Tampa International Airport

Issuer: Hillsborough County Aviation Authority, Florida		
Affirmed	**Rating**	**Outlook**
Tampa International Airport Revenue Bonds	AA	Stable
Tampa International Airport Subordinated Revenue Bonds	AA-	Stable

Methodology:

U.S. General Airport Revenue Bond Rating Methodology

ESG Global Rating Methodology

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Rating Summary: KBRA affirms the ratings for the Tampa International Airport senior and subordinate airport revenue bonds and affirms the Stable Outlook for both liens. The bonds are secured by a pledge of airport system net revenues. Subordinate lien bonds are payable from remaining net revenues after payment of the senior lien bonds, as well as from available passenger facility charge revenues (PFCs.)

The ratings reflect Tampa International Airport's (TPA's) stable origin and destination (O&D) market position and the favorable economic and demographic characteristics of the air trade area. Steady enplanement growth and expenditure controls have contributed to a trend of relatively low airline costs, sound debt service coverage and satisfactory liquidity.

The Authority recorded a favorable trend of rising enplanements with a 5.0% compound annual growth rate (CAGR) in the five-year period through FY 2019. Passenger enplanements bottomed out following onset of the COVID-19 pandemic at 47,000 in April 2020, down 95.6% year-over-year (YoY). Enplanement activity has gradually recovered with July 2021 enplanements of 889,000 down just 4.8% from July 2019. Progress slipped however in August 2021 with enplanements 13.8% below the August 2019 level, as staffing shortages at some airlines resulted in canceled flights. A trend of increased COVID-19 infections per the delta variant has also weighed on overall U.S. airport activity, underscoring uncertainty with respect to the future path of recovery. Management notes that the current published airline schedules are within the expectations of the Authority's FY 2022 Budget (approved September 2) and recovery forecast.

The Authority acted to delay or cancel more than $906 million in capital projects following onset of the pandemic, including projects related to its master plan which was to include a new 16-gate international and domestic terminal (Airside D) and associated shuttle system project. The recovery in airport activity has been faster than previously projected when the projects were postponed and the Authority is now working to accelerate some of those delayed projects. The FY 2022 capital plan totals $198.1 million of which 70.8% will be debt financed. KBRA anticipates that leverage will rise per the ongoing CIP and renewed focus on previously delayed master plan projects. The FY 2022 Budget contemplates the issuance of $513 million in bonds to fund these programs and pay down interim financing.

Debt service coverage, as calculated on a budgetary basis per the respective Trust Agreements declined from 2.28x in FY 2019 to 1.79x in FY 2020 for senior bonds. Subordinate coverage, which is lifted by application of PFCs similarly declined from 4.14x in FY 2019 to 2.53x in FY 2020. FY 2020 coverage benefitted from application of $60.6 million in Coronavirus Aid, Relief and Economic Security (CARES) Act funds. The Authority projects that an additional $20.6 million in CARES Act funds plus $18.2 million in funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) will be applied to FY 2021 operations. The remaining $2.4 million in CRRSA funds plus $40.0 million in American Recovery Plan (ARP) Act funds will be applied in FY 2022, with the remaining $39.4 million in ARP Act funds likely to be applied in FY 2023.

The Authority's airline use and lease agreement (AULA) historically employed a hybrid rate-making methodology with residual landing fees and compensatory terminal rents. The agreement, however, expired on September 30, 2020 and the Authority and airlines were unable to complete the negotiation of a new long-term agreement due to the pandemic. Rates are currently set by resolution (i.e., a fully compensatory ratemaking methodology). The rates by resolution model establishes a cost recovery rate setting methodology whereby airlines pay for the facilities they use, including the baggage handling system and passenger shuttles to airsides. This represents a departure from the Airline Agreement, which entailed subsidization of airline cost centers by the Authority. In contrast with the Airline Agreement, which required signatory airlines to guarantee the 1.25x debt service coverage required by bond covenants in return for rebates of debt service coverage and a 20% share of remaining surplus revenues (revenues less expenditures less the operating reserve requirement less debt service), airlines no longer provide a financial backstop under the new rate resolution. There are, however, no limitations to the frequency or timing of rate adjustments under the current rates by resolution approach, and the Authority plans to continue to implement a cost-recovery rate making methodology either under the resolution or a future AULA.

Airline costs per enplanement (CPE) were among the lowest for large U.S. hubs at $4.94 in FY 2019. CPE increased substantially to $8.76 in FY 2020 due to the pandemic-induced decline in airport activity. The Authority's FY 2022 budget projects a still low FY 2021 CPE of $11.11 and budgeted FY 2022 CPE of $9.99.

The Stable outlook reflects the strong recovery to date in passenger activity as well as the impact of substantial federal assistance and satisfactory unrestricted airport liquidity. The outlook additionally reflects the expectation that the Authority will act to adjust airport rates and charges (by resolution) as needed to continue to meet all financial obligations and bond rate covenants.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- Broad and growing air trade area (ATA) economy and healthy population growth support increasing demand for air travel, while the strictly O&D nature of Airport activity confers stability.
- Diverse carrier mix with existing airlines continuing to strategically add new domestic and international routes, which is supportive of continued enplanement growth. Airline costs are competitive.
- Sound financial operations with additional financial flexibility from the ability to levy a 1.5 mil ad valorem tax which, based on current valuations, would generate approximately $125 million/year.

Credit Challenges

- Airport activity has recovered substantially from the early months of the COVID-19 pandemic, but the outlook for continued recovery remains clouded by ongoing virus-related challenges.
- Per the transition from a hybrid to fully compensatory (rates by resolution) rate-making methodology at the commencement of FY 2021, the Authority may still adjust rates as needed to satisfy financial obligations, but airlines are not specifically contractually committed to furnish payments sufficient for the Authority to meet its obligations.

