



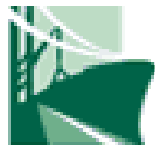
**American  
Association of  
Port Authorities**

**Port Administration  
& Legal Issues  
Seminar**

**Market Trends –  
FA's Perspective**

**April 13, 2011**

**AAPA**



**American Association  
of Port Authorities**

**Jessica Soltz Rudd, Senior Director**



**FRASCA & ASSOCIATES, L.L.C.**

# Topics

- **The Financial Advisor's Role**
- **Credit-Relevant Trends**
- **Credit Spreads**
- **Recent Financings**
- **Debt Financing – Best Practices**



# ***The Financial Advisor's Role***

## **“Navigate the Intricacies of the Financial Marketplace”**

- **Debt planning phase:**

- Support assembling the financing team
- Advise management regarding debt structures, develop documents, assess financial metrics
- Assist in devising rating agency and market strategy
- Support underwriters in market/pricing and then evaluate process

- **Ongoing assistance:**

- Advise management in developing and implementing financial targets, capital planning, modeling, lease negotiations, etc.

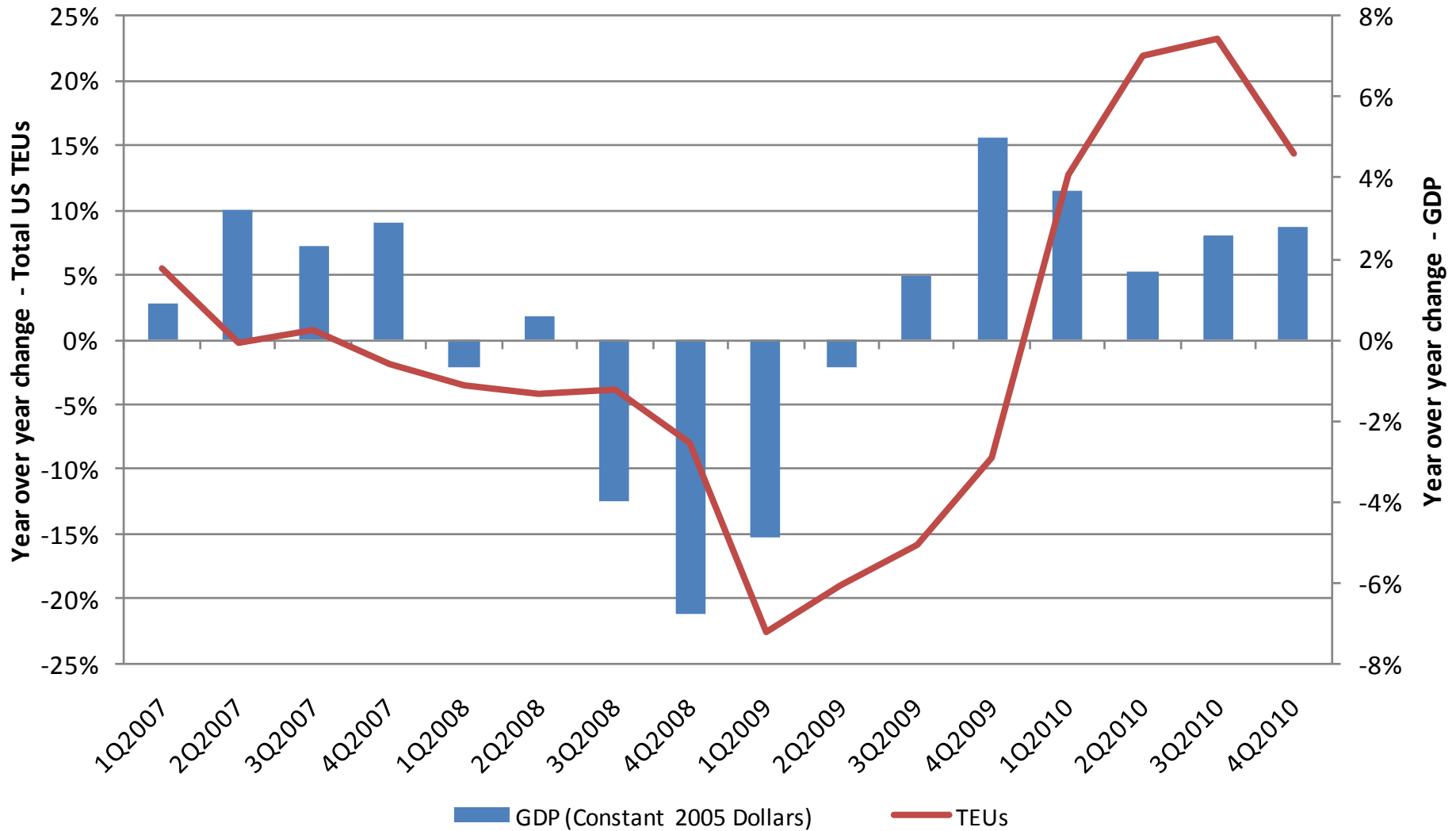


# ***Credit-Relevant Trends***

- **Correlation between US GDP & container traffic**
- **Capital-intensive nature of ports**
- **Increased competition**
  - Panama Canal expansion
- **Intermodal connectivity**
- **Profitability of the shipping lines and port operators**



# GDP and Container Traffic Continue to Move in Step



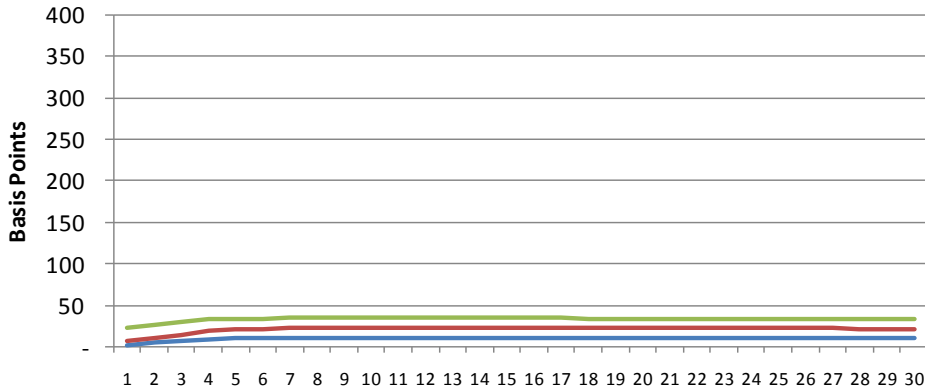
Sources: Bureau of Transportation Statistics, Bureau of Economic Analysis



