

Strategic Business Plan Aviation Authority

Tampa International Airport
Peter O. Knight Airport
Plant City Airport
Tampa Executive Airport

May 6, 2010

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1. INTRODUCTION

1.1 Background

Typically, airports in the United States develop master plans defining the airport's ultimate configuration at full development during a 20-year period. These plans are then used to establish land use requirements and define balanced growth for passenger terminals, airfield and airspace zones, cargo, parking, rental cars, roadways and various other facilities. In January 2006, a master plan update was published for the Tampa International Airport. Master plan updates were completed for the three general aviation reliever airports in March 2003.

Master plan updates do not necessarily provide management with detailed guidance for implementing funding strategies for the comprehensive capital development program. The Authority's first strategic business plan was prepared based on the 1999 Master Plan Update and presented to the Board on September 6, 2001. Due to the events of September 11, 2001, the Authority implemented cost reduction initiatives resulting in the immediate deferment of a number of projects in order to reduce cash flow demands. Additionally, the Authority initiated a planning process to identify and define projects to meet the new congressional mandates and the requirements of the Transportation Security Administration (TSA). Subsequently, the business plan was updated in February 2003 and again in June 2006 with the completion of the 2005 Master Plan Update for Tampa International Airport.

The economic recession of 2008 and 2009 has resulted in dramatic passenger reductions both nationally as well as here in Florida thus initiating the requirement for another business plan update. This business plan summarizes the updated capital improvement program, provides further definition to the projects and outlines the appropriate business and funding strategies necessary to implement the 20-year development program. The business plan helps set the Authority's vision for the future and is designed to work in concert with the master plan updates, Federal Aviation Regulation Part 150 Noise Compatibility Study and the Federal Aviation Administration (FAA) Capacity Enhancement Plan. This business plan also enables the Authority to financially implement its development program in a proactive manner.

During 2004, the number of passengers using the airport exceeded pre-9/11 numbers and in 2005 new record passenger numbers were set at slightly below 19 million. Again in 2007 record passenger numbers of 19.3 million were processed through Tampa International. With the economic downturn, passenger numbers tumbled 2.9% in 2008 and 8.5% in 2009.



2010 Strategic Business Plan

This business plan is based on a slow but steady economic recovery and does not anticipate surpassing the 2007 record passenger numbers until 2014. The updated baseline forecasts expect passenger activity will increase to 30 million passengers by 2029. Total passengers are measured by including both departing and arriving passengers referred to as enplanements and deplanements respectively. The recently completed master plan identified activity and business triggers for all airport expansion projects and tied the need for expansion to maintaining acceptable service levels which are incorporated in this business plan update. Projects not related to activity expansion are tied to life cycle triggers and best maintenance practices.

On October 3, 2002, the Board adopted a policy regarding the Authority's strategic business plan which states the following:

The plan will provide a detailed funding analysis of operating expenses, revenues, and projected airline charges and establish development and financial goals along with measurement criteria. The plan's overriding objective is to place the Authority in a healthy financial position without overburdening the air carriers while maintaining competitive airline rates and charges. Funding strategies and recommendations will ensure airport facilities and improvements are brought on line when needed, based on established trigger points, funded in a manner that preserves the Authority's competitive cost structure, and maintains maximum flexibility under changing circumstances.

The 2006 plan concentrated on accomplishing the necessary development to accommodate 25 million passengers and deliver the first phase of the north terminal complex in 2015. This business plan update based on revised passenger forecasts places considerable effort on ensuring the existing facilities continue to deliver quality service levels, providing the necessary corridor and station improvements for the community light rail, completely reconstructing the airfield infrastructure and delivering the first phase of the north terminal complex in 2023. In this context, the Authority developed three main objectives for the business plan:

- To define an updated development program based on the master plan updates but refined to match current circumstances and incorporate the necessary maintenance and information technology related capital projects.
- To establish detailed phasing and financing plans for the development program.
- To outline an implementation program.

1.2 Purpose and Scope

Based on the objectives outlined above, the business plan ensures airport facilities are brought on line when they are needed, funded in a manner that preserves the airport's cost competitive structure, and planned to afford the Authority maximum flexibility under changing circumstances.

The business plan also provides a framework for decision making by Authority management and the Board, as well as informing other stakeholders about the key components related to airport development. The plan summarizes future facility requirements, establishes the necessary time frames for development, estimates the cost impacts of the required investments, maintains an acceptable non-airline revenue ratio and identifies a strategy for maintaining a cost competitive environment.

1.3 Strategic Business Plan Update Process

Developing the business plan required the deployment of a concise planning process outlined below:

- **Identify Development and Financial Goals.** The planning process generated a facility development plan consistent with the Authority's mission and key management goals and reconfirmed our financial goals to ensure a healthy financial position is always maintained.
- **Facility Development Analysis.** Upon completion of the facility development analysis, a development plan was produced for all maintenance related projects, information technology advancements, refined master plan projects and known tenant requirements. Each project was tied to a specific activity or management indicator.
- **Traffic Forecast Updates.** The planning process updated passenger forecasts producing recalibrated passenger and operation numbers based on the most recent actual passenger traffic and aircraft operations at Tampa International Airport. Upon completing the forecast updates, the facility development analysis was then updated moving projects to the appropriate time frames based on predetermined activity or life cycle triggers.
- **Financial Analysis.** The analysis included the assessment of capacity for additional debt and passenger facility charges and the development of projections for operating and maintenance costs, as well as operating revenues. Airline rates and charges models were deployed for a ten-year period, and cash flow analysis determined any limitations and the need for gap financing.
- **Strategic Assessment.** The strategic assessment evaluated the capital program against the development and financial goals and then modified the development approach to produce successful implementation and acceptable outcomes. Additionally, an analysis that identified strengths, weaknesses, opportunities and threats (SWOT) was conducted, which helped to identify the company's challenges and action items needed to ensure successful implementation.
- **Strategic Business Plan.** The culmination of these efforts are contained in this strategic business plan providing detailed guidance for the Authority's development program and continued financial success.

Utilizing this approach helps guarantee the plan's success, ensures consistency in our business approach and provides the organization with an agreed upon plan to meet future challenges.

1.4 Acknowledgement

The development of the strategic business plan update represents a culmination of efforts from a broad spectrum of staff comprising all business segments of the Authority. Recent growth and cost inflator assumptions from the 2009 Feasibility Study, as well as the Socioeconomic and Other Comparative Analysis by Ricondo and Associates, were also utilized in the development of this update. Additionally, the Debt Capacity Analysis was performed by our financial consultant, Fullerton & Friar.

2. MISSION, VISION, GOALS AND MEASUREMENT CRITERIA

2.1 Hillsborough County Aviation Authority Mission and Vision

The Authority's mission is to provide the Tampa Bay service area with world class air transportation services and facilities to meet our collective requirements to deliver safe, convenient and efficient aviation related services.

The Authority's vision is to exceed our customer's expectations by making the aviation system in Hillsborough County one of the most efficient, safe, secure, convenient, and cost competitive air transportation centers in the world.

