



U.S. Municipal Bond Market

U.S. Airport Sector View - A Month into COVID-19

Summary

- It is imperative to consider what the financial status of an individual airport was before the COVID-19 slowdown. The Moody's median "days cash on hand" metric for the sector was a record 659, but there is wide range of 2,208 to 238 days in the examples we list on page 3;
- The CARES Act offered substantial relief for airports. The average relief as a % of revenues for those listed in our examples was 22%, but this ranges from 38% to 15%. There was a bias in funding toward larger airports;
- Recovery could come swiftly and quickly – airports located in regions and cities with industries and demographic bases that are growing and those with strong carriers could be best positioned to take advantage of a recovery when it finally arrives;
- Airports and related industries saw substantial relief in last week's CARES Act. There may have to be more depending on how long this shut down or slowdown continues; and
- Rating agencies already have "Negative" outlooks on the Airport Sector.

Two Key Items to Consider for Airports

Most U.S. states have full or partial orders for individuals to practice social distancing and/or shelter-in-place measures to limit the spread of the coronavirus (COVID-19). Over the weekend, President Trump extended the White House's social distancing guidelines to April 30, meaning we are going to likely be experiencing at least another month of the current status. Activity at U.S. airports have been hit particularly hard as a result. The Transportation Security Administration (TSA) reported they screened only 8% of passengers last Thursday (March 26) compared to the same day in 2019.¹ For several weeks, we have seen issues like General Airport Revenue Bonds (GARBs) and Passenger Facility Charge (PFC) bonds fall out of favor of municipal investors. At the present time because enplanements are down across the board, we believe there are two key factors to consider where airports are concerned:

1. First is to consider the financial shape an airport was in prior to this health crisis. An airport's number of days cash on hand is a key liquidity metric. The median number of days cash on hand according to recent Moody's medians was 659 days for the sector. The data in the table in the following pages shows this metric ranges from 2,208 days all the way down to 238 days for those airports listed;
2. Recent and potential future federal support is going to be important to consider for airports, generally, and for individual airports, specifically. We included in the table an indicator that gives us an idea about how meaningful recent CARES Act funds are for the selected airports. The amounts are typically more meaningful for larger airports, and the amounts range from 38% down to 15% as a percentage of FY18 operating revenue.

Recovery

It is not too early to begin to think about the recovery. With as much fiscal aid and stimulus that has been allocated, and is likely to be allocated in the future, there very well could be a quick rise in activity, especially as a result of all the pent-up demand

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that builds. Remember, it is not that long ago that U.S. airports were annually breaking financial records year after year as enplanements grew. We think there are going to be some airports more than others that will be better positioned to take advantage of the recovery when it arrives. Those airports will be the ones that continue to stress the importance of a sound financial footing, are located in regions and cities with industries and demographic bases that are growing (not contracting), and an underappreciated factor is that it helps to have strong carriers as participants.

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Federal Support for Aviation Industry and Airports

The U.S. aviation industry is a significant contributor to the U.S. economy. Over 11 million jobs and 5% of U.S. GDP or \$1.8 trillion of total economic activity is attributable to commercial aviation in this country.² Various economic studies also have found that airports are considerable drivers of activity and economic development.³ These are for sure among the factors considered by lawmakers when constructing the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748), or CARES Act. The CARES Act offered a significant first round of support for airports and related industries. The recent relief included \$10 billion for U.S. airports to maintain operations; money that will be instrumental for many locations. It also included \$29 billion in loans for carriers, and \$32 billion in payroll grants for carriers and contractors.⁴ While this is a substantial step, it is very possible more relief and then stimulus follows in the coming weeks or months.

Recent U.S. Airport Related Rating Agency Actions

The view the rating agencies are taking on the Airport sector are not surprising considering the unprecedented steps being taken to mitigate the spread of COVID-19.

Moody's Investor Service on Airports:

- Moody's lowered Airport Sector outlook to Negative, "as expectation of enplanements drop," March 20, 2020;
- JFK Int Air Terminal Baa1 on review for downgrade by Moody's, March 19, 2020;
- Moody's lowered Airport Sector outlook to Stable, "as coronavirus drives down demand and capacity," March 10, 2020;
- Ratings for United Airlines and American Airlines on review for downgrade by Moody's due to the coronavirus outbreak, March 17, 2020.

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S&P Global on Airports:

- S&P assigned Negative outlooks to all of their U.S. Transportation sectors, including airports, March 26, 2020.

Fitch Ratings on Airports:

- [Fitch's Airport Sector Outlook is Negative](#), March 27, 2020;
- Fitch lowered the outlooks on several international gateway U.S. airports to Negative, March 26, 2020;
- JFK airport terminal projects were downgraded by Fitch, March 26, 2020.

