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Albany County Airport Authority Debt Rating Raised To 'A-' From 'BBB+' On Improved Financial Margins

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DALLAS (S&P Global Ratings) March 24, 2017--S&P Global Ratings has raised its rating on Albany County Airport Authority, N.Y.'s debt outstanding to 'A-' from 'BBB+'. At the same time, S&P Global Ratings has assigned its 'A-' rating to the authority's $7.8 million series 2017A and $6.6 million series 2017B airport revenue refunding bonds. The outlook is stable.

"The upgrade reflects the authority's consistently improved financial margins, including a lower-than-historical debt burden and higher debt service coverage levels coupled with positive traffic trends that we anticipate will be supportive of future debt issuances," said S&P Global Ratings credit analyst Anita Pancholy.

The rating reflects what we view as the following credit strengths:

- Management's demonstrated ability to maintain consistent margins, despite activity levels;
- An origin and destination airport, Albany International Airport (ALB), with little competition from surrounding airports;
- Strong revenue diversity.

We believe offsetting credit weaknesses include the following:

- A moderate pro forma debt burden relative to that of small airports, unless the authority issues more debt than presently projected;
- A below-average liquidity position for the rating;

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- Fluctuating traffic trends that have historically declined, but continue to trend positive.

Proceeds will refund the authority's existing 2003A bonds as well as its 2006A, B, and C bonds for debt service savings without any extension of current maturities. Post refunding, the authority will have approximately $84.3 million in debt outstanding. Net airport revenues secure the bonds. All of the authority's debt is fixed rate and it has no swaps outstanding. We consider the legal provisions to be credit neutral. The airport must set rates and charges such that net revenues provide at least 1.25x debt service; under the airport's indenture passenger facility charge revenues are allowed as an offset to achieve this target. Additional bonds may be issued if net revenues on outstanding and proposed debt yield at least 1.25x maximum annual debt service (MADS) or if a consultant's report demonstrates projected net revenues will meet 1.25x MADS. Cash-funded debt service reserves funded at the lesser of the IRS three-pronged test secure all of the authority's debt as well.
The stable outlook reflects our expectation that enplanement trends will continue to support financial margins near forecast levels.

An upgrade is unlikely given the airport's below-average cash levels.

We could lower the rating if lower demand or additional debt pressured financial margins to just-adequate levels on a consistent basis.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.