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

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

Methodology:

U.S. Special Tax Revenue Bond Rating Methodology

ESG Global Rating Methodology

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Rating Summary: KBRA affirms the A+ rating and maintains the Negative outlook for the Hillsborough County Aviation Authority's (Authority) Customer Facility Charge Revenue Bonds (CFC Bonds). The outlook reflects uncertainty with respect to the continued recovery of rental car activity and pledged revenues. While monthly receipts have rebounded substantially through 2021, ongoing challenges associated with the pandemic and Delta variant pose risks which cloud the outlook for further recovery in the year ahead. The outlook additionally reflects the use of draws on the Deficiency Reserve Fund in FY 2020 and FY 2021 to meet coverage covenants.

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. 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 which is projected to be drawn down to approximately $3.0 million by FYE 2021 (FYE September 30) due to pandemic-related revenue underperformance; and vi) an additional bonds test that provides effective constraint against overleveraging.

The unprecedented pandemic-related decline in passenger activity at U.S. airports, including Tampa International, created significant financial and operating challenges for the airport rental car industry. Pledged CFC/TFC revenues bottomed out down 90.3% YoY in April 2020 and gradually recovered to a level down 9.5% in July 2021 versus the same month in 2019. FY 2020 revenues were down 33.9% YoY and FY 2021 revenues are projected to come in 30.1% below the FY 2019 level. While widespread distribution of COVID-19 vaccines has facilitated recovery through much of 2021, challenges posed by the Delta variant cloud prospects for continued recovery and even sustained activity at recent levels through the remainder of the year.

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 1.72x (excluding rolling coverage) and 1.97x (including rolling coverage) in FY 2019. FY 2020 coverage, reflecting the impact of the pandemic, declined to 1.32x (excluding rolling coverage) and 1.57x (including rolling coverage) remaining compliant with the rate covenant, but only after application of $3.98 million from the Deficiency Reserve Fund balance. Projected coverage for FY 2021 (ending September 30) is 1.33x (excluding rolling coverage) and 1.58x (including rolling coverage) after application of $3.36 million from the Deficiency Reserve Fund balance. As previously discussed, the Deficiency Reserve Fund was initially funded at $10.0 million but will be drawn down to approximately $3.0 million by FYE 2021 to address shortfalls in FY 2020 and FY 2021 pledged revenues. Based on weaker coverage and the Deficiency Reserve Fund drawdown, KBRA has revised the rating determinant #5, 'Coverage and Bond Structure' to A from AA-. There is no mechanism to replenish the Deficiency Reserve Fund, but management projects that rebounding revenues will require no further draws after FY 2021, assuming no major disruptions to the ongoing recovery. The Bonds are also secured by a debt service reserve fund funded at the lesser of 100% of MADS, 1.25x annual debt service, and 10% of the original issue amount.

Given the uncertain trajectory of enplanement recovery at U.S. airports, KBRA has modeled a stress case that assumes the recovery in pledged revenues stalls at the July 2021 level, down 9.5% from the same month in FY 2019. KBRA assumed that revenues in each of the next six months remain 9.5% below the same month FY 2019 level, with recovery recommencing in February 2022 upon which the shortfall relative to the same month in FY 2019 shrinks by 1% each month. Under this scenario, rental car activity would not recover to the pre-pandemic level until November 2022 and the airport would realize CFC deficiencies of $5.1 million in FY 2021, depleting the Deficiency Reserve Fund balance to $1.1 million. In the scenario, current revenues were sufficient in FY 2022 and each subsequent year to meet all mandatory eligible costs and coverage covenants without further drawdowns of the Deficiency Reserve Fund or Concessionaire Deficiency Payments from the rental car companies in any year.

The Negative outlook reflects continued uncertainty with respect to the recovery of pledged revenues in the year ahead as well as the drawdown of the Deficiency Reserve Fund balance in FY 2020 and FY 2021. While the Authority would be required to increases CFC rates and levy Concessionaire Deficiency Payments in the event of insufficient coverage, the potential for revenue underperformance in the interim poses risks. Furthermore, although the CFC credit has benefitted from the firming recovery in travel activity at the Airport and across the U.S., it has not been directly or indirectly allocated federal pandemic assistance, leaving the credit more vulnerable to ongoing pandemic-related challenges than the Airport's general airport revenue bond credit. KBRA will monitor CFC activity in the months ahead with an eye toward potential underperformance relative to expectations, further depletion of the Deficiency Reserve Fund, or use of concessionaire deficiency payments, each of which could place downward pressure on the rating.

