Hillsborough County Aviation Authority (Tampa International Airport) Customer Facility Charge Revenue Bonds

Issuer: Hillsborough County Aviation Authority, FL		
Affirmed	**Rating**	**Outlook**
Tampa International Airport Customer Facility Charge Revenue Bonds	A+	Stable

Methodology:

U.S. Special Tax Revenue Bond Rating Methodology

ESG Global Rating Methodology

Analytical Contacts:

Harvey Zachem, Managing Director
+1 (646) 731-2385
harvey.zachem@kbra.com

Ted Damutz, Director
+1 (646) 731-1420
ted.damutz@kbra.com

Rating Summary: The rating affirmation for the Tampa International Airport Customer Facilities Charge Revenue Bonds (the "Bonds") reflects a growing and diversifying economic base, featuring a significant leisure/recreation component that supports high rental car utilization and has exhibited a strong post-COVID 19 activity rebound resulting in increased customer facility charge ("CFC") receipts. Favorable bondholder security derives from a legal framework that includes a conservative rate covenant, and the ability to charge concessionaires deficiency payments as a joint and several obligation in the event of revenue insufficiency. Ample reserves in the form of surplus and repair/replacement funds, and a cash funded debt service reserve fund (DSRF) at maximum annual debt service (MADS), are further additive and represent safeguards to a relatively narrow revenue stream that can be sensitive to exogenous events.

Pledged revenues securing the Bonds include (i) on-airport CFC receipts, (ii) transportation facility charge ("TFC") receipts, and (iii) Concessionaire Deficiency Payments, which are made by concessionaires (rental car companies) pursuant to their respective concessionaire agreements as contingent payments to cover deficiencies, if any, in the amount of CFCs/TFCs needed to fund mandatory eligible costs. The current CFC rate is $5.95 per transaction day, and the current TFC rate is $2.00 per transaction day. CFCs are an accepted industry practice, and while management has no current plans for rate adjustments, KBRA believes future increases are unlikely to have a measurable impact on car rental activity. TFC revenues typically account for less than 1% of annual pledged revenues.

Since the pandemic-related decline in air passenger traffic in 2020, TPA has seen a relatively healthy rebound in passenger volume. June 2023 enplanements were 6.2% above the comparable June 2019 figure, although rental car transactions have been slower to rebound. FY 2023 transactions are estimated at 87.5% of FY 2019 total, with FY 2024 projected at 95.5%. According to management, the more sluggish rental car transaction recovery is attributable to various factors. Rental car fleet levels have been relatively slow to return to pre-pandemic size. The consequence of suppressed fleet size is higher pricing, which results in record car rental revenues for the general airport revenue credit ("GARB") but drives down the number of transactions. KBRA continues to view the Tampa MSA as an attractive leisure/recreation destination. Besides the numerous beaches, the MSA includes Busch Gardens-Tampa Bay, a variety of cultural institutions, a cruise ship port, and Ybor City, Tampa's Latin Quarter.

Pledged revenues provided debt service coverage of 1.47x (excluding rolling coverage) and 1.72x (including rolling coverage) in FY 2022. These levels exceeded FY 2021 coverage of 1.37x (excluding rolling coverage) and 1.62x (including rolling coverage), despite FY 2021 and FY 2020 coverage necessitating the application of a total of $8.58 million from the Deficiency Reserve Fund to offset pandemic-related revenue declines. No draw on the $1.7 million remaining balance in the Deficiency Reserve Fund balance was required in FY 2022, nor are any additional draws currently projected. In KBRA's view, further support is provided by level debt service ($26.2 million) through 2044 bond maturity, and the absence of additional planned borrowing.

While pledged revenues are narrowly defined and subject to demand risk, the legal framework includes certain safeguards against revenue shortfalls. These include i) a gross lien dedicated revenue pledge; ii) a rate covenant equal to 1.50x annual debt service coverage (including up to 0.25x rolling coverage from amounts in a CFC surplus account) and 1.25x coverage from transaction revenues; iii) step-up provisions requiring non-defaulted concessionaries to cover the deficiency payment requirement of a concessionaire that is in default under the Concessionaire Agreement; iv) a fully funded debt service reserve fund (DSRF); v) additional reserves in the form of the surplus, repair and replacement, and deficiency, while not pledged to the Bonds, currently contain over $47 million; and, vi) an additional bonds test that provides effective constraint against overleveraging. In addition, the Authority maintains full rate-setting autonomy.

