Hillsborough County Aviation Authority, FL (Tampa International Airport)

Issuer: Hillsborough County Aviation Authority, FL

Affirmed	Rating	Outlook
Tampa International Airport Revenue Bonds	AA	Stable
Tampa International Airport Subordinated Revenue Bonds	AA-	Stable

Methodology:

U.S. General Airport Revenue Bond Rating Methodology

ESG Global Rating Methodology

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Rating Summary: The long-term ratings for the Hillsborough County Aviation Authority (Authority) Tampa International Airport (TPA or the Airport) Revenue Bonds and Subordinated Revenue Bonds reflect the Airport's stable origin and destination (O&D) market position and the favorable economic and demographic characteristics of the service area. Enplanement growth and expenditure controls have contributed to a trend of relatively low airline costs, sound debt service coverage, and robust liquidity.

The Authority owns and operates TPA and three general aviation airports (collectively, the Airport System). TPA accounts for the substantially all the Authority's commercial enplanement activity and >98% of the Authority's annual revenues. The senior bonds are secured by a pledge of Airport System net revenues. Subordinate lien bonds are payable from remaining net revenues after payment of the senior lien bonds, as well as from available passenger facility charge revenues (PFCs).

TPA is a 58-gate large hub airport serving 5.2 million people in and around the Tampa-St. Petersburg-Clearwater Metropolitan Statistics Area (Tampa MSA) along Florida's central gulf coast. The Airport faces little competition with Orlando International Airport, the nearest sizable commercial airport, located 92 miles away. Carrier concentration is low with Southwest, the largest carrier at TPA, accounting for 25.4% of enplanements in FY 2023.

Enplanement activity increased at a pace similar to that of the overall U.S. air market in the ten years preceding the pandemic and has outpaced the U.S. through the subsequent recovery. Enplanements were below the FY 2019 high water mark in FY 2020 (down 39.7%), FY 2021 (down 30.4%), and FY 2022 (down 3.6%) due to the pandemic but achieved full recovery to a level 4.3% above the pre-pandemic high in FY 2023. Enplanement activity in the most recent available month of November 2023 was 12.9% above the same month in 2019 and the airport presently serves a greater number of locations than it did prior to the pandemic.

The Authority received $181 million in pandemic-related federal assistance which it applied to operations between FY 2020 and FY 2023 to mitigate the financial impact of reduced passenger activity. Management also took steps including maintenance deferrals, a hiring freeze, a voluntary separation incentive program, temporary closures of underutilized facilities, and deferred capital projects to conserve financial resources. These measures helped to support strong debt service coverage over the last five years through FY 2023 at or above 2.08x for senior bonds and at or above 3.11x for subordinated bonds. Coverage as calculated per the respective trust agreements for FY 2023 was 4.25x for senior bonds and 7.46x for subordinate bonds. As specified in the respective trust agreements, PFC revenues are applied to the subordinate bond (but not senior bond) debt service coverage calculation. Pandemic-related federal assistance in now exhausted, but coverage is projected to remain strong in FY 2024 due to the full recovery in airport activity with budgeted coverage of senior bonds at 3.47x and subordinate bonds at 6.76x.

The Authority is in the midst of a $2.2 billion capital program spanning FY 2021 to FY 2028 that will culminate in the completion of a new 16-gate Airside D concourse bringing the total number of gates at TPA to 74. Approximately two thirds of the program are for remaining master plan phase II projects and the entirety of the master plan phase III projects as described later in this report. The remaining $736 million consists of capital improvement program projects that are outside of the master plan. Management is tentatively planning to issue $425 million in senior bonds later this year plus approximately $232 million in subordinate-lien debt in 2026 to fund the construction of Airside D and other capital projects.

The Authority has implemented airline rates and charges by board resolution since the September 30, 2020 lapse of its airline-airport use and lease agreement (AULA). There are no limitations to the frequency or timing of rate adjustment under the current rates by resolution approach, and the Authority plans to continue to implement a cost-recovery rate making methodology going forward either under ongoing resolutions or a future AULA, but no new agreement is anticipated currently. KBRA views the Airport's strong post-pandemic recovery and low carrier concentration as offsetting concerns related to the absence of an AULA or plans to implement a new agreement.

Airline costs per enplanement (CPE) were among the lowest for large U.S. hubs at $4.94 in FY 2019 but have moved higher per significant borrowing to accommodate its master plan buildout. CPE is budgeted for $10.18 in FY 2024 which reflects the first normalized post-pandemic year with fully recovered utilization and the application of no pandemic-related federal assistance. Rising debt service requirements per the capital program were forecast in the 2022 Report of the Airport Consultant to reach a still comparatively moderate $12.91 by FY 2028. An updated report and CPE forecast is expected to be available later this year.

The Stable Outlook reflects the full recovery in passenger activity following the pandemic and the expectation that the Authority will continue to adopt necessary revenue and expenditure measures to meet all financial obligations and bond rate covenants as it moves forward with its large capital program.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- Broad and growing air trade area economy and healthy population growth support increasing demand for air travel, while the strictly O&D nature of airport activity confers stability.
- Diverse carrier mix with existing airlines continuing to strategically add new domestic and international routes, which is supportive of continued enplanement growth.
- Airline costs are competitive.

Credit Challenges

- Rates by resolution regime provides less operational certainty than adopted use and lease agreement.