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 action reflects 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

- Pledged revenues are highly correlated to passenger enplanement levels at TPA, and thus vulnerable to decline due to exogenous events and economic downturns.
- While passenger traffic activity at Tampa International and other U.S. airports has recovered substantially since the early months of the pandemic, continued pandemic-related public health challenges pose uncertainty with respect to the trajectory of further recovery. Forecast CFC revenues are thus also 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 experienced prior to the pandemic.	+
▪ Continued erosion of CFC revenues that further pressures 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 Proj
Enplanements		11,085,290	6,681,063	
Δ YOY		*5.4%*	*-39.7%*	
CFC/TFC Collections	a	$ 44,655	$ 29,512	$ 31,232
CFC/TFC Surplus Fund Balance Applicable to Coverage Requirement	b	6,650	6,650	6,650
Application of CFC Deficiency Reserve Fund Balance	c	-	3,982	3,357
CFC Interest Income	d	996	1,741	700
Concessionaire Deficiency Payments	e	-	-	-
Annual Debt Service	f	26,600	26,598	26,600
Coverage (Excluding Rolling Coverage)	(a+c+d+e) / f	**1.72x**	**1.32x**	**1.33x**
Coverage (Including Rolling Coverage)	(a+b+c+d+e) / f	**1.97x**	**1.57x**	**1.58x**

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 *revised from 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 was pre-funded in the amount of $10 million. The Authority drew $3.98 million upon the Deficiency Reserve Fund for the first time since it was established in FY 2020 and projects drawing an additional $3.36 million in FY 2021. 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.

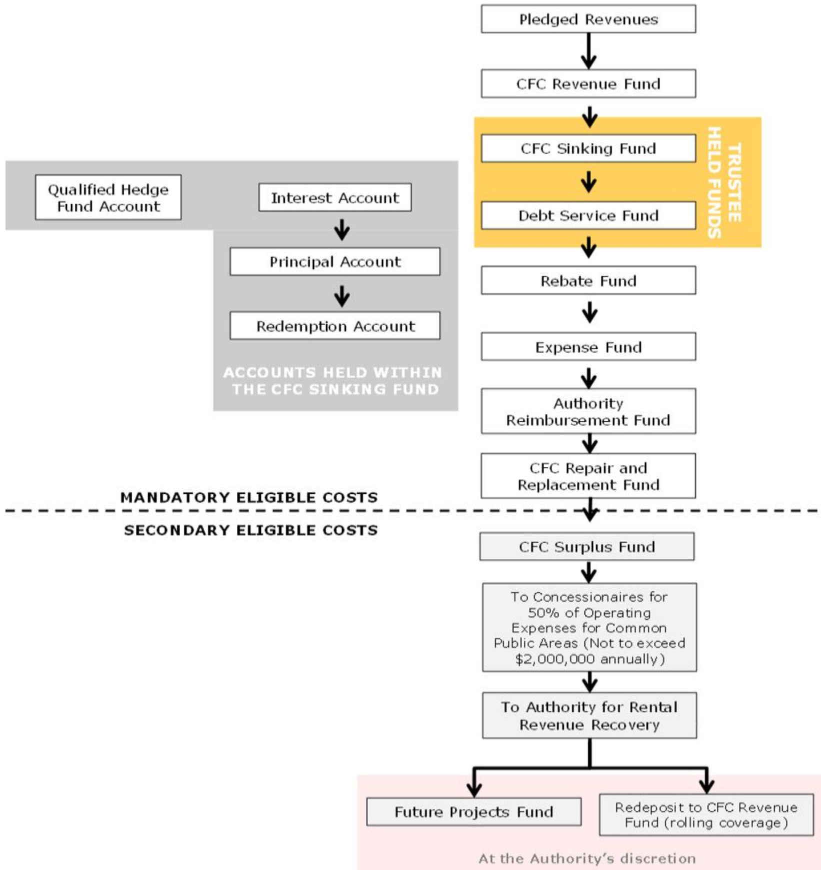
Figure 1

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 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's latest bankruptcy assessment can be found in the report dated August 25, 2020.

