Hillsborough County Aviation Authority, FL (Tampa International Airport)

Issuer: Hillsborough County Aviation Authority, FL		
Assigned	**Rating**	**Outlook**
Tampa International Airport Revenue Bonds, 2024 Series B (AMT)	AA	Stable
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: The long-term ratings for the Hillsborough County Aviation Authority (Authority) Tampa International Airport (TPA or the Airport) Revenue Bonds and Subordinated Revenue Bonds reflect the Airport's stable origin and destination (O&D) market position and the favorable economic and demographic characteristics of the service area. Enplanement growth and expenditure controls have contributed to a trend of relatively low airline costs, sound debt service coverage, and robust liquidity.

Proceeds of the Tampa International Airport Revenue Bonds, 2024 Series B (AMT) (Bonds) will finance: a portion of the construction of an Airside D concourse facility with 16 international and domestic gates as well as a portion of the Airport's capital improvement program; a required deposit to the common debt service reserve account; and, pay the costs of issuance.

The Authority owns and operates TPA and three general aviation airports (collectively, the Airport System). TPA accounts for the substantially all the Authority's commercial enplanement activity and >98% of the Authority's annual revenues. The senior 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).

TPA is a 58-gate large hub airport serving 5.2 million people in and around the Tampa-St. Petersburg-Clearwater Metropolitan Statistics Area (Tampa MSA) along Florida's central gulf coast. The Airport faces little competition with Orlando International Airport, the nearest sizable commercial airport, located 92 miles away. Carrier mix is diversified with Southwest, the largest carrier at TPA, accounting for 25.4% of enplanements in FY 2023.

Enplanement activity increased at a pace similar to that of the overall U.S. air market in the ten years preceding the pandemic and has outpaced the U.S. through the subsequent recovery. Enplanements were 39.7% below the pre-pandemic level in FY 2020 before recording to a level down 30.4% in FY 2021 and down 3.6% in FY 2022. Enplanements were 4.3% above the pre-pandemic level in FY 2023 and have continued to trend higher with activity in the most recent available month of May, 2024 16.7% above the same month in 2019 and up 7.7% YoY. The airport presently serves a greater number of locations than it did prior to the pandemic.

The Authority received $181 million in pandemic-related federal assistance which it applied to operations between FY 2020 and FY 2023 to mitigate the financial impact of reduced passenger activity. Management also took steps including maintenance deferrals, a hiring freeze, a voluntary separation incentive program, temporary closures of underutilized facilities, and deferred capital projects to conserve financial resources. These measures helped to support strong debt service coverage over the last five years through FY 2023 at or above 2.08x for senior bonds and at or above 3.11x for subordinated bonds. Coverage as calculated per the respective trust agreements for FY 2023 was 4.25x for senior bonds and 7.46x for subordinate bonds. As specified in the respective trust agreements, PFC revenues are applied to the subordinate bond (but not senior bond) debt service coverage calculation. Pandemic-related federal assistance is now exhausted, but coverage is projected by management to remain strong in FY 2024 senior bond coverage at 3.37x and subordinate bonds at 6.58x.

The Authority's $3.5 billion capital program spanning FY 2025 to FY 2030 calls for the completion of the new 16-gate Airside D concourse in 2028, bringing the total number of gates at TPA to 74. Airside D and other 2022 Master Plan Update Projects comprise 55% of capital program spending over the period with other capital improvement plan projects accounting for 45%. Approximately two thirds of capital program spending through FY 2030 will be debt financed with approximately $545 million to be raised from the currently offered bonds followed by a subsequent $1.3 billion senior and $123 million subordinate sale in the first quarter of 2026 and $479 million senior bond sale in the fall of 2028.

The Authority has implemented airline rates and charges by board resolution since the September 30, 2020 lapse of its airline-airport use and lease agreement (AULA). There are 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 going forward either under ongoing resolutions or a future AULA, but no new agreement is anticipated currently. Landing fees are calculated on a residual basis while terminal/airside rental rates are calculated on a compensatory basis. KBRA views the Airport's strong post-pandemic recovery, diverse carrier mix, and the favorable characteristics of the service area as supportive of the rates by resolution framework.

Airline costs per enplanement (CPE) were among the lowest for large U.S. hubs at $4.94 in FY 2019 but have moved higher per significant borrowing to accommodate its master plan buildout. CPE is budgeted for $10.18 in FY 2024 which reflects the first normalized post-pandemic year with fully recovered utilization and the application of no pandemic-related federal assistance. Additional borrowing necessitated by the capital program are forecast in the 2024 Report of the Airport Consultant to push CPE to $21.44 by the final outyear of the projection period in FY 2030. While well higher than the $12.91 forecast for the final FY 2028 year of the forecast included in the prior 2022 Airport Consultant's Report, KBRA continues to view the projected CPE as moderate.

The Stable Outlook reflects the expectation that the Authority will continue to adopt necessary revenue and expenditure measures to meet all financial obligations and bond rate covenants as it moves forward with its large capital program.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- Broad and growing air trade area 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.

Credit Challenges

- Multi-phase CIP entails significant additional borrowing.
- Somewhat less operational certainty created by a rates by resolution framework, though TPA's strong post-pandemic recovery, diverse carrier mix, and economically robust air trade area serve as mitigating factors.

