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RATING ACTION COMMENTARY

# Fitch Takes Rating Actions on U.S. Airport Special Facility Bonds Amid Coronavirus Disruptions

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Fitch Ratings - New York - 01 May 2020: Fitch Ratings has downgraded the following airport related credit and revised the Outlook to Negative from Rating Outlook Stable:

-- Baltimore/Washington International Airport (BWI) (MD) rating to 'A-' from 'A' on its passenger facility charge (PFC) revenue bonds issued by the Maryland Transportation Authority.

Fitch Ratings has placed the following airport related credits on Rating Watch Negative from Rating Outlook Stable:

-- LaGuardia Airport Terminal B Redevelopment Project (LaGuardia Gateway Partners -NY) 'BBB' rating on special facilities bonds issued by the New York Transportation Development Corp.;

-- Philadelphia Parking Authority (PA) 'A-' rating on its airport parking revenue bonds.

Fitch Ratings has affirmed the ratings on the following airport related credits; however, the Rating Outlook has been revised to Negative from Stable:

--Atlanta Hartsfield-Jackson International Airport (GA) 'A' rating on its consolidated rental car facility and automated people mover system project revenue bonds issued by the city of College Park;

--Austin (TX) International Airport (TX) 'A-' rating on its rental car special facility revenue bonds;

-- Baltimore/Washington International Airport (MD) 'A' rating on its parking revenue bonds issued by the Maryland Transportation Authority;

--Cincinnati/Northern Kentucky International Airport (KY) 'A-' rating on its senior customer facility charge revenue bonds issued by the Kenton County Airport Board;

--Columbus (John Glenn) International Airport (OH) 'A-' rating on its customer facility charge revenue bonds issued by Columbus Regional Airport Authority;

--Hartford-Bradley International Airport (CT) 'BBB' rating on its customer facility charge revenue bonds issued by the Connecticut Airport Authority;

--Massachusetts Port Authority's (Massport) Boston Logan International Airport (MA) 'A+' rating on its BOSFUEL special facilities revenue bonds;

--Portland International Airport (OR) 'A-' rating on its customer facility charge revenue bonds issued by the Port of Portland;

--San Antonio International Airport (TX) 'BBB+' rating on its customer facility charge revenue bonds.

Fitch Ratings has also affirmed the ratings on the following airport related credits with the Rating Outlook remaining Stable:

--Charlotte Douglas International Airport (NC) 'A' rating on its consolidated car rental facilities project special facilities revenue bonds;

--Miami International Airport (FL) 'A' rating on its Transportation Infrastructure Finance and Innovation Act (TIFIA) Rental Car Facility loan for the Miami Intermodal Center entered into by the Florida Department of Transportation;

--State of Hawaii (HI) 'A' rating on its airport system customer facility charge revenue bonds issued by the state's Department of Transportation;

--Houston (TX) 'A-' rating on its consolidated rental car facility airport system special facilities revenue bonds;

--Massachusetts Port Authority's Boston-Logan International Airport (MA) 'A' rating on its ConRAC project special facilities revenue bonds.

The recent outbreak of coronavirus and related government containment measures worldwide create an uncertain global environment for air travel in the near term. While the above airport and airport-related issuers' performance data through the most recently available issuer data may not have indicated impairment, material changes in revenue and cost profile are occurring across the sector and are likely to worsen in the coming weeks and months as economic activity suffers and government restrictions are maintained or expanded. Fitch's ratings are forward-looking in nature, and Fitch will monitor developments in the sector as a result of the virus outbreak as it relates to severity and duration, and incorporate revised base and rating case qualitative and quantitative inputs based on expectations for future performance and assessment of key risks.

## RATING RATIONALE

BWI Passenger Facility Charge

The downgrade and Negative Outlook reflects BWI PFC's weakened financial metrics and reduced financial flexibility caused by severely depressed volume levels in conjunction with increased leverage from the series 2019 PFC bond issuance. Together, these result in Fitch forecast coverage falling well below the historical levels to less than 2x through the forecast period. Resolution of the Negative Outlook will depend on airport enplanement and PFC revenue performance over the next one to two years as a continuation of weak revenue environment will keep coverage levels at reduced levels and potentially place pressure on maintaining PFC funds for pay-go capital projects.

LaGuardia Gateway Partners

The Rating Watch Negative reflects severe negative pressure on passenger volumes from coronavirus-related service reductions, which may stress overall project cashflows should lower traffic levels persist through 2020 and beyond. Fitch notes that construction continues to progress at LaGuardia with limited delays despite the coronavirus pandemic, allowing LGP to meet its completion related obligations under the lease, and ultimately supporting a return to normalized revenues once traffic recovers.