Five specific components underpin both the mission and vision statement:

- **Exceptional Transportation Services.** Focus on providing airport customers the very best travel experience available at any airport. An essential component in maintaining a superior community asset.
- **Outstanding Facilities.** Focus on providing tenants and passengers with facilities that make their business and travel as easy as any airport in the world. An essential component in meeting our community needs and responding to growth in the region.
- **Convenient and Efficient.** Focus on customer service. An essential component in making our facilities easy to use, an enjoyable experience, and quick to navigate.
- **Safe and Secure.** Focus on providing airport customers, tenants, and employees with a secure and safe environment. An essential component in making our facilities work effectively while maintaining passenger flow and convenience.
- **Cost Competitive** – Focus on maintaining a cost competitive structure for businesses operating at our facilities. An essential component for attracting and increasing air service.

2.2 Development Goals

In response to the mission and overall management direction of the Authority, five prerequisites regarding the development program were identified:



- **Just in Time Capital Development Programs.** All airport development will be linked to activity or management triggers, and specific projects will only be built when the project will serve the demand. This approach allows the Authority to meet market demands and open facilities at the time they are needed based on predetermined activity levels.
- **Cost Effective Development.** Projects will be designed and constructed to deliver safe, secure, convenient and efficient facilities. Management philosophy dictates that facilities will be designed to deliver the most cost efficient approach balancing functionality, aesthetics, sustainability, and security requirements.
- **Customer Convenience.** Development will ensure customer convenience is maintained and improved upon. Standards associated with walking distances, way finding, customer amenities and ease of using the facilities will continue to define facility development.
- **Timely Reaction to Tenant Demands and Growth.** Airport development will be accomplished in a timely manner using various delivery methods to reduce the amount of time it takes to respond to tenant requests for facility modifications and demand driven expansion.
- **Minimize Customer Impacts During Construction.** Development will continue to focus on avoiding negative impacts and congestion during construction.

2.3 Financial Goals

Management has identified three overriding objectives to accomplish the financial goals associated with the development program.

The first objective will balance expenses and revenues ensuring sufficient net revenues are available to meet the development program funding requirements. The second objective places the Authority in a healthy financial position when the new north terminal complex is required without overburdening the air carriers. Lastly, airline rates and charges must remain competitive.

To accomplish these objectives, four financial goals were established under the strategic business plan as follows:

- **Passenger Facility Charges Capacity.** Maximize the utilization of Passenger Facility Charges (PFC) used to fund this development program. Ensure flexibility in developing the new terminal complex by maintaining adequate uncommitted annual PFC capacity sufficient to fund the new terminal program and projects.
- **Debt Capacity.** All new money debt issues will be associated with the first and second phase of the new north terminal complex. Minor refunding activities in FY 2010-12 will ensure level debt service through 2018. Accelerated debt payments will continue the level debt service through 2023, which will ensure continued level annual debt service

when the new north terminal complex opens. The overall debt capacity goal will maintain annual debt service paid from airport revenues at less than \$60 million per year through the twenty year forecast period.

- **Cost Competitive Rates and Charges.** Airline costs per enplaned passenger will remain below the industry average for comparable airports and the peer airports in Florida during the entire development program.
- **Success Under Various Sensitivity Scenarios.** Flexibility is built into the development program that provides funding alternatives in the event federal and state grant programs do not materialize as planned. Conversely, if PFC collections are increased, rate impacts to the air carriers will be reduced. Additionally, we periodically test our financial model based on various variables, such as passenger counts, to assess the continued viability of our financial plans.

2.4 Measurement Criteria

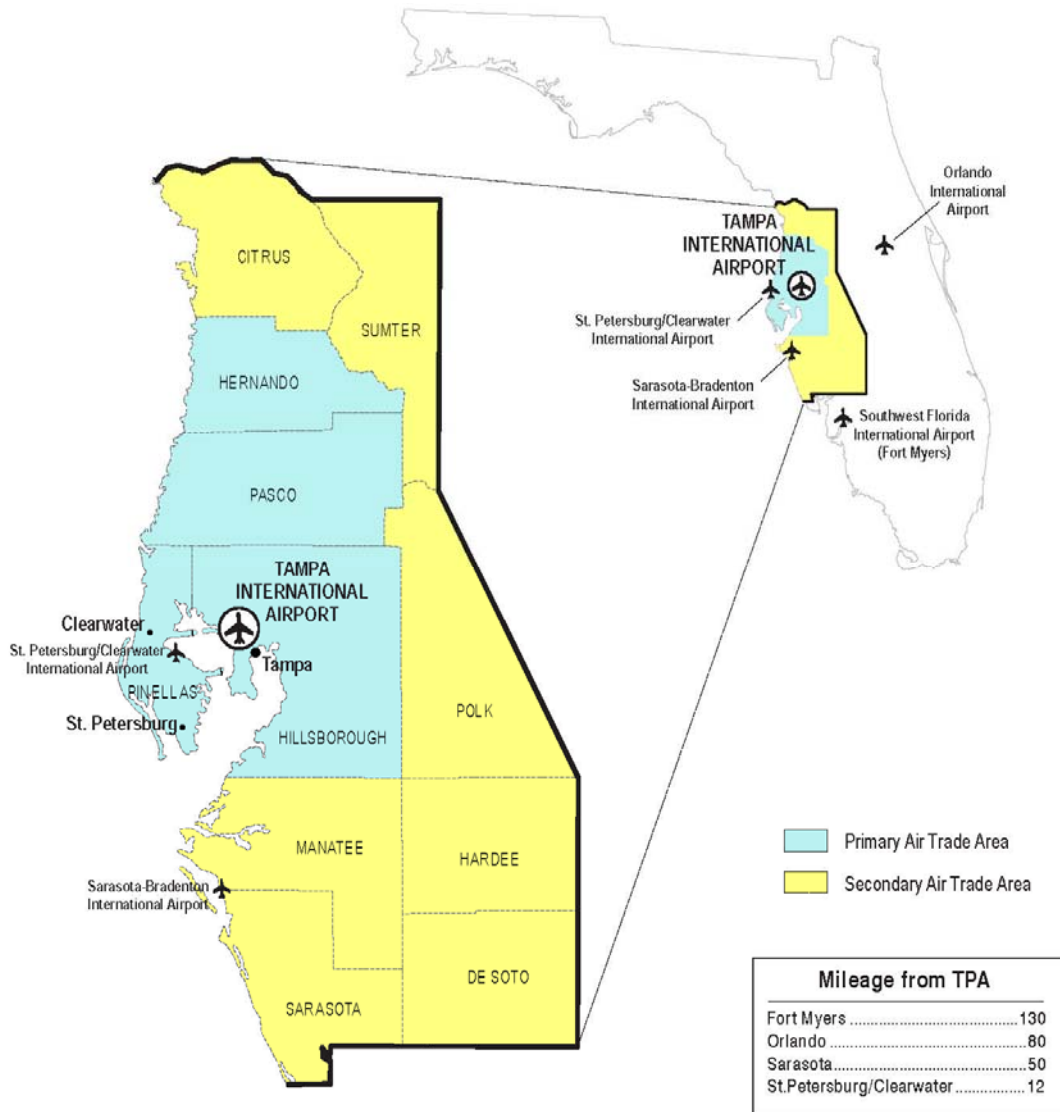
Management has previously identified and implemented measurement criteria to determine the success of its capital development programs. These measurements are critical to the success of the strategic business plan and accomplishing both the development and financial goals.

