

Rating Action: Moody's assigns A3 to Hillsborough County Aviation Authority - ConRAC Project's (FL) 2022 Series A bonds; outlook is stable

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New York, February 08, 2022 -- Moody's Investors Service has assigned an A3 rating to Hillsborough County Aviation Authority, FL - ConRAC Project \$366 million Tampa International Airport Customer Facility Charge Revenue Refunding Bonds, 2022 Series A (Taxable) and affirmed the A3 rating on the outstanding \$383 million parity Customer Facility Charge bonds. The outlook is stable.

RATINGS RATIONALE

The A3 rating reflects the considerable demand for rental cars at Tampa International Airport (Hillsborough County Aviation Authority, Aa3 stable) which is serving one of the fastest growing markets in the United States, healthy projected debt service coverage ratios, net of O&M expenses, above 1.5x after the airport meets full recovery in fiscal 2024 and no current plans for future debt issuance. The rating is also supported by strong credit protection features including an unfettered ability to raise the customer facility charge (CFC) rate and a rate covenant that requires 125% coverage with annual collections or 150% coverage with the use of rolling coverage. The ability to charge a deficiency payment to rental car companies, on a joint and several basis, in the event CFC collections fall short of debt service requirements provides protection in the event that disruptions are localized. Adequate liquidity in the form of rolling coverage, surplus, and repair and replacement (R&R) funds support the rating. The rating also considers that substantial competition from transportation network companies (TNCs) may rebound as consumers regain confidence in shared transportation following the pandemic.

RATING OUTLOOK

The stable outlook reflects Moody's expectation that demand for air traffic and rental car demand will return to pre-pandemic and support strong DSCR and liquidity accumulation.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Liquidity measured by cash to debt service above 4.0x
- DSCR, net of O&M reimbursements, consistently above 1.5x

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- DSCR, net of O&M reimbursements, below 1.25x for a sustained period
- Protracted O&D enplanement declines

LEGAL SECURITY

The bonds are secured by on-airport CFCs, off-airport TFCs, and payments from the rental car company concessionaires as deficiency payments to cover mandatory eligible costs of debt service, 40% of the annual O&M costs of the APM, amounts necessary for the R&R fund, and any other deposits required by the CFC trust indenture. The CFC bonds will also benefit from a debt service reserve funded at the maximum amount of annual debt service (approximately \$26.6 million) and a rolling coverage account funded at 0.25x annual debt service. A rate covenant of 1.25x will be in place ensuring that CFC collections are sufficient to cover debt service, with the ability to use rolling coverage from the surplus account for an additional 25% of debt service to a total 1.50 times. If CFC collections fall short of mandatory eligible costs, the HCAA has the ability to charge deficiency payments to the rental car companies pro-rata and on a joint and several basis in order to fund the difference between collection and mandatory eligible costs. New amendments to the trust indenture allows the authority to use surplus CFC funds to pay operating costs of the ConRAC and redeposit surplus funds into the revenue account. The later is a benefit in situations like the pandemic, but weakens the effect of the rate covenant.

USE OF PROCEEDS

The 2022A Taxable Revenue Refunding CFC bonds will refund outstanding 2015 A & B series CFC bonds to achieve debt service savings and pay costs of issuance.

PROFILE

Hillsborough County Aviation Authority (HCAA) is a public body corporate and is an independent special district. The authority has exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County, Florida. The airport system consists of Tampa International Airport (TPA), Peter O. Knight Airport, Plant City Airport and Tampa Executive Airport. The latter three are general aviation airports which serve as reliever airports. TPA is a FAA large hub airport consisting of a single main terminal with four airside concourses that total 58 aircraft gates. It has three runways, including two parallel runways and one crosswind runway. As the authority owns and operates Tampa International Airport, it also oversees the consolidated rental car (ConRAC) facility that is adjacent to the airport. The ConRAC facility was opened in February 2018 and houses nine rental car companies governed by a lease and concession agreement. The term of the agreement began on September 1, 2015 and is to terminate thirty years after the date of the issuance of the 2015 CFC bonds. HCAA has retained the option to renegotiate terms every ten 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. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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