Rating Sensitivities

▪ Completion of capital program on time and within budget accompanied by a continuation of the strong trend in passenger enplanements observed in the several years preceding the pandemic.	+
▪ Cost overruns or delays associated with the large capital improvement program. ▪ Trend of weakened liquidity levels and/or debt metrics.	-

Key Ratios FYE September 30					
	2019	2020	2021	2022	2023
Airport Activity					
Top Carrier Market Share (Southwest)	31.2%	30.3%	28.7%	26.5%	25.4%
Enplanements (000's)	11,085	6,681	7,717	10,689	11,561
Operating Metrics					
Non-Airline Revenues Per Enplanement	$ 17.51	$ 19.82	$ 17.74	$ 19.20	$ 22.37
Airline Cost Per Enplaned Passenger (CPE)	$ 4.94	$ 8.76	$ 10.87	$ 9.49	$ 9.71
Peak CPE (FY 2030)[1]					$ 21.44
Airline Payments as a % of Operating Revenues	27.9%	32.5%	42.4%	35.9%	32.1%
Debt, Leverage, and Affordability Metrics					
Senior Debt Service Coverage	2.28x	2.08x	2.44x	3.64x	4.25x
Subordinated Debt Service Coverage	4.14x	3.11x	3.74x	6.74x	7.46x
Total Debt Service Coverage	2.06x	1.70x	1.94x	2.95x	3.30x
MADS (FY 2027) Per Passenger Enplanement					$ 10.46
Population Growth 2010-2023					
City of Tampa					20.2%
Tampa MSA					20.1%
Florida					20.3%
United States					8.5%

(1) Report of the Airport Consultant dated July 11, 2024

Rating Determinants (RD)	Senior	Subordinate
1. Management	Favorable	Favorable
2. Economics/Demographics of the Service Area	AA-	AA-
3. Airport Utilization	AA-	AA-
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 the Authority management as favorable.

The Authority owns and operates TPA as well as three general aviation airport in Hillsborough County (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, it can levy a 1.5 mill ad valorem tax, which based on current valuations would be approximately $236 million per year. The Authority has not levied the tax since 1973 and does not plan to levy the tax in the future.

The Authority is governed by a five-member Board consisting of three residents of the County appointed by the Governor for four-year terms, the Mayor of the City of Tampa, ex officio, and a Commissioner of Hillsborough County selected by the Board of County Commissioners, ex officio, for a one-year term. The Chief Executive Officer (CEO) is hired by the Board, and is responsible for day-to-day administration, management, and operation of the Authority in accordance with policy established by the Board. The Board adopts an annual budget prepared by the CEO before October 1.

Management Tenure and Track Record

The Airport's management team is experienced, long tenured, and proven in its ability to manage large and complex capital projects based on the progression of the Master Plan's multi-billion-dollar phased CIP since 2012. Chief Executive Officer Joseph Lopano, who has served in the role for 13 years, announced plans in February 2024 to step down from the role when his contract expires in April 2025. The Authority's board is currently working with an executive leadership consultant to identify a successor and voted at the time of the announcement to keep the CEO search to internal candidates only, citing the expertise, community and industry know-how, and proven track record of the organization's executive team.

Policies and Procedures

The Authority has a successful track record for efficient and resilient operations, but KBRA believes that the Authority would benefit from more formal enterprise risk management, succession, and continuity policies.

Airport/Airline Relations

Carrier concentration is quite limited with the largest airline, Southwest, accounting for only about a quarter of passenger activity in 2023. A twenty-year airport-airline use and lease agreement (AULA) ended on September 30, 2020 and the Authority and airlines were not able to come to terms for a new long-term agreement. Since this time rates have been set by resolution. Landing fees are calculated on a residual basis while terminal/airside rental rates are calculated on a compensatory basis. 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. KBRA views risks associated with the absence of a long-term AULA as mitigated by the low carrier concentration at the Airport.

Management of Operations and Facilities

Management has a track record of achieving safe, secure, and efficient operations. The Airport has demonstrated a strong capacity to safely manage through and recover from weather-related events such as hurricanes and other airline problems. Maintenance, capacity, and other facilities needs are systematically monitored and addressed as evidenced by well-maintained facilities and high levels of customer satisfaction.

Financial Management Policies and Procedures

The Airport maintains favorable formal financial management policies and procedures including multi-year financial planning and continuous budget monitoring, with attention to management of financial risks consistent with application of policies.

RD 2: Economic/Demographics of the Service Area

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 (Tampa MSA) and a population of 3.3 million as of 2023. An extended service area consisting of 5 additional counties comprising the rest of the State's central Gulf Coast has a population of approximately 1.9 million people.

Demographics

The Tampa MSA population increased 20.1% between 2010 and 2023, slightly slower than the State (+20.3%) but much faster than the Nation (up 8.5%). It is the 17th most populous metropolitan area in the U.S. and the second largest in Florida.

