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

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

Methodology:

U.S. Special Tax Revenue Bond Rating Methodology

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Rating Summary: KBRA affirms the A+ rating, removes from credit watch and assigns a Negative Outlook to the Authority's Customer Facility Charge Revenue Bonds (the CFC Bonds). The Negative Outlook reflects our expectation, based on the Authority's revenue projections, that depletion of the Deficiency Reserve will occur and that Concessionaire Deficiency Payments will have to be made by on-airport rental car companies over the near to mid-term in order for the requirements of the rate covenant to be met.

Pledged revenues securing the CFC Bonds include (i) on-airport CFC receipts, (ii) off-airport transportation facility charges (TFCs), 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[1]. The current CFC rate is $5.95 per transaction day, and the current TFC rate is $2.00 per transaction day. TFC revenues paid by off-airport brands account for less than 1% of annual pledged revenues.

While pledged revenues are narrowly defined and subject to demand risk, the solid 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 25% rolling coverage from amounts in a CFC Surplus Account) and 1.25x coverage without rolling coverage; 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; v) a $10 million pre-funded Deficiency Reserve Fund; and vi) an additional bonds test that provides effective constraint against overleveraging.

The Tampa Bay area has historically been among the largest rental car markets in the U.S. CFC's have been collected at TPA since October 2011. Annual debt service on the CFC bonds is level at $26.6 million through their 2044 final maturity. Pledged revenues provided annual debt service coverage of 1.68x (excluding rolling coverage) and 1.93x (including rolling coverage) in FY 2019.

The unprecedented pandemic-related decline in passenger activity at U.S. airports, including TPA, has created significant financial and operating challenges for the airport rental car industry. Driven by a projected FYE 2020 (September 30) passenger enplanement decline of 40.3% versus the prior fiscal year, rental car transactions at TPA are projected to fall 38% to 963,460 for FY 2020[2]. CFC transaction days are projected to decline 36% to 4.8 million days, and the resultant CFC revenues are projected to decline 36% from $44.6 million in FY 2019 to $28.5 million in FY 2020. Airport management projections for pledged revenue collections in FY 2020 and FY 2021 imply FY 2020 coverage of 1.58x and budgeted FY 2021 coverage of 1.57x inclusive of rolling coverage, though KBRA notes that attainment of these coverages will require the drawdown of the full $10.1 million balance of the CFC Deficiency Reserve Fund as well as Concessionaire Deficiency Payments of $208 thousand by FYE 2021.

Given the uncertain trajectory of enplanement recovery at U.S. airports, KBRA has modeled a conservative stress case which assumes the actual 56.4% YOY decline in July 2020 monthly CFC/TFC revenue persists in each month (on a YOY basis) through December 31, 2020. Beginning in calendar year 2021, the percentage YOY decline in monthly

[1] Mandatory eligible costs are defined in the Concessionaire Agreement as the sum of (a) debt service; (b) 40% of the annual O&M cost of the automated people mover (APM); (c) establishment/funding of repair/replacement reserves; and (d) reimbursement of the Authority for debt service on previously issued HCAA bonds and investments made on a PAYGO basis for prior rental car facilities.
[2] The slightly smaller decline in projected YOY rental car transactions relative to YOY enplanements is attributed by the Authority to the expectation that travelers will consider car rental a safer alternative to TNC or taxi service.

enplanements is assumed to improve by only 2% per month. Under this severe "slow recovery" stress case, rental car activity would not recover to pre-pandemic levels for nearly three years. Pursuant to the legal framework, pledged revenue coverage would continue to meet the rate covenant but would entail approximately $13.4 million in Concessionaire Deficiency Payments through FY 2020 and 2021 as well as the drawdown of the CFC Deficiency Fund. By FY 2023, this scenario forecasts a degree of CFC/TFC revenue recovery that would bring Indenture coverage to 1.87x. While this scenario would entail fully drawing down the $10 million CFC Deficiency Fund by FY 2022 as well as Concessionaire Deficiency Payments in both FY 2021 and FY 2022, the debt service reserve fund would remain untapped and fully funded under this stress case.

The Negative Outlook reflects our expectation that based on the Authority's CFC/TFC revenue projections, depletion of the Deficiency Reserve Fund and the use of Concessionaire Deficiency Payments will be required to meet the rate covenant. The negative outlook also reflects the uncertain trajectory of enplanement recovery in the wake of the COVID-19 pandemic. KBRA will continue to monitor the revenue and operational impacts of the pandemic on pledged revenues and coverage. This credit was placed on Watch-Developing status on March 26, 2020.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click **here** to access KBRA's ongoing research on the topic.

The rating affirmation and placement on negative outlook reflect the following key credit considerations:

Credit Positives
- Legal framework includes mitigants against a narrow and potentially volatile revenue stream.
- The Tampa Bay area has historically supported high levels of rental car utilization.
- In addition to the legal protections, HCAA's full CFC rate setting authority and ability to refund/restructure CFC Bond debt service afford flexibility in the event of a prolonged revenue shortfall.

Credit Challenges
- Due to revenue shortfalls, payment of debt service is increasingly reliant on concessionaire deficiency payments made by rental car companies experiencing reduced transaction activity.
- Pledged revenues are highly correlated to passenger enplanement levels at TPA, and thus vulnerable to decline due to exogenous events and economic downturns.
- The timing and magnitude of passenger traffic recovery at TPA and other U.S. airports in the wake of the COVID-19 pandemic cannot be forecast with certainty. Forecast CFC revenues are thus also highly uncertain.
- Competition from rideshare services may weigh negatively on CFC revenue growth over the longer term.

Rating Sensitivities

• Rapid and sustained recovery in passenger deplanements that drives a trend of growth in rental car transactions and transaction days, resulting in a steady recovery in pledged revenues that brings Indenture coverage, (inclusive of rolling coverage) to the historical range of 1.85x to 2.0x ADS.	+
• Continued erosion of CFC revenues that further pressures the rate covenant or requires significant or ongoing utilization of concessionaire deficiency payments to cover annual debt service requirements.	-

ESG Considerations

When relevant to credit, ESG factors are incorporated into the credit analysis in the same manner as all other credit-relevant factors. Among the ESG factors that have impact on this rating analysis are:

- Discussions in RD3 reflect Social Factors. KBRA has examined the following areas for this credit: trends in population, income levels, employment and unemployment, as well as the potential impact of the COVID-19 crisis.

More information on ESG Considerations for the Public Finance sector can be found **here**.

