



Rating Action: Moody's affirms A3 on Hillsborough County Aviation Authority, FL's CFC revenue bonds; outlook stable

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Moody's has affirmed the A3 rating on Hillsborough County Aviation Authority's Customer Facility Charge revenue bonds. The outlook is stable.

New York, August 18, 2017 -- Summary Rating Rationale

Moody's Investors Service has affirmed the A3 rating on Hillsborough County Aviation Authority, FL's (HCAA) Customer Facility Charge (CFC) revenue bonds. The outlook is stable. HCAA owns and operates Tampa International Airport (the airport), where the consolidated rent-a-car (ConRAC) facility is located. The A3 rating on the CFC backed bonds is based on the fundamental strength of the airport's service area, which has a significant tourism component and supports a robust rental car market. The rating is further supported by the recent debt service coverage ratios which have exceeded projections due to solid collections and lower cost of debt than originally expected. Coverage ratios are expected to continue to meet projected levels over the next few years, despite slight weakness in CFC collections expected in fiscal year (ended September 30) 2017 and 2018. The A3 rating also considers the mitigation of construction risk due to the expected completion in February 2018. While four months beyond the original planned completion, the ConRAC facility is estimated to be under budget by \$7.8 million, and the automated people mover (APM) is estimated to be completed about \$2.3 million over budget but within the allocated contingency. The rating is also supported by strong protection features including a rate covenant that requires 125% coverage with annual collections or 150% coverage with the use of rolling coverage and 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. There is also adequate liquidity in the form of rolling coverage, surplus, and repair and replacement (R&R) funds to be funded at substantial completion. The rating also incorporates the limited history of CFC collections at the airport.

Rating Outlook

The stable outlook reflects the expectation that there will be no major deterioration of the rental car market, transaction days will remain at current levels, and debt service coverage ratios will continue to meet the projected levels of about 2.0x through 2020 and 1.5x afterwards.

Factors that Could Lead to an Upgrade

Debt service coverage without rolling coverage exceeds 2.0x on a consistent basis after the interest only period

Transaction days demonstrate stronger growth or stability than expected

Factors that Could Lead to a Downgrade

Construction liquidity in the CFC R&R, Deficiency Reserve, and Surplus funds to below \$30 million

Lower than projected CFC collections that result in debt service coverage without rolling coverage falling below 1.4x

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 initially from \$5.7 million of rolling coverage funds in the CFC Surplus Fund. 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.

Use of Proceeds

Not applicable.

Obligor Profile

The authority 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 Peter O. Knight Airport, Plant City Airport and Tampa Executive Airport. The latter three are general aviation airports which serve as reliever airports. Tampa International airport has a single main terminal with four airside concourses that total 59 aircraft gates and three runways including two parallel runways and one crosswind runway.

Methodology

The principal methodology used in this rating was Publicly Managed Airports and Related Issuers published in November 2015. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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Duston Hodgkins
Lead Analyst
Project Finance
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Kurt Krummenacker
Additional Contact
Project Finance
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653



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