

**Rating Action: Moody's assigns Aa3 rating to Hillsborough County Aviation Authority, FL's 2022 Ser. A and B senior lien revenue bonds, A1 to 2022 Ser. A subordinated airport revenue bonds; outlook is stable**

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New York, February 07, 2022 -- Moody's Investors Service has assigned Aa3 to Hillsborough County Airport Authorities (HCAA) \$246 million Tampa International Airport Revenue Bonds, 2022 Series A (AMT) and \$104 million Tampa International Airport Revenue Bonds, 2022 Series B (Non-AMT) and an A1 to the \$349 million Tampa International Airport Taxable Subordinated Revenue Refunding Bonds, 2022 Series A (PFC). HCAA has \$449.2 million parity senior lien bonds rated Aa3 and \$379.3 million parity subordinated lien bonds rated A1. The outlook is stable.

**RATINGS RATIONALE**

The ratings reflect HCAA's strong origin and destination market in and around Tampa, Florida, which is buoyed by a growing population base, diversifying economy and strong in-bound tourism demand. The growing service area led to enplanement growth of 18% between 2015 and 2019 and relatively faster recovery of traffic following the depths of the pandemic. Recent enplanement levels in December 2021 were back to 90% of 2019 levels. HCAA displayed sound management in response to the pandemic, including prudent use of coronavirus relief funds and management of operating expenses. HCAA's actions preserved the ample liquidity profile with liquidity in 2020 at about 420 days and expected to exceed 600 in 2021. The ratings also reflect very strong net revenue debt service coverage ratios (DCSR) over the next few years, as the improved revenue collection from the airport's rates by ordinance structure and remaining federal relief grants lead to greater revenue available for debt service. However, Moody's net revenue DSCRs will return closer to pre-pandemic levels after debt will be issued to fund the completion of the terminal expansion project increasing debt service requirements.

The ratings also incorporate the planned terminal expansion and redesign of the international travel hub. The plan, which Moody's considers likely given increasing demand for air travel to the region, will require \$660 million in additional senior debt and \$220 million of subordinated PFC bonds in fiscal 2024 that will increase leverage and lead to more modest, but still strong DSCRs.

The Aa3 senior lien rating reflects the first lien on net revenue and very strong DSCR that will stabilize near 1.9x if the HCAA's consultant forecast is met. The A1 subordinated lien rating reflects the subordinated lien on net revenues and DSCR around 1.6x under the same assumed forecast.

**RATING OUTLOOK**

The stable outlook is based on Moody's view that the airport will continue to see well above average recovery in the near term as international travel remains constrained before moderating over the medium term, keeping financial metrics in line with HCAA's case.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- DSCRs sustained above 3.0x on the senior lien and 2.0x for total debt, which could occur if HCAA outperforms forecast
- Financial liquidity increases to above 600 days cash on hand
- Significant increase in enplanement levels indicating a shift in market position

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- DSCR by net revenue below 1.75x on the senior lien or below 1.5x for total debt on a sustained basis
- Construction cost overruns resulting in increased indebtedness

- Significant loss of market share in either the Gulf Coast or Central Florida region.

## LEGAL SECURITY

The bonds are secured by the net revenues of the HCAA. Subordinated bonds have a subordinate pledge of both general airport revenue and PFC revenue. After the sale of the Series 2022A subordinated bonds, only subordinated bonds designated as PFC bonds are secured by and payable from PFC revenues. Senior bonds, with the exception of Series 2013A, 2013B, 2013C, 2015B, 2016A, 2018A, 2018B and 2018D, all share a common debt service reserve fund, which is cash funded and sized at maximum annual debt service. The remaining senior bonds have separate reserve funds specific to each series. The subordinated Series 2013A, Series 2015A, Series 2015B, Series 2018A and Series 2022A are designated as PFC bonds and are additionally secured by the available PFC revenue. These bonds are secured by a cash funded reserve fund equal to 125% of annual average debt service.

## USE OF PROCEEDS

Proceeds of the Series 2022A and 2022B senior bonds will be used to fund deposits into the project and capitalized interest funds, fund a debt service reserve and pay cost of issuance. Proceeds to the Series 2022A subordinated lien bonds will be used to refund portions of existing senior lien bonds, fund a debt service reserve and pay cost of issuance. The project fund is used to fund TPA's capital plan, which includes improvements to curbside facilities and the addition of a future Airside D concourse.

## PROFILE

Hillsborough County Aviation Authority (HCAA) is a public body corporate that has the exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County, Florida. The authority operates Tampa International Airport (TPA) and three general aviation airports: Peter O. Knight Airport (TPF), Plant City Airport (PCM) and Tampa Executive Airport (VDF). HCAA is governed by a five-member Board of Directors. Three members are residents of Hillsborough County appointed by the Governor of the State of Florida for four-year terms. The Mayor of the City of Tampa and a board member of the County Commissioners of Hillsborough County serve ex officio on the board. The gubernatorial appointments occur at two-year intervals, and at these times the Board reorganizes itself, electing officers for the ensuing two years.

## METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Airports and Related Issuers published in March 2019 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1140469](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1140469). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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