Rating Sensitivities

▪ Completion of capital program on time and within budget accompanied by a resumption of the strong trend in passenger enplanements observed in the several years preceding the pandemic.	+
▪ Cost overruns or delays associated with the large capital improvement program. ▪ Trend of weakened liquidity levels and/or debt metrics.	-

Key Ratios FYE September 30	2019	2020	2021	2022	2023
Airport Activity					
Top Carrier Market Share (Southwest)	31.2%	30.3%	28.7%	26.5%	25.4%
Enplanements (000's)	11,085	6,681	7,717	10,689	11,561
Operating Metrics					
Non-Airline Revenues Per Enplanement	$ 17.51	$ 19.82	$ 17.74	$ 19.20	$ 22.37
Airline Cost Per Enplaned Passenger (CPE)	$ 4.94	$ 8.76	$ 10.87	$ 9.49	$ 9.74
Peak CPE (FY 2028)[1]					$ 12.91
Airline Payments as a % of Operating Revenues	27.9%	32.5%	42.4%	35.9%	32.1%
Debt, Leverage, and Affordability Metrics					
Senior Debt Service Coverage	2.28x	2.08x	2.44x	3.64x	4.25x
Subordinated Debt Service Coverage	4.14x	3.11x	3.74x	6.74x	7.46x
Total Debt Service Coverage	2.06x	1.70x	1.94x	2.95x	3.30x
MADS (FY 2027) Per Passenger Enplanement					$ 10.46
Population Growth 2010-2022					
City of Tampa					18.3%
Tampa MSA					18.2%
Florida					20.3%
United States					7.9%

(1) As projected in 2022 Official Statement

Rating Determinants (RD)	Senior	Subordinate
1. Management	Favorable	Favorable
2. Economics/Demographics of the Service Area	AA-	AA-
3. Airport Utilization	AA-	AA-
4. Airport Debt/Capital Needs	AA+	AA+
5. Airport Finances	AA+	AA+
6. Legal Mechanics and Security Provisions	AA	AA-

RD 1: Management

KBRA views HCAA's governance structure, policies and procedures, and management background and experience as Favorable. TPA and three general aviation airports in Hillsborough County are owned by the Authority and collectively known as the Airport System. The Authority was created as an independent special district pursuant to Chapter 2003-370, Laws of Florida, Acts of 1945, with exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County. A detailed discussion of Management can be found in prior KBRA reports, the most recent of which is dated February 23, 2023.

RD 2: Economic/Demographics of the Service Area

The airport is located approximately six miles west of downtown Tampa in Hillsborough County, FL. The service area encompasses Hillsborough, Pinellas, Pasco, and Hernando counties, which comprise the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (Tampa MSA) and a population of 3.3 million as of 2022. An extended service area consisting of 5 additional counties comprising the rest of the State's central Gulf Coast has a population of approximately 1.9 million people.

Demographics

The Tampa MSA population increased 18.2% between 2010 and 2022, slightly slower than the State (+20.3%) but much faster than the Nation (up 7.9%). It is the 18th most populous metropolitan area in the U.S. and the second largest in Florida.

Figure 1

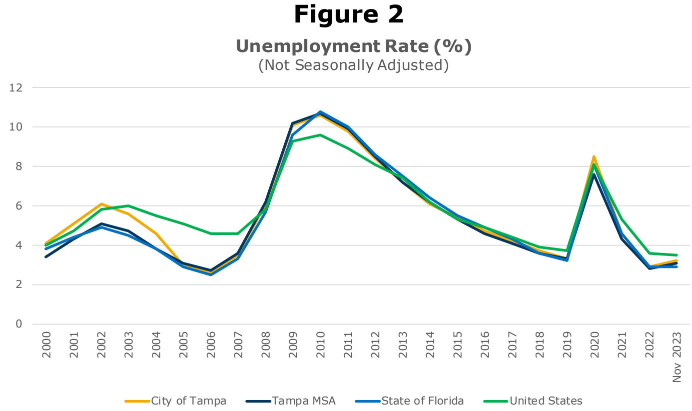
Population Growth							
	1980	1990	2000	2010	2022	Δ 2010 to 2022	CAGR 2010 to 2022
City of Tampa	271,523	280,015	303,447	335,709	397,173	18.3%	1.4%
Tampa MSA	1,613,603	2,067,959	2,395,997	2,783,243	3,290,730	18.2%	1.4%
Florida	9,746,324	12,937,926	15,982,378	18,801,310	22,610,726	20.3%	1.5%
United States	226,545,805	248,709,873	281,421,906	308,745,538	333,271,411	7.9%	0.6%

Source: U.S. Census Bureau

Unemployment Trends

The MSA unemployment rate was closely in line with that of the U.S. in the years preceding the pandemic. The November 2023 unemployment rate was 3.1% versus the State at 2.9% and U.S. at 3.5%. MSA employment as of November 2023 is 11.5% above the 2019 pre-pandemic average level, versus State employment (up 9.1%) and U.S. employment (up 2.5%.

Figure 2



	City of Tampa	Tampa MSA	State of Florida	United States
November 2023	3.2	3.1	2.9	3.5
October 2023	3.3	3.2	3.0	3.6
Great Recession Annualized Peak	10.6	10.7	10.8	9.6
Point Δ form Great Recession Annualized Peak	-7.4	-7.6	-7.9	-6.1