Credit Highlights (FYE September 30)		2018	2019
Enplanements		10,519,247	11,085,290
Δ YOY		*9.1%*	*5.4%*
Rental Car Transaction Days		7,463,552	7,512,464
Δ YOY		*6.0%*	*0.7%*
Pledged Revenues (CFC and TFC)	a	$44,381,069	$44,654,759
Balances Applicable to Indenture Coverage Calculation (Rolling Coverage)	b	$ 4,557,406	$ 6,649,906
Annual Debt Service	c	$18,229,624	$26,599,624
Debt Service Coverage			
Current Revenues Only	a/c	2.43x	1.68x
Current Revenues + Rolling Coverage	(a+b) / c	2.68x	1.93x

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

RD 1: Legal Framework

The consolidation and relocation of rental car operations was a key element in the Authority's 2012 Airport Master Plan update. The Authority began constructing a consolidated rental car facility (ConRAC) and 1.3 mile automated people mover (SkyConnect) in 2014 and opened both facilities February 2018. The projects freed up 2,400 parking spaces in the Airport's short-term parking garage and reduced congestion on Airport roadways and curbsides. The SkyConnect project connects the ConRAC to the main terminal.

The ConRAC and SkyConnect projects were financed in part with the proceeds of the 2015 Series A and B CFC Bonds, which are the only outstanding series of CFC Bonds. The CFC Bonds are paid from charges imposed by the Airport on the rental car companies providing service at and near the Airport. The legal framework governing the imposition of charges and repayment of debt is set forth within the CFC Trust Agreement and the Lease and Concession Contract (Concessionaire Agreements) between the Authority and the rental car companies that use the ConRAC facility.

The security structure underpinning the CFC Bonds includes a gross lien pledge of CFC and TFC revenues and Concessionaire Deficiency Payments. Concessionaire Deficiency Payments are made by concessionaires as contingent payments to cover deficiencies, if any, in the amount of CFC and TFCs needed to fund certain mandatory eligible costs related to the ConRAC facility, less amounts, if any, in the Deficiency Reserve Fund.

The rate covenant provides for adequate coverage of annual debt service from pledged revenues and allows for 25% of the debt service requirement to be met from amounts in a CFC Surplus Fund (rolling coverage).Without the application of such amounts, pledged revenues must be sufficient to provide coverage of 1.25x annual debt service. The CFC Surplus Fund is not a reserve and is not pledged to the CFC Bonds.

As a backstop in the event that one or more rental car companies fail to make their Concessionaire Deficiency Payment, the structure includes a true-up mechanism that requires non-defaulted rental car concessionaires to cover any shortfall in Concessionaire Deficiency Payments on an unlimited, pro-rata basis.

Reserves include a Deficiency Reserve Fund which is held outside of the CFC Trust Agreement and is pre-funded in the amount of $10 million. The Authority expects to draw upon the Deficiency Reserve Fund for the first time since it was established. Pursuant to the CFC Trust Agreement, such draws shall not be replenished. There is also a fully funded debt service reserve fund and a Renewal and Replacement Reserve. While the Authority does not currently contemplate the issuance of additional debt supported by CFCs and TFCs, KBRA views the

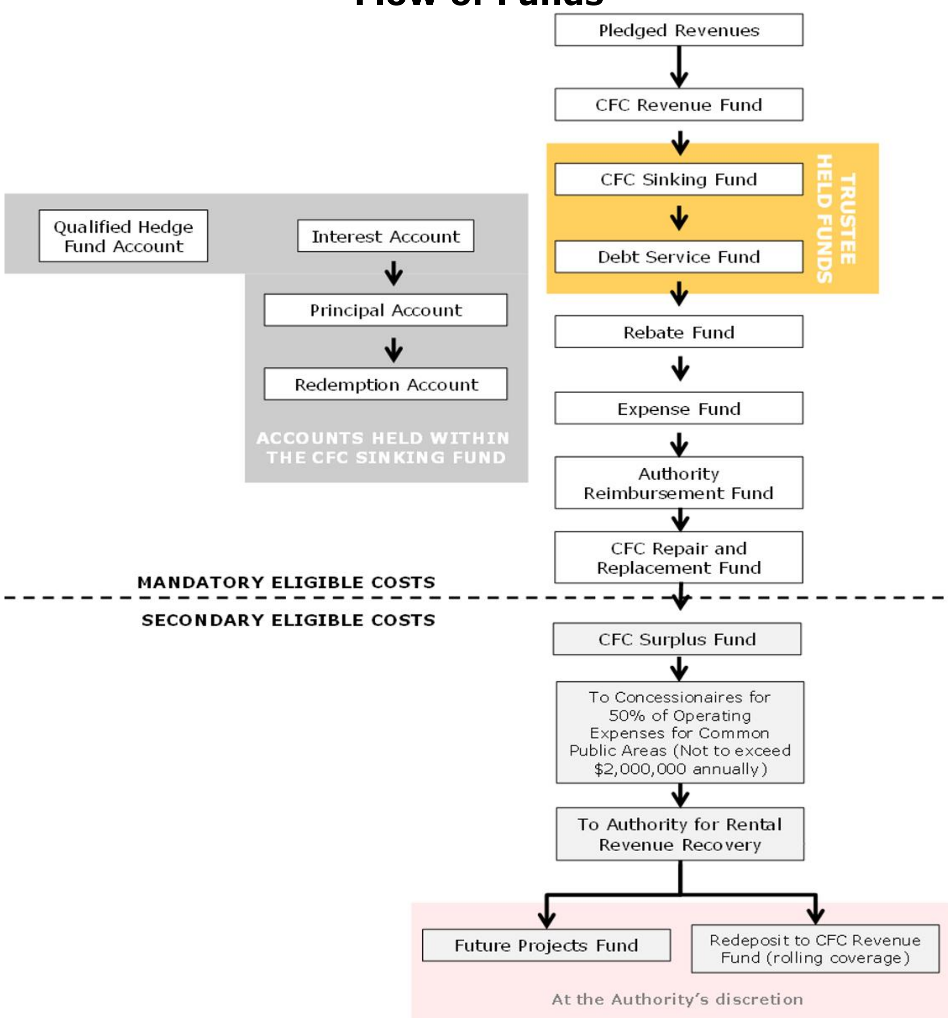
1.25x MADS additional bonds test (excluding rolling coverage) as providing effective constraint against overleveraging. KBRA views the legal framework as affording adequate protections that help to offset the vulnerabilities of a single-source revenue stream that is subject to demand risk. Figure 1 summarizes the security provisions of the CFC Bonds.

