

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Baa1 to the City of Portland, ME Airport Enterprise's General Airport Refunding Revenue Bonds, Series 2019. Outlook stable

29 Oct 2019

New York, October 29, 2019 -- Moody's Investors Service ("Moody's") has assigned a Baa1 rating to the \$65 million City of Portland, ME Airport Enterprise's General Airport Refunding Revenue Bonds, Series 2019 (Non-AMT) (Green Bonds). The outlook is stable. The proceeds of the issuance will be used to refund the airport's 2010 GARBs, and yield an estimated cash flow savings of \$18 million.

RATINGS RATIONALE

The Baa1 stable credit profile reflects the stable economic history of the jetport's service area and the strong airline diversity including multiple low-cost carriers, with the largest carrier accounting for only 30.1% of enplanements. The credit profile further incorporates the jetport's competition with Boston-Logan International, and high but falling leverage as measured by debt per origin & destination (O&D) enplanement and narrow debt service coverage ratios (DSCRs), reflecting costs incurred for the recently completed terminal expansion program. Going forward, the jetport has limited capital requirements as a result of the recent terminal expansion, which will enable the jetport to gradually de-lever.

RATING OUTLOOK

The stable outlook reflects our expectation of continued enplanement growth, sustained by recent capacity additions and industry trends, as well as the continued improvement in liquidity and coverage ratios.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Substantial revenue growth resulting in sustained debt service coverage above 1.75 times by Moody's net revenue coverage calculation
- Liquidity above 600 days cash on hand
- Continued and sustainable period of enplanement growth stemming from a greater demand for local air service

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained decline or lower-than-projected growth in enplanements that negatively impacts revenues and PFC collection
- Consistently lower than 1.30 times coverage by Moody's net revenue coverage calculation
- Deteriorating competitive position coupled with loss of airline diversity

LEGAL SECURITY

The bonds are secured by a senior lien on net revenues of the airport. The bonds are additionally secured by a three-pronged debt service reserve funded at the lesser of i) maximum annual debt service (MADS); ii) 10% of the stated principal; or iii) 125% of average annual debt service. The reserve fund is cash funded. Other indenture-required reserves include an M&O reserve sized at three months of operating expenditures and a renewal and replacement reserve sized at the jetport's discretion. The rate covenant requires that net revenues provide a minimum 125% coverage of debt service. The additional bonds test requires that net revenues for 12 of the prior 18 months meet either 125% of maximum annual debt service, including new debt, or that projected net revenues will satisfy the rate covenant for five years after debt issuance or three years after project completion.

USE OF PROCEEDS

The proceeds of the Series 2019 Bonds will be used to refund, on a current basis, all of the outstanding Series 2010 bonds, to fund the Series 2019 Account of the Debt Service Reserve Fund, and to pay for the cost of issuance.

PROFILE

Portland International Jetport is Maine's largest airport by number of passengers serving most of the major domestic airlines and over 1.1 million enplanements a year (estimated fiscal 2019). The jetport is located in Cumberland County, approximately five miles west of downtown Portland with direct access to US Interstate 95. The jetport facilities include two runways, one 7,200 feet long and a 6,100 foot crosswind runway, both 150 feet wide; a 294,000 square-foot passenger terminal building with three levels; 12 loading gates; 9,000 square yards of air cargo apron and two cargo sort buildings; 3 baggage claim carousels; 2,162 space parking garage and approximately 300,000 of leasable square feet.

METHODOLOGY

The principal methodology used in this rating was Publicly Managed Airports and Related Issuers published in March 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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