STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Hillsborough County Port District, Florida
Tampa Port Authority; Ports/Port Authorities

Primary Credit Analyst:
Georgina Rovirosa, New York (1) 212-438-7983; georgina.rovirosa@standardandpoors.com

Secondary Contact:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@standardandpoors.com

Table Of Contents

Summary:

Hillsborough County Port District, Florida Tampa Port Authority; Ports/Port Authorities

Credit Profile		
Hillsborough Cnty Port Dist, Florida		
Tampa Port Auth, Florida		
Hillsborough Cnty Port Dist (Tampa Port Auth)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Rating Services has affirmed its 'A-' rating on Hillsborough County Port District, Fla.'s revenue bonds, issued for the Tampa Port Authority (TPA). The outlook is stable.

The rating reflects our assessment of a landlord port with good revenue and customer diversity that has maintained good financial margins and liquidity levels despite fluctuations cargo tonnage during the recession.

More specifically, we base the rating on our view of the following credit strengths:

- Good revenue diversity, with approximately 22% of operating revenue from cruise ship passengers, 16% from petroleum imports, and the remainder from bulk and general cargo. No single customer represents more than 14% of operating revenues;
- A very good financial profile that features a strong liquidity position (of 1,014 days' operating funds on hand based on $67.6 million in unrestricted funds in fiscal 2013) and good debt service coverage (DSC) from net operating revenues and investment income (1.51x-1.69x from fiscal years 2009-2013); and
- Hillsborough County's strong and diverse local economy.

Offsetting credit weaknesses, in our view, include:

- TPA's limited rate-setting flexibility due to its landlord port status;
- Fluctuations in cargo tonnage; and
- A reliance on local markets for cargo and cruise passenger demand.

Despite fluctuating cargo trends, the authority's financial margins have been remained strong in recent years. Furthermore, in fiscal 2013 the port's operating revenues rose 1% to $44.1 million driven mostly by a 16% increase in petroleum revenue. Net revenues provided 1.54x DSC for fiscal 2013, in line with what management had budgeted and which we view as adequate. Senior-lien DSC based on pledged revenue has ranged from 1.54x-1.69x since 2008. Management is projecting DSC to remain adequate, at no lower than 1.62x through 2016.

TPA has approximately $106.5 million of bonds outstanding, of which 39% is variable-rate, in the form of bank notes.

We do not rate these notes, but they are on par with the authority's revenue bonds. Moreover, both are synthetically fixed with floating-to-fixed rate swaps, and as of Sept. 30, 2013, the swaps had a collective value of $6.3 million, in the counterparties' favor. We consider the contingent liquidity risk from these swaps to be a credit neutral given the authority's strong liquidity position.

TPA's gross revenues secure the revenue bonds. The port benefits from the added financial support from the collection of ad valorem (AV) tax revenue within the district that, although not pledged to bondholders, it can use to pay a portion of operation and maintenance expenses or fund capital improvements. The authority is restricting the use of AV tax revenue to funding its capital program. A debt service reserve (DSR), funded to maximum annual debt service or 125% of average annual debt service, provides additionally liquidity.

The Port of Tampa plays a major role in the local economy, serving the greater Tampa Bay area. The port is a deep water port on Florida's west coast, with a 43-foot channel. It ranks No. 1 in the state and 20th among all U.S. ports in terms of cargo tonnage. It is also the seventh-largest cruise port in the nation with three modern cruise terminals. Most of the port's facilities have intermodal access due to proximity to Interstates 4, 75, and 275, and the CSX railway system. TPA owns nearly 2,600 acres at the port, of which approximately 1,300 are leased, 900 are spoil islands, and approximately 400 acres are available for development or leasing. As a landlord port, the majority of the authority's operating revenues come from dockage, wharfage, and rent, while providing the facilities for tenants to run their cargo and cruise operations.

TPA's cargo operations declined in recent years due to the soft economy, specifically the regional real estate downturn. However, cargo operations improved in 2013 as a result of some increases in coal, petroleum and phosphate volumes. During fiscal 2013, the port handled approximately 33.8 million tons of cargo, of which 13.4 million tons were handled at authority facilities. Privately owned facilities within the district handled the remaining 20.5 million tons. Year-to-date (October-March) cargo trends are relatively flat, showing an increase of less than 1% in total bulk and general cargo.