- **Capital projects delivered on time and within budget.** Capital projects completed within budget and on schedule as originally described in the approved project management plans.
- **Adherence to the Strategic Business Plan.** Facilities delivered at the time they are needed in accordance with predetermined activity triggers. Ensure appropriate debt and PFC capacity is available for future development.
- **Response time to tenant requests.** The time it takes to deliver the requested facility modification or expansion requested by air carriers and other tenants.
- **Cost per enplaned passenger.** The fees airlines pay for facility rental and landing fees divided by the number of enplaned passengers.
- **Capital project cost mix.** The measurement of soft and hard costs in the development of a project. Hard costs meaning the actual cost of construction and soft costs encompassing design, inspection, testing, planning and administration.
- **Customer satisfaction.** What our tenants and passengers have to say about our facilities and services.
- **Sustainable capital development.** The measurement of facility and infrastructure development that preserves natural resources and incorporates energy savings.

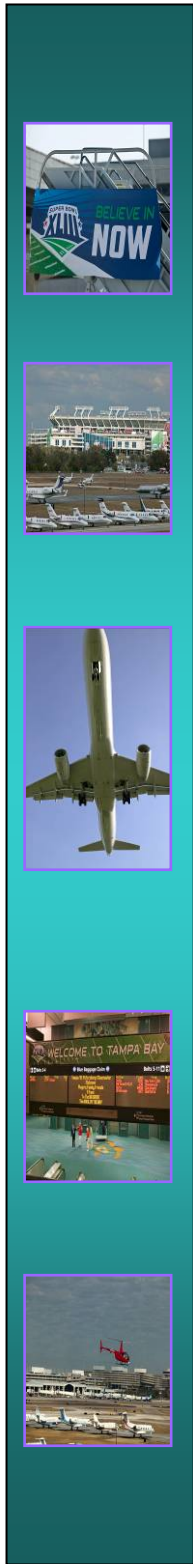
3. FUTURE DEVELOPMENT REQUIREMENTS

3.1 Forecast Review

Facility and infrastructure development is triggered by traffic growth. The timing of individual capital projects is a function of the rate of traffic growth and the demand this growth places on the capacity of airport facilities that function as a system and must therefore be balanced. In defining a comprehensive program for the Authority, traffic forecasts were reviewed in conjunction with acceptable levels of service airport-wide.



The forecast was reviewed and updated based on the current economic conditions both nationally and locally, and a more conservative enplanement forecast is predicted. A strong potential exists for stagnation of enplanement growth due to these economic and industry conditions.



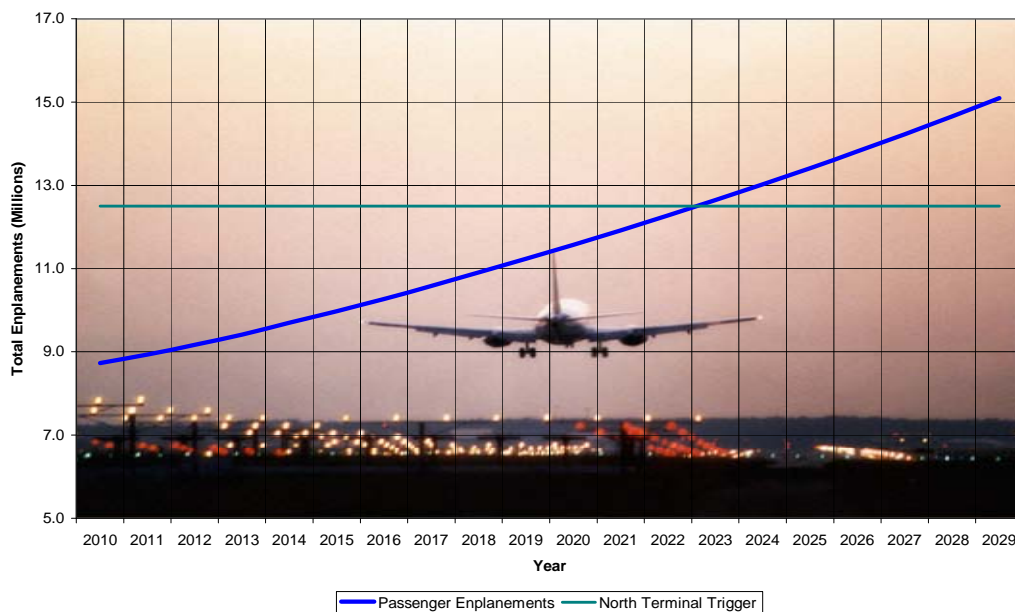
The Tampa Bay area has experienced a greater rate of decrease than other regions in the United States, a trend that is expected to continue through 2010. The previous trend of relocating to a more desirable southern climate with a lower cost of living and lower than average labor costs has reversed. It is anticipated that between 2011 and 2013 the home construction industry will begin to stabilize and that the demand for air service in the Tampa area, as well as the entire state of Florida, will rebound. The annual passenger activity at Tampa International Airport is expected to grow to 30.2 million by 2029. When the existing terminal facilities reach 25 million to 28 million total passengers per year, it is recommended that the first phase of the new north terminal complex be implemented to avoid severe reductions in levels of service in the existing terminal area. The current forecast anticipates reaching this trigger in 2023 as compared to 2015 in the 2006 Business Plan Update.

To help validate the updated forecast for passengers and aircraft operations, a study of the socioeconomic and other comparative airport data was undertaken. The study analyzed the economic outlook for the Tampa Metropolitan Statistical Area compared to other metropolitan areas within the state of Florida, as well as other comparable areas within the southern region and nationally. The study also analyzed airline agreement types, airport financial metrics, enplanement and revenue statistics and socioeconomic statistics.

Exhibit 3A shows passenger enplanement forecast traffic growth at the airport. The updated baseline forecast used for the strategic planning process projects passenger enplanements to increase from 8.6 million in 2009 to 15.1 million in 2029, representing an annual compounded growth of 2.9% during the forecast period.

Exhibit 3A

Passenger Enplanements Forecast



Forecasts of aircraft operations, including both landings and takeoffs, are based on the average size of the aircraft servicing the airport, the average number of passengers on each flight and the potential markets that will be served. All three of these factors are expected to

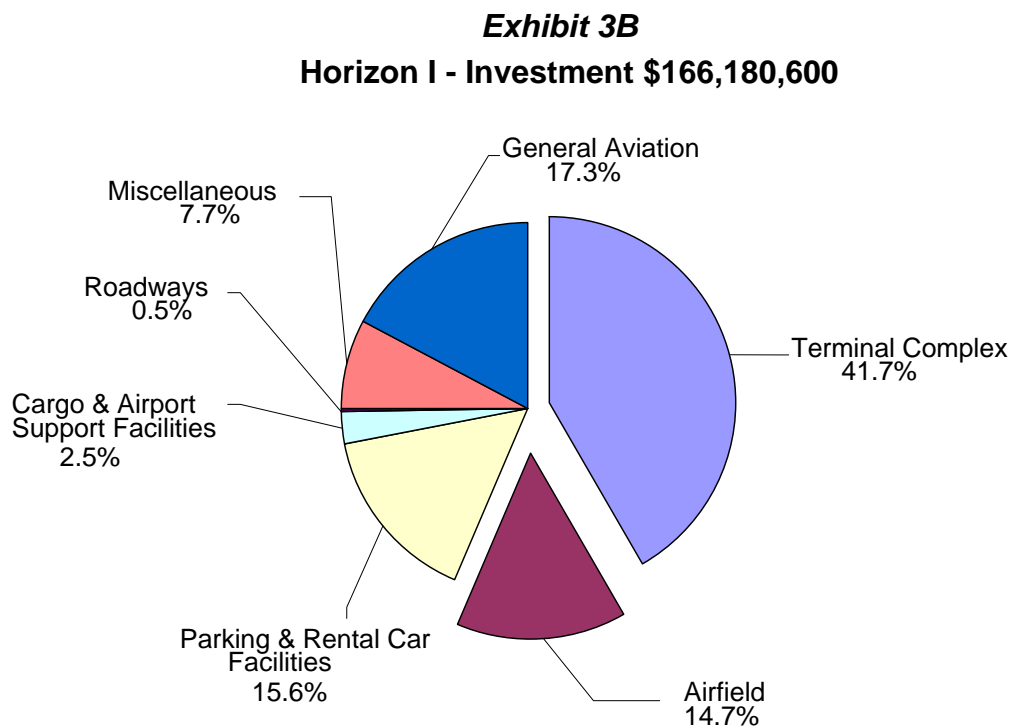
increase at Tampa International over the development period. Annual aircraft operations are forecast to increase at a compounded average growth rate of 2.2% under the updated forecasts.