Figure 1

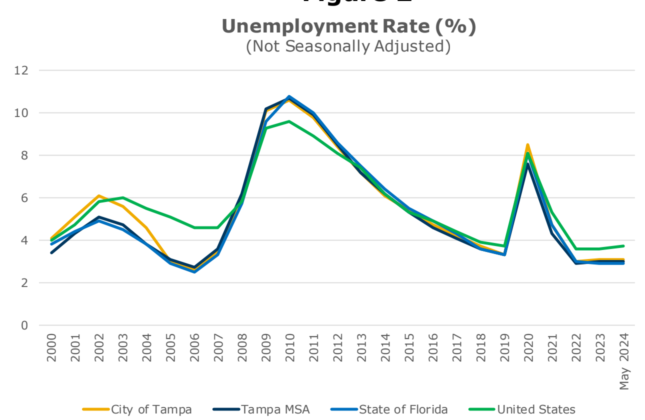
Population	City of Tampa	Δ (%)	Tampa MSA	Δ (%)	State of Florida	Δ (%)	United States	Δ (%)
1980	271,523		1,613,603		9,746,324		226,545,805	
1990	280,015	3.1%	2,067,959	28.2%	12,937,926	32.7%	248,709,873	9.8%
2000	303,447	8.4%	2,395,997	15.9%	15,982,378	23.5%	281,421,906	13.2%
2010	335,709	10.6%	2,783,243	16.2%	18,801,310	17.6%	308,745,538	9.7%
2020	384,959	14.7%	3,175,275	14.1%	21,538,187	14.6%	331,449,281	7.4%
2023	403,364	4.8%	3,342,963	5.3%	22,610,726	5.0%	334,914,895	1.0%
Δ 2010 to 2023	20.2%		20.1%		20.3%		8.5%	
CAGR 2010 to 2023	1.42%		1.42%		1.43%		0.63%	

Source: U.S. Census

Unemployment Trends

The MSA unemployment rate was closely in line with that of the U.S. in the years preceding the pandemic but has trended lower in recent years. The May 2024 unemployment rate was 3.1% versus the State at 2.9% and U.S. at 3.7%. MSA employment as of May is 10.1% above the 2019 pre-pandemic average level, versus State employment (up 7.5%) and U.S. employment (up 2.2%).

Figure 2



	City of Tampa	Tampa MSA	State of Florida	United States
May 2024	3.1	3.0	2.9	3.7
April 2024	3.4	3.3	3.1	3.5
Great Recession Annualized Peak	10.6	10.7	10.8	9.6
Point Δ form Great Recession Annualized Peak	-7.5	-7.7	-7.9	-5.9

Source: US Bureau of Labor Statistics

Figure 3

Total Employment (Not Seasonally Adjusted) (in thousands)	City of Tampa	Δ (%)	Tampa MSA	Δ (%)	State of Florida	Δ (%)	United States	Δ (%)
2000	148		1,169		7,621		136,891	
2001	149	0.8%	1,171	0.1%	7,692	0.9%	136,933	0.0%
2002	148	-0.7%	1,155	-1.3%	7,652	-0.5%	136,485	-0.3%
2003	149	0.7%	1,159	0.3%	7,761	1.4%	137,736	0.9%
2004	156	4.4%	1,205	4.0%	8,034	3.5%	139,252	1.1%
2005	149	-4.3%	1,210	0.4%	8,400	4.6%	141,730	1.8%
2006	153	2.9%	1,241	2.6%	8,707	3.7%	144,427	1.9%
2007	154	0.7%	1,247	0.4%	8,813	1.2%	146,047	1.1%
2008	152	-1.4%	1,218	-2.3%	8,636	-2.0%	145,362	-0.5%
2009	144	-5.3%	1,150	-5.6%	8,127	-5.9%	139,877	-3.8%
2010	155	7.7%	1,225	6.6%	8,155	0.3%	139,064	-0.6%
2011	161	3.6%	1,252	2.2%	8,334	2.2%	139,869	0.6%
2012	165	2.4%	1,283	2.4%	8,529	2.3%	142,469	1.9%
2013	170	2.8%	1,315	2.5%	8,706	2.1%	143,929	1.0%
2014	173	2.2%	1,343	2.1%	8,931	2.6%	146,305	1.7%
2015	178	2.8%	1,371	2.1%	9,107	2.0%	148,834	1.7%
2016	184	3.4%	1,412	3.0%	9,360	2.8%	151,436	1.7%
2017	187	1.7%	1,433	1.5%	9,545	2.0%	153,337	1.3%
2018	192	2.2%	1,462	2.0%	9,750	2.1%	155,761	1.6%
2019	196	2.2%	1,491	2.0%	9,923	1.8%	157,538	1.1%
2020	188	-4.1%	1,423	-4.5%	9,258	-6.7%	147,795	-6.2%
2021	199	6.0%	1,511	6.2%	9,839	6.3%	152,581	3.2%
2022	210	5.5%	1,595	5.6%	10,371	5.4%	158,291	3.7%
May 2024	216	2.8%	1,642	2.9%	10,669	2.9%	161,037	1.7%
Δ 2019 Avg to May 2024	10.4%		10.1%		7.5%		2.2%	

Source: US Bureau of Labor Statistics

Limited Competition

The Airport benefits from a limited degree of commercial air service competition. Of the state's 10 busiest airports, only Sarasota International Airport (SRQ) and Orlando International Airport (MCO) are located within 100 miles of Tampa. SRQ is located 53 miles away but is a comparatively small airport, having offered an average of 45 daily flights and serving 2.1 million enplanements in 2023 compared to Tampa's 248 daily flights and 11.7 million enplanements. MCO in contrast is located a more distant 92 miles away and is significantly larger than Tampa, offering an average of 532 daily flights and serving 28.0 million enplanements in 2023. Nonetheless, KBRA views competition from MCO as fairly limited given the distance between the two airports, which limits the practicality of diversion for most travelers, as well as the distinct nature of each airport's air travel market.