TPA benefits from an active cruise industry, however, year-over-year fluctuations are typical. Sailings declined in fiscal 2013, and cruise passengers decreased by 12.3% to approximately 854,000. As of March 2014, year-to-date cruise passenger activity is down by 7%. For fiscal 2015, we expect cruise passengers to recover somewhat, due to the addition of a new cruise from Royal Caribbean Cruises Ltd. for the fiscal 2015 winter season.

We believe the greater Tampa Bay area's stable economy provides the authority with steady, but limited, demand for cargo. TPA benefits from serving Hillsborough County. On the central-west coast of Florida and with Tampa as its seat, the county has approximately 1.2 million residents participating in a deep and diverse local economy that includes services, trade, finance, insurance, education, government, and health care. Consistent with national and statewide trends, key economic indicators, including the county's unemployment rate and median home values, have weakened. Income indicators have historically been good, in our opinion, with median household and per capita effective buying income levels close to national averages. Other Gulf Coast ports such as Houston, New Orleans, and Mobile, Ala., compete for cargo bound to and from the southern U.S. The port faces limited competition for cargo from the much smaller Port Manatee, approximately 40 miles south, where Tampa Bay joins the Gulf of Mexico.

The Port of Tampa enjoys a satisfactory competitive position for its cruise business because the majority of its passengers come from the greater Tampa area. The authority faces competition for cruise passengers from Port Canaveral, the third-largest U.S. cruise departure port, approximately 130 miles east. Cruise passengers trends out of Tampa have been relatively stable, averaging approximately 846,000 annually from fiscal years 2008-2013.

We consider the port as having relatively good revenue diversity. No single customer represents more than 14% of operating revenue, with the port's top 10 representing approximately 56%.

TPA can levy up to 0.5 mills (50 cents per $1,000 in taxable valuation) annually in AV taxes on all taxable property in the port district that encompasses all of Hillsborough County, which includes Tampa and a portion of Tampa Bay. The port has levied well below 0.5 mills historically. For fiscal 2013, the millage rate fell to 0.185 mills, the authority's annual AV tax revenues totaled $10.9 million in fiscal 2013, down from $11.5 million in 2012 as a result. This property tax revenue is not pledged to bondholders, but TPA may use it for operating expenses or capital improvements. Its annual tax revenue in 2013 equaled 45% of its annual operating expenses. We understand that the port has routinely allocated all of its AV tax revenue to its capital program for projects related to building infrastructure, generating economic benefits, and creating jobs. However, it applied its AV tax revenue to pay a portion of its operating expenses in one year for increased security requirements, following the events of Sept. 11, 2001. If the authority had allocated all of its annual AV tax revenue in 2013 to pay operating expenses debt service coverage would have been 2.2x MADS based on fiscal 2013 results.

The rate covenant does not allow the inclusion of AV tax revenues. More specifically, the covenant requires TPA to adjust rates, fees, and other charges such that gross revenues covers the sum of operating expenses, 120% of annual debt service, the reserve account requirement, and all other funding requirements under the bond resolution. Covenant calculations can exclude obligations secured solely by a covenant of the port district to budget and appropriate adequate non-AV tax revenues. Non-AV tax revenues are based on the fee charged by the special assessment that provides a benefit service. These taxes are levied per unit, rather than by value. AV taxes are based on value placed on real property within the district, which does not levy a non-AV tax.

We consider TPA's liquidity position strong for the port sector. The authority's unrestricted cash balance increased steadily to $67.6 million in fiscal 2013 from approximately $56.5 million in fiscal 2007, providing it with enough cash to cover its operating budgets for 962-1,014 days from fiscal years 2007-2012. During the same period, its ratio of cash to debt increased to 63% from 36% as a result of management paying down its debt, refunding some existing debt, and increasing its unrestricted cash balance.

TPA's five-year capital improvement plan (CIP) totals about $315 million and includes capital projects for fiscal years 2013-2017. More specifically, the CIP includes the redevelopment of the authority's petroleum facility to improve efficiency and safety; the expansion of the Eastport berth; the Tampa Gateway Rail project, which is Florida's first on-dock unit train; and the I-4 connector, which will provide access between the port and the interstate system. Although the port indicated it does not plan to issue bonds during the next five fiscal years, it might do so after that to fund a portion of its CIP.

Outlook

The stable outlook reflects our expectation that TPA's financial metrics will remain near current levels. If the authority's liquidity position deteriorates materially, we could lower the rating during the two-year outlook period. We could raise the rating if the port's cargo volumes continue to improve and financial metrics remain strong.

Related Criteria And Research

- Criteria: Port Facilities Revenue Bonds In The U.S. And Canada, March 19, 2014
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.