STANDARD & POOR'S

PUBLIC FINANCE

Greater Orlando Aviation Authority, Florida

Credit Profile		
$84.235 mil airport facilities refunding bonds series 2010-B due 10/01/2018		
Long Term Rating	A+/Stable	New
$80.495 mil airport facilities revenue bonds series 2010-A due 10/01/2039		
Long Term Rating	A+/Stable	New
Greater Orlando Aviation Auth 1st In		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed

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Rationale

Standard & Poor's Ratings Services has assigned its 'A+' long-term rating to the Greater Orlando Aviation Authority (GOAA or the authority), Fla.'s series 2010A airport facilities revenue bonds ($80.5 million) and 2010B airport facilities revenue refunding revenue bonds ($84.2 million).

At the same time, Standard & Poor's affirmed its 'A+' underlying rating (SPUR) on the authority's senior revenue bonds and its 'BBB+' SPUR on its series 2002A subordinate revenue bonds, both issued for Orlando International Airport (MCO). The outlook is stable.

The SPUR on the subordinate revenue bond reflects the bonds' deeply subordinate nature and what we view as weaker bond provisions. The authority's flow of funds places the debt service fund and debt service reserve for subordinated bonds further down the waterfall than flows of funds of other airports. Such bonds also have a 1.00x rate covenant and a projected 1.15x maximum annual debt service additional bonds test.

The ratings reflect our opinion on MCO's credit quality. The airport is a large hub airport that has had generally strong enplanement trends, a low cost structure, serves a large origin and destination (O&D) market, and has a relatively diverse carrier and revenue mix.

In our opinion, key credit strengths include the following:

- A large O&D base (15 million enplanements or 95% of total enplanements), which has a very strong tourist industry in an expanding service area;
- Limited air carrier concentration, with no air carrier accounting for more than 23% of enplanements. The five leading carriers represented 69% of fiscal 2009's 16.8 million enplanements;
- What we consider generally strong enplanement growth, increasing an average of 6.2% per year from fiscals 2004-2008, before falling 7.9% at fiscal year-end 2009 (Sept. 30) due to the economic recession. In fiscals 2004 and 2005, enplanements increased 12.6% and 10.5%, respectively, resulting in levels surpassing pre-September 2001 historical highs in fiscal 2005. Enplanements in fiscals 2006 through 2008 increased at more historical rates, ranging from 2.3%-3.0%, to reach 18.2 million in 2008 despite the recession. The authority's current forecast assumes enplanements will remain essentially flat (up only 0.3%) in fiscal 2010, then gradually reach 19.7 million by 2016 as a result of enplanements increasing 2.4%-3.0% per year from fiscals 2011-2016;
- A relatively low-to-moderate airline cost structure and manageable debt burden. Cost per enplaned passenger was $5.51 in fiscal 2009; current projections show this reaching a high of $6.07 by 2012. Similarly, debt per enplaned passenger is low, in our view, at $73 per enplaned passenger for fiscal 2009. As a result of this bond issue and MCO's future financing plans, which include approximately $78 million in general airport revenue bond and passenger facility charge (PFC)-supported debt, debt per enplanement remains what we view as a moderate $80, based on depressed enplanement levels in 2009; and
- A relatively diverse revenue base, with 68% of fiscal 2009 operating revenues from parking, rental car companies, concessions, and other nonairline sources; and the remainder from airlines. The authority projects signatory airline payments to represent approximately 27% of the airport's operating revenues from fiscals 2010-2016. We expect GOAA's efforts to enhance nonairline revenue should help to maintain MCO's competitive airline cost structure and keep it attractive to low-fare carriers.

We believe that offsetting these strengths somewhat is the potential acceleration of the capital improvement plan (CIP) once MCO's strong enplanement growth resumes, prompting higher capital needs that will likely pressure its coverage levels and cost structure.