Figure 1

Summary of CFC Revenue Bond Security Provisions
Revenue Pledge
Gross lien pledge on rental car charges and payments imposed by HCAA. Charges include: i. On-Airport customer facility charges (**CFCs**) at **$5.95** per transaction day; ii. Off-Airport transportation facility charges (**TFCs**) at **$2.00** per transaction day. iii. Concessionaire Deficiency Payments (as defined below).
Rate Covenant
HCAA has covenanted to set rates and charges sufficient to pay the greater of: i. 100% of required deposits into the debt service fund, DSRF, expense fund, rebate fund, HCAA reimbursement fund, and CFC repair and replacement fund; or, ii. 100% of required deposits into the DSRF, expense fund, and rebate fund, plus 1.50x of annual debt service requirements. However, a 0.25x portion of the coverage requirement may be satisfied from the rolling balance of the CFC surplus fund, placing the effective rate covenant at 1.25x annual debt service.
Collection
Pledged revenues are collected by rental car companies and remitted to HCAA no later than the 10th day of every month. HCAA is required to deposit pledged revenues into the CFC sinking fund held by the trustee. The funds flow through the flow of funds as shown in Figure 2.
Concessionaire Deficiency Payments
Concessionaire Deficiency Payments are the payments, if any, made by concessionaires as contingent payments to cover deficiencies, if any, in the amount of CFC and TFCs needed to fund certain mandatory eligible costs related to the ConRAC facility, less amounts, if any, in the Deficiency Reserve Fund. The mandatory eligible costs are defined in the Concessionaire Agreement as: i. Annual debt service and redemption costs of the CFC Bonds; ii. Any necessary replenishment of a reserve fund and payment of expenses associated with the CFC Bonds; iii. 40% of the annual cost of operating and maintaining the APM; iv. Amounts needed to establish and fund the Repair and Replacement Fund for the ConRAC and APM projects; and amounts needed to pay or reimburse HCAA for debt service of PAYGO expenses related to the development of the prior rental car facility. Bondholders benefit from a step-up provision that obligates non-defaulting rental car companies to cover the unpaid Concessionaire Deficiency Payments of a defaulting rental car company. Such step-up liability shall be on a proportional basis based upon the pro-rata share of the premises allocated to the defaulting concessionaire and each non-defaulting concessionaire. A one-time deposit of $10 million was made at the end of the project construction period to a Deficiency Reserve Fund that is available to offset rental car company deficiency payments. There is no requirement to replenish this balance following a draw.
Debt Service Reserve Fund
Initially funded from bond proceeds and required to be maintained at the lesser of: i. 100% of MADS; ii. 1.25x annual debt service; or, iii. 10% of the original issuance par amount Subsequent deficiencies within the DSRF are captured by the rate covenant.

Additional Bonds Test
Additional bonds may be issued following a statement from the CFO of HCAA indicating that CFC revenues for the latest audited financial year, within the 24 months preceding the bond issuance, excluding funds re-deposited into the CFC revenue fund from the CFC surplus fund, were not less than the greater of the amounts required to be deposited in: i. the DSRF, Rebate Fund, Expense Fund, and 1.25x of MADS; or, ii. 1.00x MADS plus any amount required for deposit into the HCAA Reimbursement Fund and CFC Repair and Replacement Fund. Alternatively, additional bonds may be issued following a statement from the airport consultant stating that the pledged revenues (excluding amounts redeposited to the CFC Revenue Fund from the CFC Surplus Fund) during the fiscal year when the additional bonds are to be issued and for each fiscal year thereafter through a period of review, taking into account increases in CFC charges, shall not be less than the greater of: i. 100% of DSRF, Expense Fund, HCAA Reimbursement Fund, CFC Repair and Replacement Fund, and CFC Sinking Fund deposit requirements corresponding to the period of review on all outstanding bonds; or ii. 100% of DSRF, expense fund, rebate fund, and 125% of CFC sinking fund requirements corresponding to the period of review on all outstanding bonds.
Source: Hillsborough County Aviation Authority Customer Facility Charge Revenue Bonds, 2015 Series A and B Official Statement

Figure 2
Flow of Funds



Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues. 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 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 that prohibits certain local governmental entities (defined to include special districts) from seeking such relief except with the prior approval of the 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.

A. Pledged Revenues as Special Revenues under the Bankruptcy Code

Because the Pledged Revenues pledged for payment of the CFC Bonds are generated by revenue from the Airport's car rental concessions, as part of the aviation transportation projects and systems owned by the Authority, KBRA understands that the Pledged 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, given that the Bonds should be considered revenue bonds secured by a pledge of special revenues it is KBRA's understanding that, if the Authority were authorized to file for protection under Chapter 9, it should generally be expected that such filing should have little to no effect on the payment of the CFC Bonds during the bankruptcy case.

That stated, there are several additional issues that arise. If the Authority were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could possibly 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 does not apply (including to possible enforcement action by the Trustee) or 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 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, if such governing documents do not adequately provide for payment of necessary operating expenses. In determining necessary operating expenses for the ConRAC and APM Project, in a Chapter 9 case the bankruptcy court thus may not be limited by the provisions defining construction or operational expenses, or otherwise governing the flow of funds, in the Trust Agreement or other bond issuance documents. In addition, while there is no case law from which to make 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 CFC Bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the CFC Bonds or the interest rate or other terms of the CFC 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 a Concessionaire Bankruptcy

In the event a bankruptcy case is filed with respect to a Concessionaire operating at TPA, it is KBRA's understanding that the relevant Concession Agreement should constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. In Chapter 11 cases, the debtor in possession or a 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 Concession Agreement; this 120-day period may be extended by court order for an additional 90 days for cause. Any additional extensions are prohibited unless the debtor Concessionaire or its trustee obtains the Authority's consent and a court order.

Under the Bankruptcy Code, KBRA understands that if a bankruptcy trustee or the Concessionaire as debtor in possession were to elect 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. Under the Bankruptcy Code, upon rejection of an unexpired lease the Concessionaire debtor must surrender the relevant non-residential real property to the lessor. As a result, rejection of an unexpired lease by a Concessionaire debtor may result in the Authority unexpectedly regaining control of the applicable Concessionaire facilities. The Authority could then lease or permit such facilities to other car rental companies. The Authority's ability to lease such facilities to other car rental companies may of course depend on the state of the travel industry in general, on the nature and extent of the increased capacity at TPA resulting from the departure of the debtor Concessionaire, and on the need for such facilities.