Kroll Bond Rating Agency on Airports:

- [Kroll placed their rated airports on "Watch,"](#) March 26, 2020.

¹ Wallace, Gregory; [Thousands of grounded planes. Nearly empty flights. How the coronavirus is affecting airlines](#); CNN; March 28, 2020.

² [The Economic Impact of Civil Aviation on the U.S. Economy](#); Federal Aviation Administration; January 2020.

³ Florida, Richard; [Airports and the Wealth of Cities](#); CityLab; May 23, 2012.

⁴ [COVID-19 Update: US Senate Passes \\$61 Billion Relief Package for Aviation Industry](#); National Law Review; March 26, 2020.

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Comparison of CARES Act Data and FY18 Metrics from Select U.S. Airport Metrics

U.S. Airport	State	Moody's Rating	Moody's Rating Outlook	Total Formulaic Grant (\$ millions)	Stimulus Grant as % of FY18 Op. Rev + PFCs	Days Cash on Hand	Enplanements ('000)	Service area pop. ('000)	Primary Carrier
Median	-	A1	-	100.3	22%	631	7,676	2,797	-
Austin-Bergstrom International Airport - Austin (City of) Airport Ent, TX	TX	A1	Stable	46.2	23%	583	7,740	2,168	Southwest
Boston Logan International Airport - Mass Port Authority, MA	MA	Aa2	Stable	113.9	15%	628	19,636	8,285	JetBlue
Buffalo Niagara International Airport - Buffalo, NY	NY	A3	Stable	13.1	18%	393	2,402	1,214	Southwest
Charleston Int Airport - Charleston County Airport District, SC	SC	A1	Stable	12.0	19%	1,245	2,097	788	Delta
Charlotte/Douglas Int Airport - Charlotte (City of) NC Airport Ent, NC	NC	Aa3	Stable	101.9	34%	1,620	23,075	2,684	American
Chicago Midway Int Airport - Chicago (City of) IL Midway Airport Ent, IL	IL	A2/A3	Stable	67.4	27%	330	11,022	9,867	Southwest
Chicago O'Hare Int Airport - Chicago (City of) IL O'Hare Airport Ent, IL	IL	A2	Stable	333.2	27%	471	41,563	9,867	United
Cincinnati/Northern KY Int Airport - Kenton Cnty Airport Board, KY	KY	A1	Stable	18.6	15%	826	4,440	2,249	Delta
Cleveland-Hopkins Int Airport - Cleveland (City of) OH Airport Ent, OH	OH	A2/A3	Stable	35.8	22%	672	4,837	3,483	United
Dallas Love Field - Dallas (City of) TX Airport Ent, TX	TX	A1	Stable	40.7	26%	376	8,137	7,994	Southwest
Dallas/Fort Worth Int Airport - Dallas-Fort Worth Int Airport Board, TX	TX	A1	Stable	249.1	23%	624	34,500	7,846	American
Denver Int Airport - Denver (City & County of) CO Airport Ent, CO	CO	A1	Positive	222.7	24%	732	32,259	3,573	United
Des Moines Int Airport - Des Moines (City of) IA Airport Ent, IA	IA	A2	Stable	6.4	15%	878	1,386	817	American
Detroit Metro Wayne Cnty - Wayne Cnty Airport Auth, MI	MI	A1	Stable	115.7	25%	238	17,559	5,353	Delta
Eppley Airfield - Omaha Airport Authority, NE	NE	Aa3	Stable	11.4	19%	2,208	2,520	979	Southwest
Fresno Yosemite Int Airport - Fresno (City of) CA Airport Ent, CA	CA	Baa1	Stable	4.5	15%	653	817	1,152	American
Ft. Lauderdale-Hollywood Int - Broward (Cnty of) FL Airport Ent, FL	FL	A1	Stable	109.2	31%	443	17,656	6,159	JetBlue
General Mitchell Int - Milwaukee (Cnty of) WI Airport Ent, WI	WI	A1	Stable	19.0	20%	480	3,549	2,049	Southwest
Harrisburg Int Airport - Susquehanna Area Reg Airport Auth, PA	PA	Baa3	Positive	5.3	17%	240	652	1,267	American
Hartsfield-Jackson Int Airport - Atlanta (City of) GA Airport Ent, GA	GA	Aa3	Stable	274.5	38%	1,086	52,562	6,630	Delta
Honolulu Int Airport - Hawaii (State of) Airport Ent, HI	HI	A1	Positive	77.5	20%	871	18,806	980	Hawaiian
Indianapolis Int Airport - Indianapolis Airport Auth, IN	IN	A1	Stable	41.5	23%	632	4,695	2,431	Southwest
JFK Int, Newark Int, LaGuardia Airport - Port Auth	NY	Aa3	Stable	437.2	15%	470	69,379	23,876	United
Kansas City Int Airport - Kansas City (City of) MO Airport Ent, MO	MO	A1/A2	Stable	31.7	21%	537	5,785	2,487	Southwest
Lambert-St. Louis Int Airport - St. Louis Airport Ent, MO	MO	A2	Stable	46.4	28%	669	7,612	2,910	Southwest
Los Angeles Int Airport - LA Dept of Airports-LA Int Apt Ent, CA	CA	Aa2	Stable	266	17%	520	43,553	10,231	American
Louis B. Armstrong Int Airport - New Orleans Aviation Board, LA	LA	A2	Stable	32.4	32%	1,037	6,565	1,506	Southwest
McCarran Int Airport - Clark (County of) NV Airport Ent, NV	NV	Aa2/Aa3	Stable	160.2	26%	926	24,596	2,487	Southwest
Miami Int Airport - Miami-Dade (Cnty of) FL Airport Ent, FL	FL	A2	Positive	172.5	19%	318	22,220	6,880	American
Nashville Int Airport - Metro Nashville Airport Auth, TN	TN	A1/A2	Stable	40.1	22%	533	7,466	2,057	Southwest
Oklahoma City Airport - OC Airport Trust, OK	OK	A1	Stable	11.2	16%	1,053	2,072	1,469	Southwest
Orlando Int Airport - Greater Orlando Aviation Auth, FL	FL	Aa3	Stable	138.3	22%	631	23,382	3,361	Southwest
Palm Beach Int Airport - Palm Beach (Cnty of) FL Airport Ent, FL	FL	A1	Stable	13.5	16%	835	3,268	1,471	JetBlue
Phoenix Sky Harbor Int Airport - Phoenix Airport Ent, AZ	AZ	Aa3/A1	Stable	117.8	23%	550	22,219	4,858	American
Raleigh-Durham Int Airport - Raleigh-Durham Airport Auth, NC	NC	Aa3	Stable	35.5	21%	1,136	5,945	2,238	Delta
Ronald Reagan, Wash Dulles Int Airports - Metro Wash Airp Auth, DC	DC	Aa3	Stable	185.3	22%	1,052	23,751	9,797	United
San Antonio Int Airport - SA TX Airport Ent, TX	TX	A1	Stable	30.2	23%	739	5,029	2,474	Southwest
San Diego Int Airport - San Diego Cnty Reg Airport Auth, CA	CA	A1	Stable	71.5	23%	756	11,729	3,338	Southwest
San Francisco Int Airport - San Francisco Airport Comm, CA	CA	A1	Positive	212	18%	350	28,814	4,730	United
Seattle-Tacoma Int Airport - Port of Seattle, WA	WA	A1	Stable	157.8	25%	541	24,894	4,853	Alaska
Tampa Int Airport - Hillsborough Cnty Aviation Auth, FL	FL	Aa3	Stable	64.2	24%	365	10,519	3,091	Southwest
Tulsa Int Airport - Tulsa Airports Imprmnt Trust, OK	OK	Baa1	Positive	9.8	22%	379	1,431	1,163	Southwest
William Hobby, George Bush Int - Houston Airport Ent, TX	TX	Aa3/A1	Stable	159.5	26%	1,002	27,713	7,198	United