Figure 4

Busiest Florida Airports by Activity			
City	Airport Name	Road Miles to Tampa Int'l Airport	Enplaned Passengers in CY 2023 (000's)
Tampa	Tampa International Airport	-	11,792
Sarasota	Sarasota Brendenton International Airport	53	2,145
Orlando	Orlando International Airport	92	28,215
Sanford	Orlando Sanford International Airport	118	1,448
Fort Myers	Southwest Florida International Airport	144	5,020
West Palm Beach	Palm Beach International Airport	211	3,839
Jacksonville	Jacksonville International Airport	216	3,670
Fort Lauderdale	Fort Lauderdale-Hollywood Int. Airport	259	17,079
Miami	Miami International Airport	275	24,920
Pensacola	Pensacola International Airport	470	1,366

Source: FAA BTS T-100 Database

RD 3: Airport Utilization

TPA's utilization profile is strong, characterized by a trend of generally rising enplanements, low reliance on connecting traffic, and a diverse carrier mix.

Airport Features

TPA occupies 3,400 acres and is comprised of three runways and 58 aircraft gates. It was the 27^{th} busiest airport in the U.S. in 2023. 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.

Favorable Carrier Mix

Carrier mix at TPA is diverse. The market share for Southwest, the largest carrier, declined from 31.2% in 2019 to 25.4% as of 2023 while that of Delta, Frontier, and Jet Blue has increased.

Figure 5

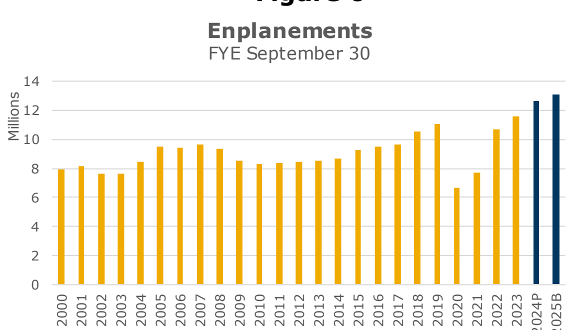
Carrier Market Share at Tampa International Airport Calendar Year					
	2019	2020	2021	2022	2023
Southwest Airlines	31.2%	30.3%	28.7%	26.5%	25.4%
Delta Air Lines	16.7%	15.3%	17.4%	17.8%	17.2%
American Airlines	15.8%	16.2%	17.3%	17.1%	15.6%
United Airlines	10.0%	9.3%	10.4%	10.2%	10.1%
Frontier Airlines	5.3%	6.2%	5.5%	6.9%	8.6%
Spirit Airlines	8.6%	11.0%	10.5%	8.1%	7.0%
JetBlue Airways	5.7%	5.4%	6.9%	6.5%	7.0%
Other	6.7%	6.3%	3.3%	7.0%	9.1%

Source: HCAA

Enplanement Trends

Airport utilization grew quickly in the five years preceding the pandemic and surpassed the 2019 pre-pandemic high in FY 2023 by 4.3%. Enplanement activity for the latest available month of May 2024 was 16.7% above the same-month 2019 level and up 7.7% YoY. TPA now provides service to a greater number of destinations than it did prior to the pandemic.

Figure 6



Source: HCAA

Figure 7

Monthly Airport Enplanement Activity											
	Enplanements (000's)						Change from Same Period in 2019				
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Jan	910	910	452	795	922	990	0.0%	-50.4%	-12.6%	1.3%	8.8%
Feb	885	958	454	820	901	1,006	8.3%	-48.7%	-7.3%	1.9%	13.7%
Mar	1,170	663	714	1,121	1,150	1,275	-43.3%	-39.0%	-4.2%	-1.7%	9.0%
Apr	1,056	47	805	1,043	1,131	1,175	-95.6%	-23.8%	-1.3%	7.1%	11.2%
May	975	114	849	988	1,056	1,137	-88.3%	-12.9%	1.4%	8.3%	16.7%
Jun	922	248	862	874	990		-73.1%	-6.5%	-5.2%	7.3%	
Jul	934	302	889	880	1,003		-67.7%	-4.7%	-5.7%	7.5%	
Aug	871	286	751	833	869		-67.2%	-13.8%	-4.4%	-0.3%	
Sep	716	284	668	720	848		-60.3%	-6.7%	0.6%	18.5%	
Oct	852	380	784	842	979		-55.4%	-8.0%	-1.2%	14.9%	
Nov	916	429	896	910	1,035		-53.2%	-2.2%	-0.7%	12.9%	
Dec	1,049	466	934	939	1,068		-55.6%	-10.9%	-10.5%	1.9%	

