CREDIT OPINION
28 May 2024

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Convention Ctr. Auth. of Metro Govt. of Nashville & Davidson Cnty, TN

Update to credit analysis

Summary

The Convention Center Authority of the Metro Gov't of Nashville & Davidson County, TN's (Aa3 special tax) Tourism Tax Revenue Bonds, Series 2010A benefit from a long history of strong pledged revenue collections with relatively temporary declines in fiscal 2020 and 2021, directly related to the pandemic. While revenues declined a total of approximately 46% over those two years, collections quickly rebounded beginning in fiscal 2022 given the strength of Metro Nashville's economy and popularity as a tourist destination. Pledged revenues continued their rapid recovery and growth in fiscal 2023, increasing by approximately 76%, far exceeding peak collections in fiscal 2019. As a result of healthy revenue collections, annual debt service coverage has been strong and improving over the last ten years. Given relatively level debt service, annual coverage is expected to remain healthy going forward. Maximum annual debt service coverage is also strong at approximately 12.7 times using fiscal 2023 revenues. The bonds also benefit from sound legal provisions as well as the rapidly growing and regionally significant economic base of Metro Nashville but are somewhat constrained by the relatively narrow nature of the pledged revenues and limited taxing boundaries.

On May 28, 2024, Moody's upgraded to Aa3 from A1, the special tax rating for the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, TN's Tourism Tax Revenue Bonds, Series 2010A.

Credit strengths

» Healthy pledged revenue trends and debt service coverage with only temporary declines during economic downturns

» Satisfactory legal structure including solid ABT requirements and the presence of DSRF

Credit challenges

» Economically sensitive pledged revenues with limited ability to increase rates

» Relatively narrow nature of the pledge revenue sources

Rating outlook

The stable outlook reflects the expectation that pledged revenue collections will remain strong and continue to provide healthy debt service coverage.

Factors that could lead to an upgrade

» Improved legal structure including stronger debt service reserve fund requirement and additional bonds test

» Significant growth in pledged revenues or early debt retirement that drives sizeable increases in debt service coverage

Factors that could lead to a downgrade

» Additional debt or deterioration of revenue collections that results in significant decline in debt service coverage to levels below 2.5 times annual revenues

» Sizeable increase in revenue volatility or deteriorating revenue trend

Exhibit 1

Convention Center Auth of Metro Gov't of Nashville & Davidson County, TN					
Credit Background					
Pledged Revenues	Special Tax				
Legal Structure					
Additional Bonds Test	1.50				
Open or Closed Lien	Open Lien				
Debt Service Reserve Fund Requirement	DSRF funded at lesser of standard 3-prong test				
MADS Coverage					
MADS Coverage (x)	12.7x				
Projected Trend Analysis					
	2023	2022	2021	2020	2019
Revenues ($000)	168,573	95,996	71,941	118,602	126,765
Annual Debt Service Coverage (x)	12.8x	7.3x	5.4x	9.0x	9.6x

Sources: Moody's Ratings, Metro Nashville Annual Financial Statements, Metro Nashville Continuing Disclosure

Profile

The Convention Center Authority of the Metropolitan Government of Nashville & Davidson County, TN is a nonprofit public corporation created in 2009. The authority was created for the purposes of owning, operating and financing the Convention Center Project. All powers of the authority are vested in its Board of Directors consisting of nine persons who are nominated by the Metro Mayor and confirmed by the Metro Council.

Detailed credit considerations

Tax base and nature of the pledge: strong Metro economy continues to experience growth

Metro Nashville & Davidson County is located in the northern central portion of Tennessee (Aaa stable) and is one of the primary economic engines in the state. Metro is the state capital and benefits from a diverse economy including services, trade, auto manufacturing, health care and government. The economy is stabilized by such large institutions and employers as the State of Tennessee, Vanderbilt University (Aa1 stable) and Vanderbilt University Medical Center, and various U.S. Government offices. The diversity of the economy is underscored by the fact that the largest employers, Vanderbilt University and the state of Tennessee, account for only 2% to 3% of the total Metro MSA employment base.

Metro's economic growth has been extremely rapid over the last five years, underscored by assessed value growth of 9.1% (average annual growth 2019-2023). Nashville's economy continues to grow at faster pace than the US, with a 5 year CAGR real GDP to 5 year CAGR US real GDP of 2.3%. While there was a short pause in the early months of the pandemic, the economy bounced back quickly. The tourism industry within Nashville was hit as a result of the coronavirus but recovered at a rapid pace. Hotel occupancy levels dropped significantly in April 2020 to 16.8%, down from 62% in January 2020, 70.1% in February 2020 and 43% in March 2020. However these levels began to slowly recover throughout the summer of 2020 and continued to improve rapidly throughout 2021, 2022 and 2023.

Metro's unemployment rate, at 2.3%, as of February 2024, remains below state (2.8%) and national (4.2%) rates. Metro's income and housing values also reflect the long-term strengths of the economy. As the economy has grown and diversified, Metro's (Davidson County) adjusted resident income (MHI adjusted for regional price parity/US MHI) remains solid at 99% of the US. Full value per capita is very strong at $213,619.