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 (3.2 million people) and the essentiality of car rental services to the area economy are 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. 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.

A more detailed assessment of this rating determinant can be found in the report dated August 25, 2020.

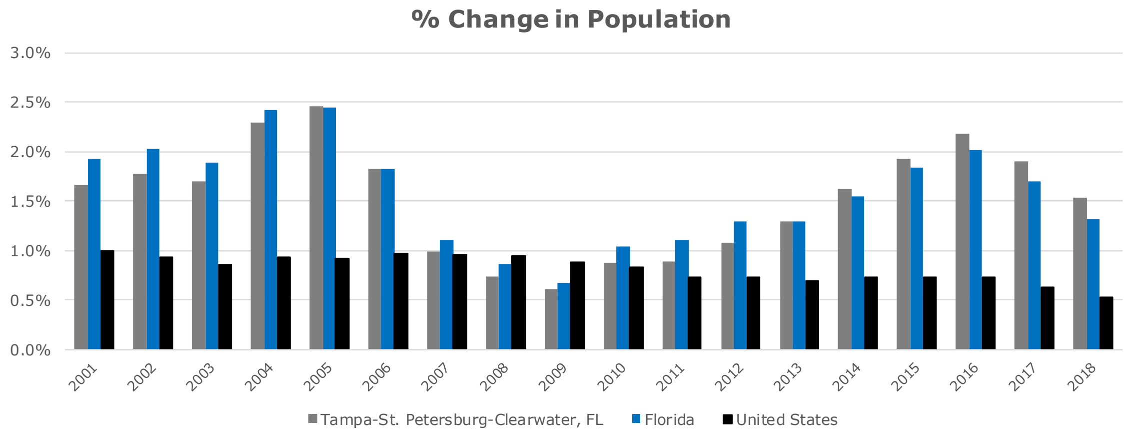
RD 3: Economic Base and Demographics

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 pandemic and Delta variant however will likely weigh on the area's economy for some time given the region's elevated reliance on tourism-related travel.

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 2019.

As of 2019, the MSA is the 18th largest metropolitan area in the U.S. and among the 50 fastest growing since 2010. MSA population increase 14.6% between 2010 and 2019 versus U.S. growth of 6.1% over the same period.

Figure 3

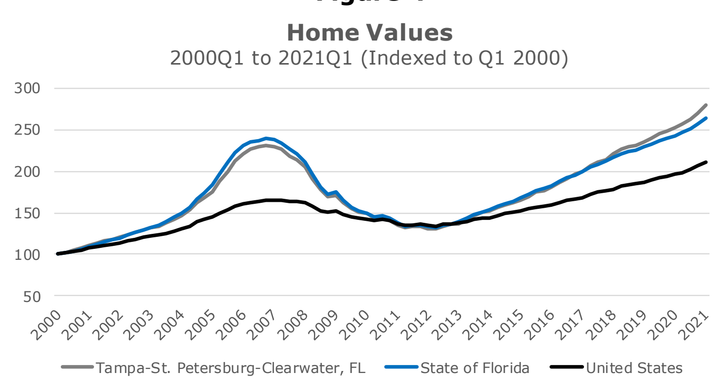


	2000	2010	2019	% Δ 2010 to 2019	10 Year CAGR (2019)
Tampa-St. Petersburg-Clearwater, FL MSA	2,404,013	2,788,366	3,194,831	14.6%	1.46%
Florida	16,047,515	18,846,143	21,492,056	14.0%	1.43%
United States	282,162,411	309,327,143	328,329,953	6.1%	0.68%

Source: U.S. Bureau of Economic Analysis

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. As of 2021Q1, MSA and State home values had recovered to 121% and 110%, respectively of their prior cyclical high versus U.S. home values that have recovered to 128%.

Figure 4

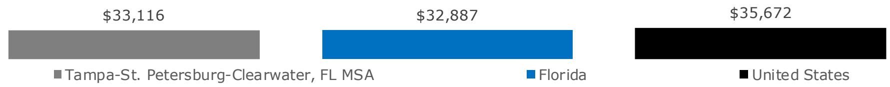


Source: Federal Housing Finance Agency

MSA per capita income of $33,116 in 2019 was 100.7% of the State level and 92.8% of the U.S. average.