3.2 Capital Project Assessment

In keeping with the Authority’s objectives, the capital development plan programs major projects around key decision points. Subsequently, the Authority can re-evaluate the appropriateness of the development plan in light of the latest national and local trends. This update reflects current and future planning activities based on demands and security requirements since the June 2006 business plan update.

As in past updates, the plan revolves around three key planning horizons. Each capital project has been scheduled to come on line to meet the activity demand trigger. Project costs have been escalated throughout the program based on historical results and national and regional construction cost forecasts.

The Initial Horizon encompasses current development already underway and planned projects through 2014. Exhibit 3B illustrates the size of the capital plan estimated at slightly more than \$166 million with nearly 42% for improvements to the airside and landside terminals. This period focuses on refurbishing and rehabilitating the Authority’s structures and airfield pavements.

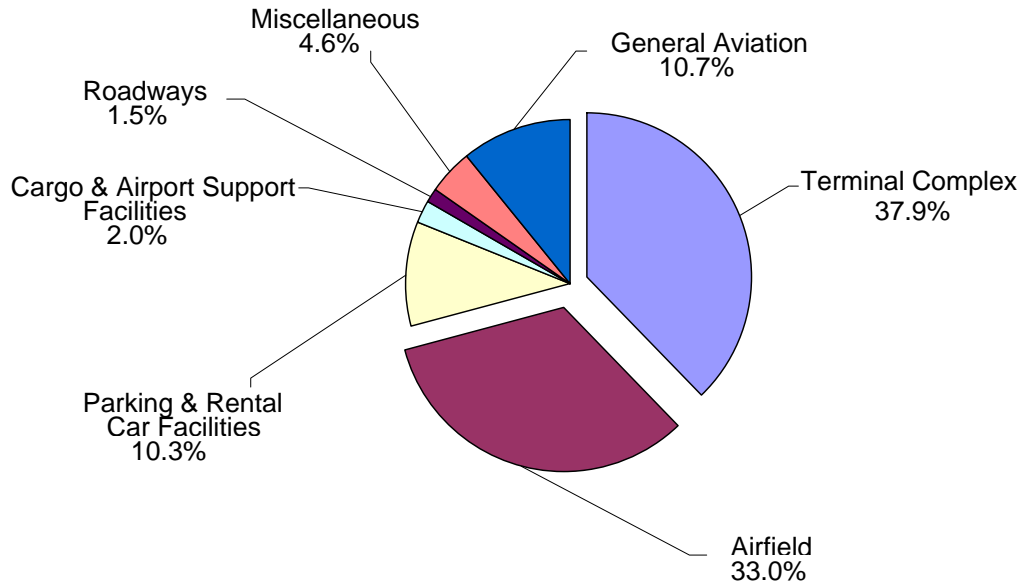


The Horizon II period represents an investment of slightly more than \$427 million during the next five-year period from 2015 to 2019. Exhibit 3C provides the estimated cost summary for this period which continues to focus on refurbishing and rehabilitating the Authority’s

structures and airfield pavements. Airfield taxiway capacity enhancements needed for the initial phase of the north terminal complex are also developed during this horizon.

Exhibit 3C

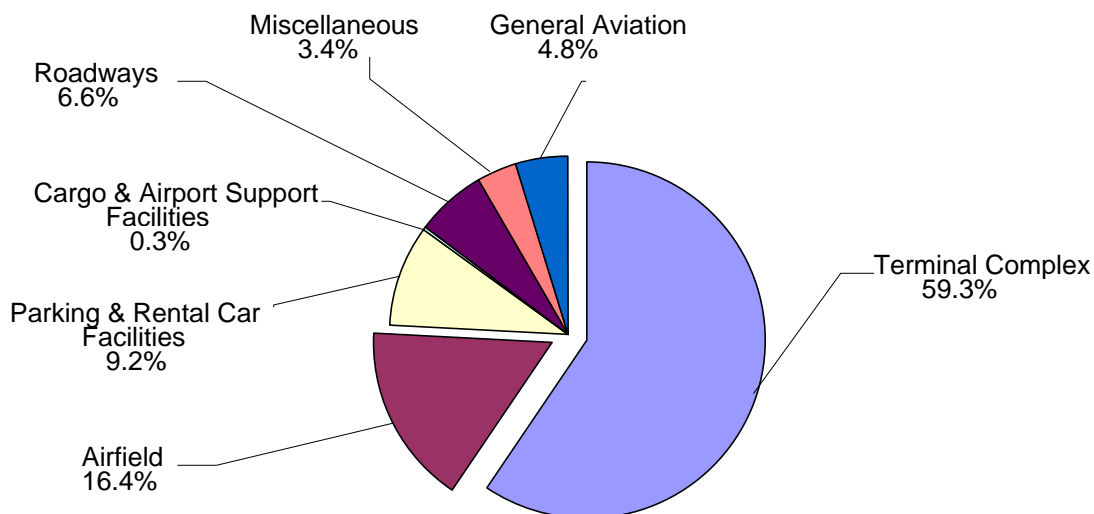
Horizon II - Investment \$427,593,300



The final Horizon III contains projects scheduled to begin during the following ten-year period from 2020 to 2029. Exhibit 3D displays the projected costs associated with the planning horizon at nearly \$2.2 billion. The primary focus of this horizon is opening the first phase of the north terminal complex in 2023 and starting the development of the second phase at the end of the third horizon.

Exhibit 3D

Horizon III - Investment \$2,150,950,000



The following is an overview of the major development programs over the next 20-year planning period.

3.2.1 Terminal Complex Facilities

The 2005 Master Plan Update identified ways to maximize the current terminal complex capacity to handle 25 million passengers before the north terminal facilities will be needed. This goal will be nearing completion when the current baggage claim level expansion and modernization project is complete in December 2010. Implementation of common use passenger processing systems currently planned early in the initial horizon is the final project necessary to maximize the terminal complex capacity.

The existing terminal complex will approach forty plus years in age during the initial horizon and will require extensive refurbishment during the first two horizons to keep it fully operational. Improvement projects recommended for the existing terminal complex aimed at maximizing and maintaining its operational efficiencies include replacement of automated people movers, electrical switchgear and emergency generators, passenger boarding bridges and various interior refurbishments throughout the terminal complex.

