Hillsborough County Aviation Authority, FL - CFCs (Tampa International Airport)

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

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Rating Summary: The rating continues to reflect Tampa International Airport's (TPA's or the "Airport's") growing and diversifying economic base, featuring a healthy mix of leisure/recreation and business activity that supports high rental car utilization and resultant Customer Facility Charge (CFC) revenues. 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 CFC surplus and repair and replacement funds, and a cash funded debt service reserve funded to maximum annual debt service (MADS), are additive security features that help to strengthen an otherwise relatively narrow revenue stream that is exposed to exogenous events.

Pledged revenues securing the CFC Revenue 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.

Pledged revenues were negatively impacted by the pandemic-induced decline in airport activity, though in FY 2024, such revenues ($43.2 million) recovered to a level just 3.4% below the FY 2019 level. For FY 2025, pledged revenues are projected to decline by 3.3% YoY, reflecting the return of TPA enplanements to a more normalized, longer-term growth trajectory following an unsustainable, post-pandemic surge in passenger traffic. In addition, FY 2025 pledged revenues were impacted by the temporary disruption to airport activity created by Hurricane Milton; October 2024 enplanements declined by a significant 20.4% YoY as a result of the storm.

KBRA notes that the Airport's CFC recovery rate has been significantly slower than that of enplanement activity, which was 13.5% above the pre-pandemic high in FY 2024. Contributing to the more muted return of rental car transaction days and associated CFC revenues was an industry wide reduction in rental car fleet size in the years immediately following the pandemic and growing use of transportation network companies (TNCs or rideshare). Favorably, management reports that demand pressures on rental car company inventories have eased in recent years, suggesting a potentially more balanced mix of rental car and TNC utilization going forward. The evolving mix of business and leisure traffic served by TPA, in KBRA's view, may also be a factor in the slower recovery. The Tampa MSA remains an attractive leisure/recreation destination, with its numerous beaches and cultural institutions, and now home to increasing commercial activity across diverse industries.

Pledged revenues provided debt service coverage of 1.67x (excluding rolling coverage) and 1.92x (including rolling coverage) in FY 2024. Coverage is projected to remain near these levels in FY 2025, estimated at 1.62x (excluding rolling coverage) and 1.87x (including rolling coverage). A pandemic-related decline in receipts in FY 2020 and FY 2021 did necessitate the application of $8.58 million from the deficiency reserve fund, which was required to be funded under the CFC Trust Agreement with an initial one-time deposit of $10 million around the time of the 2018 completion of the consolidated rental car facility that was funded with the CFC bonds. A balance of $1.8 million remains in the deficiency reserve fund as of FYE 2024 and the CFC Trust Agreement does not require or provide for any mechanism of replenishment. Annual debt service requirements are level at around $26.2 million through final maturity in FY 2044 and no additional CFC borrowing is planned.

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 CFC surplus, repair and replacement, and deficiency funds, which while not pledged to the Bonds, contained $52.8 million as of FYE 2024; 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 the Airport's air travel demand, which KBRA expects will continue to support rental car demand at TPA, as well as level annual debt service on CFC Bonds 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 has demonstrated resilience against exogenous events and supports high levels of rental car utilization.

Credit Challenges

- Airport activity is subject to macro-economic and other event risks which could contribute to volatility in CFC receipts.
- 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.	-

Key Ratios

FYE September 30 (dollars thousands)		**2020**	**2021**	**2022**	**2023**	**2024**
Enplanements		6,681,053	7,717,164	10,688,831	11,560,792	12,584,892
Δ YOY		*-39.7%*	*15.5%*	*38.5%*	*8.2%*	*8.9%*
CFC/TFC Collections	a	$ 30,628	$ 28,989	$ 38,009	$ 40,742	$ 43,211
CFC/TFC Surplus Fund Balance Applicable to Coverage Requirement	b	6,650	6,650	6,650	6,650	6,650
Application of CFC Deficiency Reserve Fund Balance	c	2,619	5,958	-	-	-
CFC Interest Income	d	1,422	685	759	901	1,146
Concessionaire Deficiency Payments	e	-	-	-	-	-
Annual Debt Service	f	26,598	26,600	26,598	26,600	26,600
Coverage (Excluding Rolling Coverage)	(a+c+d+e) / f	**1.30x**	**1.34x**	**1.46x**	**1.57x**	**1.67x**
Coverage (Including Rolling Coverage)	(a+b+c+d+e) / f	**1.55x**	**1.59x**	**1.71x**	**1.82x**	**1.92x**

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	AA-

A discussion of each Rating Determinant, Bankruptcy Risk Assessment, and ESG Management can be found in prior KBRA reports, the most recent of which is dated August 15, 2025.