Rating Sensitivities

▪ A rapid and sustained recovery in passenger traffic growth with accompanying strong performance of non-aviation revenues. ▪ Completion of capital program on time and within budget.	**+**
▪ Prolonged recovery in airline activity and passenger volumes. ▪ Trend of weakened liquidity levels and/or debt metrics. ▪ Cost overruns or delays associated with the capital program.	**-**

Key Airport Ratios FYE September 30	
Airport Activity	
Top Carrier Market Share (FY2020)	
Southwest	29.5%
American	16.0%
Delta	15.1%
Trust Agreement Coverage in FY 2020 ($ 000's)	
Senior Debt Service Coverage	1.79x
Subordinate Debt Service Coverage	2.53x

Rating Determinants (RD)	Senior	Subordinate
1. Management	Favorable	Favorable
2. Economics/Demographics of the Service Area	AA-	AA-
3. Airport Utilization	A+	A+
4. Airport Debt/Capital Needs	AA+	AA+
5. Airport Finances	AA+	AA+
6. Legal Mechanics and Security Provisions	AA	AA-

RD 1: Management

KBRA views HCAA's governance structure, policies and procedures, and management background and experience as Favorable. TPA and three general aviation airports in Hillsborough County are owned by the Authority and collectively known as the Airport System. The Authority was created as an independent special district pursuant to Chapter 2003-370, Laws of Florida, Acts of 1945, with exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County. Although the Authority operates on a self-supporting basis, its authorizing act grants the Authority discretion to adopt a resolution to levy an ad valorem tax of 1.5 mills and submit such resolution to the Board of County Commissioners for consideration once in a 40 year period. The Authority has not adopted such a resolution since 1973 and currently has no plans to do so.

A more detailed review of this rating determinant can be found in the report dated September 22, 2020.

ESG Management

Environmental Factors

The Airport adopted a Sustainable Management Plan dubbed Legacy of Environmental Actions for our Future (LEAF) in July 2018. The LEAF plan identifies a range of goals to be achieved by 2021, including the reduction of greenhouse gas emissions by 5% on a per passenger basis; the reduction of potable water use by 10% on a per passenger basis; reduction, reuse, and recycling to reduce disposed solid waste by 10% on a per passenger basis; and the reduction of electric consumption by 3% on a per passenger basis.

Social Factors

The Authority has prioritized inclusion and diversity through its Business Diversity program, which seeks to direct $122 million of its $1 billion Phase 1 Master Plan and concession redevelopment program toward minority and women owned businesses. The Authority has exceeded this goal, directing $180 million in contracts to such businesses, and through implementation of its Airport Concessions Disadvantaged Business Enterprise program, intends to allocate up to $74.7 of the $544 million Phase 2 Master Plan budget to women and minority owned businesses through 2024.

Governance Factors

Cybersecurity: The Authority 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 Authority 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.

RD 2: Economics/Demographics of the Service Area

The economic and demographic characteristics of the service area are historically favorable, characterized by consistent growth and increasing economic diversity, which are supportive of demand for air travel and rental car services at the airport.

The airport 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 3.2 million as of 2020. An extended service area consisting of 7 additional counties comprising the rest of the State's central Gulf Coast has a population of approximately 1.5 million people.

Growing Economy

As of 2020, the MSA is the 18th most populous metropolitan area in the U.S. MSA population increased 14.7% since 2010, a rate of growth in line with that of Florida (+14.6%) and nearly double that of the U.S. (+7.4%).

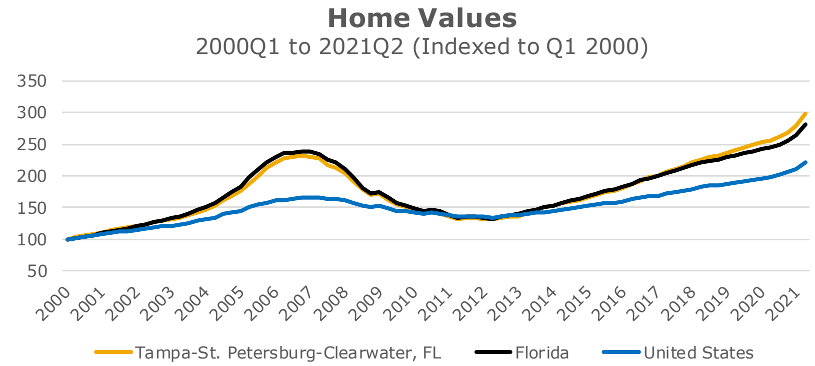
Income Levels are Moderate

MSA personal income per capita of $48,908 in 2019 was 92% of the State level and 87% of the U.S. average.

Rising Home Values

Home values in the MSA have generally 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 during the Great Recession. As of 2020Q2, MSA and State home values had recovered to 129% and 117%, respectively, of their prior cyclical high. In comparison, U.S. home values have recovered to 134% of prior cyclical highs.

Figure 1



Source: Federal Housing Finance Agency Quarterly All Transaction Indexes

Increasingly Diverse Economy

The overall business environment in the MSA continues to diversify. As of 2020, seven of the State's 18 Fortune 500 companies are headquartered in the MSA including Publix Super Markets, Tech Data Corp, technology manufacturer Jabil Inc, WellCare Health Plans, and Raymond James Financial, among others. Port Tampa Bay, which is among the busiest U.S. seaports, contributes to the area's logistics sector and additionally supports the area's cruise industry, which tracked favorable growth prior to the pandemic.

Tourism remains an important driver of air travel activity in MSA. The leisure and hospitality sectors contributed to 4.6% of the region's gross domestic product (GDP) in 2019 versus the U.S. at 4.2%. 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 below this level for several years given the ongoing nature of the pandemic and the uncertain trajectory of the U.S. and global economy. Shown below, MSA employment is somewhat concentrated in professional and business services, trade, and financial activities relative to the U.S. overall.