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 Concessionaire. Such claim would be in addition to all pre-bankruptcy amounts owed by the debtor Concessionaire. 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. Rejection damages claims are generally treated as a general unsecured claim of the Concessionaire debtor, and could be considerably less than the cap. However, the Authority may have rights against any faithful performance bond or letter of credit required of a Concessionaire to secure its obligations under the Concession Agreement and/or the right to set off against credits owed to the Concessionaire under relevant agreements.

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

RD 2: Nature of Special Tax Revenues

In KBRA's view, prior to the pandemic, the geographic dispersal of the airport's primary service area (3.1 million people) and the essentiality of car rental services to the area economy were important offsets to the single source nature of the pledged revenues. The pledged revenues are demand driven, and thus sensitive to exogenous events, economic cycles and competition from rideshare services.

CFCs and TFCs are fees charged by the Authority on a per day basis on rental car transactions originating at the ConRAC or in off-airport rental car facilities, respectively. The fees serve to pass through the capital costs of the ConRAC and a portion of SkyConnect to users. The CFC is collected by the rental car company and remitted to the Authority. The CFC is due in full even if the customer is not charged a rental rate or is charged a reduced or promotional rate. The Authority has full autonomy to adjust rates as it deems necessary. A $2.50 charge per transaction day CFC was enacted on October 1, 2011. The CFC was increased to $5.00 in March 2014 and to the present level of $5.95 per transaction day on July 6, 2015. Authority officials have indicated that 45 to 60-days' notice is required to implement a CFC rate adjustment. KBRA believes that customers are unlikely to forgo the use of rental car service at TPA due to imposition of the CFC charge at the current level, and that sufficient price elasticity exists for the Authority to increase the CFC, if necessary, without negatively impacting rental car demand.

Rental Car Transactions are Driven by Visiting O&D Enplanements

Pledged revenues are derived from airport rental car activity, which correlates with visiting O&D enplanements. In July 2020, enplaned passengers totaled 301,972, down 67.7% from July 2019 enplanements of 933,513. The unprecedented decline in passenger activity at U.S. airports, including TPA, due to the COVID-19 pandemic creates profound financial and operating challenges for the airport rental car industry.

In the pre-pandemic environment, airlines at TPA had increased flight frequencies and non-stop routes in recent years, supporting demand for rental car services at the airport. Enplanement data for 2019 ranks TPA as the 27th busiest airport in the County by enplanements. For the most recent 12 months of available data, originating traffic accounted for 41.07% of total passenger traffic, down 3.8% versus the same period last year. TPA has the highest percentage of originating traffic among Florida's four largest airports. Prior to the outbreak of COVID-19, management forecast that originating traffic would become an even larger part of the overall traffic equation at TPA over the near term, with pre-pandemic trends showing more than 150 people a day permanently relocating to the Tampa Bay area, and airlines scheduled to increase available seats and non-stop destinations. KBRA views the strong historical growth of the MSA served by the airport as a credit strength because growth in the underlying economy supports both increased commercial activity and leisure travel.

Revenue Mix

Demand for rental cars is mainly driven by visitors to the MSA. TPA recorded 11.1 million passenger deplanements in FY 2019, but projects only 6.6 million passenger deplanements in FY 2020. On average, approximately 90% of deplaned passengers have constituted O&D traffic in recent years. Of such O&D deplanements, between 55% and 60% have historically consisted of visitors to the area, with this subset representing the core market for rental car activity. KBRA notes that while enplanement activity is subject to a degree of volatility, the mix of O&D versus connecting and visitor versus residential deplanements has been generally stable over the last decade. KBRA views the steadily growing deplanements and stable resident to non-resident mix as favorable.

Competition from Rideshare Services

TNCs present a growing source of competition for rental car and other ground transportation services at TPA. Between FY 2012 and FY 2019, enplanement activity increased 31.3% compared to an increase of 25.8% in unique rental car transactions and a 14.8% increase in rental car transaction days over the same period. Though differences between the two metrics are likely driven by a variety of factors, KBRA views this data as suggesting a material, though still manageable level of diversion to date due to TNCs. The gap between the compound annual growth rate (CAGR) in airport enplanement activity of 4.0% between FY 2012 and FY 2019 and the 1.9% CAGR in rental car transaction days recorded over the same period supports our view that competition from rental car alternatives will likely have a negative impact on pledged revenues over the long term.

Airport management indicates that growing TNC activity has mostly replaced meeter/greeter drop-off and pick-up activity but has had a lesser impact on car rental activity. KBRA will continue to monitor the impact of TNC competition on rental car activity and pledged revenues. The airport recently completed the phase in of expanded and increased TNC fees starting at $3 per rider in 2017, $4 in 2018 and $5 effective October 1, 2019. Resultant TNC revenues have grown rapidly, reaching $4.6 million in FY 2019. Collections for FY 2020 were budgeted at $6.2 million after including the impact of the rate increase and the projected enplanement growth, prior to onset of the pandemic. KBRA understands that the TNC revenues could be utilized to offset potential erosion to CFC collections caused by increased competition from rideshares, but such revenue is not pledged to CFC Bonds' debt service. For this reason, a pronounced trend of significant diversion of car rental activity to TNCs would represent an area of concern.

Leisure and Business Activity Drive Long-Term Demand Growth

TPA's large leisure travel component (70% leisure versus 30% business) and the dispersed nature of the Tampa Bay region's recreational attractions and destinations make car travel the preferred mode for leisure travelers, somewhat insulating the TPA rental car market, in our view, from the loss of business to transportation network companies (TNCs) such as Uber and Lyft. Public transportation is available within the Tampa Bay area, but automobiles remain the primary mode of transportation for visitors.

Level of CFC Rates is Mid-Range

KBRA looked at CFC rates at U.S. airports that impose a CFC by transaction days. As of August 2020, the CFC imposed by TPA, at $5.95 per transaction day, ranked 14th highest among 69 airports imposing daily CFCs (top 20%). Although TPA's CFC is the highest among the four major airports in Florida, KBRA does not view the fee level as driving significant diversion of customers to alternative means of transportation such as taxi, rideshare, public transportation, none of which are required to impose a CFC.