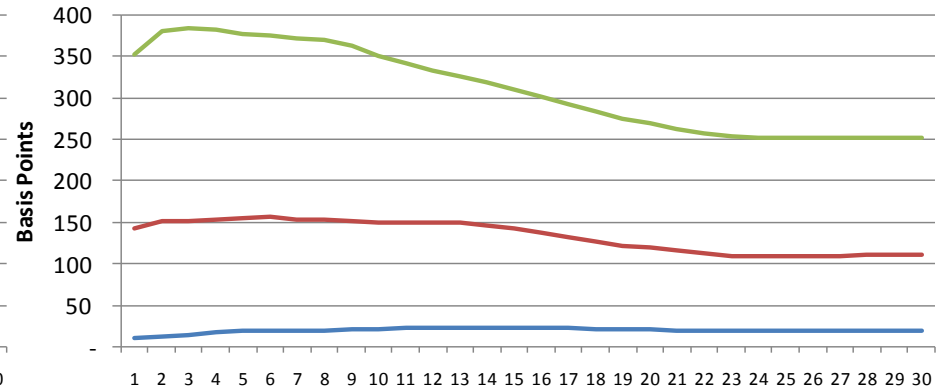
# Credit Spreads

## Spreads to AAA MMD (Years 1-30)

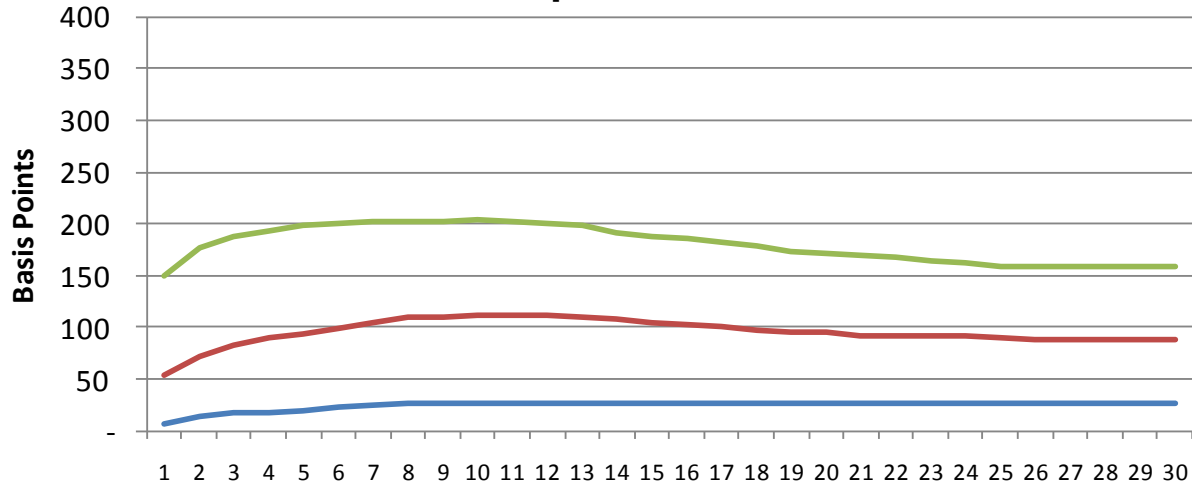
April 2007



April 2009



April 2011



— AA — A — BBB



# Most Bond Insurers Are No Longer Viable

**THEN**

September 2007

Insurer	Ratings (M/S/F)	Writing New Seaport Business?
Ambac	Aaa/AAA/AAA	YES
Assured Guaranty	Aaa/AAA/AAA	YES
CIFG	Aaa/AAA/AAA	YES
FGIC	Aaa/AAA/AAA	YES
FSA	Aaa/AAA/AAA	YES
MBIA	Aaa/AAA/AAA	YES
XL Capital	Aaa/AAA/AAA	YES
Radian	Aaa/AAA/AAA	YES
ACA	Aaa/AAA/AAA	YES