Figure 5

Per Capita Income



As of 2019

	2010	2019	% Δ 2010 to 2019	Comparison
Tampa-St. Petersburg-Clearwater, FL MSA	$24,958	$33,116	32.7%	-
Florida	$24,272	$32,887	35.5%	100.7% of State
United States	$26,059	$35,672	36.9%	92.8% of U.S.

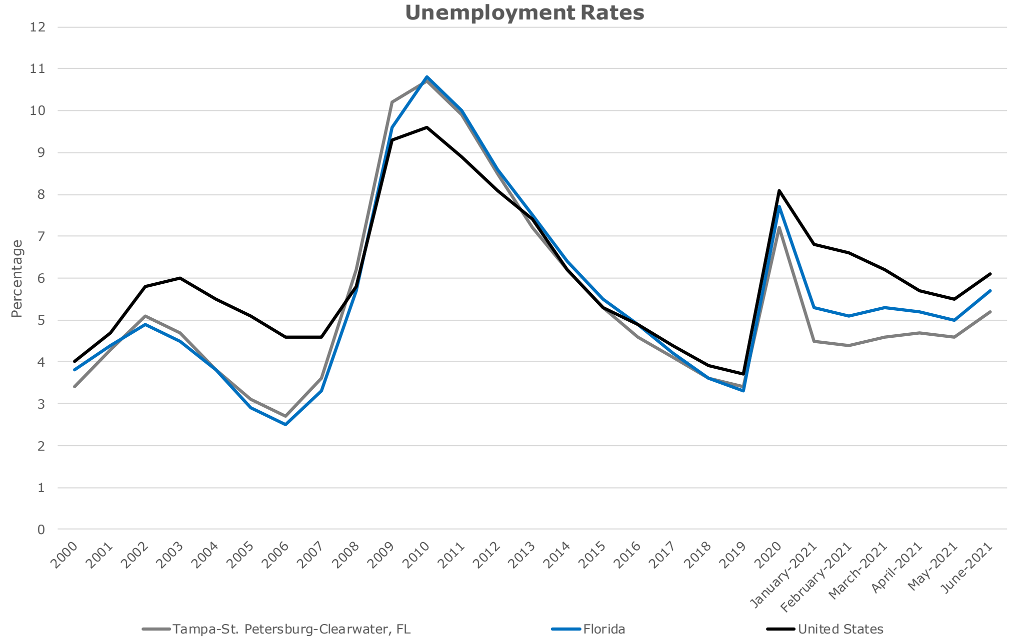
Source: U.S. Census

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. The pandemic significantly reduced tourism activity in 2020, though there have been indications of a robust recovery through the first half of calendar year 2021.

MSA unemployment increased from 3.4% in 2019 to 7.2% in 2020 due to the pandemic but is generally improved through 2021. Despite an uptick in June 2021 unemployment in the MSA, at 5.2%, remains lower than the State at 5.7% and the nation at 6.1%.

Figure 6

Unemployment Rates



	Tampa City, Florida	Hillsborough County, Florida	Tampa-St. Petersburg-Clearwater, FL	Florida	United States
June 2021	5.5	5.2	5.2	5.7	6.1
May 2021	4.9	4.6	4.6	5.0	5.5
Great Recession Peak	10.6	10.4	10.7	10.8	9.6
Point Δ Since Great Recession Peak	-5.1	-5.2	-5.5	-5.1	-3.5

Source: U.S Bureau of Labor Statistics

MSA employment increased faster than the State and the U.S. between 2010 and 2020. Employment declined 4.3% in 2020 due to the pandemic but as of June 2021 has surpassed the 2019 pre-pandemic level by 3.7% compared to the State, which is down 0.2% over the same period, and the nation which is down 3.3%.