Source: US Bureau of Labor Statistics

Figure 3

Total Employment (Not Seasonally Adjusted) (in thousands)								
	City of Tampa	Δ (%)	Tampa MSA	Δ (%)	State of Florida	Δ (%)	United States	Δ (%)
2000	148		1,169		7,621		136,891	
2001	149	0.8%	1,171	0.1%	7,692	0.9%	136,933	0.0%
2002	148	-0.7%	1,155	-1.3%	7,652	-0.5%	136,485	-0.3%
2003	149	0.7%	1,159	0.3%	7,761	1.4%	137,736	0.9%
2004	156	4.4%	1,205	4.0%	8,034	3.5%	139,252	1.1%
2005	149	-4.3%	1,210	0.4%	8,400	4.6%	141,730	1.8%
2006	153	2.9%	1,241	2.6%	8,707	3.7%	144,427	1.9%
2007	154	0.7%	1,247	0.4%	8,813	1.2%	146,047	1.1%
2008	152	-1.4%	1,218	-2.3%	8,636	-2.0%	145,362	-0.5%
2009	144	-5.3%	1,150	-5.6%	8,127	-5.9%	139,877	-3.8%
2010	155	7.7%	1,225	6.6%	8,155	0.3%	139,064	-0.6%
2011	161	3.6%	1,252	2.2%	8,334	2.2%	139,869	0.6%
2012	165	2.4%	1,283	2.4%	8,529	2.3%	142,469	1.9%
2013	170	2.8%	1,315	2.5%	8,706	2.1%	143,929	1.0%
2014	173	2.2%	1,343	2.1%	8,931	2.6%	146,305	1.7%
2015	178	2.8%	1,371	2.1%	9,107	2.0%	148,834	1.7%
2016	184	3.4%	1,412	3.0%	9,360	2.8%	151,436	1.7%
2017	187	1.7%	1,433	1.5%	9,545	2.0%	153,337	1.3%
2018	192	2.2%	1,462	2.0%	9,750	2.1%	155,761	1.6%
2019	196	2.4%	1,495	2.3%	9,951	2.1%	157,538	1.1%
2020	188	-4.0%	1,429	-4.5%	9,293	-6.6%	147,795	-6.2%
2021	200	5.9%	1,515	6.1%	9,873	6.2%	152,581	3.2%
2022	211	5.8%	1,603	5.8%	10,449	5.8%	158,291	3.7%
July 2023	220	4.0%	1,667	4.0%	10,859	3.9%	162,149	2.4%
Δ 2019 Avg to Nov 2023	11.9%		11.5%		9.1%		2.9%	

Source: US Bureau of Labor Statistics

Limited Competition

The airport benefits from a limited degree of commercial air service competition. Of the state's 8 busiest airports, only Orlando International Airport (MCO) is located within 100 miles of Tampa. In 2022, MCO offered an average of 459 daily flights and served 24.6 million enplanements in compared to Tampa's 226 daily flights and 10.6 million enplanements. Nonetheless, KBRA views competition from MCO as fairly limited given the distance between the two international airports, which limits the practicality of diversion for most travelers, as well as the distinct nature of each airport's air travel market.

Figure 4

Busiest Florida Airports by Activity

City	Airport Name	Road Miles to Tampa Int'l Airport	Enplaned Passengers in CY 2022 (000's)
Tampa	Tampa International Airport	-	10,619
Orlando	Orlando International Airport	92	24,562
Sanford	Orlando Sanford International Airport	118	1,371
Fort Myers	Southwest Florida International Airport	144	5,169
West Palm Beach	Palm Beach International Airport	211	3,274
Jacksonville	Jacksonville International Airport	216	3,203
Fort Lauderdale	Fort Lauderdale-Hollywood Int. Airport	259	15,430
Miami	Miami International Airport	275	24,006

Source: FAA BTS T-100 Database

RD 3: Airport Utilization

TPA's utilization profile is strong, characterized by a trend of generally rising enplanements, low reliance on connecting traffic, and a diverse carrier mix.

Airport Features

The HCAA airport system consists of Tampa International Airport (TPA) and three general service airports. TPA occupies 3,400 acres and is comprised of three runways and 58 aircraft gates. It was the 26th busiest airport in the U.S. in 2023. TPA consists of a main terminal building connected to four airside concourses (A,C,E, and F), completed between 1987 and 2005. The airsides are connected to the main terminal building by a fully automated elevated passenger transfer system. Parking garages, rental car facilities, and a 300-room Marriott hotel are located adjacent to the main terminal building.

Favorable Carrier Mix

Carrier concentration at TPA is low and has declined over the last four years. The market share for Southwest, the largest carrier, declined from 25.4% in 2019 to 31.2% as of 2023 while that of Delta, Frontier, and Jet Blue has increased.

Figure 5

Carrier Market Share at Tampa International Airport
Calendar Year

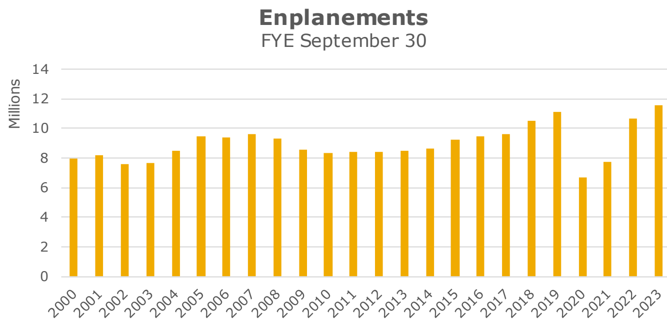
	2019	2020	2021	2022	2023
Southwest Airlines	31.2%	30.3%	28.7%	26.5%	25.4%
Delta Air Lines	16.7%	15.3%	17.4%	17.8%	17.2%
American Airlines	15.8%	16.2%	17.3%	17.1%	15.6%
United Airlines	10.0%	9.3%	10.4%	10.2%	10.1%
Frontier Airlines	5.3%	6.2%	5.5%	6.9%	8.6%
Spirit Airlines	8.6%	11.0%	10.5%	8.1%	7.0%
JetBlue Airways	5.7%	5.4%	6.9%	6.5%	7.0%
Other	6.7%	6.3%	3.3%	7.0%	9.1%

Source: HCAA

Enplanement Trends

Airport utilization grew quickly in the five years preceding the pandemic and surpassed the 2019 pre-pandemic high in FY 2023 by 4.3%. Enplanement activity for the latest available month of November 2023 was 12.9% above the same-month 2019 level. TPA now provides service to a greater number of destinations than it did prior to the pandemic.