The Stable Outlook reflects the resilience and growth of the Tampa Bay economy and TPA's air travel demand and recovery, which KBRA expects will continue to support rental car demand at TPA, as well as the Bonds' level annual debt service levels and the absence of additional borrowing plans.

Key Credit Considerations

The rating was affirmed because of the following key credit considerations:

Credit Positives

- Legal framework provides strong bondholder protections and features a 1.25x rate covenant (excluding rolling coverage), ability to adjust the CFC, and established reserves.
- The Tampa Bay area is an established and popular leisure/recreation destination that supports high levels of rental car utilization.
- Passenger activity at TPA has rebounded well from the sharp reductions recorded during the COVID- 19 period.

Credit Challenges

- Sizable leisure/recreation component represents vulnerability to economic downturns, as evidenced by sharp enplanement and rental car transaction declines during the COVID-19 pandemic.
- Competitive market for leisure/recreation destinations and potential for shifts in consumer preferences may reduce demand for rental cars at Tampa International Airport (TPA)
- Competition from rideshare services may weigh negatively on CFC revenue growth going forward.

Rating Sensitivities

▪ Trend of steady growth in rental car transactions resulting in sustained increase in pledged revenues.	+
▪ Erosion in rental car market and rental car transactions pressuring debt service coverage.	-

Credit Highlights
FYE September 30 (dollars thousands)

		2019	2020	2021	2022
Enplanements		11,085,290	6,681,053	7,717,164	10,688,831
Δ YOY		*5.4%*	*-39.7%*	*15.5%*	*38.5%*
CFC/TFC Collections	a	$ 44,655	$ 29,512	$ 29,734	$ 38,205
CFC/TFC Surplus Fund Balance Applicable to Coverage Requirement	b	6,650	6,650	6,650	6,650
Application of CFC Deficiency Reserve Fund Balance	c	-	2,619	5,958	-
CFC Interest Income	d	996	1,741	647	853
Concessionaire Deficiency Payments	e	-	-	-	-
Annual Debt Service	f	26,600	26,598	26,600	$ 26,598
Coverage (Excluding Rolling Coverage)	(a+c+d+e) / f	**1.72x**	**1.27x**	**1.37x**	**1.47x**
Coverage (Including Rolling Coverage)	(a+b+c+d+e) / f	**1.97x**	**1.52x**	**1.62x**	**1.72x**

Rating Determinants (RD)	
1. Legal Framework	AA
2. Nature of Special Tax Revenues	A+
3. Economic Base and Demographics	AA-
4. Revenue Analysis	A
5. Coverage and Bond Structure	A

A detailed discussion of RD 1, RD2, and RD 3, as well as a bankruptcy assessment discussion can be found in prior KBRA reports, the most recent of which was released on August 22, 2022.

RD 4: Revenue Analysis

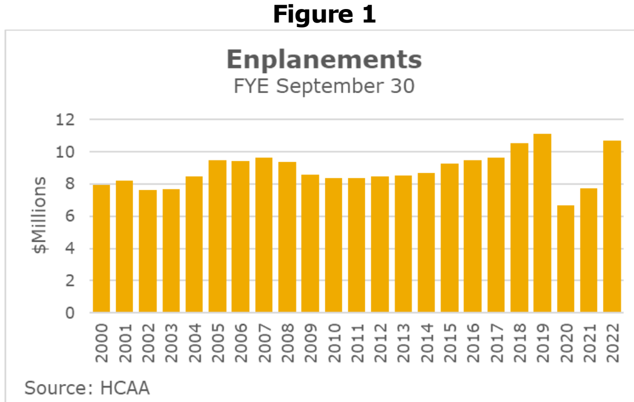
Pledged revenues are a function of the level of the CFC rate and rental car activity. Rental car activity is, in turn, closely correlated with airport passenger activity as well as to the customer mix (leisure versus business), among other factors. Pledged revenues increased each year between FY 2012 and FY 2019 except for FY 2017 when travel was impacted by Hurricanes Harvey and Irma. Pledged revenues additionally received uplift from CFC rate increases imposed in 2014 and 2015[1].