3.2.2 Public Parking and Rental Car Facilities

A major rental car expansion program will be accomplished in 2010 to accommodate all major rental car brands within the terminal complex. Another major undertaking will be the replacement of the monorail system serving the long-term parking garage and the landside terminal, which will reach the end of its design life in the second horizon.

3.2.3 Cargo and Airport Support Facilities

Airport support facilities typically include those airport buildings, aprons, parking areas and infrastructure systems that support non-passenger airline activities. With the addition of a new north terminal complex there will be a need to relocate the ARFF training facilities to a new site in Drew Park during the second horizon. Additionally, a 30-acre parcel of property has been preserved in the Drew Park area for the possible relocation of the United States Post Office from its present location.

3.2.4 Airfield

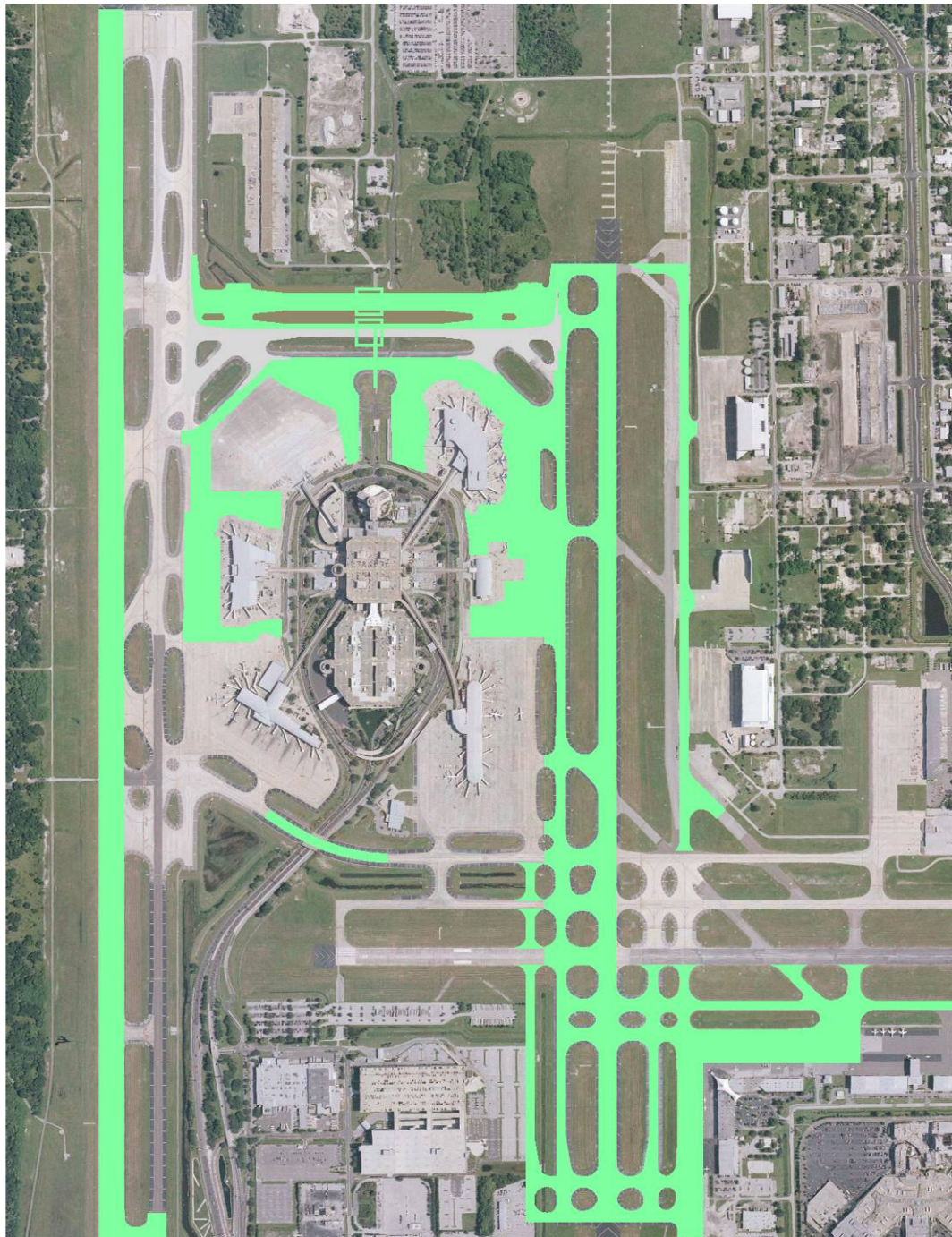
Each horizon contains significant airfield rehabilitation projects. By the end of the third horizon virtually the entire airfield will be reconstructed or have undergone a major rehabilitation.

The second and third horizons will include the development of the first phase of the north terminal complex and associated aircraft aprons, as well as a new elevated crossover taxiway M parallel to and north of the new crossover taxiway B currently being constructed. Two letters of intent are planned during these horizons to assist in funding major airfield reconstruction and pavement replacement projects on runways, taxiways and airside ramps. The significant rehabilitation projects in these horizons include reconstructing taxiway J

bridge, expanding the fuel farm and replacing the fuel line from the fuel farm to the airside, rehabilitating runways 18L/36R and 18R/36L, extending taxiway A south from taxiway J to runway 36R and the reconstruction and realignment of taxiway E to runway 18L. The airfield development and rehabilitation program is shown in Exhibit 3E.

Exhibit 3E

Airfield Development and Rehabilitation Program



3.2.5 Roadways

Most of the recommended roadway and ground access improvements are contained in the third horizon and are associated with phase 1 of the north terminal complex. Additionally, the parkway and service roads will undergo pavement rehabilitation.

A dedicated light rail corridor has been established to enable the community to develop light rail on airport property from Spruce Street north to Hillsborough Avenue and then proceeding along the Authority's rail corridor, currently under lease to CSX, eventually exiting Authority property just south of Linebaugh Avenue. The plan includes the Authority developing a light rail station at the existing landside terminal, and ultimately another station will be developed at the north terminal. The current elevated taxiway B project includes a set aside right-of-way for the light rail as part of the transportation corridor.

3.2.6 Noise Abatement Program

As part of the 2005 Master Plan Update, the noise contours in the previous master plan were updated to reflect the existing airfield plus the addition of the new west runway. The noise contour exposure area was smaller than the exposure area generated during the previous master plan update. Noise contour exposure areas will continue to be analyzed for change in future master plan updates.

3.2.7 General Aviation

The master plans for the three general aviation airports were completed in 2003. The capital improvement projects required to meet projected demand have been identified and refined based on need through 2029 and are incorporated in this business plan update. Emphasis will continue to be placed on providing covered storage and hangar development to fully support the transportation needs of the community without over developing and to improve the financial viability of the general aviation airports. The ultimate build out of hangar facilities will be reached in the first half of the third horizon.

3.2.8 North Terminal Program

As stated earlier, terminal capacity beyond 25 million annual passengers will be provided by the north terminal complex. The complex will include a central landside terminal with public parking and car rental structures and four remote airside connected to the landside terminal by automated people mover systems. The four remote airside will be capable of accommodating up to fifty new aircraft gates.