Figure 7

Total Employment (Not Seasonally Adjusted) (In Thousands)						
	Tampa-St. Petersburg-Clearwater, FL MSA	% Δ	Florida	% Δ	United States	% Δ
2000	1,169		7,621		136,891	
2001	1,171	0.1%	7,692	0.9%	136,933	0.0%
2002	1,155	-1.3%	7,652	-0.5%	136,485	-0.3%
2003	1,159	0.3%	7,761	1.4%	137,736	0.9%
2004	1,205	4.0%	8,034	3.5%	139,252	1.1%
2005	1,210	0.4%	8,400	4.6%	141,730	1.8%
2006	1,241	2.6%	8,707	3.7%	144,427	1.9%
2007	1,247	0.4%	8,813	1.2%	146,047	1.1%
2008	1,218	-2.3%	8,636	-2.0%	145,362	-0.5%
2009	**1,150**	-5.6%	**8,127**	-5.9%	139,877	-3.8%
2010	1,225	6.6%	8,155	0.3%	**139,064**	-0.6%
2011	1,252	2.2%	8,334	2.2%	139,869	0.6%
2012	1,283	2.4%	8,529	2.3%	142,469	1.9%
2013	1,315	2.5%	8,706	2.1%	143,929	1.0%
2014	1,343	2.1%	8,931	2.6%	146,305	1.7%
2015	1,371	2.1%	9,107	2.0%	148,834	1.7%
2016	1,412	3.0%	9,360	2.8%	151,436	1.7%
2017	1,444	2.2%	9,606	2.6%	153,337	1.3%
2018	1,470	1.9%	9,798	2.0%	155,761	1.6%
2019	1,503	2.2%	9,991	2.0%	157,538	1.1%
2020	1,438	-4.3%	9,333	-6.6%	147,795	-6.2%
Δ 2010 to 2020		**17.3%**		**14.4%**		**6.3%**
Δ Since Trough		**25.1%**		**14.8%**		**6.3%**
June-2021	1,558	8.4%	9,975	6.9%	152,283	3.0%
10 Year CAGR (2020)		**1.6%**		**1.4%**		**0.6%**

Source: U.S Bureau of Labor Statistics

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

RD 4: Revenue Analysis

Pledged revenues are a function of the level of the CFC rate and rental car activity. Rental car activity is, in turn, closely correlated with airport passenger activity as well as to the customer mix (leisure versus business), among other factors. Pledged revenues increased each year between FY 2012 and FY 2019 except for FY 2017 when travel was impacted by Hurricanes Harvey and Irma. Pledged revenues additionally received uplift from CFC rate increases imposed in 2014 and 2015[1].

Onset of the pandemic resulted in a 39.7% reduction in enplanement activity and 33.9% reductio in CFC/TFC revenues at Tampa International in FY 2020. Rental car activity has recovered gradually, with CFC/TFC receipts in July 2021 down just 9.5% from June 2019 (prior to the pandemic). FY 2021 receipts are projected to come in down 30.1% from the FY 2019 level with FY 2022 receipts projected to rebound significantly to a level 9.3% below that of FY 2019.

Figure 8

Historic Annual Enplanements, Rental Car Transactions, CFC Fees, and CFC/TFC Revenues FYE September 30	2016	2017	2018	2019	2020	2021 Projected	2022 Proposed Budget
TPA Enplanements (000's)	9,486	9,638	10,519	11,085	6,681		
Δ YOY	*2.4%*	*1.6%*	*9.1%*	*5.4%*	*-39.7%*		
CFC Per Transaction Day[1]	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95
Total CFC and TFC Revenues ($ 000's)	$ 44,834	$ 41,917	$ 44,381	$ 44,655	$ 29,497	$ 31,232	$ 40,520
Δ YOY	*22.0%*	*-6.5%*	*5.9%*	*0.6%*	*-33.9%*	*5.9%*	*29.7%*

Source: HCAA

[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.