The onset of the pandemic resulted in a 39.7% reduction in enplanement activity and 33.9% reduction in CFC/TFC revenues at Tampa International in FY 2020. However, recovery has continued and FY 2023 receipts are projected at 5.7% below the FY 2019 level

Enplanement Activity and COVID-19 Impact

Enplanement activity prior to the pandemic increased at a 3.2% CAGR between FY 2010 and FY 2019. The onset of the COVID-19 crisis in mid-March 2020 resulted in a sharp reduction in enplanement activity. Monthly enplanements bottomed out in April 2020 down 95.6% YOY. Recovery has been robust, with June 2023 enplanement activity up 8.4% from the same month in 2019.

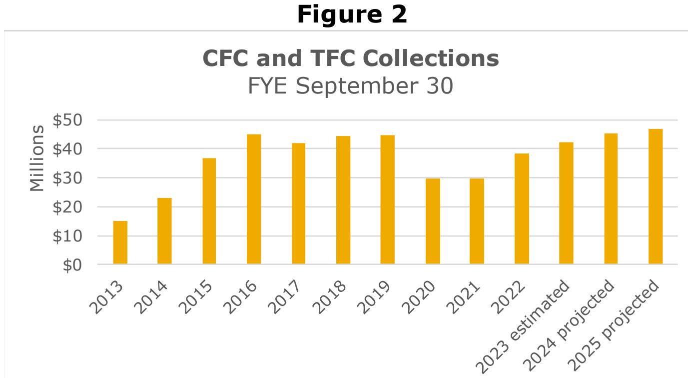
Figure 1



CFC/TFC Activity, Revenue Trends and COVID-19 Impact

CFC/TFC revenues increased at a 17.6% CAGR between FY 2012 and FY 2019, primarily reflecting an increase in the daily CFC charge from $2.50 to $5.95 over the period, as well as a trend of increasing car rental activity. Weaker performance in 2017 corresponds with Hurricanes Matthew and Irma, which struck during the airport's busy fall season. Pledged CFC/TFC revenues increased to $44.7 million in FY 2019 but declined 33.9% YoY to $29.5 million in FY 2020 with the onset of the pandemic in March 2020.

Figure 2



Source: HCAA

[1] At issuance of the CFC Bonds in 2015, no increases in the CFC were projected through the Bonds' final maturity in FY 2044.

Monthly collections bottomed out in April 2020 down 90.3% YOY. CFC/TFC revenues have gradually improved, with significant improvement in recent years likely reflecting the increased availability of vaccines and some degree of pent-up travel demand. CFC/TFC revenues in June 2023 were up 131.1% for the same-month level in 2020.

Figure 3

Monthly CFC and TFC Collections
FYE September 30 ($ thousands)

	FY 2019	Δ YOY	FY 2020	Δ from Same Month FY 2019	FY 2021	Δ from Same Month FY 2019	FY 2022	Δ from Same Month FY 2019	FY 2023
October	$ 3,080	3.7%	$ 3,195	-45.9%	$ 1,666	-14.9%	$ 2,622	-14.1%	$ 2,646
November	3,626	-3.2%	3,509	-50.9%	1,781	-21.6%	2,843	-10.0%	3,263
December	3,375	7.5%	3,629	-49.8%	1,696	-14.1%	2,900	-5.9%	3,177
January	3,858	7.8%	4,161	-43.6%	2,174	-17.4%	3,187	-8.9%	3,513
February	4,124	10.4%	4,554	-43.0%	2,349	-20.1%	3,296	-10.3%	3,700
March	5,442	-31.5%	3,726	-45.2%	2,981	-20.1%	4,350	-12.2%	4,779
April	4,836	-90.3%	470	-32.9%	3,247	-7.7%	4,463	-4.3%	4,628
May	3,944	-80.4%	771	-17.8%	3,242	-8.3%	3,617	-7.3%	3,657
June	3,358	-60.2%	1,338	-12.1%	2,952	-13.8%	2,893	-7.9%	3,092
July	3,248	-56.2%	1,421	-9.5%	2,938	-10.7%	2,902		
August	3,318	-57.5%	1,409	-20.6%	2,634	-14.2%	2,846		
September	2,445	-45.7%	1,329	-15.2%	2,073	-7.2%	2,268		