Source: HCAA

RD 4: Airport Debt/Capital Needs

The Authority's $3.5 billion capital program spanning FY 2025 to FY 2030 provides for the completion of a new 16-gate Airside D concourse in 2028, bringing the total number of gates at TPA to 74. Airside D and other 2022 Master Plan Update Projects comprise 55% of capital program spending over the period with other capital improvement projects accounting for 45%. Approximately two thirds of capital program spending through FY 2030 will be debt financed with approximately $545 million to be raised from the currently offered bonds followed by a subsequent $1.3 billion senior and $123 million subordinate sale in the first quarter of 2026 and $479 million senior bond sale in the fall of 2028.

Master Plan Projects

In 2012, the Authority embarked on a three-phase Master Plan:

- Phase I: Decongestion ($944 million, 2013-2018)
  Completed on time and within budget. It optimized the Airport's roadways and passenger drop-off and pick up areas for higher throughput. 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: Enabling ($583 million, 2018-2025)
  Currently underway. Improvements include a curbside drop-off expansion, commercial development around the RAC, a central utility plant, and roadway expansion. Phase II lays the groundwork necessary for Phase III projects.

- Phase III: Growth ($794 million, 2024-2028)
  Will accommodate increased utilization at the airport with construction of a new 16-gate Airside D and associated shuttle system project. Airside D will bring the total number of gate concourses to five and the number of gates available at the airport to 74. The program received board approval in September 2022 and a design build contract was awarded in August 2023. Completion is projected for 2028.

An update to the 2012 Master Plan (the 2022 Master Plan) was completed in June 2024 that evaluates the 20-year capital needs of and opportunities for of the Airport. The plan includes an initial evaluation of a potential North Terminal facility and additional improvements to the existing Terminal complex needed to accommodate anticipated activity growth over the forecast horizon.

Capital Improvement Program

In addition to the Phase II & III Master Plan projects, the Authority is undertaking project renovations and refurbishments identified in the FY 2025 to FY 2030 capital plan.

Outstanding Obligations

Upon closing of the currently offered bonds the Authority will have approximately $1.43 billion in airport revenue bonds and $447 million in subordinated bonds outstanding. 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. Combined lien MADS of $148.3 million occurs in FY 2027. The GARBs have a final maturity of 2054. Shown below, subsequent issuance planned through FY 2028 will drive debt service requirements significantly higher in the years ahead.

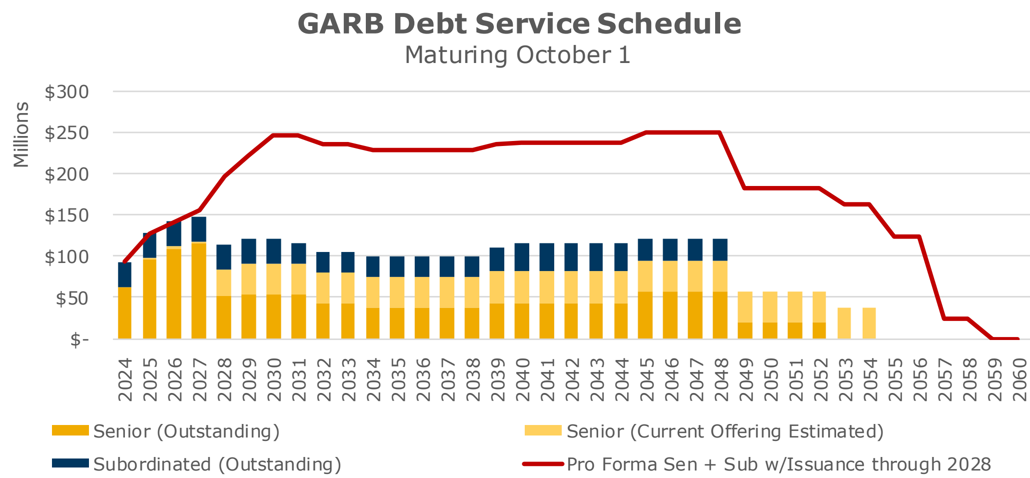
Figure 8

Hillsborough County Aviation Authority
Debt Outstanding
As of July 1, 2024 Adjusted for Estimated Impact of 2024 Bonds
(dollars in thousands)

Airport Revenue Bonds	$ 1,428,225
Subordinated Airport Revenue Bonds	447,300
Total	1,875,525

Source: HCAA and KBRA calculations

Figure 9



Source: HCAA

The Authority maintains a $100 million revolving credit facility with Truist Bank that will expire on May 11, 2025. There is currently no outstanding balance and no draws are planned.

Debt Per Enplanement Metrics

Airport debt metrics, inclusive of the currently offered bonds, are moderate including debt per enplanement at $162 and maximum annual debt service per enplanement at $12.83. Metrics will rise significantly with additional borrowing for Airside D and other capital projects through FY 2030 but will likely be moderated in KBRA's opinion by a continuing trend of growth in airport utilization.

