FITCH AFFIRMS ALAMEDA CORRIDOR TRANSPORTATION AUTH, CA'S SR. & SUB REVS; OUTLOOK STABLE

Fitch Ratings-New York-19 November 2013: Fitch Ratings has affirmed the following ratings for Alameda Corridor Transportation Authority, CA (ACTA)

--$796 million senior revenue bonds, series 1999A, 1999C, 2013A at 'A';
--$638 million subordinate revenue bonds, series 1999D, 2004A, and 2004B at 'BBB+'.

The Rating Outlook on all bonds is Stable. ACTA also has $83.7 million in unrated series 2012 bonds, which are on parity with the rated senior revenue bonds.

KEY RATING DRIVERS:

ECONOMIC ESSENTIALITY: The corridor provides an important intermodal transportation link, handling approximately 35% of all container throughput for the two largest container ports in North America (ports of Los Angeles and Long Beach, each rated 'AA' by Fitch). ACTA is a vital component of the ports' core business.

STRONG COUNTERPARTIES PROVIDING FINANCIAL SUPPORT: In addition to ACTA's own operating revenues, the ports of Los Angeles and Long Beach provide ACTA with financial support. In both 2011 and 2012, each port paid $2.95 million in shortfall advance payments. In 2013, no payment was required, though excess debt service reserve funds were utilized to meet debt service payments. Management indicates no additional shortfall advances are anticipated through fiscal 2015 or later. The financial health of the ports is more than adequate to meet their commitment to cover up to 40% of any debt service shortfall at ACTA, should such a need arise. BNSF and Union Pacific railroads cover operating costs through separate assessment charges.

HIGH DEBT BURDEN WITH ESCALATING ANNUAL DEBT OBLIGATIONS: ACTA currently has relatively high all-in leverage of 12.3x net debt-to-cash flow available for debt service (CFADS). When including contingent port obligations as additional cashflow, the leverage metric is 8.8x. Under Fitch base and rating cases, leverage is expected to decrease over the next five years. Annual debt service obligations grow by 2.5% between 2013 and 2018.

MINIMAL CAPITAL NEEDS: The corridor has no major capital program requirements beyond closeout of the original project and on-going maintenance. No additional borrowing for capital projects is anticipated.

RATING SENSITIVITIES

Underperformance in container related trade volumes at the two area ports may adversely affect ACTA's credit quality. A slowing or reversal of the recovery of Pacific Rim trade volumes remains central to the rating's stability. Should global trade volumes decrease, or the market share of West Coast ports drop relative to East Coast and Gulf of Mexico alternatives, ACTA's credit quality may be affected.

Any material change in the credit quality of ACTA's key counterparties, namely the ports of Los Angeles and Long Beach, or inability of BNSF and Union Pacific railroads to cover operating and maintenance expenses, will likely pressure the rating.

While the port backstop provides stability to the rating, Fitch notes ACTA's use of excess construction and debt service reserve funds in recent years to meet debt service payments in the absence of shortfall advance payments. Ongoing uses of balance sheet funds may indicate credit pressures.

SECURITY:

Bondholder security includes the pledged revenue stream and all other monies held by the trustee except for the Maintenance and Operations (M&O) Fund and the Reserve Account, both of which are for purposes of operating and capital maintenance of the corridor. Pledged revenues consist primarily of the volume assessment charges payable by the railroads and debt service shortfall advances payable by the ports. A Use and Operating Agreement among ACTA, the ports and the railroads governs the volume assessment of charges.

CREDIT SUMMARY

In fiscal 2013 (ending June 30), 14.2 million twenty-foot equivalent units (TEUs), 34% of which were subject to a corridor fee, were transferred through the San Pedro Bay ports. ACTA saw an increase of 15.8% in total TEUs for fiscal 2011 followed by a 1.5% decrease for fiscal 2012 (in line with a respective 12.7% increase and 1.9% decrease for the San Pedro Bay ports overall). There was another slight decline in 2013, with TEU's dropping 3% (vs. a 0.9% increase for San Pedro Bay ports). Year to date (through August) the corridor has experienced an increase of 0.9% in TEUs (as compared to a 4.8% increase for the same period at the San Pedro Bay ports). This indicates that volume is improving, though at a slower rate than for the port complex as a whole; however, due to the corridor's escalating debt service profile, continued recovery is key to the credit profile of this asset.

Both the Los Angeles and Long Beach ports are legally and individually committed under the operating agreement to cover shortfalls up to 20% of ACTA's annual debt service payment. A total of $11.8 million in shortfall advances has been made in 2011 and 2012; rates for loaded containers were also increased by $1.12/TEU per the agreement, an increase that will remain in effect until the ports are repaid in full for their shortfall contributions. No additional advances were requested for 2013, though $15 million in excess debt service reserve funds from the 2004A bonds were used to meet debt service requirements. At present ACTA is confident that no Shortfall Advances will be required through fiscal 2015, in part due to the release of $14.6 million from the 1999D debt service reserve in 2014. Beyond that timeframe shortfall advances may be necessary though are not expected to be of significant size.

The backstop provided by the shortfall advance structure improves ACTA's standalone credit profile by virtue of the ports' superior financial resources and near-term contractually obligated revenue streams. Approximately 60% of both ports' operating revenue comes from minimum annual guarantees (MAGs) payable by tenants regardless of cargo volume. Fitch rates both ports 'AA' with a Stable Outlook. Both ports have an adequate amount of unrestricted cash to meet any near-term shortfall payments without having to adjust their rates or tariffs. However, should there be a material adverse change in overall port throughput levels, or should either port express an unwillingness to honor its obligations under the shortfall advance structure, ACTA's credit quality may be affected.

ACTA is a public body that administers the Alameda Corridor, a 20-mile multi-track freight rail system linking the ports of Los Angeles and Long Beach, the two largest container ports in North America, with the transcontinental rail lines near downtown Los Angeles. The $2.4 billion corridor opened in April 2002 and currently handles roughly 35% of all container throughput through the San Pedro Bay ports. Pursuant to an operating agreement with the authority, the BNSF and Union Pacific railroads pay monthly assessments to cover certain costs of maintenance, operations and repair of the corridor, giving bondholders a gross lien on corridor revenue. The corridor connects existing railroad lines near the Los Angeles central rail yards with the San Pedro Bay port facilities.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Rating Criteria for Infrastructure and Project Finance' (July 12, 2012).

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Rating Criteria for Infrastructure and Project Finance
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=682867