Figure 2

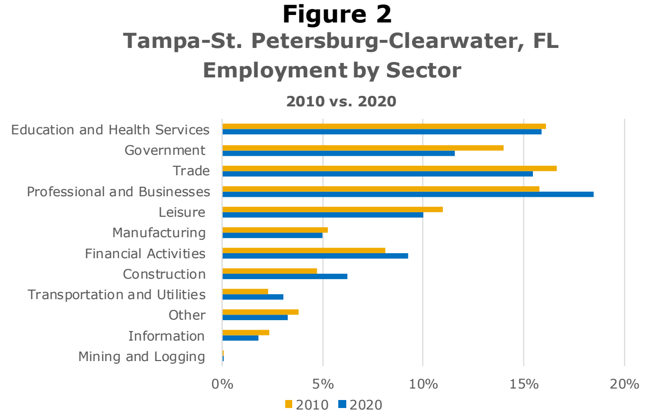
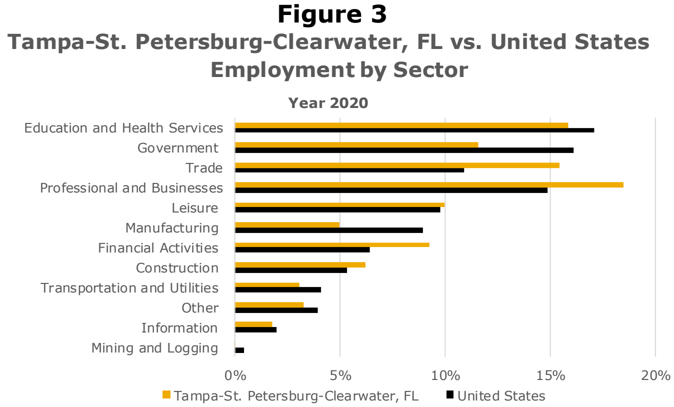


Figure 3



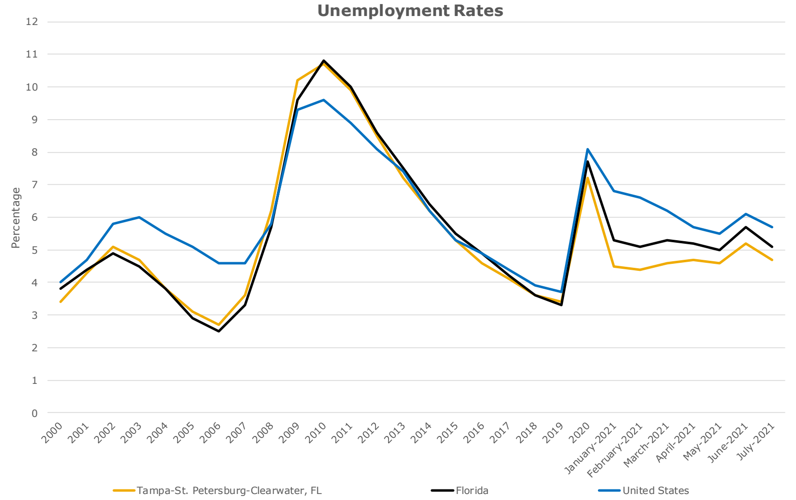
Source: U.S. Bureau of Economic Analysis

Unemployment Trends

Unemployment in the MSA peaked at 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 3.2% in February 2020 to 13.9% in April 2020, which was somewhat lower than the U.S. peak of 14.4%. MSA unemployment has declined to 4.7% as of July 2021, lower than Florida at 5.1% and U.S. at 5.3%.

Figure 4

Unemployment Rates



	Tampa-St. Petersburg-Clearwater, FL MSA	Florida	United States
July 2021	4.7	5.1	5.7
June 2021	5.2	5.7	6.1
Great Recession Peak	10.7	10.8	9.6
Point Δ Since Great Recession Peak	-6.0	-5.7	-3.9

Source: U.S Bureau of Labor Statistics

Limited Competition

The airport benefits from a limited degree of commercial air service competition. Of the state's 8 busiest airports, only Orlando International Airport (MCO) is located within 100 miles of Tampa. Prior to the pandemic, MCO offered 467 daily flights and served 24.8 million enplanements in 2019 compared to Tampa's 245 daily flights and 10.9 million enplanements. Nonetheless, KBRA views competition from MCO as fairly limited given the distance between the two international airports, which limits the practicality of diversion for most travelers, as well as the distinct nature of each airport's air travel market.

Figure 5

Busiest Florida Airports by Calendar Year Activity						
			Enplaned Passengers (000's)			
City	Airport Name	Road Miles to Tampa Int'l Airport	2000	2010	2019	2020
Orlando	Orlando International Airport	92	14,832	17,017	24,562	10,527
Miami	Miami International Airport	275	16,489	17,018	21,421	8,797
Fort Lauderdale	Fort Lauderdale-Hollywood Int. Airport	259	7,817	10,830	17,951	8,049
Tampa	Tampa International Airport	-	7,970	8,137	10,941	5,010
Fort Myers	Southwest Florida International Airport	144	2,574	3,714	5,044	2,956
Jacksonville	Jacksonville International Airport	216	2,616	2,756	3,480	1,380
West Palm Beach	Palm Beach International Airport	211	2,929	2,958	3,460	1,524
Sanford	Orlando Sanford International Airport	118	508	554	1,602	759

Source: FAA BTS T-100 Database

RD 3: Airport Utilization

TPA's utilization profile was strong in the decade preceding onset of the COVID-19 crisis based on a general trend of increasing enplanement activity, limited reliance on connecting traffic, and a fairly diverse carrier mix.

Airport Features

The HCAA airport system consists of Tampa International Airport (TPA) and three general service airports. TPA occupies 3,400 acres and is comprised of three runways and 58 aircraft gates. It was the 27th busiest airport in the U.S. in the 2019 and 24th busiest in 2020. TPA consists of a main terminal building connected to four airside concourses (A,C,E, and F), completed between 1987 and 2005. The airsides are connected to the main terminal building by a fully automated elevated passenger transfer system. Parking garages, rental car facilities, and a 300-room Marriott hotel are located adjacent to the main terminal building.