Philadelphia Parking Authority

The Rating Watch Negative reflects the heightened risk of this narrow airport parking driven revenue stream due to coronavirus reductions to airport traffic combined with limited liquidity retained by the authority to offset lower parking transactions. Fitch's revised coronavirus cases, including a scenario of a 75% reduction in revenues from 2019 levels in fiscal 2021 show the potential need to draws on cash and/or its bond reserve fund. Over the intermediate term, the airport parking system does have a descending debt service profile and moderating leverage; however, there are plans for additional long terms borrowings within the next several years. Management actions to generate sufficient cashflow and avoid reserve draws under the current environment of low parking activity will be key to credit maintenance.

The Rating Watch Negative actions assigned to the above airport credits reflect, in Fitch's view, elevated near-term downside risks under the current environment given more acute financial pressures while the traffic downturn continues. Maintenance of key credit metrics such as debt service coverage levels, leverage and liquidity may be more constrained under assumptions Fitch tested in the coronavirus scenario analysis.

Massport BOSFUEL

The Negative Outlook reflects BOSFUEL's current environment of severely depressed fuel volumes and pressures to maintain financial flexibility given the project's modest levels of unencumbered reserves and a sum sufficient cost rate structure. Fuel consumption has declined by more than 80% since the beginning of April 2020 as a result travel restrictions and low travel demand stemming from the coronavirus leading to low on-airport fuel consumption by member carriers. While current utilization has also resulted in an increasing concentration among carriers on allocated fuel consumption, BOSFUEL still retains a strong overall diversity of membership for volumes and billings.

BWI Parking

The Negative Outlook reflects the heightened risk of this narrow airport parking driven revenue stream due to coronavirus reductions to airport traffic combined with limited liquidity retained by the project structure to offset lower parking transactions. These stresses are partially mitigated by the system's historically high DSCR (3.6x for FY19), low leverage (1.3x for FY19), and a final maturity of 2027. Further, parking rates have not increased since 2009, which could leave some rate making flexibility although difficult to implement in a low demand environment.

CONRACs

The Negative Rating Outlook actions to the CONRAC credits cited above reflect their operational and financial exposure in the current stressed environment in aviation but, in Fitch's view, have financial profiles that can position them in the near term to manage the risk. CONRACs in construction such as those at Cincinnati, Columbus and Hartford benefit from lower debt service burdens at present due to capitalized interest periods, but are still subject to completion risk and ramp-up.

Still, severe declines in enplaned passenger traffic will affect volumes and operating revenues across all of these facilities, with the greatest impacts to occur in the second quarter of 2020 and potentially extend into future periods due to the coronavirus pandemic. These CONRACs have predominantly midrange -to-stronger franchise positions, supporting major market airports; however, they suffer from extremely limited revenue pledges and operate with a high level of dependence on passenger traffic. In the near term, Fitch has assessed that for each of the CONRAC credits mentioned above, the unrestricted cash and reserves alone are sufficient to meet debt service due through the next 12 months.

## KEY RATING DRIVERS

No key rating drivers were changed as part of this review. See links below to individual issuer Rating Action Commentaries with individual Key Rating Driver assessment scores and analysis.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

A positive rating action is not expected in the near future. However, a return to a Stable Outlook could be possible, and the ratings affirmed, if Fitch sees sustained recovery in volume and revenues due to the easing of the pandemic resulting in normal air traffic patterns or the adaption of strategies that convincingly stabilizes the finances.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A continued period of material volume declines that presents further challenges to stabilize the finances of the affected airport credits;

- Sustained deterioration in liquidity levels;

- Credit deterioration of the major rental car companies or payment delinquencies.

## BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

## CREDIT UPDATE

The distinctions in the rating actions outlined above reflect the differences in risks to their respective financial profiles, primarily from a coverage and liquidity perspective, given the current environment of sharp airport passenger traffic declines. Only one credit was downgraded in this review, BWI's bonds secured by PFC receipts, given the magnitude of the coverage reduction as debt service payments are expected to rise in the near term based on the recent issuance of a new money financing.

Those credits with rating affirmations and a Stable Outlook, including five of the consolidated rental car financings, factors in the strong coverage levels already achieved in combination of robust liquidity reserves. For example, the CONRACs for MassPort, Hawaii, Houston, and Charlotte benefit from either an extremely robust liquidity position, a solid coverage ratio, or some combination of both. Even under Fitch's coronavirus severe sensitivity analysis financial metrics remain strong and commensurate with their current rating levels. FDOT (Miami MIC) benefits from financial outperformance and a flexible TIFIA loan, such that maturity is estimated to be more than 10 years ahead of schedule, even under Fitch's coronavirus severe sensitivity analysis, providing repayment comfort at the current rating level.

Credits placed on Negative Outlook have solid credit underpinnings, but will likely see revenue and coverage pressures or volatility in performance in the near term as the coronavirus-led negative trends continues. A prolonged period of activity reductions would more likely result in credit metrics shifting to levels below the indicative guidance for the current rating level. However, the Outlooks may return to Stable if the downside period remains temporal and less severe than the assumptions indicated in the forecast scenarios below.