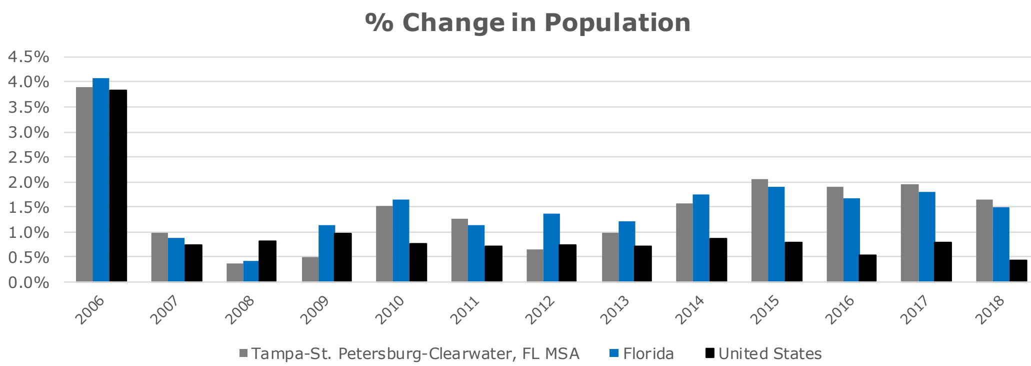
RD 3: Economic Base and Demographics

The economic and demographic characteristics of TPA's service area are historically favorable, characterized by both consistent growth and increasing economic diversity, which are supportive of demand for air travel and rental car services at the airport. Challenges posed by the COVID-19 crisis however will likely weigh on the area's economy for some time given an elevated reliance on tourism related travel.

TPA 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 (MSA) and a population of 3.1 million as of 2018. An extended service area consisting of 7 additional counties comprising the rest of the State's central Gulf Coast has a population of 1.5 million people.

As of 2018, the MSA is the 19th largest metropolitan area in the U.S. and among the 50 fastest growing since 2010. MSA population increase 12.7% between 2010 and 2018 versus U.S. growth of 5.8% over the same period.

Figure 3

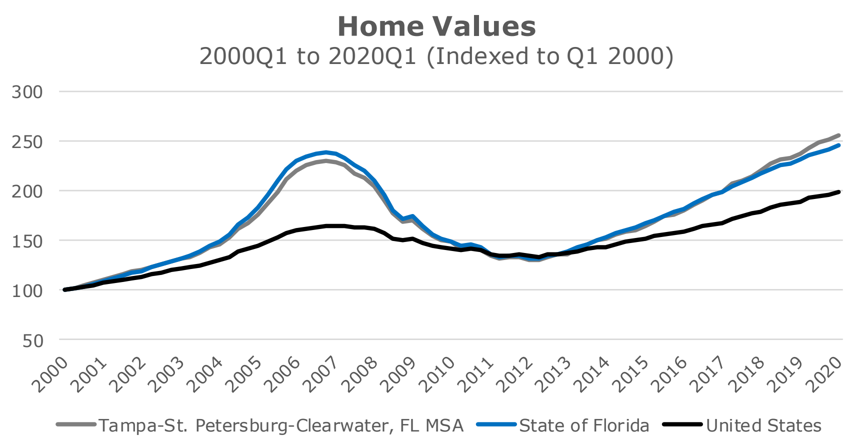


	2010	2018	% Δ 2010 to 2018
Tampa-St. Petersburg-Clearwater, FL MSA	2,789,116	3,142,663	12.7%
Florida	18,843,326	21,299,325	13.0%
United States	309,349,689	327,167,439	5.8%

Source: U.S Census

The MSA housing market has outperformed the U.S. since 2000 and home value appreciation has returned to strong growth over the last seven years following a period of significant volatility due to the Great Recession. KBRA views the long-term trend of rising home values as supportive of local wealth levels, which are in turn an important driver of demand for air travel, though it remains to be seen what impact, if any, virus-related economic headwinds will have on the area's housing market. As of 2020Q1, MSA and State home values had recovered to 110% and 103%, respectively of their prior cyclical high versus U.S. home values that have recovered to 121%.

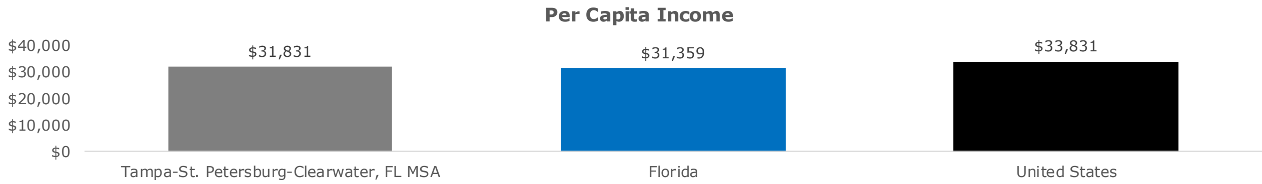
Figure 4



Source: Federal Housing Finance Agency

MSA per capita income of $31,831 in 2018 was strong at 101.5% of the State level and 94.1% of the U.S. average (Figure 5).

Figure 5



As of 2018

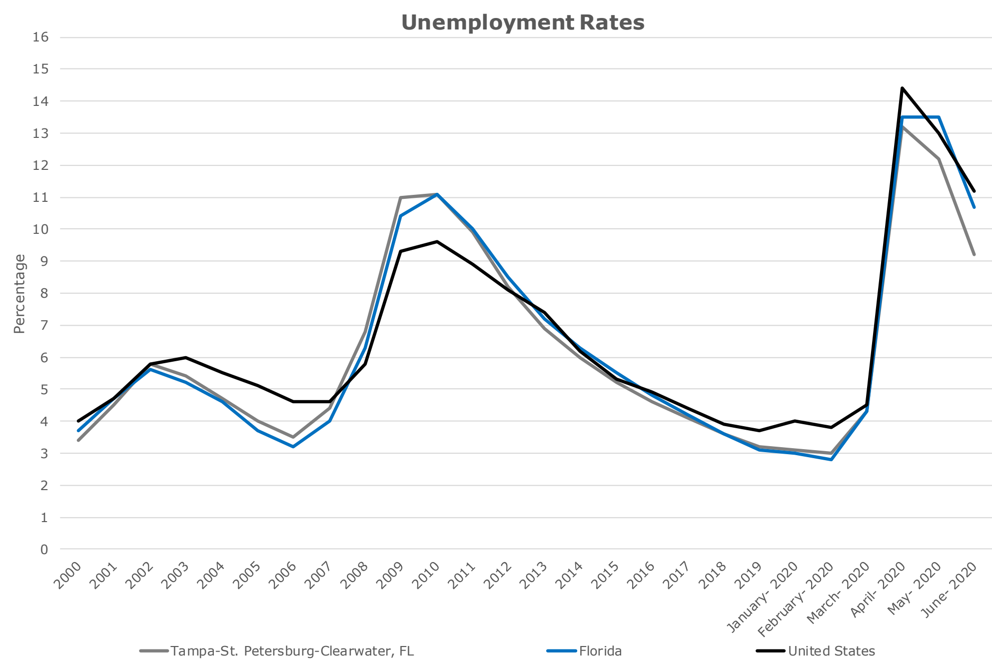
	2010	2018	% Δ 2010 to 2018	Comparison
Tampa-St. Petersburg-Clearwater, FL MSA	$24,958	$31,831	27.5%	-
Florida	$24,272	$31,359	29.2%	101.5% of State
United States	$26,059	$33,831	29.8%	94.1% of U.S.