For implementation purposes, an incremental development plan has been developed for the north terminal program. The first phase of implementation includes construction of a portion of the landside terminal building, a new Federal Inspection Services (FIS) facility for processing international arriving passengers and an airside concourse accommodating fourteen gates. An airside shuttle will provide access from the landside terminal to the airside concourse. A sterile corridor will be needed to connect the per use gates with the FIS facility. The north terminal facilities are envisioned to provide the following operational enhancements

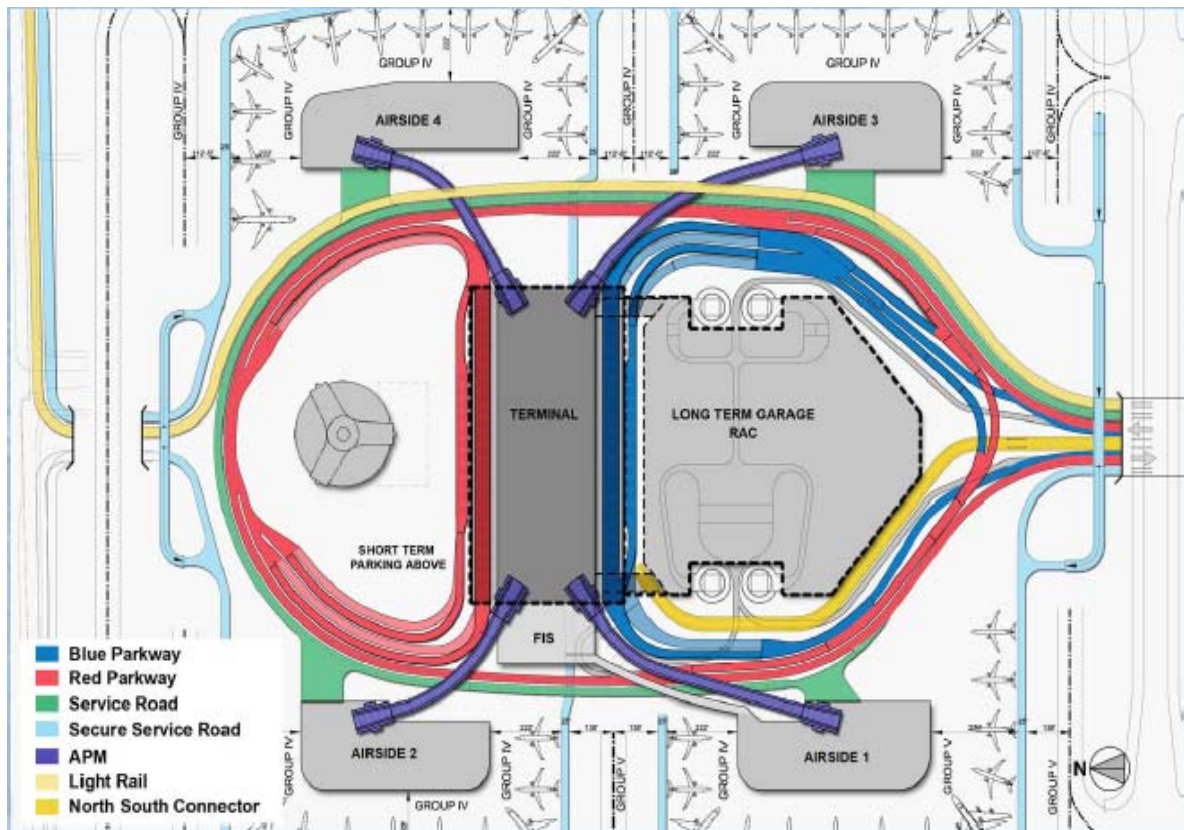
relative to the existing south terminal complex and are planned to open in the first half of the third horizon:

- Push-back areas for aircraft parking positions
- Larger terminal footprint and additional parking capacity adjacent to the north terminal building
- Added terminal curbfront capacity on the inner and outer curbs
- Larger transfer level space for expanded passenger circulation and meeter/greeter waiting areas
- Redefined landside layout combining ticketing and transfer levels
- Continuous baggage claim level with a single rental car facility

The following exhibit 3F shows the north terminal at full build out along with other significant expansion projects:

Exhibit 3F

North Terminal Conceptual Design



4. FINANCIAL CONSIDERATIONS

4.1 Funding Strategies

In establishing a financing plan for the development program, three factors were considered: sources of funding available, ongoing operational and maintenance costs and individual projects.

The Authority relies on various funding sources including operating revenues, Passenger Facility Charges (PFC), Federal Airport Improvement Program (AIP) grants, Florida Department of Transportation (FDOT) grants and Florida Strategic Intermodal System Growth Management (SIS) grants as major funding sources for financing the development program. Under the airline/airport use agreement initiated in October 1999, the Authority generates surplus revenue for capital programs. Surplus revenue is determined by taking all operating revenues generated during the year less operating expenses, annual debt service, airline revenue sharing and increases or decreases to O&M reserve.

As a part of the business plan, financial models were developed to analyze the development program. The models are structured to evaluate numerous scenarios based on available income sources. The results indicate the Authority's capacity to finance projects varies during the three horizons.

The Initial Horizon period shown in Exhibit 4A reveals the most constrained financial capacity placed on the Authority during any of the forecast periods due to the slow passenger and economic recovery during this period. The requirement of \$115.5 million from Authority funds represents 90% of projected surplus revenue generated during this time frame and will require the Authority to closely monitor its economic recovery with planned development to ensure continued financial success. It should also be noted that this period reflects the smallest amount of AIP funding of any horizon due to a lack of high priority discretionary eligible projects.

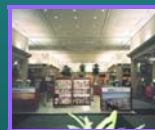


Exhibit 4A – Funding Sources Horizon I (2010-2014)	Amount
FAA Airport Improvement Grants	22,661,700
Florida Department of Transportation Grants	22,995,100
General Airport Revenue Bonds	5,000,000
Aviation Authority Funds	115,523,800
Passenger Facility Charges	--
Total Funding Sources	166,180,600

The Horizon II period depicted in Exhibit 4B below anticipates significant AIP grants for three projects which fall in the FAA top priority listing. These include the construction of the elevated Taxiway M, the reconstruction of the Taxiway J Bridge and a major ramp replacement around the terminal facilities. During this horizon, FDOT SIS grants are programmed to assist with the costs of delivering light rail to the airport and the new transportation corridor under Taxiway M.

Authority surplus revenues required to fund this development period represents 82% of projected surplus revenues generated during this time frame. The remaining 18% of projected surplus revenues provides the Authority flexibility in addressing unanticipated development requirements and changing conditions.

Exhibit 4B – Funding Sources Horizon II (2015-2019)	Amount
FAA Airport Improvement Grants	91,416,400
Florida Department of Transportation Grants	85,699,100
General Airport Revenue Bonds	--
Aviation Authority Funds	138,872,900
Passenger Facility Charges	111,604,900
Total Funding Sources	427,593,300

The Horizon III forecast shown in Exhibit 4C consumes 78% of the projected surplus revenues generated, providing considerable flexibility to the Authority. As a result, the development demands appear feasible during this period. This horizon also marks the issuance of several long term debt issues to assist in funding this large capital program.