Figure 6



Source: HCAA

Figure 7

Monthly Airport Enplanement Activity

	Enplanements (000's)					Change from Same Period in 2019			
	2019	2020	2021	2022	2023	2020	2021	2022	2023
January	910	910	452	795	922	0.0%	-50.4%	-12.6%	1.3%
February	885	958	454	820	901	8.3%	-48.7%	-7.3%	1.9%
March	1,170	663	714	1,121	1,150	-43.3%	-39.0%	-4.2%	-1.7%
April	1,056	47	805	1,043	1,131	-95.6%	-23.8%	-1.3%	7.1%
May	975	114	849	988	1,056	-88.3%	-12.9%	1.4%	8.3%
June	922	248	862	874	990	-73.1%	-6.5%	-5.2%	7.3%
July	934	302	889	880	1,003	-67.7%	-4.7%	-5.7%	7.5%
August	871	286	751	833	869	-67.2%	-13.8%	-4.4%	-0.3%
September	716	284	668	720	848	-60.3%	-6.7%	0.6%	18.5%
October	852	380	784	842	979	-55.4%	-8.0%	-1.2%	14.9%
November	916	429	896	910	1,035	-53.2%	-2.2%	-0.7%	12.9%
December	1,049	466	934	939		-55.6%	-10.9%	-10.5%	

Source: HCAA

RD 4: Airport Debt/Capital Needs

The Airport is in the midst of a $2.2 billion capital program spanning FY 2021 to FY 2028 that will culminate in the completion of a new 16-gate Airside D concourse which will bring the total number of gates at TPA to 74. Components of the program include remaining portions of the below described master plan projects as well as $736 million in capital improvement plan projects.

The Authority's 2024 budget calls for the issuance of $450 million in senior-lien debt and $232 million in subordinate-lien debt to fund the construction of Airside D and other capital projects. Management's current expectation is however for the issuance of only $280 million in senior-lien debt in August 2024. Additional borrowing needed for the balance of Airside D will take place in 2026.

Master Plan Projects

In 2012, the Authority embarked on a three-phase Master Plan:

- Phase I: Decongestion ($944 million, 2013-2018)
  Completed on time and within budget. It optimized the Airport's roadways and passenger drop-off and pick up areas for higher throughput. It included the 2.6 million square foot rental car center (RAC) and the SkyConnect automated people mover (APM), which connects the RAC to the terminal.

- Phase II: Enabling ($583 million, 2018-2025)
  Currently underway. Improvements include a curbside drop-off expansion, commercial development around the RAC, a central utility plant, and roadway expansion. Phase II lays the groundwork necessary for Phase III projects.

- Phase III: Growth ($794 million, 2024-2027)
  Will accommodate increased utilization at the airport with construction of a new 16-gate Airside D and associated shuttle system project. Airside D will bring the total number of gate concourses to five and the number of gates available at the airport to 74. The program received board approval in September 2022 and a design build contract was awarded in August 2023. Completion is projected for 2027.

A master plan update is expected to be completed this year that will provide guidance for facility and capital needs through the early 2040's. The plan will include an initial evaluation of a potential North Terminal facility and additional improvements to the existing Terminal complex needed to accommodate anticipated activity growth over the forecast horizon.

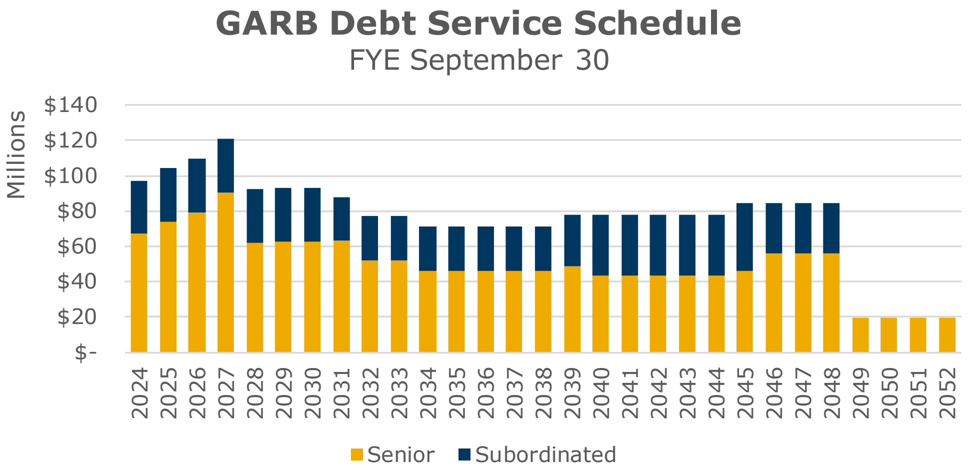
Capital Improvement Program

In addition to the Phase II & III Master Plan projects, HCAA is undertaking project renovations and refurbishments identified in the FY 2021 to FY 2028 capital plan. Budgeted FY 2024 capital expenditures total $95.7 million, of which 26.8% is to be debt financed.

Outstanding Obligations

As of FYE 2023 the Authority had $919.7 million in airport revenue bonds and $450.6 million in subordinated airport revenue bonds outstanding. In addition to a subordinate lien on general airport revenues, the subordinate bonds are secured by a subordinate lien on available PFC revenues after payment of senior lien PFC-supported debt service. There are presently no outstanding bonds secured solely by PFC revenues; such bonds, if issued, would have a prior lien on PFC revenues superior to PFC-supported GARBs. Outstanding indebtedness is entirely fixed-rate. Combined lien MADS of $121.0 million occurs in FY 2027. The GARBs have a final maturity of 2052.