Service and Destinations

In 2020, TPA provided at least weekly non-stop service to 38 cities, down from 81 cities in 2019, reflecting the impact of pandemic on utilization and service levels. Connections have accounted for less than 5% of enplanement activity in recent years, with the top 20 O&D destinations mainly in the Northeast and Midwest. Domestic passengers have accounted for about 95% of enplanements in recent years.

Figure 6

Top Flight Segment Markets Calendar Year 2020			
Rank	Destination	Passengers (000's)	% Total
1	Atlanta, GA	476	9.5%
2	Chicago, IL	376	7.5%
3	Charlotte, NC	277	5.5%
4	Dallas/Fort Worth, TX	247	4.9%
5	Denver, CO	225	4.5%
6	Newark, NJ	212	4.2%
7	Philadelphia, PA	202	4.0%
8	Detroit, MI	195	3.9%
9	Houston, TX	192	3.8%
10	Baltimore, MD	187	3.7%
11	New York, NY	185	3.7%
12	Boston, MA	149	3.0%
13	Washington, DC	142	2.8%
14	Minneapolis, MN	131	2.6%
15	Nashville, TN	109	2.2%
16	Fort Lauderdale, FL	105	2.1%
17	Miami, FL	102	2.0%
18	Cleveland, OH	93	1.9%
19	San Juan, PR	88	1.8%
20	Dallas, TX	78	1.6%
	All Others	1,239	24.7%
	Total	**5,010**	

Source: FAA BTS T-100 Database

Favorable Carrier Mix

Carrier concentration is low, with the largest market shares maintained by Southwest, American, and Delta in FY 2020. Ultra low-cost carriers Frontier and Spirit have reported notable growth, increasing from a combined 5.7% market share in FY 2015 to 13.9% in FY 2019 and 16.9% in FY 2020.

Value to Carriers

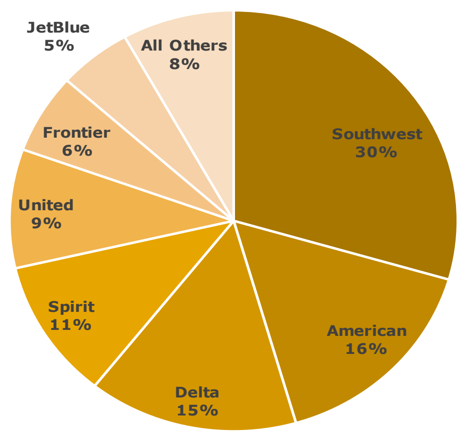
Load factors at the airport in CY 2020 exceeded the systemwide average for Southwest by 1.0%, Delta by 0.6%, and American by 2.7%. Airline yields in CY 2020, defined as airline revenue per passenger mile, were favorable and exceeded the systemwide average for Southwest by 2%, American by 6%, and Delta by 4%. KBRA views these statistics as suggesting an above average level of profitability for airline operations at TPA in 2020, relative to other airports.

Enplanement Trends

Growth in passenger enplanements at the airport has exceeded that of the U.S. air market over the most recent five years through 2019 (preceding the pandemic) but trailed somewhat between 2009 and 2019. Recovery following the 2007-08 financial crisis roughly paralleled the overall U.S. air market, with both TPA and total market enplanements first surpassing their pre-crisis high in 2018.

Figure 7

Airline Market Share at TPA by Enplanements
FY 2020



Source: HCAA

Based on U.S. Bureau of Transportation statistics, the 54.6% year-over-year pandemic-related decline in 2020 enplanement activity at TPA was somewhat was less severe than the 65.1% decline experienced across the U.S. air market.

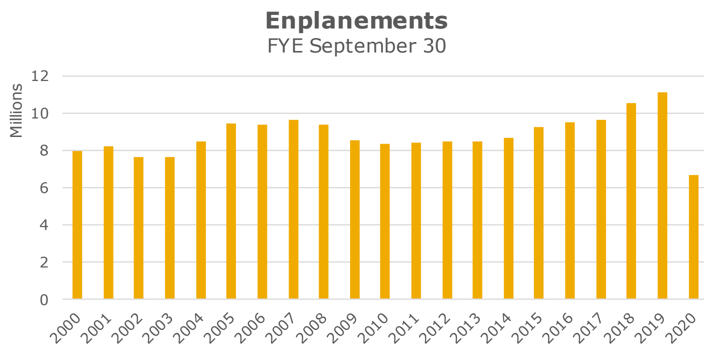
Figure 8

Annual Enplanement Activity and Available Seats vs. U.S. Air Market (in thousands)

Calendar Year	Enplanements: Tampa Int'l Airport	Δ YOY	Enplanements: U.S. Air Market	Δ YOY	Available Seats: Tampa Int'l Airport	Δ YOY	Available Seats: U.S. Air Market	Δ YOY
2000	7,928		766,800		10,637		1,122,559	
2001	7,905	-0.3%	711,061	-7.3%	10,777	1.3%	1,072,419	-4.5%
2002	7,811	-1.2%	697,376	-1.9%	10,724	-0.5%	1,036,213	-3.4%
2003	7,888	1.0%	729,868	4.7%	10,862	1.3%	1,058,870	2.2%
2004	8,625	9.3%	792,549	8.6%	11,459	5.5%	1,117,368	5.5%
2005	9,462	9.7%	826,800	4.3%	12,382	8.1%	1,134,373	1.5%
2006	7,928	-16.2%	831,830	0.6%	10,637	-14.1%	1,110,480	-2.1%
2007	9,530	20.2%	859,270	3.3%	12,430	16.9%	1,135,886	2.3%
2008	9,089	-4.6%	830,724	-3.3%	11,859	-4.6%	1,106,354	-2.6%
2009	8,449	-7.0%	786,434	-5.3%	10,504	-11.4%	1,035,828	-6.4%
2010	8,332	-1.4%	806,647	2.6%	10,351	-1.5%	1,033,755	-0.2%
2011	8,377	0.5%	822,783	2.0%	10,477	1.2%	1,046,882	1.3%
2012	7,928	-5.4%	831,418	1.0%	10,637	1.5%	1,044,787	-0.2%
2013	8,396	5.9%	842,613	1.3%	10,360	-2.6%	1,054,871	1.0%
2014	8,688	3.5%	868,277	3.0%	10,448	0.8%	1,069,596	1.4%
2015	9,311	7.2%	911,848	5.0%	11,057	5.8%	1,114,350	4.2%
2016	9,320	0.1%	946,332	3.8%	10,637	-3.8%	1,166,508	4.7%
2017	9,677	3.8%	979,560	3.5%	11,594	9.0%	1,205,827	3.4%
2018	10,486	8.4%	1,027,167	4.9%	12,559	8.3%	1,258,422	4.4%
2019	11,038	5.3%	1,064,614	3.6%	13,230	5.3%	1,294,168	2.8%
2020	5,010	-54.6%	371,082	-65.1%	8,405	-36.5%	650,094	-49.8%
5-Yr CAGR through 2019	4.9%		4.2%		4.8%		3.9%	
10-Yr CAGR through 2019	2.7%		3.1%		2.3%		2.3%	