Credits with Rating Watch Negative are more susceptible to downside risks given the current depressed levels of airport traffic activity. These credits generally have fewer reserves relative to peer credits and/or weaker coverage cushion. Credit stability in the near term will likely depend on the countervailing actions from management, such as rate adjustments or cost reductions, to stabilize financial metrics commensurate with the rating level.

## FINANCIAL ANALYSIS

Fitch conducted a coronavirus rating case, a coronavirus sensitivity case and a coronavirus severe sensitivity case to the above credits to assess coverage and liquidity.

--The rating case scenario contemplates airport enplanement declines of approximately 50% in calendar year 2020 relative to 2019 actual levels based on the following assumptions of quarterly traffic activity: Q1 2020 (-15%), Q2 2020 (-90%); Q3 2020 (-60%) and Q4 2020 (-30%). For calendar years 2021 and 2022, Fitch assumes 85% and 95% recoveries relative to 2019 levels before returning to 2019 levels by 2023. Recognizing there are different fiscal year periods for each airport, the assumed traffic levels will be accordingly adjusted.

--A coronavirus sensitivity case assumes traffic declines continue for an additional quarterly period with Q3 2020 (-75%) and the rating case assumptions for Q3 2020 and Q4 2020 pushed to Q4 2020 and Q1 2021 followed by recoveries that are similar to the rating case.

--The coronavirus severe sensitivity case builds upon the coronavirus sensitivity assumptions, but has a more gradual recovery of 4% per year in 2022 and 2023 before returning to 2019 levels in 2024. These enplanement assumptions were the starting point for volume assumptions in Fitch's cases, recognizing that parking and rental car volumes could be even more volatile. The results of these scenarios will be published as a Coronavirus Stress Tests Report.

Links to last published issuer RACs with Key Rating Driver assessments covered in the above rating actions:

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-affirms-hartsfield-jackson-airport-ga-car-rental-facility-bonds-at-a-outlook-stable-19-09-2019

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-affirms-austin-tx-conrac-bonds-at-a-stable-12-09-2019

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-maryland-transportation-auth-pfc-revs-at-a-affirms-outstanding-outlook-stable-20-05-2019 https://www.fitchratings.com/research/infrastructure-project-finance/fitch-affirms-maryland-transportation-authority-parking-revs-at-a-outlook-stable-26-09-2019

https://www.fitchratings.com/entity/charlotte-nc-rental-car-facility-credit-summary-96249491

https://www.fitchratings.com/entity/cincinnati-northern-kentucky-international-airport-oh-rental-car-facility-credit-summary-96739968

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-columbus-airport-customer-facility-charge-rev-bonds-a-outlook-stable-09-04-2019

https://www.fitchratings.com/entity/connecticut-airport-authority-ct-airport-customer-facility-charge-credit-summary-96755495

https://www.fitchratings.com/entity/florida-department-of-transportation-fl-miami-intermodal-center-credit-summary-96247370

https://www.fitchratings.com/entity/hawaii-state-of-hi-rental-car-facility-credit-summary-96607889

https://www.fitchratings.com/entity/houston-tx-airport-conrac-credit-summary-96755499

https://www.fitchratings.com/entity/laguardia-gateway-partners-ny-credit-summary-96267401

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-affirms-massport-conrac-facility-bonds-at-a-outlook-stable-27-09-2019

https://www.fitchratings.com/entity/massachusetts-port-authority-ma-airport-bosfuel-credit-summary-96755501

https://www.fitchratings.com/entity/philadelphia-parking-authority-pa-airport-parking-credit-summary-96249108

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-portland-international-airport-or-customer-facility-charge-revs-a-outlook-stable-

20-03-2019

https://www.fitchratings.com/entity/san-antonio-tx-airport-customer-facility-charge-credit-summary-96755505

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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## APPLICABLE CRITERIA

Infrastructure and Project Finance Rating Criteria (pub. 24 Mar 2020) (including rating assumption sensitivity)

Airports Rating Criteria (pub. 24 Mar 2020) (including rating assumption sensitivity)

## ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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| Charlotte (NC) | EU Endorsed |
| College Park (GA) | EU Endorsed |
| Columbus Regional Airport Authority (OH) | EU Endorsed |
| Connecticut Airport Authority (CT) | EU Endorsed |
| Florida Department of Transportation (FL) | EU Endorsed |
| Hawaii, State of (HI) | EU Endorsed |
| Houston (TX) | EU Endorsed |
| Kenton County Airport Board (KY) | EU Endorsed |
| Maryland Transportation Authority (MD) | EU Endorsed |
| Massachusetts Port Authority (MA) | EU Endorsed |
| New York Transportation Development Corporation (NY) | EU Endorsed |
| Philadelphia Parking Authority (PA) | EU Endorsed |
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