We understand GOAA will use the 2010A and B bond proceeds to help fund its CIP and refund a portion of its 1999A bonds. The new bonds will be on par with the authority's $977 million in fixed-rate senior-lien revenue bonds outstanding. Bondholders benefit from a net revenue pledge. Revenues

can include available PFC revenues, defined as PFC revenues in an amount for each relevant period not to exceed 1.25x debt service with respect to senior-lien bonds issued for PFC projects. We expect available PFC revenues to support the 2010A bonds in part. Securing the bonds is a debt service reserve account (DSRA) that is funded to the lesser of maximum annual debt service (MADS), 10% of bond principal outstanding, or 125% of the average annual debt service. All of the DSRAs are cash-funded.

GOAA operates the airport system composed of 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 September 2026. MCO serves commercial air carriers and ORL serves general aviation. ORL's revenues are not pledged to the bonds outstanding.

In fiscal 2009 MCO ranked third among U.S. airports in terms of domestic O&D passengers and was the 10th-busiest airport in the U.S. based on total domestic revenue enplaned passengers. The airport also is the top-ranking airport in Florida in terms of both domestic enplaned and O&D passengers. We consider Orlando a unique destination market, since the airport's air trade area has the largest concentration of theme parks in the nation including seven of the top 10 by number of visitors. The air trade area also includes the second-largest convention city in the U.S., after Las Vegas.

GOAA's consultants prepared forecasts for the 2010-2016 period. We consider the forecasts reasonable, given enplanements are up 1.6% for the first four months of fiscal 2010, increases to existing air service, new air service, and MCO's historically resilient air travel demand profile. The forecast assumes enplanements to increase only 0.3% in fiscal 2010. Thereafter, enplanements increase 2.4%-3.0% a year for fiscals 2011-2016. The forecast incorporate the authority's additional debt needs for its CIP. The forecast shows senior-lien debt service coverage (DSC) ratios gradually improving from 1.40x-1.71x in the 2010-2016 period, while projected combined DSC gradually improves from 1.27x-1.64x. Although recent historical and projected senior-lien DSC levels are notably lower than historical levels, which exceeded 2x from fiscals 2001-2007, we consider it adequate for the ratings, given our view of the airport's large O&D market, generally sound enplanement trends, good airline carrier diversity, manageable debt burden, diverse revenue sources, and a competitive cost structure.

Outlook

The stable outlook reflects our expectation that MCO's recently weakened demand profile will likely improve. The outlook also reflects our expectation 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 solid financial performance. Should weak demand continue or additional debt erode DSC levels beyond those minimum levels forecast, we could lower the rating or revise the outlook to negative.

Capital Improvement Program

As a result of the recession and airlines cutting capacity, GOAA cut $336 million of its $977 million airline approved fiscal 2009-2013 CIP through project deferrals and cost reductions from bids coming in under budget. The airlines approved the CIP when they signed airline agreements (effective from fiscals 2009-2013). The authority's revised CIP primarily focuses on repair, rehabilitation, and security

projects, totaling a combined $641 million. It has deferred $179 million in project costs to fiscals 2014-2016, and will undertake them as demand dictates. The total estimated revised cost for GOAA's CIP for fiscals 2009-2016 is $820 million. The authority plans to fund approximately $29 million of the $641 million from future revenue bonds supported by PFC revenues, and approximately $24 million from future revenue bonds. It currently expects to issue such bonds in October 2012. Of the 2014-2016 CIP, GOAA plans, if demand dictates, to fund approximately $15 million from future revenue bonds issued in 2014. The long-term CIP is well-planned, in our opinion, and demand-driven. We expect it will eventually result in the doubling of the airport's current capacity. A 2007 study concluded that MCO's existing facility could support 45 million annual passengers, with certain capital improvements that are part of the current CIP. Currently, the authority estimates that the future south terminal complex would not be constructed until after fiscal 2016. Currently, GOAA has 37 unleased gates, down from 39 from in November 2009.

On Jan. 28, 2010, the U.S. Department of Transportation announced the award of a $1.25 billion grant to Florida to build a high-speed rail corridor from downtown Tampa to Orlando International Airport, which the Florida Department of Transportation estimates could be operational by the end of 2014. We expect officials to fund capital costs from either state or federal sources, and operating costs from fare revenues.

