide annual debt service coverage that exceeds 2.34 times, when the coverage account is included. This high coverage balances Moody's concerns that transaction day growth is not likely to quickly return to historic levels. At $2.50, the CFC is low relative to many other similar charges across the U.S. and indicates that there is substantial ability to raise rates to offset any future declines in transactions. Moody's believes coverage levels will stay above 2.0 times without including the benefit of the coverage account. The feasibility study showed debt service coverage based on annual collections staying above 1.96 times even with the assumptions of a continued decline in the propensity to rent and annual visiting passengers continuing to decline in 2010 and 2011 and remaining below 2004 levels through 2014. We believe this scenario is reasonable, but unlikely and demonstrates the resiliency of the credit if transaction growth returns late and at significantly lower levels than the airport has previously experienced.

CAPITAL IMPROVEMENT AND DEBT: TOTAL DEBT IS VERY MANAGEABLE, BUT SOME CONSTRUCTION RISK REMAINS

The bonds are being issued to partially fund the improvements to the airport's rental car facilities that should improve efficiency and capacity and provide better facility balance between the airport's two terminals. The entire project cost is estimated at $60.3 million, $10.3 million of which has already been paid for through June 2009. GOAA also used $25 million in commercial paper as interim funding for construction, so the construction risk is limited because construction is 70% complete on the major projects of the QTA and the terminal loop road and all other projects are complete. Construction risk is also minimized by the limited complexity of the project which mainly includes rearranging and developing paved areas, installing a consolidated vehicle fueling system, and moving some terminal roadways. The construction risk that remains is mitigated by substantial additional debt capacity, $7.4 million of contingency funds and liquidated damages assessed if the project is not delivered on time.

GOAA has deferred $39 million of associated projects that it expects to fund with CFC collections in the future. These projects include the construction of a cell phone lot, a taxi hold area, a bus hold area and the required roads to connect these lots to the terminal road. There is some potential that these projects could be funded through additional debt, however Moody's expects GOAA will fund these projects with future CFC collections that are not used for debt service on the Series 2009 bonds. The CFC is authorized in an amount that will pay for all the facility projects and collections will cease when those projects have been funded.

Outlook

The rating outlook is stable and reflects our expectation that transaction days will remain near or above current levels, which will allow for debt service coverage to remain above 2.0 times and for system liquidity to build additional strength.

What could change the rating--UP

The airport is well positioned in its current rating category.

What could change the rating--DOWN

Significant transaction day declines due to continued enplanement losses or sagging economic conditions that reduce passengers' propensity to rent vehicles and bring coverage below the expected 2.0x level could negatively pressure the rating.

KEY INDICATORS

Type of Airport:O&D

FY2008 Enplanements: 18,238,000

FY 2009 YTD vs. FY 2008 YTD Enplanement growth:-9.9%

% O&D vs. Connecting, FY 2008 (5 YR AVG): 95% (95%)

Transaction Days (FY 2008, without 5 day cap):13,933

FY 2008 vs. FY 2007 Transaction Day growth:2.4%

Transaction Day CAGR 2003-2008:4.2%

CFC Rate:$2.50

Primary Market Share Provider, FY 2009 (share):Avis (25%)

Debt Service coverage (w/o coverage account):

projected FY 2010: 2.09x

projected MADS FY2014: 2.20x

RATED DEBT

Special Purpose Bonds, Rental Car Facility Project, Series 2009, $63.6 million, A2

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The last rating action on GOAA was on May 15, 2009 when ratings were assigned to the Series 2009A&B bonds and the airport revenue bond ratings were affirmed.

The GOAA Special Purpose Rental Car Facility Project bond ratings were assigned by evaluating factors believed to be relevant to the credit profile of the issuer such as i) the business risk and competitive position of the issuer versus others within its industry or sector, ii) the capital structure and financial risk of the issuer, iii) the projected performance of the issuer over the near to intermediate term, iv) the issuer's history of achieving consistent operating performance and meeting budget or financial plan goals, v) the nature of the dedicated revenue stream pledged to the bonds, vi) the debt service coverage provided by such revenue stream, vii) the legal structure that documents the revenue stream and the source of payment, and viii) and the issuer's management and governance structure related to payment.

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