

Rating Action: Moody's affirms Aa3/A1 on Hillsborough County Aviation Authority's (FL) revenue bonds, outlook is stable

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New York, July 13, 2021 -- Moody's Investors Service has affirmed the Aa3 senior lien and A1 subordinate lien ratings on Hillsborough County Aviation Authority's, FL (HCAA or authority) \$1.026 billion outstanding general airport revenue bonds. The outlook is stable.

RATINGS RATIONALE

The ratings reflect the fundamental strength of the airport's origin and destination market in Tampa, Florida, which had been supported by a growing population base and increased tourism in the local area. Gains in the service area had resulted in sustained enplanement growth at HCAA over the past years with a 5-year CAGR of 5% through 2019. Since the coronavirus outbreak, the airport has experienced a notable contraction but it has been among the fastest to recover due to its exposure to leisure and more relaxed COVID-19 travel policies. Additionally, TPA is much less dependent on business and international travel than its theme park- and cruise-heavy nearby competition. The rating also reflects HCAA's switch from its prior airline use and lease agreement to a rates by resolution approach, the basis of which is nearing full cost recovery. According to management's projections, the approach is expected to increase airline revenues by approximately 50% or \$30 million annually compared to the old agreement. Along with this additional revenue, we regard this new approach to have elevated revenue volatility risk with the potential for greater traffic volatility.

Given the September 30 fiscal year end, the airport system's fiscal 2020 metrics were only impacted in the second half of the year by the pandemic. At 6.68 million fiscal 2020 enplanements were down 40% from the prior year's 11.08 million. In response to the crisis, the system received \$81.2 million in CARES funds, \$60.6 million was drawn in fiscal 2020 to reimburse personnel costs, reduce O&M expenditure requirement, and to pre-pay approximately \$16 million of debt for fiscal 2021. The authority drew the remaining \$20.6 million in October 2020 to further reduce operating expenses. Fiscal 2020 debt service coverage on a Moody's net revenue basis was 1.70x after the benefit of federal grants while leverage as measured by adjusted debt to O&D enplanements increased to a still manageable 205.15. Liquidity levels were at 420 days cash on hand, with the benefit of CARES Act funding.

As of May 2021, monthly enplanements at HCAA were 13% down from 2019. Management's baseline recovery scenario tracks ahead of Moody's expectations, with a return to 2019 enplanements in FY 2023 driven by domestic travel. The authority expects to receive another \$20.6 million in supplemental HEALS funding as well as monies from the third round of federal funding, which is expected to cushion metrics over the next three to four years. Capital improvement needs are modest in the near term, and of the approximately \$47 million budgeted for FY2021 \$22.5 million is coming from authority funds.

RATING OUTLOOK

The stable outlook is predicated on our view that enplanements will recover at a rate similar to other US tourist and standard destination hubs, with coverage, leverage and costs per enplanement returning to pre-pandemic levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- 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 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
- Declining enplanements demonstrating weaker market position

-Construction cost overruns resulting in 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 subordinated Series 2015 A&B. Subordinated bonds have a subordinate pledge of both 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

Not applicable

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. Alternatively, please see the Rating Methodologies page on 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.

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