Source: U.S. Census

According to Visit Tampa Bay, a local partnership that tracks tourism statistics for the area, visitors to Hillsborough County increased 3.8% to a record 24.5 million in 2019 generating $4.5 billion in spending. KBRA anticipates that tourism activity could remain significantly below this level for several years given the ongoing nature of the pandemic the uncertain trajectory of the U.S. and global economy and the impact of these factors on tourism and leisure travel.

Unemployment in the MSA peaked to about 1.5% higher than the U.S. overall following the Great Recession but has moved closely in line with the U.S. in recent years. With the onset of the COVID-19 crisis, MSA unemployment spiked from 4.3% in March to 13.2% in April, which was somewhat higher than the U.S. peak to 14.4%. Unemployment declined in May and June with the easing of social distancing measures, but with new cases spiking in July across many states, including Florida, it remains to be seen how quickly the reopening of the economy will proceed through year end.

Figure 6



	Tampa-St. Petersburg-Clearwater, FL	Florida	United States
June 2020	9.2	10.7	11.2
May 2020	12.2	13.5	13.0
Great Recession Peak	11.1	11.1	9.6
Point Δ Since Great Recession Peak	-1.9	-0.4	1.6

Source: U.S Bureau of Labor Statistics

Figure 7

Total Employment (Not Seasonally Adjusted) (In Thousands)						
	Tampa-St. Petersburg-Clearwater, FL	% Δ	Florida	% Δ	United States	% Δ
2000	1,159		7,566		136,891	
2001	1,163	0.3%	7,669	1.4%	136,933	0.0%
2002	1,152	-0.9%	7,656	-0.2%	136,485	-0.3%
2003	1,161	0.8%	7,783	1.7%	137,736	0.9%
2004	1,205	3.7%	8,050	3.4%	139,252	1.1%
2005	1,209	0.3%	8,399	4.3%	141,730	1.8%
2006	1,241	2.7%	8,710	3.7%	144,427	1.9%
2007	1,244	0.2%	8,790	0.9%	146,047	1.1%
2008	1,218	-2.0%	8,637	-1.7%	145,362	-0.5%
2009	**1,153**	-5.4%	**8,148**	-5.7%	139,877	-3.8%
2010	1,231	6.8%	8,194	0.6%	**139,064**	-0.6%
2011	1,259	2.3%	8,372	2.2%	139,869	0.6%
2012	1,295	2.8%	8,589	2.6%	142,469	1.9%
2013	1,323	2.2%	8,770	2.1%	143,929	1.0%
2014	1,346	1.8%	8,966	2.2%	146,305	1.7%
2015	1,364	1.3%	9,071	1.2%	148,834	1.7%
2016	1,406	3.1%	9,336	2.9%	151,436	1.7%
2017	1,447	2.9%	9,639	3.3%	153,337	1.3%
2018	1,470	1.6%	9,809	1.8%	155,761	1.6%
2019	1,505	2.4%	10,016	2.1%	157,538	1.1%
Δ 2010 to 2019		**22.2%**		**22.2%**		**13.3%**
Δ Since Trough		**30.6%**		**22.9%**		**13.3%**
June- 2020	1,350	-10.3%	8,744	-12.7%	142,811	-9.3%

Source: U.S Bureau of Labor Statistics

Bold = trough during the Great Recession (2008-2012)

RD 4: Revenue Analysis

Historic Annual Pledged Revenue Performance

Pledged revenues are a function of the number of rental car transaction days recorded and the level of the CFC rate. Rental car transaction days are directly correlated to passenger enplanements as well as to the customer mix (leisure versus business), among other factors. Historically stable pledged revenues reflect a generally steady trend of car rental activity as well as increases in the CFC rate imposed in 2014 and 2015[3]. Rental car transaction days grew in each year since 2012, except for 2017, when travel was impacted by Hurricanes Harvey and Irma.

Figure 8

Historic Annual Enplanements, Rental Car Transactions, CFC Fees, and CFC/TFC Revenues FYE September 30	2012	2013	2014	2015	2016	2017	2018	2019
TPA Enplanements (000's)	8,441	8,493	8,674	9,263	9,486	9,638	10,519	11,085
Δ YOY		*0.6%*	*2.1%*	*6.8%*	*2.4%*	*1.6%*	*9.1%*	*5.4%*
CFC and TFC Transaction Days (000's)	6,547	6,641	7,177	7,593	7,548	7,044	7,464	7,512
Δ YOY		*1.4%*	*8.1%*	*5.8%*	*-0.6%*	*-6.7%*	*6.0%*	*0.7%*
CFC Per Transaction Day[1]	$2.50[2]	$ 2.50	$5.00[3]	$5.95[4]	$ 5.95	$ 5.95	$ 5.95	$ 5.95
Total CFC and TFC Revenues ($ 000's)	$14,370	$15,147	$22,994	$36,747	$44,834	$41,917	$44,381	$44,655
Δ YOY		*5.4%*	*51.8%*	*59.8%*	*22.0%*	*-6.5%*	*5.9%*	*0.6%*

Source: GOAA

[1] A reduced per day TFC, currently $2.00, is charged to off-airport operators, which applied to <1% of transactions in FY 2019.

[2] Implemented October 1, 2011.

[3] Implemented March 2014.