RD 5: Airport Finances

Rates by Resolution

The Authority currently implements airline rates and charges by board resolution and has no plans to implement a new AULA. Rate were previously determined per a negotiated 20-year AULA but the agreement expired on September 30, 2020 and the Authority and airlines were unable to come to terms for a new long-term agreement. Rates are currently set by resolution. Landing fees are calculated on a residual basis while terminal/airside rental rates are calculated on a compensatory basis. 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 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.

Cash Based Operating Results and Debt Service Coverage

The Authority has achieved strong debt service coverage levels well in excess of its covenants in each of the last five years. Pandemic-related federal assistance bolstered coverage between FY 2020 and FY 2023 but is now depleted. Budgeted debt service coverage for FY 2024 however remains ample.

Figure 10

Hillsborough County Aviation Authority Budget Based Operating Results and Debt Service Coverage FYE September 30 (Cash Basis) (dollars in thousands)							
Budged Based Operating Results							
		Projected[1]					Budget
		2019	2020	2021	2022	2023	2024
REVENUES							
Passenger Airline Landing Fees		$ 18,908	$ 14,197	$ 24,956	$ 24,520	$ 27,316	$ 32,459
Main Terminal Rentals		29,252	23,381	38,952	47,474	46,964	46,737
Airside Rentals		25,399	24,958	31,029	39,773	46,618	57,879
Total Passenger Airline Revenue		73,559	62,536	94,938	111,766	120,899	137,076
Concession Revenues		75,236	50,645	57,758	82,586	89,834	94,091
Parking and Ground Transportation		77,390	43,754	45,557	83,174	99,495	105,314
Cargo Revenue		5,522	6,190	6,683	6,723	6,279	5,506
TSA Revenues and Reimbursements		1,259	404	489	734	660	653
General Aviation		4,297	4,185	4,636	4,987	5,385	5,775
Other Revenues		14,167	15,051	18,305	21,379	26,642	30,091
Interest Income		16,235	12,175	3,499	5,622	30,308	30,126
Total Non-Airline Revenues		194,106	132,405	136,927	205,204	258,603	271,557
Total Operating Revenues	a	267,665	194,941	231,865	316,970	379,502	408,632
Less: Airline Settlement		(1,066)	(1,318)	(4,846)	226	1,956	-
Less: ASIP Fee Waivers		(2,493)	(1,288)	(2,943)	(5,737)	(5,321)	(4,765)
Net Operating Revenues		264,106	192,336	224,076	311,460	376,138	403,867
Customer Facility Charges		44,614	28,482	31,232	40,831	42,102	45,312
Passenger Facility Charges		43,206	25,846	30,470	42,362	45,090	48,967
Airline Revenue Sharing							
EXPENSES							
Salaries and Benefits		74,781	76,765	75,152	82,108	87,419	94,698
Contracted Services		21,636	21,017	18,726	21,916	25,399	28,627
Contractual Maintenance		24,672	25,330	24,667	28,246	33,077	36,787
Supplies and Materials		4,284	4,017	4,182	4,495	5,217	5,511
Utilities		13,923	12,867	12,458	14,348	16,893	17,934
Insurance		3,571	3,874	4,527	5,333	7,239	10,084
Other Expenses		6,490	4,297	4,334	10,704	11,677	11,551
Total Operating Expenses		149,358	148,166	144,045	167,150	186,920	205,192
Less: O&M Costs Assigned to Projects		(4,724)	(4,907)	(4,834)	(5,255)	(5,778)	(6,330)
Net Operating Expenses		144,634	143,259	139,211	161,895	181,143	198,861
Less: Funded by Customer Facility Charges (CFCs)		(4,913)	(4,410)	(4,236)	(5,390)	(6,426)	(7,117)
Net Operating Expenses from Current Operations	b	139,721	138,849	134,975	156,504	174,717	191,745
Summary Actual Opeating Results and Debt Service Coverage							
		Actual					Budget
		2019	2020	2021	2022	2023	2024
Summary Operations							
Net Operating Revenues	a	$ 267,665	$ 194,941	$ 231,865	$ 316,970	$ 379,502	$ 408,632
Less: Operating Expenses	b	(139,023)	(135,754)	(134,975)	(156,504)	(174,717)	(191,745)
Other Adjustments[2]		(2,752)	(1,610)	(2,601)	(216)	(5,952)	(6,891)
Plus Application of Extraordinary Federal Monies:							
CARES Act		-	60,592	20,600	-	-	-
CRRSA Act		-	-	18,207	1,861	1,814	-
ARP Act		-	-	-	40,150	33,086	-
Revenues Available for Debt Service	c	125,890	118,169	133,096	202,260	233,733	209,997
Debt Service Coverage (Per Trust Agreements)							
Revenue Available for Debt Service	c	125,890	118,169	133,096	202,261	233,733	209,997
Senior Debt Service		55,194	56,737	54,480	55,518	54,986	61,748
Senior DSCR (min. 1.25x)		2.28x	2.08x	2.44x	3.64x	4.25x	3.40x
Revenues Remaining After Senior DS		70,696	61,432	78,616	146,743	178,747	148,249
Plus PFCs and Other Adjustments		45,362	27,156	28,019	45,491	47,906	51,789
Total Revenues Available for Sub DS		116,058	88,588	106,635	192,234	226,653	200,038
Subordinate Debt Service		28,001	28,516	28,512	28,507	30,384	30,389
Subordinate Lien DSCR (min. 1.25x)		4.14x	3.11x	3.74x	6.74x	7.46x	6.58x
Combined Debt Service		83,194	85,253	82,992	84,025	85,370	92,137
Combined DSCR (min. 1.15x)		2.06x	1.70x	1.94x	2.95x	3.30x	2.83x

Source: HCAA

(1) Projection compiled about a month before budget year end as presented in succeeding year's budget.