Figure 8



Source: HCAA

The Authority maintains a $100 million revolving credit facility with Truist Bank that will expire on May 11, 2025. There is currently no outstanding balance and no draws are planned.

Debt Per Enplanement Metrics

Airport debt metrics are moderate as of FYE 2023 including debt per enplanement at $125 and maximum annual debt service per enplanement at $10.46. Metrics will rise with additional borrowing for Airside D but likely be moderated in KBRA's opinion by a continuing trend of growth in airport utilization.

RD 5: Airport Finances

Rates by Resolution

The Authority currently implements airline rates and charges by board resolution and has no plans to implement a new airline-airport use and lease agreement (AULA). Rate were previously determined per a negotiated 20-year AULA but the last agreement expired on September 30, 2020 and the Authority and airlines were unable to complete the negotiation of a new long-term agreement. Rates are currently set by resolution (i.e. a compensatory ratemaking methodology). The Rates by Resolution model establishes a cost recovery rate setting methodology whereby airlines will pay for the facilities they use, including the baggage handling system and passenger shuttles to airsides. This represents a departure from the Airline Agreement, which entailed subsidization of airline cost centers by the Authority.

In contrast with the Airline Agreement, which required signatory airlines to guarantee the 1.25x debt service coverage required by bond covenants in return for rebates of debt service coverage and a 20% share of remaining surplus revenues (revenues less expenditures less the operating reserve requirement less debt service), airlines no longer provide a financial backstop under the new Rate Resolution. There are however no limitations to the frequency or timing of rate adjustment under the current rates by resolution approach, and the Authority plans to continue to implement a cost-recovery rate making methodology either under the resolution or a future agreement.

Cash Based Operating Results and Debt Service Coverage

The Authority has achieved strong debt service coverage levels well in excess of its covenants in each of the last five years. Pandemic-related federal assistance bolstered coverage between FY 2020 and FY 2023 but is now depleted. Budgeted debt service coverage for FY 2024 however remains ample reflecting the full recovery of airport activity from the pandemic.

Figure 9

Hillsborough County Aviation Authority Budget Based Operating Results and Debt Service Coverage FYE September 30 (Cash Basis) (dollars in thousands)							
Budged Based Operating Results							
		Projected[1]					Budget
		2019	2020	2021	2022	2023	2024
REVENUES							
Passenger Airline Landing Fees		$ 18,908	$ 14,197	$ 24,956	$ 24,520	$ 27,316	$ 32,459
Main Terminal Rentals		29,252	23,381	38,952	47,474	46,964	46,737
Airside Rentals		25,399	24,958	31,029	39,773	46,618	57,879
Total Passenger Airline Revenue		73,559	62,536	94,938	111,766	120,899	137,076
Concession Revenues		75,236	50,645	57,758	82,586	89,834	94,091
Parking and Ground Transportation		77,390	43,754	45,557	83,174	99,495	105,314
Cargo Revenue		5,522	6,190	6,683	6,723	6,279	5,506
TSA Revenues and Reimbursements		1,259	404	489	734	660	653
General Aviation		4,297	4,185	4,636	4,987	5,385	5,775
Other Revenues		14,167	15,051	18,305	21,379	26,642	30,091
Interest Income		16,235	12,175	3,499	5,622	30,308	30,126
Total Non-Airline Revenues		194,106	132,405	136,927	205,204	258,603	271,557
Total Operating Revenues	a	267,665	194,941	231,865	316,970	379,502	408,632
Less: Airline Settlement		(1,066)	(1,318)	(4,846)	226	1,956	-
Less: ASIP Fee Waivers		(2,493)	(1,288)	(2,943)	(5,737)	(5,321)	(4,765)
Net Operating Revenues		264,106	192,336	224,076	311,460	376,138	403,867
Customer Facility Charges		44,614	28,482	31,232	40,831	42,102	45,312
Passenger Facility Charges		43,206	25,846	30,470	42,362	45,090	48,967
Airline Revenue Sharing							
EXPENSES							
Salaries and Benefits		74,781	76,765	75,152	82,108	87,419	94,698
Contracted Services		21,636	21,017	18,726	21,916	25,399	28,627
Contractual Maintenance		24,672	25,330	24,667	28,246	33,077	36,787
Supplies and Materials		4,284	4,017	4,182	4,495	5,217	5,511
Utilities		13,923	12,867	12,458	14,348	16,893	17,934
Insurance		3,571	3,874	4,527	5,333	7,239	10,084
Other Expenses		6,490	4,297	4,334	10,704	11,677	11,551
Total Operating Expenses		149,358	148,166	144,045	167,150	186,920	205,192
Less: O&M Costs Assigned to Projects		(4,724)	(4,907)	(4,834)	(5,255)	(5,778)	(6,330)
Net Operating Expenses		144,634	143,259	139,211	161,895	181,143	198,861
Less: Funded by Customer Facility Charges (CFCs)		(4,913)	(4,410)	(4,236)	(5,390)	(6,426)	(7,117)
Net Operating Expenses from Current Operations	b	139,721	138,849	134,975	156,504	174,717	191,745
Summary Actual Opeating Results and Debt Service Coverage							
		Actual					Budget
		2019	2020	2021	2022	2023	2024
Summary Operations							
Net Operating Revenues	a	$ 267,665	$ 194,941	$ 231,865	$ 316,970	$ 379,502	$ 408,632
Less: Operating Expenses	b	(139,023)	(135,754)	(134,975)	(156,504)	(174,717)	(191,745)
Other Adjustments[2]		(2,752)	(1,610)	(2,601)	(216)	(5,952)	(2,481)
Plus Application of Extraordinary Federal Monies:							
CARES Act		-	60,592	20,600	-	-	-
CRRSA Act		-	-	18,207	1,861	1,814	-
ARP Act		-	-	-	40,150	33,086	-
Revenues Available for Debt Service	c	125,890	118,169	133,096	202,260	233,733	214,407
Debt Service Coverage (Per Trust Agreements)							
Revenue Available for Debt Service	c	125,890	118,169	133,096	202,261	233,733	214,407
Senior Debt Service		55,194	56,737	54,480	55,518	54,986	61,748
Senior DSCR (min. 1.25x)		2.28x	2.08x	2.44x	3.64x	4.25x	3.47x
Revenues Remaining After Senior DS		70,696	61,432	78,616	146,743	178,747	152,659
Plus PFCs and Other Adjustments		45,362	27,156	28,019	45,491	47,906	52,651
Total Revenues Available for Sub DS		116,058	88,588	106,635	192,234	226,653	205,310
Subordinate Debt Service		28,001	28,516	28,512	28,507	30,384	30,389
Subordinate Lien DSCR (min. 1.25x)		4.14x	3.11x	3.74x	6.74x	7.46x	6.76x
Combined Debt Service		83,194	85,253	82,992	84,025	85,370	92,137
Combined DSCR (min. 1.15x)		2.06x	1.70x	1.94x	2.95x	3.30x	2.90x