[4] Implemented July 6, 2015

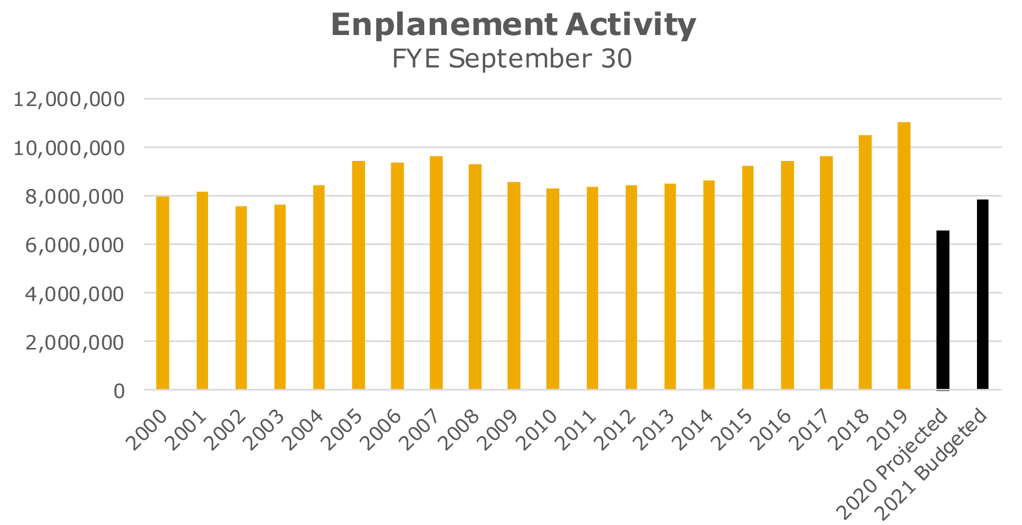
[3] At issuance of the CFC Bonds in 2015, no increases in the CFC were projected through the Bonds' final maturity in FY 2044.

Enplanement Activity and COVID-19 Impact

Enplanement activity has trended favorably in recent years, increasing at a 2.6% CAGR over the last decade and a 5.0% CAGR from FY 2015 to FY 2019. Enplanements grew by 5.4% in FY 2019 to 11.1 million and activity for the first five months of the current fiscal year through February 2020 was up 6.6% year over year.

The onset of the COVID-19 crisis in mid-March 2020, however, has resulted in a sharp reduction in enplanement activity. Monthly enplanements bottomed out at 47,000 in April, down 95.6% YOY. Enplanements gradually improved to 302,000 in July, which represents a 67.7% decline relative to the same month in the prior year. The Authority's preliminary FY 2021 budget as of July estimates a 40% decline in enplanement activity for FYE 2020 to 6.6 million, with only gradual recovery to 7.8 million enplanements in FY 2021, but KBRA views even this level of recovery as highly uncertain given the steepening curve of COVID-19 infection in the U.S. in recent months and other indications that a return to a more fully open economy and pre-COVID levels of travel may not occur for several years.

Figure 9



Source: HCAA

Figure 10

Monthly Airport Enplanement Activity FYE September 30 (in thousands)			
	2019	Δ YOY	2020
October	783	8.8%	852
November	915	0.1%	916
December	949	10.5%	1,049
January	910	5.7%	962
February	885	8.3%	958
March	1,170	-43.3%	663
April	1,056	-95.6%	47
May	975	-88.3%	114
June	922	-73.1%	248
July	934	-67.7%	302
August	871		
September	716		

Source: HCAA

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

CFC/TFC transaction days increased at a 1.9% CAGR between FY 2012 and FY 2019. CFC/TFC revenues, in contrast, increased at a 17.6% CAGR, primarily reflecting an increase in the daily CFC charge from $2.50 to $5.95 over the period.

Pledged CFC and TFC revenues increased 6.0% to $44.7 million in FY 2019, roughly equal to the $44.8 million high reached in FY 2016. Weaker performance in 2017 was likely attributable to Hurricanes Matthew and Irma, which struck during the airport's busy fall season, though enplanement activity notably continued an annual trend of uninterrupted growth during this period.

The onset of the COVID-19 crisis in mid-March 2020 resulted in a sharp reduction in rental car activity and CFC/TFC revenues. Monthly collections bottomed out at $438 thousand in April, down 90.9% YOY. CFC/TFC revenues gradually improved to $1.4 million in in July, which represents a 56.4% decline relative to the same month in the prior year (Figure 11). The Authority's estimates as of August forecast a CFC/TFC decline of 36.2% in FY 2020 to $28.5 million and a modest recovery in collections to $31.9 million in FY 2021.

Figure 11

Monthly CFC and TFC Transaction Days
FYE September 30 (in thousands)

	FY 2019	Δ YOY	FY 2020
October	518	3.7%	537
November	610	-3.2%	590
December	568	7.5%	611
January	649	7.9%	700
February	694	10.4%	766
March	916	-31.6%	627
April	814	-90.9%	74
May	663	-80.5%	130
June	565	-60.2%	225
July	546	-56.4%	238
August	558		
September	411		

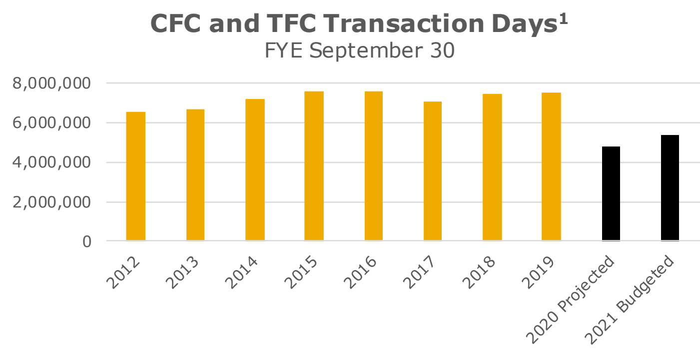
Source: HCAA

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

	FY 2019	Δ YOY	FY 2020
October	$ 3,080	3.7%	$ 3,195
November	3,626	-3.2%	3,509
December	3,375	7.5%	3,629
January	3,858	7.8%	4,161
February	4,124	10.4%	4,554
March	5,442	-31.5%	3,726
April	4,836	-90.9%	438
May	3,944	-80.4%	771
June	3,358	-60.2%	1,338
July	3,248	-56.4%	1,415
August	3,318		
September	2,445		

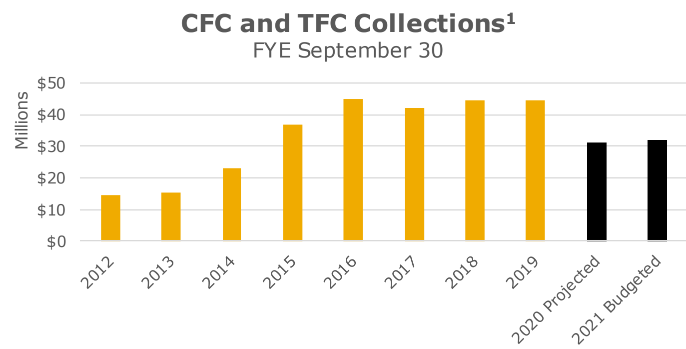
Source: HCAA

Figure 12



Source: HCAA

[1]Projected and budgeted activity from proposed FY 2021 Budget dated July 2020.