(2) Includes reconciliation between near final cash based operating result projections and actual cash based results.

Audited FY 2023 Operating Results

Audited FY 2023 operating results were favorable, bolstered by a full recovery in passenger activity as well as the application of $34.9 million in pandemic-related federal assistance. Operating income before depreciation and amortization increased to $147.8 million from $140.2 million in the prior year. Change in net position increased to $94.6 million versus a $48.6 million increase in the prior year.

Figure 11

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

	2019	2020	2021	2022	2023
OPERATING REVENUES					
Passenger Airline Revenue	$ -	$ -	$ -	$ 105,523	$ 116,873
Parking	-	-	-	81,677	95,251
Rental Cars	-	-	-	54,989	51,695
Concessions	-	-	-	36,363	43,119
Commercial Rentals	-	-	-	-	12,962
Ground Transportation	-	-	-	6,463	7,977
Cargo	-	-	-	12,737	6,019
General Aviation	2,829	2,859	3,116	5,053	5,253
SkyCenter Revenue	-	-	-	-	3,199
Utilities and Other Reimbursable	-	-	-	4,393	1,876
Lease Adjustment	-	-	-	(3,964)	-
Airfield	22,365	16,852	26,158	-	-
Terminal Buildings	58,378	40,957	55,475	-	-
Airside Buildings	25,528	24,790	28,141	-	-
Commercial Landside	129,563	82,015	93,429	-	-
Cargo	3,376	3,590	3,348	-	-
Auxiliary Airports	1,455	1,418	1,547	6,996	-
Federal Reimbursements	859	306	361	-	-
Other	9,109	10,266	12,425	1,668	-
Total Operating Revenues	253,462	183,054	224,000	311,898	344,224
OPERATING EXPENSES					
Personnel Compensation and Benefits	-	-	-	84,253	86,588
Communications and Utilities	-	-	-	14,233	16,811
Contracted Services	-	-	-	23,705	27,095
Contractual Maintenance	-	-	-	25,087	29,535
Expensed Projects and Equipment	-	-	-	1,406	-
Insurance	-	-	-	5,305	6,960
SkyCenter Building Expenses	-	-	-	3,624	3,732
Supplies and Materials	-	-	-	4,741	5,537
Other	-	-	-	3,529	2,149
Pension Adjustment	-	-	-	1,779	13,483
Airfield	16,803	17,332	18,325	-	-
Terminal Building	36,646	34,842	34,751	-	-
Airside Buildings	32,465	31,012	28,740	-	-
Commercial Landside	35,753	32,757	31,624	-	-
Cargo	833	941	865	-	-
Auxiliary Airports	2,068	1,812	2,301	-	-
General Aviation	1,494	1,536	1,594	-	-
Passenger Transfer System	5,043	5,187	5,986	-	-
Roads and Grounds	11,660	11,758	11,129	-	-
Other	11,253	11,595	(1,518)	-	-
Total Operating Expenses	154,016	148,771	133,797	167,662	191,890
Less: Signatory Airline Net Revenue Sharing	16,253	538	1,188	4,085	4,564
Operating Income Before Dep. and Amort.	83,193	33,744	89,015	140,151	147,770
Less: Depreciation and Amortization	150,438	128,919	126,931	164,111	174,499
Less: Leases Amortization	-	-	-	3,508	1,940
Less: Subscription IT Amortization	-	-	-	-	2,530
Operating Loss	(67,245)	(95,175)	(37,916)	(27,468)	(31,199)
NONOPERATING REVENUES AND EXPENSES					
Interest Expense	17,579	12,279	3,474	7,514	31,393
Lease Interest Income	-	-	-	11,185	11,161
Net Unrealized Investment Gain	10,549	4,555	(6,031)	(16,839)	2,960
Interest Expense	(63,656)	(63,646)	(62,206)	(67,560)	(68,752)
Loss on Disposal of Capital Assets	-	(94)	(3,880)	(17,122)	(1,087)
CARES/CRRSA/ARPA Airport Proceeds	-	60,592	38,816	42,560	32,548
Total Nonoperating Expenses	(35,529)	13,686	(29,827)	(40,262)	8,223
Change in Net Position Before Capital Contrib.	(102,774)	(81,489)	(67,743)	(67,730)	(22,976)
CAPITAL CONTRIBUTIONS					
Passenger Facility Charges	43,212	25,058	32,493	42,032	45,855
Federal and State Grants	20,473	36,515	26,592	38,846	36,474
Federal Reimbursements	20,959	23,282	13,572	10,742	7,146
Customer Facility Charges	31,807	17,207	17,526	24,699	28,135
Other Contributions	-	32,389	-	-	-
Total Capital Contributions	116,450	134,451	90,183	116,319	117,610
Change in Net Position	13,676	52,962	22,440	48,589	94,634
Total Net Position - Beginning of Year	1,123,306	1,136,982	1,189,944	1,212,384	1,260,980
Total Net Position - End of Year	1,136,982	1,189,944	1,212,384	1,260,973	1,355,614

