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Hillsborough County Aviation Authority, Florida
Tampa International Airport; Airport

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Hillsborough Cnty Aviation Auth (Tampa International Airport) arpt		
Long Term Rating	A+/Stable	Current

Credit Highlights

- S&P Global Ratings' long-term rating on the Hillsborough County Aviation Authority, Fla.'s senior-lien revenue bonds outstanding is 'AA-', and its long-term rating on the authority's subordinate-lien revenue bonds is 'A+'
- All bonds were issued for Tampa International Airport (TPA).
- The outlook is stable.

Security

Net revenue of the airport system--which consists of TPA and three general reliever aviation airports, Peter O. Knight Airport, Plant City Airport, and Tampa Executive Airport--secures the bonds. Most net revenue comes from TPA. A junior pledge of the airport system's net revenue secures the subordinate bonds. Available passenger facility charge (PFC) revenue secures the subordinate bonds. Under the senior and junior indentures, the authority can include PFC collections to meet the rate covenant and additional bonds tests for bonds issued to finance PFC-eligible projects, and has done so for the subordinated bonds.

The airport has approximately $1.67 billion in bonds outstanding, consisting of $882.5 million of senior-lien bonds, $447.3 million in subordinate-lien bonds, and $338.9 million of customer facility charge revenue bonds. The customer facility charge revenue bonds are a separate credit. Cash-funded debt service reserves totaling $140.6 million provide additional liquidity to bondholders.

Credit overview

The rating reflects our opinion of TPA's role as the dominate provider for air travel in the Tampa region and historically strong financial metrics, which we expect will be maintained as it issues debt to fund its capital improvement program, including $425 million planned in 2024.

TPA continues to experience favorable air traffic growth. The airport closed fiscal 2023 (Sept. 30) with 11.56 million enplanements, or approximately 104% of fiscal 2019 levels, and enplanements for the seven months ended April 2024 were approximately 111%.

Key credit strengths, in our opinion, include TPA's:

- Favorable service area economic fundamentals in the Tampa metro area, which will support robust air travel demand as a result of good economic activity as measured by GDP per capita, a large population base, above-average expected population growth, and ample employment opportunities;
- Sophisticated and experienced management team, as is evident in management's ability to adjust revenue, expenses, and capital spending to protect sound financial operations and planning for required capital spending to maintain assets and plan for growth;
- Debt service coverage and debt to net revenue that we expect will remain at more than 1.25x and less than 10x, respectively; and
- Very strong liquidity with days' cash on hand that we expect will remain above 400 and liquidity to debt greater than 20% including additional planned issuances.

Partly offsetting the above strengths, in our view, are TPA's:

- Large but manageable capital improvement plan totaling $2.2 billion through fiscal 2028 with additional debt plans in 2024 and 2026, and
- Some competition from Orlando International Airport (approximately 100 miles away).

Environmental, social, and governance

We analyzed TPA's risks and opportunities related to environmental, social, and governance credit factors relative to its market position, management and governance, and financial performance. We consider the airport and Hillsborough County to be exposed to physical climate risks given its location along Florida's Gulf Coast, which could leave the service area vulnerable to hurricanes that bring storm surges, inland flooding, and destructive wind events. The authority maintains a climate risk assessment and action plan with resiliency initiatives to mitigate the effects of potential severe weather events and sea-level rise. The authority also incorporates data, such as storm-surge inundation modeling, into all capital projects. We consider social and governance credit factors neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that favorable air travel demand will allow TPA to maintain financial metrics consistent with a strong financial risk profile as it finances its capital plan.

Downside scenario

We could lower the rating if enplanement trends weaken materially or if we come to expect that financial metrics, particularly debt service coverage and debt to net revenue, will be sustained at levels inconsistent with a strong financial risk profile.

Upside scenario

We do not expect to raise the rating in the next two years given our expectation that TPA will maintain financial metrics consistent with a strong financial risk profile.