Source: U.S. Bureau of Transportation Statistics T-100 Database.

Figure 9



Source: HCAA

COVID-19 Impact on Enplanement Activity

The onset of the COVID-19 crisis in early 2020 resulted in a sharp reduction in enplanement activity. TPA monthly enplanements bottomed out at 47,000 in April 2020, down 95.6% YOY. Enplanement activity gradually recovered with July 2021 activity 4.8% below the same month in FY 2019, prior to the pandemic. Progress slipped in August 2021 with enplanements 13.8% below the August 2019 level, as staffing shortages at some airlines resulted in canceled flights. A trend of increased COVID-19 infections per the delta variant has also weighed on overall U.S. airport activity, underscoring uncertainty with respect to the future path of recovery.

Figure 10

Monthly Airport Enplanement Activity[1]
FYE September 30

	2019	Δ YOY	2020	Δ from same month FY 2019	2021
October	783	8.8%	852	-51.5%	380
November	915	0.1%	916	-53.1%	429
December	949	10.5%	1,049	-50.9%	466
January	910	5.7%	962	-50.5%	451
February	885	8.3%	958	-48.7%	454
March	1,170	-43.3%	663	-39.1%	713
April	1,056	-95.6%	47	-23.9%	804
May	975	-88.3%	114	-12.9%	849
June	922	-73.1%	248	-6.5%	862
July	934	-67.7%	302	-4.8%	889
August	871	-67.2%	286	-13.8%	751
September	716	-60.3%	284		

Source: HCAA

RD 4: Airport Debt/Capital Needs

Master Plan Projects

In 2012, the Authority embarked on a three-phase Master Plan with a total estimated cost of $2.5 billion. Phase I, which was completed on time and within budget in 2018, decongested the Airport's roadways and passenger drop-off and pick up areas. It included the 2.6 million square foot rental car center (RAC) and the SkyConnect automated people mover (APM), which connects the RAC to the terminal.

Phase II of the Master Plan, which enables future Phase III expansion needs, includes curbside drop-off expansion and commercial development around the RAC (including the estimated $544 million SkyCenter One office project). Phase III was to have included a new 16-gate international and domestic passenger terminal (Airside D) and associated shuttle system project, at an estimated cost of $690 million. With the onset of the pandemic in 2020, however, the Authority acted to delay or cancel more than $906 million in Master Plan and other capital projects. The recovery in airport activity has been faster than previously projected and the Authority is now working to accelerate some of those delayed projects.

Capital Improvement Program

In addition to the Phase II & III Master Plan projects, HCAA is undertaking project renovations and refurbishments identified in the FY 2022 Capital Improvement Program (CIP). Budgeted FY 2022 capital expenditures total $198.1 million, of which 70.8% is to be debt financed. The Authority plans to issue approximately $513 million in spring of 2022 to fund both master plan and CIP capital projects, pay down the balance of the revolving credit facility, and potentially refund a portion of outstanding GARB and CFC obligations.

Outstanding Obligations

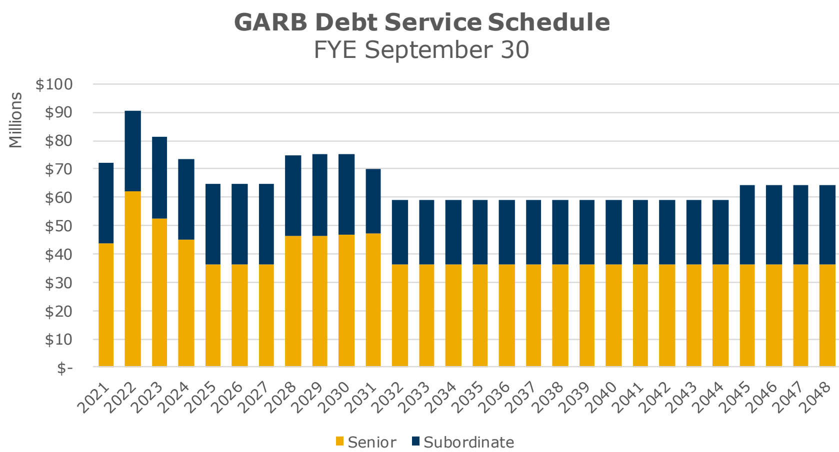
The Authority's debt portfolio is summarized in Figure 11. The Authority first issued subordinated debt in 2013. In addition to a subordinate lien on general airport revenues, the subordinate bonds are secured by a subordinate lien on available PFC revenues after payment of senior lien PFC-supported debt service. There are presently no outstanding bonds secured solely by PFC revenues; such bonds, if issued, would have a prior lien on PFC revenues superior to PFC-supported GARBs. Outstanding indebtedness is entirely fixed-rate, and there is no exposure to interest rate swaps. Combined lien MADS of $90.7 million occurs in FY 2022. The GARBs have a final maturity of 2048.