Source: ACFRs

System Liquidity

The Authority continues to maintain strong liquidity balances with total available funds (operating funds plus the surplus fund balance) equivalent to $338.0 million at FYE 2023, providing approximately 716 days cash on hand. Liquidity is projected to increase to 835 days cash on hand at FYE 2024. Management currently targets the maintenance of at least 600 DCOH.

Figure 12

Hillsborough County Aviation Authority
Cash & Investment Balances and Liquidity Calculation
FYE September 30 (dollars in thousands)

		Actual					Projected
		2019	2020	2021	2022	2023	2024
Liquidity Balances							
Operating Funds							
Revenue Fund		$ 20,642	$ 13,386	$ 22,991	$ 27,274	$ 27,994	$ 31,209
Operating & Maintenance Fund		14,464	17,714	9,085	10,458	13,624	14,305
Operating Reserve Fund		23,858	24,642	22,887	26,315	30,331	33,078
Other		2,112	1,262	3,384	799	779	1,000
Total Operating Funds		61,076	57,003	58,347	64,847	72,728	79,592
Surplus Fund		106,809	103,900	169,258	275,565	265,268	353,534
Total Funds Available	a	167,885	160,903	227,605	340,412	337,996	433,126
Debt Service Funds		124,318	118,110	108,514	133,099	134,861	
Capital Improvement and Equipment Funds							
Capital Improvement and Equipment Funds		8,040	4,096	359	5,256	1,050	
Rental Car Facility Fee for Future Improvements		63,135	56,476	47,464	45,090	46,817	
Bond/CP/ Bank Notes Construction Funds		-	25,160	41,829	-	-	
PFC Fund		68,877	66,022	63,724	76,018	94,709	
Senior Bonds		268,082	166,651	75,305	296,766	191,290	
Subordinate Bonds		87,780	57,161	24,064	17,402	16,001	
CFC Bonds		10,951	9,196	1,980	1,904	1,644	
Total Capital Improvement and Equipment Funds		506,865	384,762	254,726	442,438	351,511	
Total Cash & Investments		799,067	663,775	590,845	915,949	824,368	
Day's Cash on Hand Calculation							
Operating Expenses (Management Reporting, Non-GAAP)	b	$ 154,016	$ 148,771	$ 133,797	$ 153,950	$ 172,562	$ 189,432
Days Cash on Hand	(a / b) x 365	398	395	621	807	716	835

Source: HCAA
(1) Decline in liquidity in FY 2023 reflects the purchase of the SkyCetner One Office Building for $123 million in FY 2023.

RD 6: Legal Mechanics and Security Provisions

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

Figure 13

Hillsborough County Aviation Authority
Airport Revenue Bond Summary Legal Provisions

	Revenue Pledge	Rate Covenant (No PFC)	Rate Covenant (PFC)	Additional Bonds Test	Debt Service Reserve Fund	Flow of Funds
Airport Revenue Bonds	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.	MADS, but a springing amendment will change the requirement to three-prong test once 100% bondholder consent is obtained.	Closed
Subordinated Airport Revenue Bonds	Net Airport System Revenue Pledge	1.25x Annual Subordinate Lien Debt Service. Same surplus rules as senior test.	1.15x Annual Subordinated 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

Source: Trust Indentures

Bankruptcy Assessment

KBRA's bankruptcy assessment can be found in prior reports, the most recent of which is dated February 23, 2024.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

Environmental Factors

The Authority in 2013 completed its first Sustainable Management Plan that utilized public and stakeholder input to set the pace for the Airport to pursue sustainability initiatives. Since this time, the Airport has completed updates of the plan in 2017, 2019, and 2023 and has executed a number of initiatives that have resulted in significant reductions in water and electricity usage and waste reduction. Project plans for every major airport capital project have a checklist for sustainability opportunities which has enable innovative sustainability solutions for things like LED lighting, water savings restroom fixtures, construction material recycling and energy management. The latest 2023 update is intended to guide the next 10 years of sustainability and resiliency management. It includes a newly articulated vision and mission, modified goals and targets, enhanced assessment of cost benefits and sustainability commitments, new and updated tools and processes for management, including methods of integration into existing Airport System operating processes, procurement, project management, measurement and verification, reporting and communications.

Social Factors

The Authority has prioritized inclusion and diversity through its Business Diversity programs. The Authority's goal is to spend $77.7 million of the $583.3 million Phase 2 Master Plan budget with women and minority owned businesses through 2025. The Authority is close to meeting this goal, having paid out $76.2 million to such businesses through September 2023. Additionally, the Authority has paid $16.7 million to women and minority owned business through September 2023 relating to other CIP projects.

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 a range of cyber risk insurance coverage.