The Tourism Tax Revenue Bonds, Series 2010A are secured by a senior lien on various tourism tax revenues collected within Metro Nashville. The tourism tax revenues are relatively narrow in nature and there is limited ability to increase rates for the specific revenue streams. The pledged revenues include a 3% hotel tax, $2.00 room occupancy tax, an airport ground transportation tax, rental car tax, short-term rental tax (all sales derived from the premises of the convention center and Omni Hotel and sales taxes). The sales taxes that are pledged include the MCCA Redirect Revenues (state and local tax derived from the premises of the Convention Center Project for the first 30 years - through 2040) and TDZ tax revenues (growth in state and local sales and use taxes relating to sales made in the TDZ for the first 30 years through 2040).

Debt service coverage and revenue metrics: revenue collections rebounded quickly as Metro exited the pandemic; strong debt service coverage

The authority's tourism tax revenues have shown strength over the last ten years and were on an upward trajectory prior to the onset of the pandemic. From 2015-2019, pledged revenues increased by 87% or 17.4% annually. When Covid first hit in late fiscal 2020, revenues declined moderately by 6.4% and then more substantially in fiscal 2021 (-39.4%) when the full affect of the pandemic was being realized. The severity and length of the shutdown was more limited in the Nashville area than other regions, providing for a rather quick rebound for the local tourism industry. Fiscal 2022 pledged revenue collections increased by 33.4% and then even more dramatically in fiscal 2023, with a massive 75.6% increase. Management anticipates pledged revenue collections will remain at similar levels over the near term.

As a result of the quick rebound in revenue collections, debt service coverage followed a comparable trend. While annual debt service coverage dropped to a low of 5.4 times in fiscal 2021 (lowest point in last five years), it increased to 7.3 times in fiscal 2022 and then to an extremely healthy 12.8 times in fiscal 2023 (above the previous peak coverage of 9.6 times in fiscal 2019). Given there are no immediate additional debt plans for this security pledge/lien and the fact that debt service is relatively level throughout the remaining life of the bonds, we anticipate debt service coverage will remain at similar levels for the foreseeable future.

Debt and legal covenants: satisfactory legal framework

The Convention Center Authority has two series of bonds outstanding, the Series 2010A bonds which are backed by various tourism taxes (senior lien) and the Series 2010B bonds which are secured first by a subordinate lien on the same tourism tax revenues and then by Metro Nashville's non-ad valorem tax revenues. Metro pledged its non-ad valorem tax revenues (through an Intergovernmental Agreement between Metro Nashville and the Convention Center Authority) should there be any deficiency in the tourism tax revenues to pay debt service. The Series 2010B bonds are rated under the US Cities and Counties Methodology and holds a rating of Aa3.

Legal protections for bond holders of the Series 2010A bonds are satisfactory. The debt service reserve requirement, which was cash funded through bond proceeds, is the lesser of maximum amount of debt service, 1.25 times average annual debt service, or 10% of par. Additional bonds parity to the Series 2010A Bonds may be issued only if pledged revenues for any 12 consecutive out of the 24 months immediately preceding the issuance of additional bonds covers debt service by 1.50x.

Legal security

The Series 2010A (A-1 & A-2) are secured by a senior lien on various tourism tax revenues collected within Metro Nashville.

Debt structure

The Convention Center Authority's special tax debt is all fixed rate.

Debt-related derivatives

The Convention Center Authority does not have any exposure to derivative agreements.

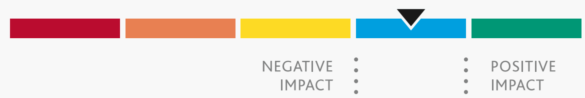
ESG considerations

Metro.Govt. of Nashville & Davidson Cnty.,TN's ESG credit impact score is CIS-2

Exhibit 2

ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

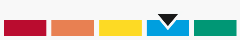
Metro Nashville's **CIS-2** indicates that ESG considerations are not material to the county's rating.

Exhibit 3

ESG issuer profile scores

ENVIRONMENTAL

E-2



SOCIAL

S-2

GOVERNANCE

G-1

Source: Moody's Ratings

Environmental

Metro Nashville has relatively low exposure to environmental risks across all categories, including physical climate risk, carbon transition, water management, natural capital and pollution risks. While Metro is exposed to flooding of the Cumberland River during heavy storms, management continues to engage in projects and activities which minimize this risk.

Social

Metro Nashville's social risk is low given it benefits from its position as the state capitol and a major economic engine for north/central Tennessee. Additionally, the surrounding areas are some of the wealthiest in the state. Health and safety considerations pose moderate risk, however overall demographics, labor and income, educational attainment and housing are strengths. Additionally, residents have easy access to basic services.

Governance

Metro Nashville's strong governance reflects long established policies and in depth disclosures which provide a high level of transparency. This along with a strong state-wide institutional framework, allow Metro Nashville to maintain and provide necessary services which continues to promote sizeable tax base expansion, despite it's satisfactory financial position.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

REPORT NUMBER 1409621

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