

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's revises outlook on Birmingham Airport Authority's (AL) outstanding revenue bonds to stable; A3 affirmed

Global Credit Research - 21 Dec 2015

New York, December 21, 2015 -- Summary Rating Rationale

Moody's Investors Service has affirmed the A3 rating on the Birmingham Airport Authority, AL Revenue Bonds. Concurrent with this rating action, Moody's revised the outlook to stable from negative.

The A3 rating takes into consideration the airport's competitive position in central Alabama, the stable origin and destination (O&D) passenger base, and sufficient liquidity levels. The A3 rating also reflects Moody's expectations of no additional debt and management's continued efforts to solicit service backfill from other airlines.

Rating Outlook

The stable outlook reflects Moody's expectations that management will continue to control expenses and seek recovery in its enplanement base by soliciting additional service from other airlines, including international service.

Factors that Could Lead to an Upgrade

Continued growth in enplanements with full reversal of previous losses

Stronger debt service coverage ratios above 1.75 times

Factors that Could Lead to a Downgrade

Further declines in enplanements

Further declines in debt service coverage to below 1.3 times

Liquidity below 300 days cash on hand

Legal Security

Pledge of net revenues of the authority. The authority covenants to maintain rates to cover debt service by at least 1.25 times, inclusive of rolling coverage. The debt service reserve fund is funded at the lesser of 125% of average annual debt service, maximum annual debt service, or 10% of principal.

Use of Proceeds

Not Applicable.

Obligor Profile

The authority was incorporated on June 6, 1986, as a nonprofit corporation under the provisions of Alabama. The city owns the airport, and the city transferred to the authority custody, control and management of the airport for a term that expires September 15, 2045.

Rating Methodology and Scorecard Factors

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

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