Source: HCAA

(1) Projection compiled about a month before budget year end as presented in succeeding year's budget.

(2) Includes reconciliation between near final cash based operating result projections and actual cash based results.

Audited FY 2022 Operating Results

Audited FY 2022 operating results were satisfactory, with the then ongoing impact of the pandemic-induced decline in airport activity offset in part by the application of $42.6 million in pandemic-related federal assistance. Operating income before depreciation and amortization increased to $140.2 million from $89.0 million in the prior year. Change in net position increased to $48.6 million versus a $22.4 million increase in the prior year.

Figure 10

Hillsborough County Aviation Authority
Summary Statement of Revenues, Expenses, and Changes in Net Position
FYE September 30 (Audited GAAP Basis) (dollars in thousands)

	2018	2019	2020	2021	2022
OPERATING REVENUES					
Passenger Airline Revenue	$ -	$ -	$ -	$ -	$ 105,523
Concessions	-	-	-	-	36,363
Rental Cars	-	-	-	-	54,989
Parking	-	-	-	-	81,677
Ground Transportation	-	-	-	-	6,463
Cargo	-	-	-	-	12,737
Utilities and Other Reimbursable	-	-	-	-	4,393
Lease Adjustment	-	-	-	-	(3,964)
Airfield	18,808	22,365	16,852	26,158	-
Terminal Buildings	54,115	58,378	40,957	55,475	-
Airside Buildings	23,425	25,528	24,790	28,141	-
Commercial Landside	120,972	129,563	82,015	93,429	-
Cargo	3,192	3,376	3,590	3,348	-
Auxiliary Airports	-	1,455	1,418	1,547	6,996
General Aviation	4,086	2,829	2,859	3,116	5,053
Federal Reimbursements	776	859	306	361	-
Other	9,307	9,109	10,266	12,425	1,668
Total Operating Revenues	234,682	253,462	183,054	224,000	311,898
OPERATING EXPENSES					
Personnel Compensation and Benefits	-	-	-	-	84,253
Communications and Utilities	-	-	-	-	14,233
Contracted Services	-	-	-	-	23,705
Contractual Maintenance	-	-	-	-	25,087
Expensed Projects and Equipment	-	-	-	-	1,406
Insurance	-	-	-	-	5,305
SkyCenter Building Expenses	-	-	-	-	3,624
Supplies and Materials	-	-	-	-	4,741
Other	-	-	-	-	3,529
Pension Adjustment	-	-	-	-	1,779
Airfield	13,621	16,803	17,332	18,325	-
Terminal Building	34,580	36,646	34,842	34,751	-
Airside Buildings	30,031	32,465	31,012	28,740	-
Commercial Landside	32,965	35,753	32,757	31,624	-
Cargo	870	833	941	865	-
Auxiliary Airports	2,114	2,068	1,812	2,301	-
General Aviation	1,365	1,494	1,536	1,594	-
Passenger Transfer System	4,695	5,043	5,187	5,986	-
Roads and Grounds	11,417	11,660	11,758	11,129	-
Other	14,000	11,253	11,595	(1,518)	-
Total Operating Expenses	145,659	154,016	148,771	133,797	167,662
Less: Signatory Airline Net Revenue Sharing	12,503	16,253	538	1,188	4,085
Operating Income Before Dep. and Amort.	76,519	83,193	33,744	89,015	140,151
Less: Depreciation and Amortization	103,282	150,438	128,919	126,931	164,111
Less: Leases Amortization	-	-	-	-	3,508
Operating Loss	(26,762)	(67,245)	(95,175)	(37,916)	(27,468)
NONOPERATING REVENUES AND EXPENSES					
Interest Expense	3,864	17,579	12,279	3,474	7,514
Lease Interest Income	-	-	-	-	11,185
Net Unrealized Investment Gain	(3,827)	10,549	4,555	(6,031)	(16,839)
Interest Expense	(51,205)	(63,656)	(63,646)	(62,206)	(67,560)
Loss on Disposal of Capital Assets	-	-	(94)	(3,880)	(17,122)
CARES/CRRSA/ARPA Airport Proceeds	-	-	60,592	38,816	42,560
Total Nonoperating Expenses	(51,168)	(35,529)	13,686	(29,827)	(40,262)
Change in Net Position Before Capital Contrib.	(77,930)	(102,774)	(81,489)	(67,743)	(67,730)
CAPITAL CONTRIBUTIONS					
Passenger Facility Charges	41,767	43,212	25,058	32,493	42,032
Federal and State Grants	28,046	20,473	36,515	26,592	38,846
Federal Reimbursements	18,243	20,959	23,282	13,572	10,742
Customer Facility Charges	33,967	31,807	17,207	17,526	24,699
Other Contributions	-	-	32,389	-	-
Total Capital Contributions	122,023	116,450	134,451	90,183	116,319
Change in Net Position	44,092	13,676	52,962	22,440	48,589
Total Net Position - Beginning of Year	1,079,213	1,123,306	1,136,982	1,189,944	1,212,384
Total Net Position - End of Year	1,123,306	1,136,982	1,189,944	1,212,384	1,260,973