Credit Opinion

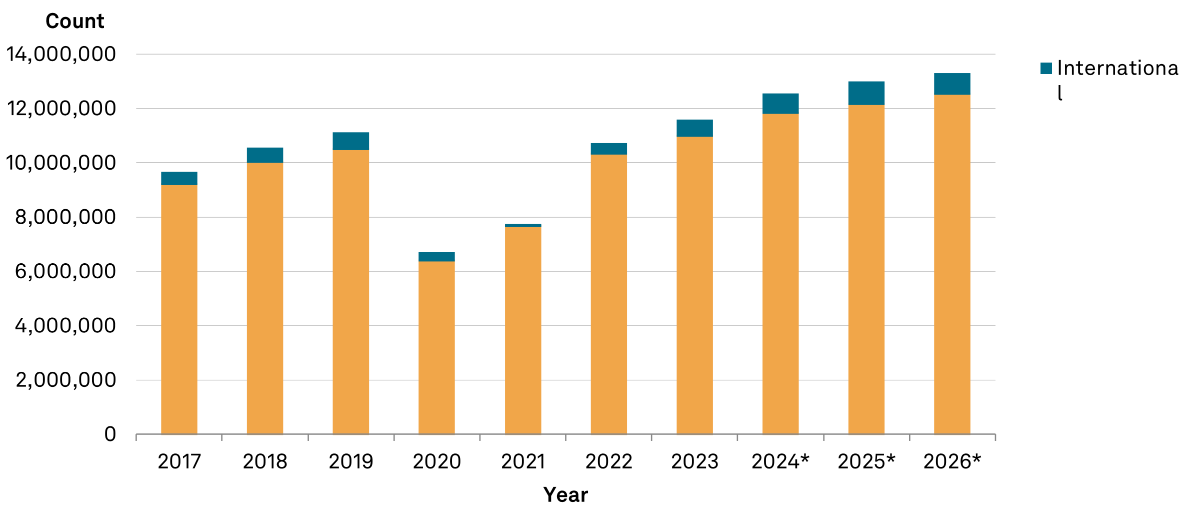
Enterprise Risk Profile: Very strong

Strong service area and competitive position support air travel demand

TPA benefits from serving the broad and diverse Tampa-St. Petersburg-Clearwater metropolitan statistical area (3.4 million people), which includes favorable income levels and economic activity as measured by GDP per capita, a robust population base, and ample employment opportunities. TPA is also the dominant provider in the region, serving a largely origin-and-destination demand base with minimal competition from Orlando International Airport (the closest major airport, approximately 100 miles away). TPA benefits from good carrier diversity with Southwest Airlines being the top airline, accounting for 25.8% of fiscal 2023 enplanements, followed by Delta at 17.3% and American at 16.0%. TPA primarily serves domestic traffic with international traffic making up only 5% of enplanements in fiscal 2023.

Chart 1

Enplanements: Domestic vs. international



*Projections provided by management as of May 2024; subject to change.

Extremely strong management team with solid financial policies and planning

The authority's management and governance, in our view, is extremely strong. This reflects our view of TPA's strategic positioning; risk management and financial management; and organizational effectiveness.

Management maintains abundant cash reserves as well as ample debt and liabilities capacity, which we believe mitigates risks associated with unforeseen expenses while enabling the airport to issue additional debt to fund capital projects. TPA's airline agreement also provides extraordinary coverage protection at 1.25x debt service. Management has very detailed capital planning, resiliency planning, budgeting, and financial reporting practices that it updates regularly.

Financial Risk Profile: Strong

We expect stable-to-improving demand will continue to support favorable financial metrics as TPA funds its capital plan

Our strong financial risk profile assessment considers TPA's historical performance and updated financial projections incorporating additional debt plans, including $425 million in 2024 and $753 million to $1.5 billion in 2026 to fund a portion of its $2.2 billion capital improvement plan (2024 to 2028). The amount of additional debt that TPA plans to issue in 2026 depends on the cost and timing of several upcoming projects, including Airside D and terminal airfield work, and whether those projects will be funded with the 2026 bond proceeds. Given improving financial trends and recent peak coverage in fiscal 2023, we believe the airport has significant capacity to absorb the additional debt while maintaining strong (1.25-3.0x) debt service coverage and very strong debt and liabilities capacity of 5x to 10x. We also expect that TPA will maintain a very strong liquidity position as it funds its capital plan, including days' cash of more than 400 and liquidity to debt of more than 20%.