Source: Moody's and HilltopSecurities. Passenger Facility Charges (PFCs).

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- [House Speaker Pelosi Wants More for State and Local Governments in Potential Fourth Phase](#), March 26, 2020
- [Agreement on the \\$2+ Trillion CARES Act, Not Nearly Enough for State and Local Governments](#), March 25, 2020
- [Still Waiting on Congress, Looking for State and Local Government Stimulus](#), March 24, 2020
- [Congress Working on \\$2+ Trillion of Stimulus; Fed Provides More Targeted Support for Municipals](#), March 23, 2020
- [Tax Deferrals Could Create a Cashflow Crunch; Market Needs Help With Liquidity; Federal Government Provided Some, Working on More Targeted Support](#), March 20, 2020
- [\\$12 Billion Flows Out of Municipal Funds, Recent Monetary & Fiscal Policy](#), March 19, 2020
- [March 18 Market Activity – A Focus on the Significant Pressure in the VRDO Market](#), March 18, 2020
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- [Municipal Market Update: Week of March 16 Playbook](#), March 16, 2020
- [Municipal Market Update: COVID-19 Impact Worsens](#), March 12, 2020
- [Lowered Airport Sector Outlook: Recent COVID-19 Impact](#), March 11, 2020
- [Falling Confidence and No Federal Stimulus Increase to Start the Week](#), March 9, 2020
- [Uncertainty – What the Municipal Market Knows and Doesn't Know About COVID-19](#), March 4, 2020
- [Bracing for the Worst; the Coronavirus Market Effect – Status of the Coronavirus Impact on the US Municipal Bond Market \(page 2\)](#), Feb 26, 2020

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