

**Rating Action: Moody's assigns Aa3 to Greater Orlando Aviation Authority's (FL) Airport Facilities Revenue Bonds, Series 2022A, B, C, D and E; outlook is stable**

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New York, January 18, 2022 -- Moody's Investors Service ("Moody's") has assigned an Aa3 to the Greater Orlando Aviation Authority (GOAA)'s \$175.16 million Airport Facilities Revenue Bonds, Series 2022A (AMT), \$64.04 million Airport Facilities Revenue Bonds, Series 2022B (Taxable), \$8.6 million Airport Facilities Refunding Revenue Bonds, Series 2022C (AMT), \$21.51 million Airport Facilities Refunding Revenue Bonds, Series 2022D (Non-AMT) and \$11.58 million Airport Facilities Refunding Revenue Bonds, Series 2022E (Taxable). At the same time, Moody's has affirmed the Aa3 rating on GOAA's outstanding senior lien revenue bonds and A1 rating on GOAA's outstanding priority subordinate lien revenue bonds. The outlook is stable.

**RATINGS RATIONALE**

Greater Orlando Aviation Authority's Aa3 (senior lien) and A1 (subordinate lien) ratings reflect Orlando International Airport's near-monopoly position for air travel into one of the primary tourism destinations in the world, which has been the main driver for better than average recovery from the pandemic, supplemented by a rapidly diversifying economy with a large health care presence and several universities.

The airport also benefits from a well-diversified air service offering and declining annual debt service requirements that allows for a reduced impact on airline costs after factoring in the \$3.6 billion capital plan when compared with similarly sized projects at other large hub airports. The ratings also incorporate management's actions taken to mitigate the pandemic's impact on metrics by controlling and reducing operating costs, deferring capital costs, providing financial relief to tenants, and using federal relief funds to pay and reimburse the authority for the payment of debt service and defeasance of debt outstanding.

The ratings are challenged by the absence of long-term use and lease agreements with the airlines, who could reduce service to the airport if demand drops materially or the capital expansion is deemed too costly despite revenue share agreements. These risks are mitigated in the near to medium term by the fact that the South Terminal Complex construction is at about 90% of completion, coupled with the low airline concentration and strong levels of liquidity.

The A1 rating on the subordinate bonds reflects the subordinated nature of payment to existing senior lien obligations and weaker structural protections.

**RATING OUTLOOK**

The stable outlook is based on our expectation that the airport will continue its strong recovery performance due to tourism demand. When coupled with a proactive management, that will continue to allow the authority to successfully hold airline costs at adequate levels.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Net revenue debt service coverage above 1.5x when debt service includes full annual principal
- Expectation of leverage below \$100 adjusted debt per O&D enplanement

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Capital plan results in substantial increases in leverage exceeding \$200 debt per O&D passenger
- Net revenue debt service coverage below 1.2x
- Sustained enplanement stagnation or declines

**LEGAL SECURITY**

Senior lien bonds are secured by the net revenues of the Orlando International Airport including earnings on funds and investments. Portions of senior lien bonds are also supported by pledged passenger facility charge (PFC) collections. Bondholders are protected by a rate covenant that requires rates to produce net revenues which cover 1.25x of the aggregate annual debt service requirement. A portion of Series 2022 bonds is secured by pledged PFC collections. Subordinate lien bonds are secured by a subordinate claim on projected available Net Revenues of the authority and do not have a pledge of PFC collections. Bondholders are also protected by a rate covenant that rates produce sum sufficient net revenues of the aggregate annual debt service requirement. Debt service reserves will be cash-funded at the standard three-prong test.

## USE OF PROCEEDS

The use of proceeds of Series 2022A and Series 2022B bonds is to: (a) finance a portion of the costs associated with improvements to the airport system, including a portion of the costs of phase 1 and phase 1 Expansion of the South Terminal Complex (2022 Project); (b) refinance certain draws made on certain of the existing lines of credit, the proceeds of which were used to finance a portion of the cost of the 2022 Project and associated accrued interest; (c) fund a deposit to the composite reserve subaccount of the debt service reserve account to bring the balance therein equal to the composite reserve requirement; and (d) pay certain costs of issuance of the Series 2022A and Series 2022B bonds. The use of proceeds of Series 2022C, Series 2022D and Series 2022E bonds, together with other available funds of the authority, if any, is to: (a) refinance all or a portion of certain outstanding bonds and (b) pay certain costs of the issuance of the Series 2022C, Series 2022D and Series 2022E bonds.

## PROFILE

The Greater Orlando Aviation Authority (GOAA) is primarily responsible for the operations of Orlando International Airport (MCO), which is owned by the City of Orlando (Aa1 negative). MCO is a large-hub origin and destination airport in central Florida, nine miles southeast of downtown and approximately 20 miles east of the major theme parks in Orange County. The authority also operates Orlando Executive Airport (ORL), a general aviation airport three miles east of downtown.

MCO facilities include four north-south parallel runways with full instrumentation and lighting, capable of triple simultaneous approaches and handling the largest commercial aircrafts currently in use. The North Terminal Complex consists of a central landside terminal and four connected airside buildings (Airsides 1-4). The landside terminal includes ground transportation functions, arrivals and baggage claims, rental cars desks, airlines ticketing and departures counters as well as the majority of food, beverage and retail concessions. Parking adjacent to the landside terminal includes an 8,878-space garage, with additional satellite parking providing 11,162 spots. The landside terminal also includes a 445-room hotel. Airsides 1-4 are connected to the landside terminal by automated people movers, and contain 93 aircraft gates, passenger waiting areas, concessions and airline operations spaces. International arrivals are accommodated between 16 gates within Airside 1 and 4, with two Federal Inspections Service (FIS) facilities. Beyond the 93 aircraft gates, the terminal apron can accommodate an additional 22 aircraft for overnight parking.

The South Terminal Complex (STC) is currently under construction and includes a new terminal, an automated people mover (APM) complex, an intermodal terminal facility (ITF) and parking garage. The APM complex, ITF and parking garage opened in 2017, and phase 1 of the STC is expected to open in mid-2022.

## 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](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1140469). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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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](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Cintia Nazima  
Lead Analyst  
Project Finance  
Moody's Investors Service, Inc.  
7 World Trade Center  
250 Greenwich Street  
New York 10007  
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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