Source: ACFRs

System Liquidity

The Authority continues to maintain strong liquidity balances with total available funds (operating funds plus the surplus fund balance) equivalent to $338.0 million at FYE 2023, providing approximately 715 days cash on hand. Liquidity is budgeted to increase to 802 days cash on hand at FYE 2024.

Figure 11

Hillsborough County Aviation Authority
Cash & Investment Balances and Liquidity Calculation
FYE September 30 (dollars in thousands)

		Actual					Budget
		2019	2020	2021	2022	2023	2024
Liquidity Balances							
Operating Funds							
Revenue Fund		$ 20,642	$ 13,386	$ 22,991	$ 27,274	$ 27,994	$ 29,710
Operating & Maintenance Fund		14,464	17,714	9,085	10,458	13,624	11,774
Operating Reserve Fund		23,858	24,642	22,887	26,315	30,331	29,052
Other		2,112	1,262	3,384	799	779	811
Total Operating Funds		61,076	57,003	58,347	64,847	72,728	71,346
Surplus Fund		106,809	103,900	169,258	275,565	265,268	350,000
Total Funds Available	a	167,885	160,903	227,605	340,412	337,996	421,346
Debt Service Funds		124,318	118,110	108,514	133,099	134,861	
Capital Improvement and Equipment Funds							
Capital Improvement and Equipment Funds		8,040	4,096	359	5,256	1,050	
Rental Car Facility Fee for Future Improvements		63,135	56,476	47,464	45,090	46,817	
Bond/CP/ Bank Notes Construction Funds		-	25,160	41,829	-	-	
PFC Fund		68,877	66,022	63,724	76,018	94,709	
Senior Bonds		268,082	166,651	75,305	296,766	191,290	
Subordinate Bonds		87,780	57,161	24,064	17,402	16,001	
CFC Bonds		10,951	9,196	1,980	1,904	1,644	
Total Capital Improvement and Equipment Funds		506,865	384,762	254,726	442,438	351,511	
Total Cash & Investments		799,067	663,775	590,845	915,949	824,368	
Day's Cash on Hand Calculation							
Operating Expenses (GAAP, excl. airline net rev share)	b	$ 154,016	$ 148,771	$ 133,797	$ 153,950	$ 172,562	$ 191,745
Days Cash on Hand	(a / b) x 365	398	395	621	807	715	802

Source: HCAA

(1) Decline in liquidity in FY 2023 reflects the purchase of the SkyCetner One Office Building for $123 million in FY 2023.

RD 6: Legal Mechanics and Security Provisions

The legal provisions for the Senior and Subordinated bonds is summarized below.

Figure 12

Hillsborough County Aviation Authority
Airport Revenue Bond Summary Legal Provisions

	Revenue Pledge	Rate Covenant (No PFC)	Rate Covenant (PFC)	Additional Bonds Test	Debt Service Reserve Fund	Flow of Funds
Airport Revenue Bonds	Net Airport System Revenue Pledge	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service.	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service.	Historic 1.25x coverage in 12 consecutive months of past 18, **OR,** Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments.	MADS	Closed
Subordinated Airport Revenue Bonds	Net Airport System Revenue Pledge	1.25x Annual Subordinate Lien Debt Service. Same surplus rules as senior test.	1.15x Annual Subordinated Lien Debt Service	Historic 1.25x coverage in 12 consecutive months of past 18, **OR,** Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments.	The lesser of MADS, 125% of average annual debt service, or 10% of original principal amount.	Closed

Source: Trust Indentures

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues related to the Authority and the Bonds.

<u>Bankruptcy Eligibility</u>

To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located.

The Authority meets the definition of a municipality as it is a public body corporate and an independent special district of the State of Florida. As to authorization, Florida law generally permits municipal entities to seek Federal bankruptcy relief, but this authority is limited by a separate companion statute prohibiting certain local governmental entities (defined to include special districts) from seeking such relief unless they receive prior approval of Florida's governor. Accordingly, KBRA believes it likely that a bankruptcy court reviewing any Chapter 9 filing by the Authority would require, among other conditions to eligibility, that the Authority has received prior permission from Florida's governor. It should also be noted that a recent case in Pennsylvania suggests that if permission cannot reasonably be obtained despite the Authority's efforts to obtain such consent, a bankruptcy court may nevertheless permit a Chapter 9 filing.

