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

ANALYTICAL CONTACTS

Mallory Yu
Associate
+1 646-731-1380
mallory.yu@kbra.com

Peter Scherer, CFA
Senior Director
+1 646-731-2325
peter.scherer@kbra.com

Douglas Kilcommons
Managing Director
+1 646-731-3341
douglas.kilcommons@kbra.com

METHODOLOGY

[Public Finance: U.S. Special Tax Revenue Bond Rating Methodology]

Ratings

Description	Rating Action	Rating/Outlook or Watch
Issuer: Hillsborough County Aviation Authority, FL		
Tampa International Airport Customer Facility Charge Revenue Bonds	Affirmed	A+/Stable

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. While TFC revenues have grown significantly in recent years, increasing to $442.2 thousand in FY 2025 from $22.7 thousand in FY 2019, TFCs continue to represent a small portion of pledged revenues, only 1.1% in FY 2025.

Pledged revenues in FY 2025 declined by 3.2% YoY, reflecting lower passenger traffic resulting from the temporary disruption to airport activity created by Hurricane Milton (October 2024) coupled with the return of enplanement growth to a more normalized long-term growth trajectory following an unsustainable, post-pandemic surge in passenger traffic. For FY 2026, pledged revenues are budgeted to increase by 2.9% as growth in enplanements resumes. Enplanement activity in the first seven months of FY 2026, through April, was up 1.2% YoY.

CFC/TFC receipts in FY 2025 totaled $41.8 million, approximately 6.5% below the level collected in FY 2019, a notable divergence from the 10.6% increase in enplaned passenger activity at TPA recorded over the same period. Moreover, FY 2025 CFC/TFC receipts were 6.7% below the FY 2016 level, the first full fiscal year current CFC/TFC rates were in effect. The underperformance is primarily attributable to the growing use of transportation network companies (TNCs or rideshare). The evolving mix of business and leisure traffic served by TPA, in KBRA's view, may also be a factor in stagnating receipts. 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 1.62x (excluding rolling coverage) and 1.87x (including rolling coverage) in FY 2025. A pandemic-related decline in receipts during FY 2020 and FY 2021 did necessitate the application of $8.6 million from the deficiency reserve fund, which had been funded as required by the CFC Trust Agreement at $10.0 million in FY 2018 with the completion of the consolidated rental car facility. A balance of $2.7 million remains in the deficiency reserve fund as of FYE 2025 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 $57.5 million as of FYE 2025; and, vi) an additional bonds test that provides an 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, level annual debt service on CFC Revenue Bonds and the absence of additional borrowing plans.

Key Credit Considerations

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

Credit Positives

- A legal framework which provides strong bondholder protections including a 1.25x rate covenant (excluding rolling coverage), the ability to adjust the CFC rate, and established reserves.
- The Tampa Bay area is an established and popular leisure/recreation destination, further supported by increasing commercial activity across diverse industries, that has demonstrated resilience against exogenous events and supports high levels of rental car utilization.

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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.

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Rating Sensitivities

▪ Trend of steady growth in rental car transactions resulting in sustained, meaningful increases in pledged revenues and debt service coverage.	+
▪ Erosion in rental car market and rental car transactions pressuring debt service coverage. ▪ While not expected, the overleveraging of the pledged CFC/TFC based revenue source.	–

Key Ratios

Hillsborough County Aviation Authority, FL						
FYE September 30 (dollars thousands)		**2021**	**2022**	**2023**	**2024**	**2025**
Enplanements		7,717,164	10,688,831	11,560,792	12,584,892	12,259,309
Δ YOY		*15.5%*	*38.5%*	*8.2%*	*8.9%*	*-2.6%*
CFC/TFC Collections	a	$28,989	$38,009	$40,742	$43,211	$41,836
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	5,958	-	-	-	-
CFC Interest Income	d	685	759	901	1,146	1,370
Concessionaire Deficiency Payments	e	-	-	-	-	-
Annual Debt Service	f	26,600	26,598	26,600	26,600	26,600
Coverage (Excluding Rolling Coverage)	(a+c+d+e) / f	**1.34x**	**1.46x**	**1.57x**	**1.67x**	**1.62x**
Coverage (Including Rolling Coverage)	(a+b+c+d+e) / f	**1.59x**	**1.71x**	**1.82x**	**1.92x**	**1.87x**

Rating Determinants

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 and the Bankruptcy Risk Assessment can be found in prior KBRA reports, the most recent of which is dated August 14, 2025.

Doc ID: 1016403