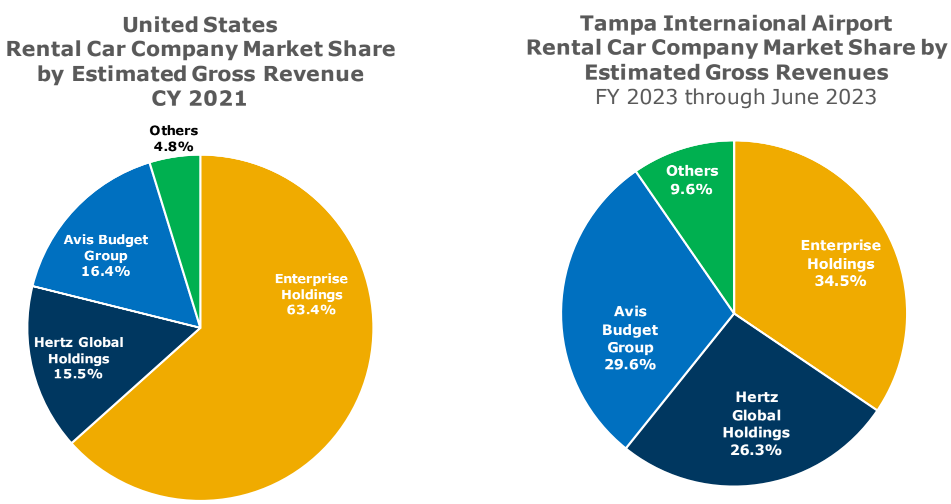
Source: HCAA

Revenue Concentration

Three major national rental car companies, Enterprise Holdings, Hertz Global Holdings, and Avis Budget Group operate at TPA. These three rental car companies collectively represent 90.4% of the rental car market at the Airport, and, on average, 95.2% of other U.S. airport markets. Enterprise Holdings Inc. dominates the U.S. market with 63% market share and is also the largest rental car company at TPA with 34.5% market share.

Rental car brands accounted for more than 99% of CFC and TFC revenues in FY 2022. The signed and executed a 30-year Concessionaire Agreement that became affective in 2018 upon completion of the ConRAC. Six brands operate off-airport and pay the lower TFC fee to the Authority. These off-airport brands account for 1.6% of annual pledged revenues. Rental car companies at Tampa International provide a wide range of options, including premium, business-oriented, and budget-oriented rentals to suit a variety of customers. The CFC is a fixed charge regardless of which brand/type of car is rented.

Figure 4



Source: Auto Rental Car News and HCAA

Federal Pandemic Assistance

The Airport was awarded a total of $181.1 million in federal pandemic assistance, as captioned below. Management indicates that all such funds were used to support GARB debt service coverage and personnel expenses, with no direct support provided to the CFC credit.

Figure 5

Hillsborough County Aviation Authority Federal Pandemic Assistance FYE September 30 (dollars in millions)					
	Total	**Applied in**			
		FY 2020	FY 2021	FY 2022	FY 2023
Coronavirus Aid, Relief, and Economic Security Act (CARES)	**$81.2**	$60.6	$20.6	$0.0	$0.0
Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (CRSAA)	**$20.6**	$0.0	$18.2	$0.1	$2.4
American Rescue Plan Act of 2021 (ARP)	**$79.2**	$0.0	$0.0	$40.0	$39.2
Total	**$181.0**	**$60.6**	**$38.8**	**$40.1**	**$41.6**

Source: HCAA

RD 5: Coverage and Bond Structure

The Series 2015 A&B CFC Bonds represent the sole CFC-secured debt issued by the Authority. The CFC Bonds were issued as fixed rate obligations. MADS is level at $26.6 million through the final maturity in FY 2044. Pledged revenues collected in FY 2022 provided Indenture coverage of 1.72x. Indenture coverage is inclusive of rolling coverage of 25% of debt service provided from the CFC Surplus Fund. Exclusive of such rolling coverage, CFC/TFC revenues alone provided FY 2022 coverage of 1.47x debt service. Airport management projects FY 2023 Indenture coverage of 1.88x and budgeted FY 2024 coverage of 2.00x inclusive of rolling coverage. FY 2020 and FY 2021 Indenture coverage figures notably are inclusive of $2.62 million and $5.96 million draws, respectively, on the Deficiency Reserve Fund which was initially funded at $10 million. The Deficiency Reserve Fund balance stood at $1.7 million, on July 31, 2023, up 3.1% from the prior fiscal year end, and there are no additional plans to draw upon it.