Figure 11

Hillsborough County Aviation Authority Debt Outstanding as of September 30, 2020 (dollars in thousands)		
Senior GARBs	$	637,875
Subordinate GARBs		388,230
Total GARBs		**1,026,105**
Customer Facility Charge Bonds		366,370

Source: HCAA

Figure 12



Source: HCAA

Revolving Credit Facility

The Authority currently maintains a $200 million line of credit with Truist Bank. A $100 million portion of the facility expires on May 11, 2025. The additional $100 million extension expires on December 31, 2022. Currently $106 million is outstanding, with this amount expected to be refunded as part of a planned Spring 2022 bond sale.

As of September 30, 2020 the Authority maintained a $200 million revolving credit facility with Truist Bank and STI Institutional & Government, Inc, upon which a balance of $40.2 million was outstanding. The Authority's FY 2022 budget projects a drawn amount of $106.3 million upon the September 30, 2021 completion of the current fiscal year.

Debt Per Enplanement Metrics
Airport debt metrics are affordable. Debt per enplanement was $98 in FY 2019 increasing to $154 in FY 2020 as a function of the pandemic induced decline in activity. Maximum annual debt service per enplanement was $8.18 based on FY 2019 enplanements, increasing to $13.58 per enplanement in FY 2020. KBRA anticipates that notwithstanding planned new money issuance, debt metrics will remain manageable as the recovery in airport enplanement activity progresses.

RD 5: Airport Finances

Transition to Rates by Resolution
Airport operations were historically governed by the airline-airport use and lease agreement ("Airline Agreement"). This agreement expired on September 30, 2020 and the Authority and airlines were unable to complete the negotiation of a new long-term agreement due to the pandemic. Rates are currently set by resolution (i.e. a compensatory ratemaking methodology). The Rates by Resolution model establishes a cost recovery rate setting methodology whereby airlines will pay for the facilities they use, including the baggage handling system and passenger shuttles to airsides. This represents a departure from the Airline Agreement, which entailed subsidization of airline cost centers by the Authority.

In contrast with the Airline Agreement, which required signatory airlines to guarantee the 1.25x debt service coverage required by bond covenants in return for rebates of debt service coverage and a 20% share of remaining surplus revenues (revenues less expenditures less the operating reserve requirement less debt service), airlines will no longer provide a financial backstop under the new Rate Resolution. There are however no limitations to the frequency or timing of rate adjustment under the current rates by resolution approach, and the Authority plans to continue to implement a cost-recovery rate making methodology either under the resolution or a future agreement.

Debt Service Coverage
Debt service coverage as calculated by the Senior Trust Agreement declined from 2.28x in 2019 to 1.79x (budgetary basis) in 2020, with the onset of the pandemic. Subordinate Trust Agreement coverage, which benefits from the application of PFC revenues, similarly declined from 4.14x to 2.53x. Each of the three rate covenants, which require 1.25x coverage of senior obligations, 1.25x coverage of subordinate obligations, and 1.15x coverage of combined obligations, respectively, were also satisfied. FY 2020 coverage was bolstered by the application of $60.6 million in CARES Act Funds.

The Authority anticipates favorable debt service coverage in FY 2021 and FY 2022 based on an assumed recovery in enplanements to approximately 70% of the FY 2019 level in FY 2021 and 93% the FY 2019 level in FY 2022, as well as the application of $38.8 million in CARES/CRRSA funds in FY 2021 and $42.4 million in CRRSA/ARP funds in FY 2022. The remaining $39.4 million in ARP funds is expected to be applied in FY 2023.

Figure 13

Hillsborough County Aviation Authority
Tampa International, Peter O Knight, Plant City & Tampa Executive Airports
Debt Service Coverage Ratios (Budgetary Basis) (dollars in thousands)

	2016	2017	2018	2019	2020	2021 Projected	2022 Proposed
Operating Revenues	$ 212,904	$ 215,893	$ 240,573	$ 267,665	$ 194,941	$ 231,865	$ 283,086
Less: Operating Expenses	112,849	117,204	128,300	139,023	135,754	134,794	158,431
Plus Application of Extaordinary Federal Monies							
CARES Act	-	-	-	-	60,592	20,600	-
CRRSA Act	-	-	-	-	-	18,207	2,398
ARP Act[1]	-	-	-	-	-	-	40,000
Revenue Available for Debt Service	**100,055**	**98,688**	**112,273**	**128,642**	**119,779**	**135,878**	**167,054**
PFC Revenues for Senior D/S (2009A Bonds)	9,229	9,236	9,233	-	-	-	-
Senior Debt Service	49,006	46,116	56,030	55,194	68,867	43,513	62,200
Senior DSCR (min. 1.25x)	**2.23x**	**2.34x**	**2.17x**	**2.33x**	**1.74x**	**3.12x**	**2.69x**
Revenues Available for Subordinate Lien D/S	60,278	61,808	65,476	73,448	50,912	92,365	104,853
PFC Rev Available for Sub Debt	19,727	13,481	16,463	30,982	25,846	30,470	40,148
Subordinate Debt Service	21,573	15,328	15,328	28,001	28,516	28,512	28,511
Subordinate Lien DSCR (min. 1.25x)	**3.71x**	**4.91x**	**5.35x**	**3.73x**	**2.69x**	**4.31x**	**5.09x**
Combined Debt Service	70,579	61,444	71,358	83,194	97,383	72,025	90,711
Combined DSCR (min. 1.15x)	***1.83x***	***1.98x***	***1.93x***	***1.92x***	***1.50x***	***2.31x***	***2.28x***
Senior Trust Agreement Coverage	**2.37x**	**2.24x**	**2.08x**	**2.28x**	**1.79x**	**2.49x**	**2.58x**
Subordinate Trust Agreement Coverage	**4.19x**	**5.59x**	**6.06x**	**4.14x**	**2.53x**	**3.87x**	**4.96x**
Enplanements (000's)	**9,486**	**9,638**	**10,519**	**11,085**	**6,681**	**7,799**	**10,276**

Source: Hillsborough County Aviation Authority Budgets

(1) An additional $39.4 million in ARP Act funds is expected to be applied in FY 2023.

