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

Issuer: Hillsborough County Aviation Authority, FL		
Affirmed	**Rating**	**Outlook**
Tampa International Airport Customer Facilities Charge Revenue Bonds	A+	Stable (revised from Negative)

Methodology

- U.S. Special Tax Revenue Bond Rating Methodology
- ESG Global Rating Methodology

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Rating Summary: The Outlook revision to Stable for the Tampa International Airport Customer Facilities Charge Revenue Bonds (the "Bonds") reflects the strong recovery in deplaning passengers at Tampa International Airport ("TPA") in FY 2021 and FY 2022 through June 2022, and the positive impact on rental car transactions and in turn, Customer Facility Charge ("CFC") revenues. Although CFC and transportation facility charges ("TFC") receipts (collected from off-airport rental transactions) are modestly below pre-pandemic levels, KBRA views the Tampa Bay area's positive economic trends, including the rebound in leisure activity, stabilizing passenger volumes at TPA, and FY 2022 through June 2022's 36.6% YoY growth in CFC/TFC collections as indicators of further recovery and declining downside risk.

The long-term rating continues to reflect the Tampa Bay area's growing and diverse economy that has historically supported high rental car utilization, Hillsborough County Aviation Authority's ("HCAA") full CFC rate setting authority, and a solid legal framework that protects a relatively narrow revenue stream that can be sensitive to exogenous events.

Pledged revenues securing the Bonds include (i) on-airport CFC receipts, (ii) off-airport 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. Management currently has no expectations of changing these two rates. TFC revenues typically 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 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) a Deficiency Reserve Fund, not pledged to the Bonds, but containing an approximate $1.65 million balance; and vi) an additional bonds test that provides effective constraint against overleveraging. The DSRF requirement is the lesser of maximum annual debt service (MADS), 1.25x average annual debt service, and 10% of the original issue amount.

Since the unprecedented pandemic-related decline in air passenger traffic in 2020, TPA has seen a relatively healthy rebound in deplanements, which in turn has supported the return of rental car demand. While the recovery paused during the surges of the delta and omicron variants of COVID-19, FY 2022 CFC/TFC collections through June 2022 improved by 36.6% over the FY 2021 equivalent and were 84.6% of the FY 2019 equivalent. Most recently, collections in May and June 2022 were 91.7% and 86.2% of May and June 2019, respectively. Year-over-year (YoY), June 2022 saw a 3.5% decrease in domestic air capacity related to staffing shortages and a very slight decline in rental car days/transaction, though positively, total rental car transactions were flat YoY. Management projects a rebound in CFC/TFC collections in July through September 2022 and that FY 2022, FY 2023, and FY 2024 collections will be 88.9%, 99.8%, and 102.8% of FY 2019 collections.

Annual debt service on the CFC bonds is level at $26.6 million through 2044 final maturity. Pledged revenues provided annual debt service coverage ratios (DSCRs) of 1.37x (excluding rolling coverage) and 1.62x (including rolling coverage) in FY 2021. These levels exceed FY 2020 coverage of 1.27x (excluding rolling coverage) and 1.53x (including rolling coverage), though FY 2021 included the application of $5.96 million from the Deficiency Reserve Fund, versus $2.62 million in FY 2020, to offset pandemic-related revenue declines. Per management, projected FY 2022 coverage (ending September 30) is 1.52x (excluding the application of surplus funds) and 1.77x (including rolling coverage), with no draw on the $1.65 million remaining balance in the Deficiency Reserve Fund balance. There is no mechanism to replenish the Deficiency Reserve Fund, through management does not forecast using the remaining balance during the projection window through FY 2025. In KBRA's view, two stabilizing factors are the consistent level debt service through final maturity and the absence of additional planned borrowing.