Source: HCAA

[1]Projected and budgeted activity from proposed FY 2021 Budget dated July 2020.

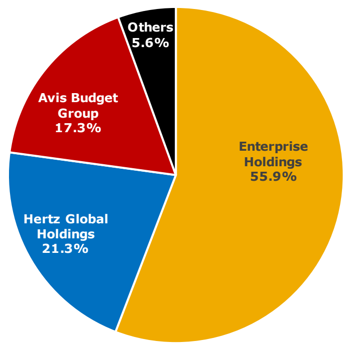
Revenue Concentration

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 89% of the rental car market at TPA, and, on average, 94% of other U.S. airport markets. Enterprise Holdings Inc. dominates the U.S. market with 56% market share and is also the largest rental car company at TPA with 38% market share.

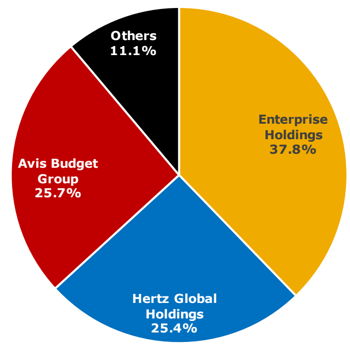
Rental car brands accounting for more than 99% of CFC and TFC revenues in FY 2019 signed and executed a 30-year Concessionaire Agreement that become affective in 2018 upon completion of the ConRAC. Three brands (Carl's Van Rentals, Silvercar, and Florida Van Rentals) continue to operate off-airport and pay the lower TFC fee to the Authority. These off-airport brands account for less than 1% of annual pledged revenues. Rental car companies at TPA 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 13

United States
Rental Car Company Market Share
by Estimated Gross Revenue
CY 2019



Tampa Internaional Airport
Rental Car Company Market Share by
Estimated Gross Revenues
FYE 2019



Source: Auto Rental Car News and HCAA

The Authority agreed in June 2020 to provide financial relief to on-airport rental car concessionaires. For FY 2020, the Authority has granted six months of the minimum annual guarantee (MAG) and space rent abatement, totaling approximately $16 million, for the period April through September 2020. For FY 2021, the Authority will allow abatement equal to the greater of 50% of the MAG and space rent or 10% of gross receipts due to the Authority.

All on-airport operators are open and operational except for Advantage and E-Z. The Advantage concession agreement was purchased in the Advantage/E-Z bankruptcy by Orlando Rentco, which is scheduled to begin operating shortly. The E-Z agreement was terminated.

Hertz Corp. (which holds a 25% market share at TPA) filed for Chapter 11 bankruptcy protection in May due to pandemic-related declines in business activity. Management states that Hertz continues to operate and is up to date with all payments and obligations. The Authority has not seen any adverse impacts of the Hertz bankruptcy. All off-airport operators remain in business and up-to-date in their payments to the Authority.

The Airport was awarded $81.2 million in CARES Act funding, approximately $44.2 million of which will be used to support FY 2020 GARB debt service coverage, with the remainder to be used in FY 2021.

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 2019 provided Indenture coverage of 1.93x. 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 2019 coverage of 1.68x debt service.

Airport management projections for pledged revenue collections in FY 2020 and FY 2021 as of July 2020 imply FY 2020 coverage of 1.58x and budgeted FY 2021 coverage of 1.57x inclusive of rolling coverage, though KBRA notes that that coverage is inclusive of the drawdown of the full $10.1 million balance of the CFC Deficiency Reserve Fund as well as concessionaire deficiency payments of $208 thousand by FYE 2021.

Figure 14

Debt Service Coverage FYE September 30 (dollars in thousands)	2015	2016	2017	2018	2019	2020 Projected	2021 Budgeted
CFC/TFC Transaction Days (000's)	7,593	7,548	7,044	7,464	7,512	4,792	5,363
CFC/TFC Collections	$ 36,747	$ 44,834	$ 41,917	$ 44,381	$ 44,655	$ 28,482	$ 31,869
CFC Surplus Fund Balance Applicable to Coverage Requirement[1]	na	4,912	4,557	4,557	6,650	6,650	6,650
Application of CFC Deficiency Fund Balance	-	-	-	-	-	6,923	3,167
Concessionaire Deficiency Payments	-	-	-	-	-	-	208
Pledged Revenue for DSC Calculation[2]	**36,747**	**49,746**	**46,474**	**48,938**	**51,305**	**42,055**	**41,894**
Annual Debt Service	na	19,647	18,230	18,230	26,600	26,598	26,600
DSCR (Excluding Rolling Coverage)	**na**	**2.28x**	**2.30x**	**2.43x**	**1.68x**	**1.32x**	**1.45x**
DSCR (Including Rolling Coverage)	**na**	**2.53x**	**2.55x**	**2.68x**	**1.93x**	**1.58x**	**1.57x**

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.

Stress Test

KBRA has modeled a conservative stress case which assumes the actual 56.4% YOY decline in July 2020 monthly CFC/TFC revenue persists in each month (on a YOY basis) through December 31, 2020. Beginning in calendar year 2021, the percentage YOY decline in monthly enplanements is assumed to improve by only 2% per month. Under this scenario, rental car activity would not recover to pre-pandemic levels for nearly three years and the airport would realize CFC deficiencies of $6.2 million in FY 2020, $12.5 million in FY 2021, and $4.9 million in FY 2022 before current revenues recovered to a level sufficient to meet all mandatory eligible costs in FY 2023. Of the total $23.5 million shortfall over the period, $10.1 million would be funded from the CFC Deficiency Fund balance, with the remaining $13.5 million passed on to obligated rental car company concessionaires as mandatory costs of $8.5 million in FY 2021 and $4.9 million in FY 2022. With each of these contractually mandatory payments made, debt service coverage would remain compliant with debt service coverage covenants in each year.