**NOW**

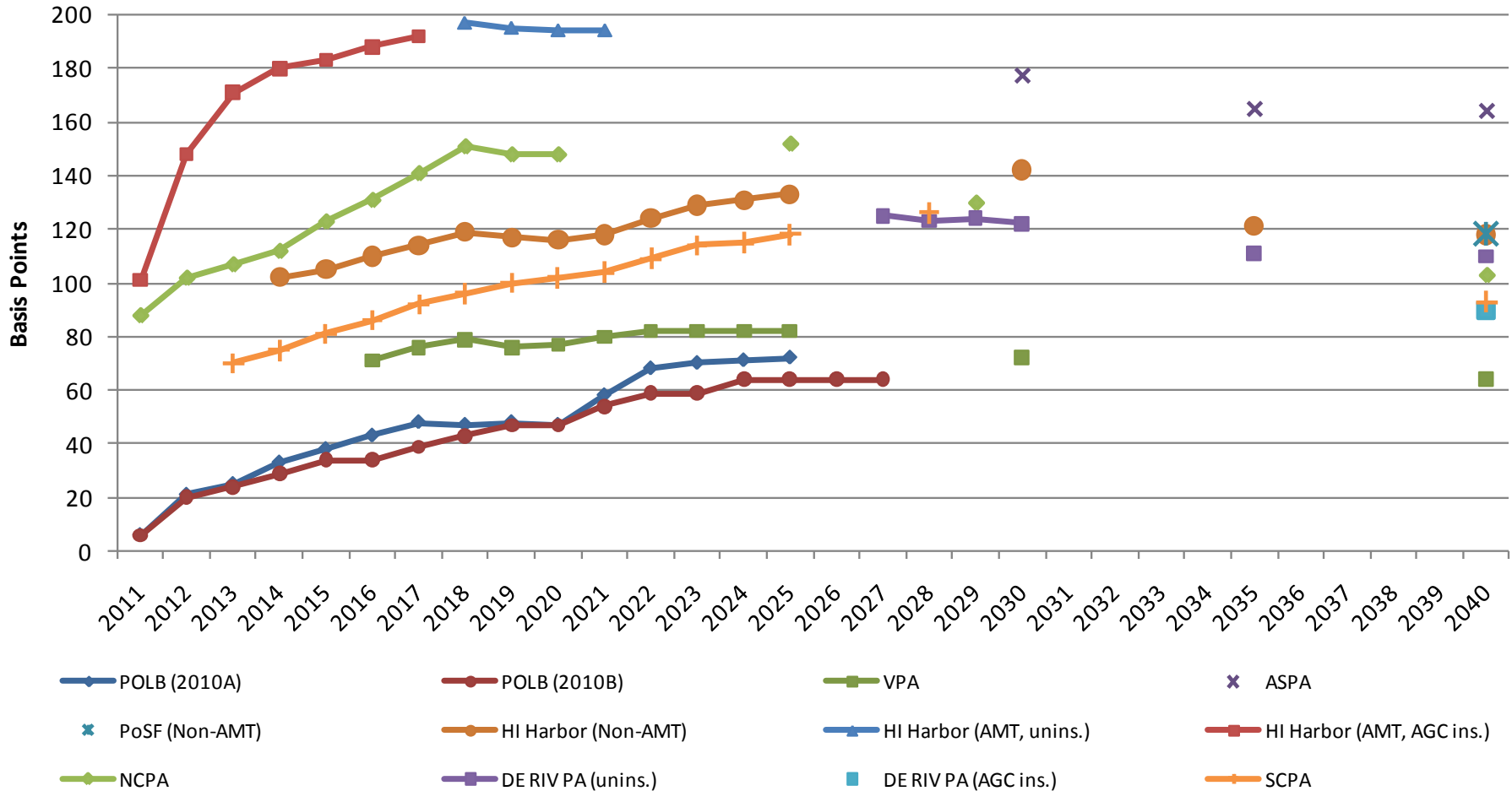
April 2011

Insurer	Ratings (M/S/F)	Writing New Seaport Business?
Ambac	Caa2/R/NR	NO
CIFG	NR/NR/NR	NO
FGIC	NR/NR/NR	NO
Assured Guaranty Municipal (FSA)	Aa3/AA+/NR	YES
XL Capital (Syncora)	Ca/R/NR	NO
Radian	Ba1/BB-/NR	NO
ACA	NR/NR/NR	NO
NPFG	Baa1/BBB/NR	NO
BHAC	Aa1/AA+/NR	NO



# Recent Financings

## Spread to MMD for Select Tax-Exempt 2010 Transactions





# Recent Financings

## Select 2010 Port Transactions

Sale Date	Issuer	Par Amount (\$m)	Underlying Ratings (M/S/F)	Tax Status	Insurance	Final Maturity	Final Maturity	
							Yield	Spread to MMD (bps)*
1/22/10	Port Commission of San Francisco	14.220	A1/A-/A	Non-AMT	--	3/1/40	5.25	+118
1/22/10	Port Commission of San Francisco	22.430	A1/A-/A	Taxable	--	3/1/30	7.408	+380
2/25/10	Nort Carolina Ports Authority	43.935	A3/NR/BBB+	Non-AMT	--	2/1/40	5.20	+103
3/31/10	City of Long Beach - PoLB	200.835	Aa2/AA/AA	Non-AMT	--	5/15/25	4.22	+72
4/21/10	Virginia Port Authority	68.630	Aa3/A+/NR	Non-AMT	--	7/1/40	4.75	+64
4/29/10	City of Long Beach - PoLB	158.085	Aa2/AA/AA	Non-AMT	--	5/15/27	4.20	+64