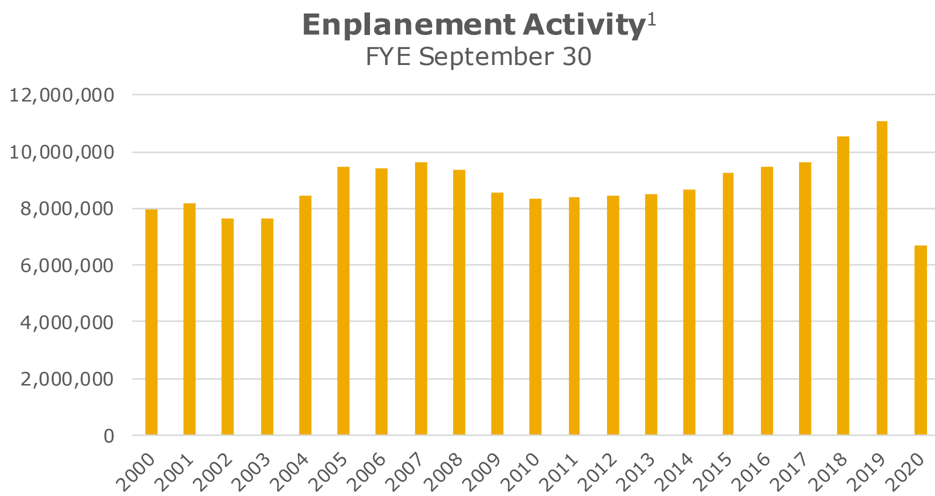
[4]Implemented July 6, 2015

[1] 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 prior to the pandemic increased at a 3.2% CAGR between FY 2010 and FY 2019. The onset of the COVID-19 crisis in mid-March 2020 resulted in a sharp reduction in enplanement activity. Monthly enplanements bottomed out in April 2020 down 95.6% YOY. Recovery has been gradual, with July 2021 enplanement activity down just 4.8% from the same month in 2019. With rising infections in recent months tied to the Delta variant, however, it remains to be seen whether further recovery or even activity at the current level will be sustained in the months ahead.

Figure 9



Source: HCAA

Figure 10

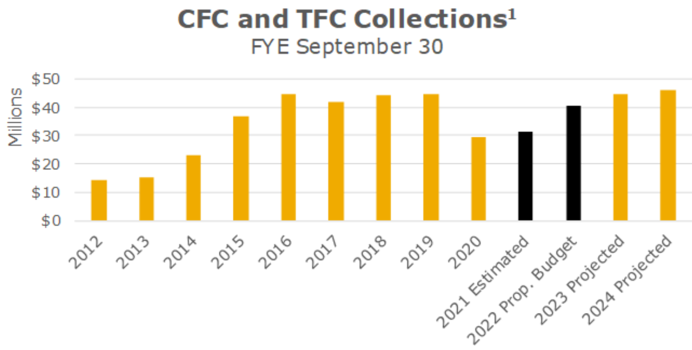
Monthly Airport Enplanement Activity FYE September 30 (in thousands)					
	2019	Δ YOY	2020	Δ from same month FY 2019	2021
October	783	8.8%	852	-51.4%	380
November	915	0.1%	916	-53.2%	429
December	949	10.5%	1,049	-51.0%	466
January	910	5.7%	962	-50.4%	451
February	885	8.3%	958	-48.7%	454
March	1,170	-43.3%	663	-39.0%	714
April	1,056	-95.6%	47	-23.8%	805
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		
September	716	-60.3%	284		

Source: HCAA

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

CFC/TFC revenues increased at a 17.6% CAGR between FY 2012 and FY 2019, primarily reflecting an increase in the daily CFC charge from $2.50 to $5.95 over the period, as well as a trend of increasing car rental activity. Weaker performance in 2017 corresponds with Hurricanes Matthew and Irma, which struck during the airport's busy fall season. Pledged CFC/TFC revenues increased to $44.7 million in FY 2019 but declined 33.9% YoY to $29.5 million in FY 2020 with the onset of the pandemic in March 2020.

Figure 11



Source: HCAA
[1]Estimated and budgeted activity from proposed FY 2022 Budget dated July 2021. Projections for 2023 and 2024 provided by HCAA management.

Monthly collections bottomed out in April 2020 down 90.3% YOY. CFC/TFC revenues have gradually improved, with significant improvement in recent months likely reflecting the increased availability of vaccines and some degree of pent-up travel demand. CFC/TFC revenues in July 2021 were only 9.5% below the same-month level in 2019.