Exhibit 4C – Funding Sources Horizon III (2020-2029)	Amount
FAA Airport Improvement Grants	200,561,800
Florida Department of Transportation Grants	115,744,700
General Airport Revenue Bonds	728,447,500
Aviation Authority Funds	304,249,800
Passenger Facility Charges	801,946,200
Total Funding Sources	2,150,950,000

4.2 Financial Capacity Analysis

The financial capacity analysis encompassed four distinct components. These include AIP grants, FDOT grants, passenger facility charges and debt capacity analysis.

Prior to determining the capacity for AIP and FDOT grants, each capital project was evaluated for eligibility, as well as priority, within the federal and state guidelines. The grant capacity analysis then determined the anticipated project funding. In previous business plan reports a sensitivity analysis was also performed in the event the Authority did not receive all anticipated AIP discretionary funding as planned. This sensitivity analysis assumed that projects which did not qualify for the FAA's top three discretionary priorities were eliminated and determined if the plan was still feasible. This business plan update only includes the top two priorities of the FAA's discretionary grant guidelines under letter of intents, eliminating the need for further sensitivity analysis and portraying the most conservative approach. The first letter of intent is planned for a five-year period beginning in FY 2018 that commits our entitlement funds and receives \$8 million per year in discretionary funding. This program will cover 50% of the costs for the new crossover taxiway M, the Taxiway J reconstruction and airside ramp replacements.

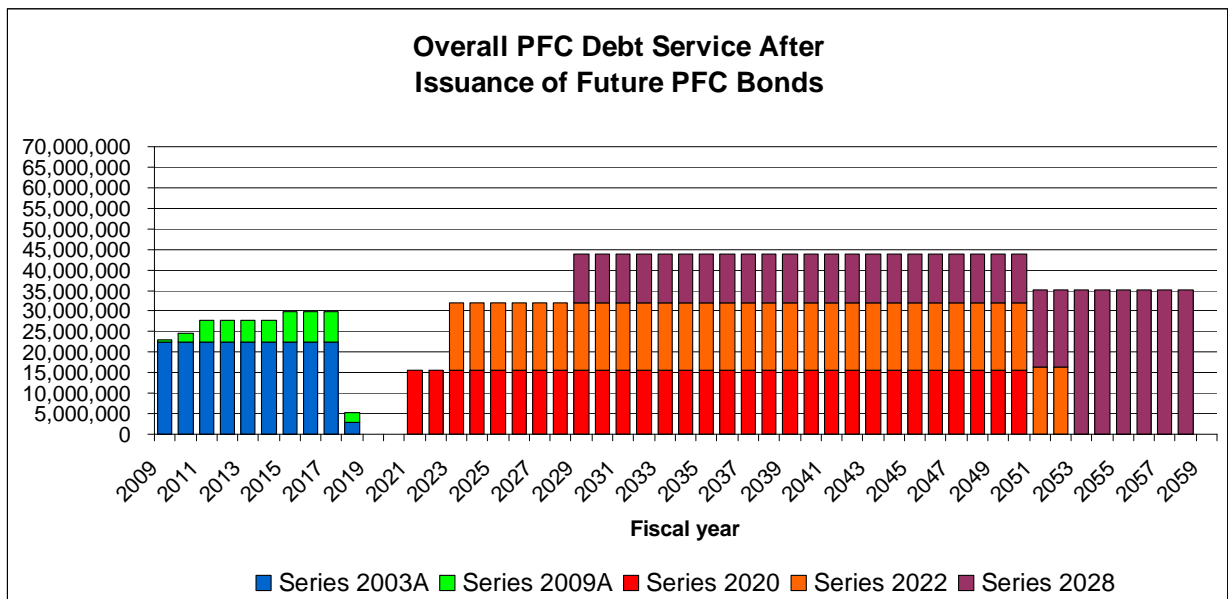
The second letter of intent will begin in 2023 and run for ten years with discretionary funding at \$10 million per year. The letter of intent will cover 55% of the costs for the replacement of runways 18L/36R and 18R/36L, Taxiway C replacement and replacements of a portion of Taxiways A, D, E, P, Q, R, S and W. Funding under the FDOT grant program shows funding for the first five years well below our historical amounts based on the financial strains being placed on the state budget and the projected slow recovery. The second and third horizons anticipate a full economic recovery and a return to historical grant levels with the inclusions of several grants involving the strategic intermodal growth system which will meet the Florida Department of Transportation's highest SIS priorities.

Under the financing plan, using a PFC amount of \$4.50 per eligible enplaned passenger, the Authority can generate the amount of passenger facility charges necessary to meet the development program requirements, including the development and construction of the north terminal complex. The financing plan uses a mixture of pay-as-you-go and long term debt

financing for the PFC funded portion of the capital program with the goal of minimizing the amount of debt and maximizing the amount of pay-as-you-go. The Authority’s existing PFC debt will be completely paid off by 2018. The planned new PFC debt structure anticipates a Series 2020 in the amount of \$214.7 million, a Series 2022 in the amount of \$224.4 million and a Series 2028 in the amount of \$184.2 million as depicted in Exhibit 4D showing the overall PFC debt service program. The FAA reauthorization bill currently under consideration raises the PFC maximum amount from the current \$4.50 level to \$7.50 with price indexing. The bill also reduces AIP entitlement to those airports that initiate the higher PFC rate. This new funding authority, if approved, could generate an additional \$611 million in PFC collections and reduce AIP entitlements by \$86 million calculated in 2011 dollars over the business plan. Implementation of the new provision would provide increased flexibility with PFC pay-as-you-go funding and a much shorter debt repayment plan or increased PFC utilization on projects with less reliance on GARB debt service than what is currently shown in this business plan update.