Audited FY 2020 Operating Results

Audited FY 2020 operating results were satisfactory, with the impact of the pandemic-induced decline in airport activity offset in part by the application of $60.6 million in federal CARES Act Funds. Operating revenues declined 27.8% YoY to $183.1 million. Operating expenses were reduced by a lesser 3.4% YoY to $148.8 million. Net position nevertheless increased by about 1.2% YoY to $1.19 billion reflecting expenditure controls imposed by management, and the receipt of the aforementioned federal assistance, as well as $134.5 million in capital contributions.

Figure 14

Hillsborough County Aviation Authority
Summary Statement of Revenues, Expenses, and Changes in Net Position
FYE September 30 (Audited GAAP Basis) (dollars in thousands)

	2016	2017	2018	2019	2020
OPERATING REVENUES					
Airfield	$ 17,410	$ 19,039	$ 18,808	$ 22,365	$ 16,852
Terminal Buildings	48,251	48,459	54,115	58,378	40,957
Airside Buildings	19,828	21,091	23,425	25,528	24,790
Commercial Landside	108,488	106,491	120,972	129,563	82,015
Cargo	2,122	2,331	3,192	3,376	3,590
Auxiliary Airports	1,182	1,299	-	1,455	1,418
General Aviation	2,323	2,504	4,086	2,829	2,859
Federal Reimbursements	955	948	776	859	306
Other	8,922	9,988	9,307	9,109	10,266
Total Operating Revenues	209,483	212,150	234,682	253,462	183,054
OPERATING EXPENSES					
Airfield	12,578	13,301	13,621	16,803	17,332
Terminal Building	30,263	30,457	34,580	36,646	34,842
Airside Buildings	26,221	27,546	30,031	32,465	31,012
Commercial Landside	27,427	28,102	32,965	35,753	32,757
Cargo	739	818	870	833	941
Auxiliary Airports	1,529	1,687	2,114	2,068	1,812
General Aviation	1,012	1,316	1,365	1,494	1,536
Passenger Transfer System	4,330	4,452	4,695	5,043	5,187
Roads and Grounds	9,790	10,475	11,417	11,660	11,758
Other	5,583	6,859	14,000	11,253	11,595
Total Operating Expenses	119,473	125,012	145,659	154,016	148,771
Less: Signatory Airline Net Revenue Sharing	9,867	8,841	12,503	16,253	538
Operating Income Before Dep. and Amort.	80,143	78,297	76,519	83,193	33,744
Less: Depreciation and Amortization	84,738	81,539	103,282	150,438	129,013
Operating Loss	(4,595)	(3,242)	(26,762)	(67,245)	(95,269)
NONOPERATING REVENUES AND EXPENSES					
Interest Expense	4,178	3,135	3,864	17,579	12,279
Net Unrealized Investment Gain	2,477	(3,990)	(3,827)	10,549	4,555
Interest Expense	(39,883)	(30,342)	(51,205)	(63,656)	(63,646)
CARES Act Airport Proceeds	-	-	-	-	60,592
Total Nonoperating Expenses	(33,228)	(31,197)	(51,168)	(35,529)	13,780
Change in Net Position Before Capital Contrib.	(37,823)	(34,439)	(77,930)	(102,774)	(81,489)
CAPITAL CONTRIBUTIONS					
Passenger Facility Charges	36,764	37,401	41,767	43,212	25,058
Federal and State Grants	74,416	103,823	28,046	20,473	36,516
Federal Reimbursements	2,253	78	18,243	20,959	23,283
Customer Facility Charges	38,795	35,878	33,967	31,807	17,207
Other Contributions	-	-	-	-	32,389
Total Capital Contributions	152,228	177,180	122,023	116,450	134,452
Change in Net Position	114,405	142,741	44,092	13,676	52,963
Total Net Position - Beginning of Year	825,656	936,472	1,079,213	1,123,306	1,136,982
Total Net Position - End of Year	940,062	1,079,213	1,123,306	1,136,982	1,189,945

Source: HCAA CAFRs

Airline and Non-Airline Revenues

The Authority's reliance on airline revenues increased from 27.5% in FY 2019 to 32.1% in FY 2020, as enplanement-dependent revenue sources such as concessions declined during the pandemic. The FY 2022 budget projects that this reliance will increase further to 40.9% in FY 2021, easing thereafter as airport passenger activity recovers.

Figure 15

Hillsborough County Aviation Authority Tampa International, Peter O Knight, Plant City & Tampa Executive Airports Comparison of Operating Revenues (Budgetary Basis) (in dollars)	2016	2017	2018	2019	2020	2021 Projected	2022 Proposed
Passenger Airline Landing Fees	$ 15,963	$ 17,262	$ 17,597	$ 18,908	$ 14,197	$ 24,956	$ 26,547
Main Terminal Rentals	23,858	24,576	27,201	29,252	23,381	38,952	47,023
Airside Rentals	18,850	20,763	22,749	25,399	24,958	31,029	38,895
Total Passenger Airline Revenue	**58,671**	**62,601**	**67,547**	**73,559**	**62,536**	**94,938**	**112,466**
Concession Revenues	60,336	59,589	70,628	75,236	50,645	57,758	69,471
Parking and Ground Transportation	70,077	68,455	76,135	77,390	43,754	45,557	67,332
Cargo Revenue	2,999	3,530	5,133	5,522	6,190	6,683	6,502
TSA Revenues and Reimbursements	1,387	1,478	1,318	1,259	404	489	469
General Aviation	3,505	3,803	4,086	4,297	4,185	4,636	4,692
Other Revenues	11,748	13,302	13,727	14,167	15,051	18,305	19,671
Interest Income	4,180	3,135	3,864	16,235	12,175	3,499	2,483
Total Non-Airline Revenues	**154,233**	**153,292**	**174,889**	**194,106**	**132,405**	**136,927**	**170,620**
Total Operating Revenues	**212,904**	**215,893**	**240,573**	**267,665**	**194,941**	**231,865**	**283,086**
Airline Revenues as % of Total Rev	27.6%	29.0%	28.1%	27.5%	32.1%	40.9%	39.7%
Non-Airline Revenues as % of Total Rev	72.4%	71.0%	71.9%	72.5%	67.9%	59.1%	60.3%
Net Airlines Fees and Charges	44,834	41,917	54,079	54,184	59,931	86,181	102,634
Airline Revenue Sharing	9,867	8,841	9,578	15,816	-	967	1,148
Airline Settlement	360	1,505	1,516	1,066	1,318	4,846	-
ASIP Waivers	850	1,057	2,375	2,493	1,288	2,943	8,683
Total Airline Fees and Charges	58,671	62,601	67,547	73,559	62,536	94,938	112,466
CFC & TFC Collection	44,834	41,917	44,381	44,655	29,512	31,232	40,520