Given remaining uncertainty related to the rise of future COVID-19 variants, KBRA modeled a stress case with a slower recovery in TFC/CFC collections than in management's forecast. KBRA assumes that revenues in July through September 2022 stall at June 2022's -13.8% differential versus FY 2019 and then gradually close the gap through fall 2023. Revenues thereafter do not grow beyond FY 2019 levels. In this scenario, the minimum annual DSC ratios were 1.43x (excluding rolling coverage) and 1.68x (including rolling coverage), versus their respective 1.25x and 1.50x covenants. All mandatory eligible costs are met without further draws on the Deficiency Reserve Fund or Concessionaire Deficiency Payments. KBRA estimates that collections in the final three months of FY 2022 would have fall to below 37% of the FY 2019 equivalent for FY 2021 DSCRs to fail to meet the rate covenant.

The Stable Outlook reflects the resilience and growth of the Tampa Bay economy and TPA's air travel demand, which KBRA expects will continue to support solid rental car demand at TPA, as well as the Bonds' stable 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 includes mitigants against a narrow and potentially volatile revenue stream.
- The Tampa Bay area has historically supported high levels of rental car utilization. In KBRA's view, the area's draw for leisure promotes rental car demand.
- In addition to the legal protections, HCAA's rate setting autonomy and ability to refund/restructure CFC Bond debt service afford flexibility in the event of a prolonged revenue shortfall.

Credit Challenges

- Pledged revenues are highly correlated to passenger deplanement levels at TPA, and thus vulnerable to decline due to exogenous events and economic downturns.
- While passenger traffic activity at TPA has recovered to at or near pre-pandemic levels, some uncertainty remains from potential variants of COVID-19 and labor and capacity shortages in the airline industry.
- Competition from rideshare services may weigh negatively on CFC revenue growth over the longer term.

Rating Sensitivities

▪ Sustained recovery, and possibly growth beyond pre-pandemic levels, in passenger deplanements that drives growth in rental car demand such that coverage meets or exceeds the pre-pandemic range.	+
▪ Sustained deplanement declines and in turn, rental car demand, that results in further pressure on the rate covenant or requires further depletion of the Deficiency Reserve Fund or use of concessionaire deficiency payments to cover annual debt service requirements.	-

Credit Highlights
FYE September 30 (dollars thousands)

		2019	2020	2021	2022 Proj
Enplanements		11,085,290	6,681,053	7,717,164	10,781,789
Δ YOY		*5.4%*	*-39.7%*	*15.5%*	*39.7%*
CFC/TFC Collections	a	$ 44,655	$ 29,512	$ 29,734	$ 39,713
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	795
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**	**1.52x**
Coverage (Including Rolling Coverage)	(a+b+c+d+e) / f	**1.97x**	**1.52x**	**1.62x**	**1.77x**

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

There has been no new update to the above-mentioned rating determinants since KBRA's report published on August 23, 2021. To access the more detailed discussion, please click here.

RD 1: Legal Framework

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 should 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. If the Authority were authorized to file for protection under Chapter 9 and assuming there is no shortfall of funds to make debt service after continuing operating expenses are paid, 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 given that the Bonds should be considered revenue bonds secured by a pledge of special revenues.

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 a chapter 9 case, a bankruptcy court determining necessary operating expenses for the ConRAC and APM Project 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 subject 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 should generally be 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 significant delays of many months or years in collecting them.

On May 22, 2020 the Hertz Corporation and its affiliates (a Concessionaire), filed for protection under chapter 11 of the Bankruptcy Code. The filing did not impact the revenue stream under the Bonds. On June 30, 2021, Hertz completed its restructuring process and emerged from chapter 11 and Hertz has continued to honor its Concession Agreement.

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.

Environmental Factors

The Airport has engaged in natural resource sustainability initiatives since 2009. Achievements so far include using over 900 million gallons of reclaimed water for cooling towers and landscape irrigation, providing 82 electric vehicle charging spaces, and installing solar panels with a total annual yield of around 3,000 MWh over parking spaces. The new Central Utility Plant, which is part of Phase 2 of the Airport's Master Plan, offers 30% greater efficiency, reduces water usage by 25 million gallons per year, and includes a heat recovery chiller that reduces use of natural gas. A further achievement is the LEED Platinum certification achieved in 2022 by SkyCenter, an office building opened in late 2021 that is directly connected to TPA and houses the HCAA headquarters among other businesses and organizations.

