MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 to Hillsborough County Aviation Authority's (FL) Senior 2018 Series E and F, and A1 to the Subordinate 2018 Series A; outlook is stable

03 Oct 2018

New York, October 03, 2018 -- Moody's Investors Service ("Moody's") has assigned a Aa3 rating to Hillsborough County Aviation Authority's (HCAA or authority) $138.7 million Tampa International Airport Revenue Bonds, 2018 Series E (AMT) and $158.9 million 2018 Series F (Non-AMT). Moody's has also assigned a A1 rating to the $104.6 million Tampa International Airport Subordinated Revenue Bonds, 2018 Series A (PFC AMT). The authority has $433.7 million of senior bonds rated Aa3 and $302.3 million of subordinated bonds rated A1 outstanding. The proceeds of the 2018 Bonds are to be used to fund both Phase II of the master plan projects and the Airport Capital Improvement Plan (CIP). The outlook is stable.

RATINGS RATIONALE

The Aa3 rating reflects the airport's position as the primary provider of air service to the large Tampa Bay region, which has a significant amount of tourism. The region will continue to benefit from the growing economic conditions in the US, which will support moderate enplanement growth at the airport. The rating also considers the airport's conservative management of a significant capital plan. As future debt is added the rating will become increasingly susceptible to negative impacts of economic conditions and related enplanement trends. The airport is nearing completion of Phase 1 of a $2.6 billion master plan. Through this plan, the airport will maintain robust financial metrics, including senior debt service coverage ratios (DSCRs) on Moody's net revenue basis above 2.0x, while minimizing the financial impact to airlines by keeping cost per enplanement (CPE) below $8 through fiscal year (ended September 30) 2027. This low cost to airlines is due to the airport's diversified revenue stream, as airline-derived revenue accounts for only about a quarter of the airport's revenue, and the airport benefits from significant parking and concession revenues. The rating is limited by the moderate competition for the area's air travel from Orlando International and nearby St. Pete-Clearwater International.

The A1 is based on the subordination in the flow of funds and slightly weaker legal protections compared to the senior lien. The subordinate lien has the additional pledge of subordinate passenger facility charges (PFCs).

HCAA owns and operates Tampa International Airport. The authority benefits from the airport's position as the primary provider of air service to the large Tampa Bay region, which has a significant amount of tourism. The region will continue to benefit from the growing economic conditions in the US, which will support moderate enplanement growth at the airport. HCAA also benefits from the airports conservative management of a significant capital plan.

RATING OUTLOOK

The stable outlook is based on Moody's expectation that enplanements at the airport will continue to experience positive growth which will support DSCRs in the projected ranges, above 2.0x for the senior lien and 1.7x for all debt.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant increase in enplanement levels indicating a shift in market position

- Financial liquidity increases to above 600 days cash on hand

- DSCRs sustained above 3.0x on the senior lien and 2.0x for total debt

FACTORS THAT COULD LEAD TO A DOWNGRADE

- DSCR by net revenue below 1.75x on the senior lien or below 1.5x for total debt on a sustained basis.

- Declining enplanements demonstrating weaker market position

- Construction cost overruns resulting in substantially increased indebtedness

LEGAL SECURITY

The bonds are secured by the net revenues of the authority. Only bonds designated as PFC bonds are secured by and payable from PFC revenues; these include the senior lien 2009 Series A and the subordinated Series 2015 A&B. Subordinated bonds have a subordinate pledge ofboth general airport revenue and PFC revenue. 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, and Series 2015B 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 annual average debt service.

USE OF PROCEEDS

The proceeds of the 2018 bonds are to be used to fund both Phase II of the master plan projects and the CIP. Phase II of the master plan includes the main terminal curbside expansion, energy plant and loading dock replacement, skycenter area development, and the new taxiway A and bridge. The CIP projects on the other hand includes checked baggage system upgrades and optimization, and other airport rehabilitation projects.

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 these ratings was Publicly Managed Airports and Related Issuers published in October 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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