Finances

Historically, senior-lien DSC has been what we consider strong, ranging from 2.04x-2.26x from fiscals 2001-2007. We consider combined senior- and subordinate-lien DSC to be adequate for the rating, ranging from 1.23x-1.41x. As a result of senior-lien debt issued to repay subordinate debt, DSC for fiscal 2008 was 1.70x for the senior lien, and 1.27x combined. As expected, senior-lien and combined DSC for fiscal 2009 were 1.47x and 1.33x, respectively. We believe the DSC decline in fiscal 2009 is due to lower revenues as a result of an 8% reduction in passenger traffic, airlines reducing capacity, and an increase in senior lien debt service.

As we expected, GOAA's unrestricted cash reserves improved in fiscal 2009 because of its new airline agreements, which include revenue sharing provisions and employ a hybrid rate-setting methodology. Fiscal 2009 unrestricted cash and investments totaled approximately $186.6 million, which equals about 345 day's operating cash on hand, up from 246 days based on audited fiscal 2008 results. As of Dec. 31, 2009, management reports unrestricted available cash and investments totaling approximately $266 million, which equals 514 days cash on hand based on $188 million operating expenses the authority budgeted for fiscal 2010.

Under the agreements, in each fiscal year (2009-2013) the revenues remaining after satisfying all requirements of the bond resolution, including the rate covenant requirement, are divided 30% to signatory airlines and 70% to the authority in fiscals 2009 through 2010; and 25% to signatory airlines and 75% to the authority in fiscals 2011 through 2013. The signatory airline share is distributed among the airlines based on each airline's share of enplaned passengers.

Debt Derivative Profile: '1.5'

GOAA has one floating-to-fixed rate swap outstanding, which relates to the authority's $90 million series 1997B, which are considered secondary subordinated obligations of the authority. Standard & Poor's has assigned an overall DDP score to GOAA of '1.5' on a scale of '1' to '4', with '1' representing the lowest risk. We view the authority's swap portfolio as very low risk at this time.

GOAA's counterparty for the swap is Goldman Sachs Mitsui Marine Derivative Products L.P. (AAA/Negative/—). Standard & Poor's DDP score is based on our review of termination risk, counterparty risk, management, and economic viability risk. The authority scored either a '1' or a '2' on most of these factors. We believe management has a clear view of the risk involved in the swaps and has a board-approved swap management plan that allows for the appropriate policies for monitoring the authority's swaps. Under the swap, GOAA pays a 4.45% fixed rate and receives a floating rate based on the Securities Industry and Financial Markets Association index, limiting the authority's exposure to basis risk. The swap's long duration affected GOAA's termination risk score. As of March 11, 2010, the swap's mark-to-market was negative $13.8 million, not in the authority's favor.

Besides this $90 million of variable-rate secondary subordinated debt, which is 100% synthetically fixed with the swap, the only other potential variable-rate exposure the authority has is a $100 million Wachovia Bank N.A. line of credit, which it has not used to date.

Related Criteria And Research

- USPF Criteria: Airport Revenue Bonds, June 13, 2007
- USPF Criteria: Debt Derivative Profile Scores, March 27, 2006

Ratings Detail (As Of 25-Mar-2010)		
Greater Orlando Aviation Authority airport facilities revenue bonds series 2009C		
Long Term Rating	A+/Stable	Affirmed
Greater Orlando Aviation Authority airport facilities refunding revenue bonds ser ies 2009A(AMT)		
Long Term Rating	A+/Stable	Affirmed
Greater Orlando Aviation Auth 1st ln		
Long Term Rating	A+/Stable	Affirmed
Greater Orlando Aviation Auth airport		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Greater Orlando Aviation Auth taxable refunding subordinate airport facilities series 2002A dated 07/16/2002 due 10/01/2003-2012		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Greater Orlando Aviation Auth 1st ln		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed

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