Tampa International Airport financial and operating data

	--Fiscal year ended Sept. 30--						'AA' rated airport medians
	2026 projections	**2023**	**2022**	**2021**	**2020**	**2019**	**2022**
Financial performance							
Total operating revenue ($000s)	432,000	344,224	311,898	224,000	183,054	253,462	461,615
Plus: interest income ($000s)	41,366	42,554	18,699	3,474	12,279	17,579	MNR
Plus: other committed recurring revenue sources ($000s)	30,400	30,400	28,500	28,512	28,416	30,982	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	215,000	196,454	171,747	134,985	149,309	170,269	316,636
Numerator for S&P Global Ratings' coverage calculation ($000s)	288,766	220,724	187,350	121,001	74,440	131,754	MNR
Total debt service ($000s)	136,889	97,485	84,007	82,992	85,253	83,195	153,379
Denominator for S&P Global Ratings' coverage calculation ($000s)	136,889	102,346	87,978	82,992	85,253	83,195	MNR
S&P Global Ratings-calculated coverage (x)	2.11	2.16	2.13	1.46	0.87	1.58	1.50

Tampa International Airport financial and operating data (cont.)

	--Fiscal year ended Sept. 30--						'AA' rated airport medians
	2026 projections	**2023**	**2022**	**2021**	**2020**	**2019**	**2022**
Senior and subordinate bonds indenture coverage as reported by TPA (x)	2.26	3.30	2.95	1.94	1.70	2.06	MNR
Debt and liabilities							
Debt ($000s)	1,741,371	1,336,496	1,392,474	1,107,931	1,066,297	1,090,465	2,575,080
EBIDA ($000s)	217,000	147,770	140,151	89,015	33,745	83,193	MNR
S&P Global Ratings-calculated net revenue ($000s)	288,766	220,724	187,350	121,001	74,440	131,754	203,790
Debt to net revenue (x)	6.0	6.1	7.4	9.2	14.3	8.3	10.3
Liquidity and financial flexibility							
Unrestricted cash and investments ($000s)	495,000	336,760	343,128	223,628	160,440	171,234	595,717
Available liquidity, net of contingent liabilities ($000s)	495,000	336,760	343,128	223,628	160,440	171,234	MNR
Unrestricted days' cash on hand (excl. credit facilities)	840.3	625.7	729.2	604.7	392.2	367.1	733.0
Available liquidity to debt (%; excl. credit facilities)	28.4	25.2	24.6	20.2	15.0	15.7	24.0
Operating metrics - airport							
Rate-setting methodology	Compensatory	Compensatory	Compensatory	Compensatory	Compensatory	Compensatory	MNR
Total EPAX (000s)	13,272	11,561	10,689	7,717	6,681	11,085	22,367
Origin and destination EPAX (%)	N.A.	96.7	97.1	96.0	93.0	93.0	80.0
Primary passenger airline carrier name	N.A.	Southwest	Southwest	Southwest	Southwest	Southwest	MNR
Primary airline EPAX market share (%), incl. regional affiliates	N.A.	25.8	26.6	28.7	30.3	31.1	43.0
Passenger airline revenue ($000s)	159,419	112,309	101,438	83,907	58,528	54,748	MNR
Debt per EPAX ($)	131.21	115.60	130.27	143.57	159.60	98.37	131.00
Airline cost per EPAX ($)	12.01	9.71	9.49	10.87	8.76	4.94	10.24
Annual PFC revenue ($000s)	52,112	45,855	42,032	32,493	25,058	43,212	MNR

Tampa International Airport financial and operating data (cont.)

	--Fiscal year ended Sept. 30--						'AA' rated airport medians
	2026 projections	**2023**	**2022**	**2021**	**2020**	**2019**	**2022**
PFC rate ($)	4.50	4.50	4.50	4.50	4.50	4.50	MNR

EPAX--Enplanements. N.A.--Not available. O&M--Operations and maintenance. PFC--Passenger facility charge. Projections for 2026 were provided by management as of May 2024 and are subject to change. Denominator for S&P Coverage calculation includes debt service on general airport revenue bonds and payments on lease liabilities. Debt includes lease liabilities under Governmental Accounting Standards Board Statement Nos. 87 and 96. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See "Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions" criteria, published Nov. 2, 2020, on RatingsDirect, for more S&P Global Ratings definitions and calculations.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022