Figure 12

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

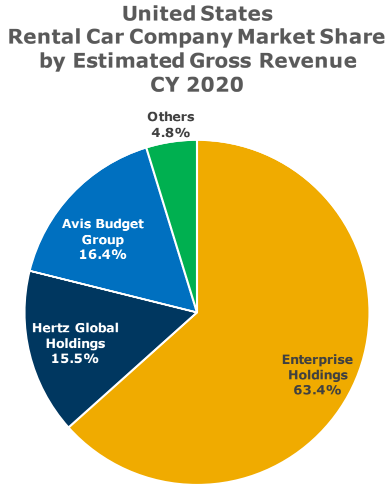
	FY 2019	Δ YOY	FY 2020	Δ from Same Month FY 2019	FY 2021
October	$ 3,080	3.7%	$ 3,195	-45.9%	$ 1,665
November	3,626	-3.2%	3,509	-50.9%	1,781
December	3,375	7.5%	3,629	-49.8%	1,696
January	3,858	7.8%	4,161	-43.6%	2,174
February	4,124	10.4%	4,554	-43.0%	2,349
March	5,442	-31.5%	3,726	-45.2%	2,981
April	4,836	-90.3%	470	-32.9%	3,247
May	3,944	-80.4%	771	-17.8%	3,242
June	3,358	-60.2%	1,338	-12.1%	2,952
July	3,248	-56.2%	1,421	-9.5%	2,938
August	3,318	-57.5%	1,409		
September	2,445	-45.7%	1,329		

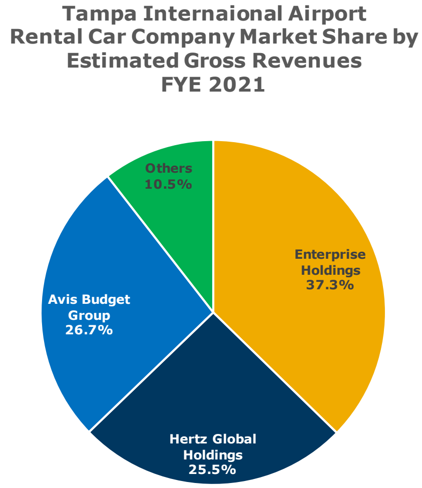
Source: HCAA

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 88% of the rental car market at the Airport, and, on average, 95% of other U.S. airport markets. Enterprise Holdings Inc. dominates the U.S. market with 63% market share and is also the largest rental car company at TPA with 32% market share.

Rental car brands accounting for more than 99% of CFC and TFC revenues in FY 2020 signed and executed a 30-year Concessionaire Agreement that become affective in 2018 upon completion of the ConRAC. Three brands (Carl's Van Rentals, Easirent, and Florida Van Rentals) 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 Tampa International 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





Source: Auto Rental Car News and HCAA

Rental Car Company Concessionaire Relief

The Authority agreed in June 2020 to provide financial relief to on-airport rental car concessionaires. For FY 2020, the Authority 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 has allowed abatement equal to the greater of 50% of the MAG and space rent or 10% of gross receipts due to the Authority. Airport management reports that rental car company operations at the airport have recovered significantly faster than forecast due in part to increased daily rental car rates which have driven revenues for many operators to record highs in recent months. With better than budgeted performance, almost every company has reportedly significantly exceeded the MAG requirements and will pay very close to the non-relief requirement for the year. As a result of the strong performance, no further relief is planned for FY 2022.

Federal Pandemic Assistance

The Airport was awarded a total of $181.2 million in federal pandemic assistance, as captioned below. Management indicates that all such funds will be used to support GARB debt service coverage and personnel expenses, with no direct support provided to the CFC credit.

Figure 14

Hillsborough County Aviation Authority
Federal Pandemic Assistance
FYE September 30 (dollars in millions)

	Total	Applied in			
		FY 2020	FY 2021	FY 2022	FY 2023
Coronavirus Aid, Relief, and Economic Security Act (CARES)	**$81.2**	$60.6	$20.6	$0.0	$0.0
Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (CRSAA)	**$20.6**	$0.0	$18.2	$2.4	$0.0
American Rescue Plan Act of 2021 (ARP)	**$79.4**	$0.0	$0.0	$40.0	$39.4
Total	**$181.2**	**$60.6**	**$38.8**	**$42.4**	**$39.4**

Source: HCAA

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 2020 provided Indenture coverage of 1.57x. 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 2020 coverage of 1.32x debt service. Airport management projects FY 2021 Indenture coverage of 1.58x and budgeted FY 2022 coverage of 1.80x inclusive of rolling coverage. FY 2020 and FY 2021 Indenture coverage figures notably are inclusive of $3.98 million and $3.36 million, respectively, in draws on the Deficiency Reserve Fund which was initially funded at $10 million. This fund is projected to be depleted to approximately $3.0 million by FYE 2021, after which management anticipates that no further draws will be necessary given the strong recovery in pledged revenues to date in 2021.

