

Rating Action: Moody's assigns Aa2 to Massachusetts Port Auth.'s Ser. 2017A; affirms Aa2 on parity debt; outlook stable

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New York, June 14, 2017 -- Issue: Revenue Bonds, Series 2017-A (AMT); Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$170,600,000; Expected Sale Date: 06/19/2017; Rating Description: Revenue: Government Enterprise;

Summary Rating Rationale

Moody's Investors Service assigns a Aa2 to Massachusetts Port Authority's (Massport) Revenue Bonds, Series 2017-A (AMT), and affirms the Aa2 on parity debt. Moody's also maintains the A1 rating on Massport's Passenger Facility Charge (PFC) revenue bonds and the A3 on the Consolidated Car Rental revenue bonds that both carry a stable outlook.

The Aa2 is based on the credit fundamentals of the authority, which are currently among the strongest of Moody's rated airports. The authority has a strong market position in a robust and diverse economy and is expected to maintain above-average financial metrics for the foreseeable future despite substantial additional planned debt to fund its 2017-2021 capital program. Massport's enplanement base remains among the most diversified in the US airport sector with the largest market share by jetBlue at 26.6% and the airport has had above average growth in recent years, which is continuing into 2017. The high rating is tempered by planned additional \$586.9 million in debt through 2021, and additional debt expected immediately after the current capital program timeframe with the completion of 5,000 parking spaces and Terminal E improvements. Also, we expect that liquidity will decline to levels below the sector average and that Massport's revenues may be diverted to non-core transportation projects in the future.

We maintain the A1 rating on Massport's Passenger Facility Charge (PFC) revenue bonds and the A3 on the Consolidated Car Rental revenue bonds that both carry a stable outlook. The PFC bonds mature on July 1, 2017.

Rating Outlook

The stable rating outlook is based on our expectation that Massport revenues will continue to provide for debt service coverage above 2.0 times and that financial liquidity will remain above 300 days cash on hand as it debt finances about \$586.9 million of its capital program through 2021.

Factors that Could Lead to an Upgrade

Completion of capital plan without greater than currently forecasted negative impacts to financial metrics, including DSCRs and CPE

Sustained strengthening in the airport's market position as the service area economy continues to expand and add jobs

Sustained enplanement growth and continued growth of international enplanements

Maintenance of financial liquidity well above 600 days cash on hand

Removal of exposure to non-self-supporting transportation projects

Factors that Could Lead to a Downgrade

Sustained DSCRs below 2.0 times on a Moody's net revenue calculated bases

Increases in airline CPE significantly above those in current forecast

With additional planned debt for the capital program debt to operating revenues above 3.5 times

Financial liquidity that falls below 250 days cash on hand

Increasing political pressure to support transportation initiatives that do not enhance Massport revenues

Operational disruptions due to new capital projects

Legal Security

The revenue bonds are secured by the net revenues of the authority.

Use of Proceeds

The 2017A bonds will be issued to finance a portion of Massport's \$2 billion FY 2017-2021 capital program, including airline space optimization of Terminal B and gate additions and improvements in Terminal E. The 2017A bonds will also refund the authority's Series 2007C and 2010D revenue bonds for estimated net present value savings of approximately 3% of par value of the refunded bonds.

Obligor Profile

The authority is a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts, which was created pursuant to Chapter 465 of the Massachusetts Acts of 1956. The authority is divided into two projects which it owns, operates, and manages: airport facilities and port facilities. The airport facilities consist of Boston-Logan International Airport, Laurence G. Hanscom Field, and Worcester Regional Airport. The port facilities consist of the Port of Boston, which includes cargo and cruise terminals, along with the management of commercial real estate properties.

Methodology

The principal methodology used in this rating was Publicly Managed Airports and Related Issuers published in November 2015. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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