7/8/10	Delaware River Port Authority	308.375	A3/A-/NR	Non-AMT	AGM (partial)	1/1/40	4.89 (ins.)/ 5.09 (unins.)	+90 / +120
10/21/10	City of Long Beach – Carnival Cruise Terminal Project	30.000	NR/BBB+/NR	Taxable	--	11/1/30	7.282	+475
11/17/10	South Carolina State Ports Auth.	170.000	A1/A+/NR	Non-AMT	--	7/1/40	5.55	+93
11/17/10	State of Hawaii - Harbor System	164.275	A2/A+/A+	Non-AMT	--	7/1/40	5.80	+118
11/17/10	State of Hawaii - Harbor System	37.115	A2/A+/A+	AMT	AGM (partial)	7/1/21	5.14 (unins.)	+194
12/9/10	Alabama State Port Auth.	106.045	NR/BBB+/BBB+	Non-AMT	--	10/1/40	6.25	+164



# ***Debt Financing – Best Practices***

- Stay abreast of industry issues and proactively plan
- Develop a multi-year capital plan
- Establish internal operational and financial targets
- Frequently evaluate performance & reevaluate targets
- Create a debt management plan
- Proactively manage relationship with the rating agencies and market participants
- Construct strong deal-related documents that support continuing disclosure