Figure 6

Debt Service Coverage FYE September 30 (dollars in thousands)		2018	2019	2020	2021	2022	2023	2024	2025
CFC/TFC Collections	a	$ 44,381	$ 44,655	$ 29,512	$ 29,734	$ 38,205	$ 42,102	$ 45,312	$ 46,671
CFC Surplus Fund Balance Applicable to Coverage Requirement[1]	b	4,557	6,650	6,650	6,650	$ 6,650	6,650	6,650	6,649
Application of CFC Deficiency Fund Balance	c	-	-	2,619	5,958	$ -	-	-	-
CFC Interest Income	d	109	996	1,741	647	$ 795	1,199	1,235	1,272
Concessionaire Deficiency Payments	e	-	-	-	-	-	-	-	-
Pledged Revenue for DSC Calculation[2]		**48,938**	**51,305**	**40,522**	**42,988**	**$ 45,649**	**49,951**	**53,197**	**54,593**
Annual Debt Service	f	18,230	26,600	26,598	26,600	$ 26,598	26,600	26,600	26,598
Debt Service Coverage Excluding Rolling Coverage (Req. 1.25x)									
CFC/TFC Collections Only	a/f	2.43x	1.68x	1.11x	1.12x	1.44x	1.58x	1.70x	1.75x
+Application of CFC Deficiency Fund Balance and CFC Interest Incom	(a+c+d) / f	**2.44x**	**1.72x**	**1.27x**	**1.37x**	**1.47x**	**1.63x**	**1.75x**	**1.80x**
Compliant with 1.25x Coverage Requirement?		**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Debt Service Coverage Including Rolling Coverage (Req. 1.50x)									
CFC/TFC Collections Only	a/f	2.43x	1.68x	1.11x	1.12x	1.44x	1.58x	1.70x	1.75x
+Application of CFC Deficiency Fund Balance and CFC Interest Income	(a+c+d) / f	2.44x	1.72x	1.27x	1.37x	1.47x	1.63x	1.75x	1.80x
+ CFC Surplus Fund Balance Applicable to Coverage Requirement	(a+b+c+d)/f	**2.69x**	**1.97x**	**1.52x**	**1.62x**	**1.72x**	**1.88x**	**2.00x**	**2.05x**
Compliant with 1.50x Coverage Requirement?		**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

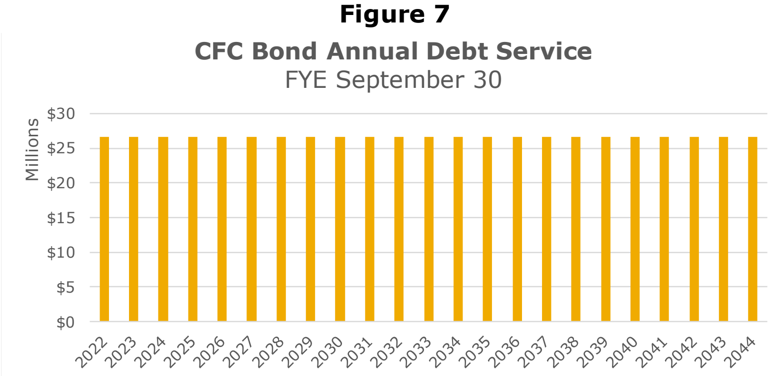
Source: HCAA

[1]Capped at 0.25x annual debt service.

[2]Does not include interest earnings on funds deposited into the CFC Revenue Fund, the CFC Sinking Fund, or the Debt Service Reserve Fund.

As Figure 7 demonstrates, annual debt service requirements on the CFC Bonds remain very flat and KBRA expects coverage to be steady to increasing throughout the life of the bonds.

Figure 7



Source: HCAA

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.

A discussion of ESG management can be found in the KBRA report released on August 22, 2022.