Source: Hillsborough County Aviation Authority Budgets

Passenger Airline Cost Per Enplanement (CPE)

Airline cost per enplaned passenger increased from a very low $4.94 in FY 2019 to a still affordable $8.76 in FY 2020. The FY 2022 budget forecasts a FY 2021 CPE of $11.11 and budgeted CPE of $9.99 in FY 2022, both of which KBRA views as low, moderated in part by the aforementioned application of pandemic-related federal monies in each year.

System Liquidity

The Authority continues to maintain strong liquidity balances with total available funds (operating funds plus the surplus fund balance) equivalent to $165.6 million at FYE 2020 providing approximately 422 days cash on hand. Total available funds are projected to increase to $229.7 million by the September 30, 2021 close of the current fiscal year, primarily reflecting an $84.1 million increase in the surplus fund.

Figure 16

Hillsborough County Aviation Authority Cash and Investment Balances FYE September 30 (dollars in thousands)		2016	2017	2018	2019	2020	2021 Projected
Liquidity Balances							
Operating Funds							
Revenue Fund		$ 17,181	$ 16,458	$ 19,589	$ 20,642	$ 13,386	$ 15,548
Operating & Maintenance Fund		14,583	19,021	13,664	14,463	22,415	2,273
Operating Reserve Fund		19,052	20,415	21,631	23,858	24,642	22,875
Other		2,229	3,603	1,536	2,112	1,262	1,000
Total Operating Funds		53,045	59,497	56,420	61,074	61,704	41,696
Surplus Fund		78,134	95,781	67,459	98,964	103,900	188,023
Total Funds Available	a	**131,178**	**155,278**	**123,879**	**160,038**	**165,604**	**229,719**
Debt Service Funds		105,724	82,420	84,269	124,318	118,110	101,785
Capital Improvement and Equipment Funds							
Capital Improvement and Equipment Funds		1,481	965	467	8,040	4,096	3,790
Rental Car Facility Fee for Future Improvements		25,093	45,098	61,219	63,135	56,476	45,135
Bond/CP/ Bank Notes Construction Funds		155,144	35,662	18,412	363,707	248,669	143,462
PFC Fund		26,723	38,251	56,790	68,877	66,025	63,539
CFC Bond Construction Funds		230,731	58,342	14,393	10,951	9,196	2,061
Total Capital Improvement and Equipment Funds		439,173	178,318	151,280	514,710	384,462	257,986
Total Cash & Investments		**676,075**	**416,016**	**359,429**	**799,066**	**668,176**	**589,489**
Day's Cash on Hand Calculation							
Operating Expenses (Budgetary Basis)	b	$ 112,849	$ 117,204	$ 128,300	$ 139,023	$ 135,754	$ 134,794
Days Cash on Hand	(a/b) x 365	424	484	352	420	445	622

Source: HCAA and KBRA Calculations

Stress Case

KBRA's stress case assumes that September 2021 through February 2022 enplanements remain 13.8% below the FY 2019 same month levels, with subsequent recovery causing the shortfall to decline by one percentage point each month thereafter, resulting in enplanement recovery to the pre-pandemic level in April 2023. Under this scenario, based on projected airline costs in FY 2021 and proposed budgeted airline costs for FY 2022, airline cost per enplanement would increase from $4.94 in FY 2019 (actual) and $8.76 in FY 2020 (actual) to $11.30 in FY 2021. CPE thereafter would ease to $10.47 in FY 2022 and $9.41 in FY 2023 based on a continued recovery in enplanement activity.

RD 6: Legal Mechanics and Security Provisions

The legal provisions for the Senior and Subordinate bonds is summarized below.

Figure 17

Hillsborough County Aviation Authority, Airport Revenue Bonds

Airport Revenue Bond Trust Agreement	Revenue Pledge	Rate Covenant (no PFC)	Rate Covenant (PFC)	Additional Bonds Test	Debt Service Reserve Fund	Flow of Funds
Senior Lien	Net Airport System Revenue Pledge	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service	Historic 1.25x coverage in 12 consecutive months of past 18, **OR**, Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments	Maximum Annual Debt Service	Closed Flow of Funds
Subordinate Lien	Net Airport System Revenue Pledge	1.25x Annual Subordinate Lien Debt Service. Same surplus rules as senior test	1.15x Annual Subordinate Lien Debt Service	Historic 1.25x coverage in 12 consecutive months of past 18, **OR**, Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments	The lesser of MADS, 125% of average annual debt service, or 10% of original principal amount.	Closed Flow of Funds

Source: The Hillsborough County Aviation Authority Airport Revenue Bond Trust Agreements and related issuing documents

A more detailed review of this rating determinant can be found in the report dated September 22, 2020.

Bankruptcy Assessment

KBRA's latest bankruptcy assessment can be found in the report dated September 22, 2020.