<u>Special Revenues and Statutory Liens</u>

A. Pledged Net Revenues as Special Revenues under the Bankruptcy Code

Because the revenues pledged for payment of the senior bonds and subordinated bonds are generated by the aviation transportation projects and systems owned by the Authority, KBRA understands that the Revenues should qualify as "special revenues" as that term is defined in the Bankruptcy Code. There are separate protections in Chapter 9 for revenue bonds that fall within those special revenues definitions. Assuming there is no shortfall of funds to make debt service, it is KBRA's understanding that if the Authority were authorized to file for protection under Chapter 9, such filing should have little to no effect on the payment of the Bonds during a bankruptcy case because the Bonds should be considered revenue bonds secured by a pledge of special revenues.

Notwithstanding the forgoing, there are several additional issues that require additional consideration if the Authority were to file a Chapter 9 case. If the Authority were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, it is possible that the bankruptcy court could decide that (i) post-bankruptcy revenue bond payments by the Authority are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions (1) does not apply (including to possible enforcement action by the Trustee) or (2) is limited to amounts then on hand with the Trustee or the Authority. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceedings may be prohibited for an unpredictable amount of time from taking any action to collect any amount from the Authority, or from enforcing any obligation of the Authority, without the bankruptcy court's prior permission. However, it is KBRA's understanding that such a ruling would be contrary to historical experience in Chapter 9 and the clear intent of Congress regarding the continued payment of municipal revenue bonds post-bankruptcy, as expressed in the legislative history for the special revenues amendments to Chapter 9 and as interpreted in properly reasoned existing (albeit limited) case precedent under Chapter 9.

Assuming the revenues pledged are in fact determined to be "special revenues," the Bankruptcy Code provides that, to keep revenue-generating municipal assets operating, special revenues can be applied to necessary operating expenses of the project or system ahead of all other obligations – including bondholder payments. This rule applies regardless of contrary provisions of the transaction documents or if such governing documents do not adequately provide for payment of necessary operating expenses. In determining necessary operating expenses for the airport system, in a Chapter 9 case the bankruptcy court therefore may not be limited by the provisions governing the flow of funds or that define operating expenses in the Trust Agreements or other bond documents. In addition, while there is no case law dictating a definitive judgment, it is possible that, in the context of confirming a plan of adjustment in a Chapter 9 case where the plan has not received the requisite consent of the holders of the senior bonds or the subordinated bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the senior bonds or the subordinated bonds or the interest rate or other terms of the senior bonds or the subordinated bonds, provided that (i) the bondholders retain their lien on the special revenues and (ii) the payment stream has a present value equal to the value of the special revenues subject to the lien.

B. Possible Effect of an Airline Bankruptcy

Given that a substantial portion of the revenues to be deposited in accordance with the Senior Trust Agreement is derived from rentals, fees and charges imposed upon the Signatory Airlines pursuant to the Airline Agreement, the bankruptcy of a Signatory Airline, particularly a dominant one, could have an effect on the ability of the Authority to make debt service payments. KBRA understands that in the event a bankruptcy case is filed with respect to an airline operating at TPA, the Airline Agreement, lease or permit governing such airline's use of Airport System would constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. KBRA understands that in Chapter 11 cases, the debtor in possession or its bankruptcy trustee, if one is appointed, has 120 days from the date of filing of the bankruptcy petition to decide whether to keep ("assume") or jettison ("reject") a nonresidential lease, such as the Airline Agreement. KBRA also understands that the 120-day period may be extended by court order for an additional 90 days for cause and that any additional extensions are prohibited unless the debtor airline or its bankruptcy trustee obtains the Authority's consent and a court order.

KBRA understands that under the Bankruptcy Code, if a bankruptcy trustee or the airline as debtor in possession elects to reject an executory contract or unexpired lease of non-residential real property, the rejection is deemed to be a default immediately before the date of the filing of the bankruptcy petition. KBRA also understands that under the Bankruptcy Code, upon rejection of an unexpired lease the airline debtor must surrender the relevant non-residential real property to the lessor. As a result, rejection of an unexpired lease by an airline debtor may result in the Authority unexpectedly regaining control of the applicable facilities (including gates and boarding areas). The Authority could then lease or permit such facilities to other airlines. The Authority's ability to lease such facilities to other airlines may of course depend on the state of the airline industry in general, on the nature and extent of the increased capacity at TPA resulting from the departure of the debtor airline, and on the need for such facilities.

KBRA understands that under the Bankruptcy Code, any rejection of a lease or other agreement could also result in a claim by the Authority for rejection damages against the debtor airline. KBRA understands that such claim would be in addition to all pre-bankruptcy amounts owed by the debtor airline. KBRA understands that with respect to leases, a rejection damages claim for the rent due under a lease is capped under the Bankruptcy Code at the greater of one year, or 15%, not to exceed three years, of the remaining term of the lease. KBRA understands that rejection damages claims are generally treated as a general unsecured claim of the airline debtor, and could be receive a payment that is considerably less than the cap. However, KBRA understands that the Authority may have rights against any faithful performance bond or letter of credit required of an airline to secure its obligations under the relevant agreements (i.e. any eventual new Airline Agreement or the existing Rate Resolution and Space Rental Agreements) and/or the right to set off against credits owed to the airline under relevant agreements.

Alternatively, KBRA understands that under the Bankruptcy Code an airline debtor can "assume" its executory contracts and unexpired leases and that the Bankruptcy Code further provides for an airline debtor to assume and assign its executory contracts and leases to a third party, subject to certain conditions. KBRA understands that if the bankruptcy trustee or the airline assumes its executory contracts or unexpired leases as part of reorganization, the airline debtor must "cure" or provide adequate assurance that the airline debtor will promptly cure its prepetition defaults, including arrearages in amounts owed. Even if all such amounts owed are eventually paid, the Authority could experience significant delays of many months or more in collecting them.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

KBRA's assessment of ESG Management can be found in prior reports, the most recent of which is dated September 24, 2023.