Social Factors

The Airport has prioritized inclusion and diversity through its Business Diversity program, which include a Disadvantaged Business, Airport Concessions Disadvantaged Business Enterprise, and Women and Minority-Owned Business Enterprise Program. TPA began diversity outreach between rental car suppliers and women and minority-owned businesses in 2015. HCAA has participated in the National Airport Rental Car Virtual Supplier Diversity Outreach Day.

Governance Factors

Cybersecurity: The Airport provides information technology infrastructure utilized by air travel industry partners including airlines, the FAA, the TSA, the Authority, concessionaires and others that collect and store sensitive data critical to operation of the airport. The Airport takes steps to secure infrastructure from hacking exploits, breaches, and service disruptions, but recognizes that the cyber risk landscape is rapidly changing and therefore maintains cyber risk insurance coverage including a $7 million policy for security and privacy, a $1 million policy for crisis management, and a $7 million policy for cyber extortion.

Appendix: Detailed Charts

Figure 1

Monthly Airport Deplanement Activity
FYE September 30

Fiscal Year	2019	2020	Δ YOY	2021	Δ from same month FY 2019	2022	Δ from same month FY 2019
October	832	883	6.1%	393	-52.7%	810	-2.6%
November	918	917	-0.1%	434	-52.7%	899	-2.1%
December	990	1,103	11.3%	498	-49.7%	988	-0.3%
January	900	939	4.3%	427	-52.6%	761	-15.5%
February	917	986	7.6%	472	-48.5%	863	-5.9%
March	1,170	590	-49.6%	770	-34.2%	1132	-3.3%
April	998	39	-96.1%	750	-24.9%	1003	0.5%
May	924	115	-87.5%	816	-11.6%	936	1.3%
June	907	241	-73.5%	843	-7.1%	860	-5.2%
July	942	293	-68.9%	881	-6.4%		
August	849	282	-66.8%	734	-13.5%		
September	734	289	-60.7%	668	-8.9%		
FY Total	**11,081**	**6,676**		**7,688**			

Source: HCAA

Figure 2

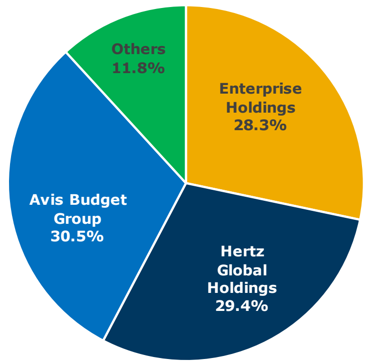
Monthly CFC and TFC Collections
FYE September 30 ($ thousands)

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

Source: HCAA

Figure 3

Tampa Internaional Airport
Rental Car Company Market Share by Estimated Gross Revenues
FY 2022 through June 2022



Source: HCAA

Figure 4

Debt Service Coverage FYE September 30 (dollars in thousands)		2018	2019	2020	2021	Projected 2022	2023	2024	2025
CFC/TFC Collections	a	$44,381	$44,655	$29,512	$29,734	$ 39,713	$ 44,572	$ 45,909	$ 47,286
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**	**47,157**	**52,421**	**53,794**	**55,208**
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	1.49x	1.68x	1.73x	1.78x
+Application of CFC Deficiency Fund Balance and CFC Interest Incom	(a+c+d) / f	**2.44x**	**1.72x**	**1.27x**	**1.37x**	**1.52x**	**1.72x**	**1.77x**	**1.83x**
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	1.49x	1.68x	1.73x	1.78x
+Application of CFC Deficiency Fund Balance and CFC Interest Income	(a+c+d) / f	2.44x	1.72x	1.27x	1.37x	1.52x	1.72x	1.77x	1.83x
+ CFC Surplus Fund Balance Applicable to Coverage Requirement	(a+b+c+d)/f	**2.69x**	**1.97x**	**1.52x**	**1.62x**	**1.77x**	**1.97x**	**2.02x**	**2.08x**
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.