Based on weaker debt service coverage in FY 2020 and projected FY 2021 and the drawdown of the Deficiency Reserve Fund to meet coverage covenants, KBRA has revised the assessment of this rating determinant to 'A' from 'AA-'.

Figure 15

Debt Service Coverage
FYE September 30 (dollars in thousands)

		2016	2017	2018	2019	2020	2021 Estimated	2022 Budgeted	2023 Projected	2024 Projected
CFC/TFC Collections	a	$44,834	$41,917	$44,381	$44,655	$29,470	$31,232	$40,520	$44,572	$45,909
CFC Surplus Fund Balance Applicable to Coverage Requirement[1]	b	4,912	4,557	4,557	6,650	6,650	6,650	6,650	6,650	6,650
Application of CFC Deficiency Fund Balance	c	-	-	-	-	3,982	3,357	-	-	-
CFC Interest Income	d	-	-	-	996	1,741	700	714	735	757
Concessionaire Deficiency Payments	e	-	-	-	-	-	-	-	-	-
Pledged Revenue for DSC Calculation[2]		**49,746**	**46,474**	**48,938**	**51,305**	**41,842**	**41,938**	**47,884**	**51,957**	**53,317**
Annual Debt Service	f	19,647	18,230	18,230	26,600	26,598	26,600	26,598	26,600	26,600
Debt Service Coverage Excluding Rolling Coverage (Req. 1.25x)										
CFC/TFC Collections Only	a/f	2.28x	2.30x	2.43x	1.68x	1.11x	1.17x	1.52x	1.68x	1.73x
+Application of CFC Deficiency Fund Balance and CFC Interest Income	(a+c+d) / f	**2.28x**	**2.30x**	**2.43x**	**1.72x**	**1.32x**	**1.33x**	**1.55x**	**1.70x**	**1.75x**
Compliant with 1.25x Coverage Requirement?		**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Debt Service Coverage Including Rolling Coverage (Req. 1.50x)										
CFC/TFC Collections Only	a/f	2.28x	2.30x	2.43x	1.68x	1.11x	1.17x	1.52x	1.68x	1.73x
+Application of CFC Deficiency Fund Balance and CFC Interest Income	(a+c+d) / f	2.28x	2.30x	2.43x	1.72x	1.32x	1.33x	1.55x	1.70x	1.75x
+ CFC Surplus Fund Balance Applicable to Coverage Requirement	(a+b+c+d)/f	**2.53x**	**2.55x**	**2.68x**	**1.97x**	**1.57x**	**1.58x**	**1.80x**	**1.95x**	**2.00x**
Compliant with 1.50x Coverage Requirement?		**Yes**	**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.

Stress Test

KBRA modeled a stress case that assumes monthly CFC/TFC revenues remain down 9.5% from the same month in FY 2019 through January 2022. Beginning in February 2022, the percentage of decline in monthly receipts relative to FY 2019 is assumed to improve by 1% per month. Under this scenario, rental car activity would not recover to the pre-pandemic level until November 2022 and the airport would realize CFC deficiencies of $5.1 million in FY 2021, depleting the Deficiency Reserve Fund balance to $1.1 million. Current revenues however were sufficient in FY 2022 and each subsequent year to meet all mandatory eligible costs and coverage covenants without further draws on the Deficiency Reserve Fund balance or Concessionaire Deficiency Payments from the rental car companies in any year.

KBRA will monitor CFC activity in the months ahead with an eye toward potential underperformance relative to expectations. Erosion in CFCs that further weakens coverage or requires additional depletion of the Deficiency Reserve could place downward pressure on the rating.

ESG Management

Environmental Factors

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

Social Factors

The Airport 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 Airport exceeded this goal, directing $180 million in contracts to such businesses. The Airport additionally continues to grow the number of Airport Concessions Disadvantaged Business Enterprise participants and has set a goal to allocate $74.7 of the $544 million Phase 2 Master Plan budget to women and minority owned businesses through 2024.

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.