Overall PFC Debt Service Program

Exhibit 4D

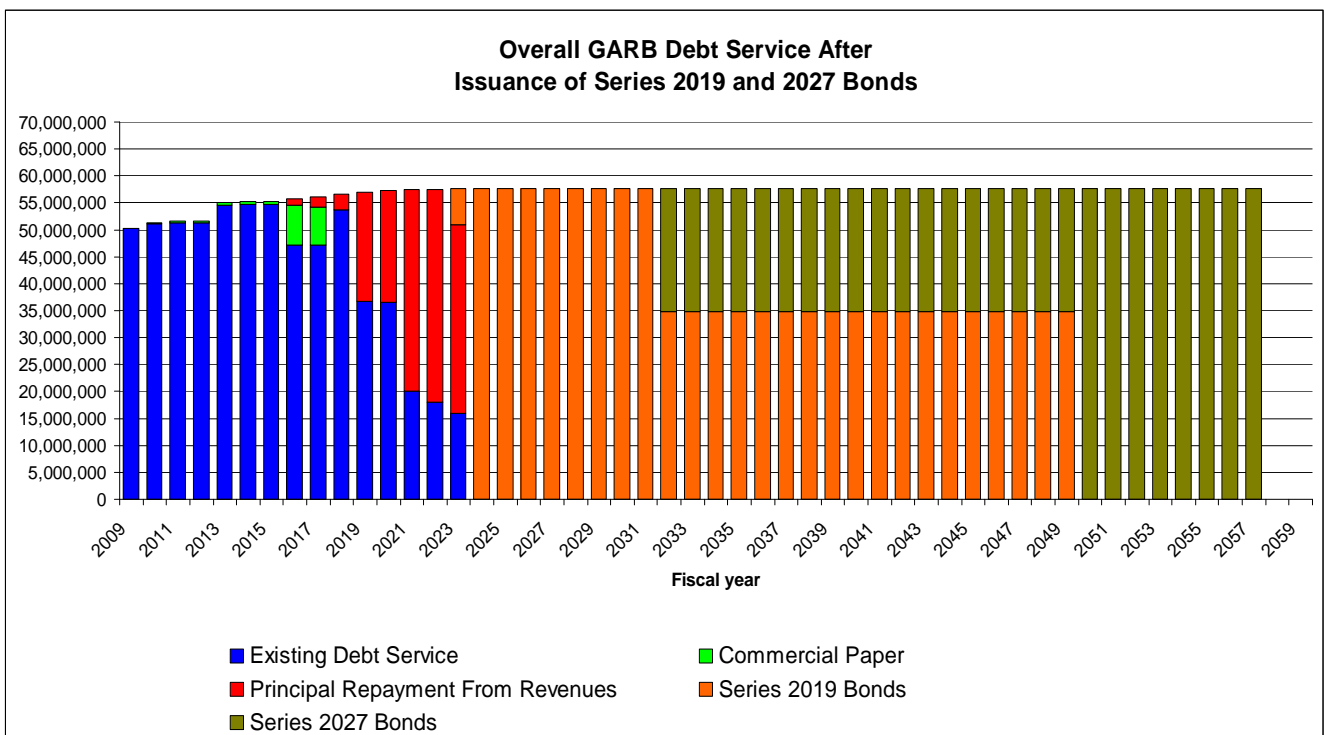


The Authority has positioned itself to have significantly reduced annual debt service requirements starting in 2018 to accommodate the anticipated new debt requirement to deliver the new north terminal complex. Since the new north terminal opening has been delayed due to reduced passenger demand, the opportunity now exists for the Authority to completely pay off its General Airport Revenue Bonds (GARB) prior to the start of new debt service payments associated with the north terminal complex development. The financing plan calls for two GARB debt issuances paid from airport revenues and includes a Series 2019 bond issue in the amount of \$594.7 million, followed by a Series 2027 bond issue in the amount of \$351.1 million. These debt issues will provide funding for both the first and second

phase of the new north terminal complex development. To accommodate this plan the Authority plans to accelerate principal payment of outstanding bonds starting in 2016 and completing in 2023. The Authority will utilize capitalized interest with the issuance of this new debt, making fiscal year 2023 the first year that debt service will be payable from airport revenues. As shown in Exhibit 4E, this debt program will provide for level annual debt service of \$58 million resulting in little or no impact to airline rates and charges for the delivery of the new north terminal complex.

Overall GARB Debt Service Program

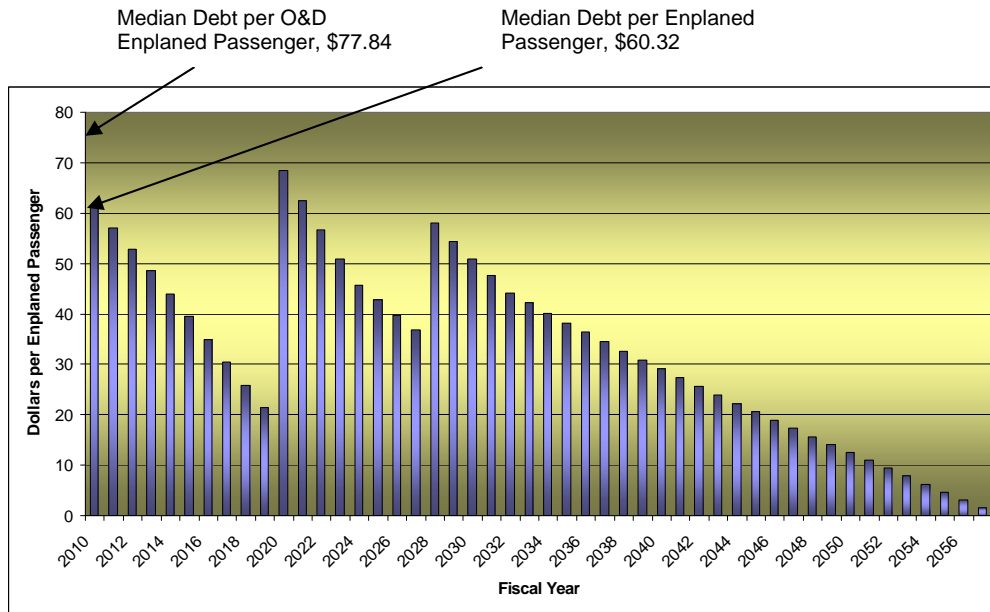
Exhibit 4E



The Authority’s general airport revenue bond debt, secured with airport revenues, historically has been slightly below industry ratio averages and is now well below the national median debt per O&D enplaned passenger. The debt capacity analysis shown below in Exhibit 4F indicates the ratio will remain below industry averages during the development period.

Debt per Enplaned Passenger

Exhibit 4F

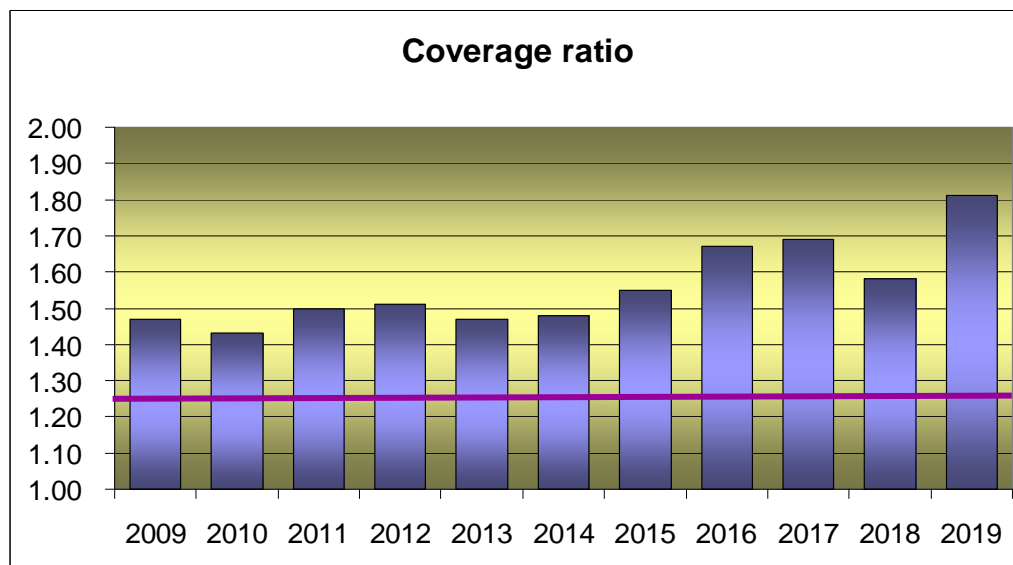


Moody's Investors Services: US Airport Medians for FY 2008

The debt service coverage ratio also remains well above the minimum 1.25 coverage requirements as depicted in Exhibit 4G.

Debt Service Coverage Ratio

Exhibit 4G



1.25 coverage required by Trust Agreement.

4.3 Operating Expense and Revenue Analysis

Included in the airline rates and charges model are projections of operating and maintenance (O&M) expenditures and non-airline revenues for the period of FY 2010 through FY2019. These projections are based on a review of historical financial performance, estimated annual inflationary impacts, estimated future aviation activity levels, discussions with Authority staff as well as our Airport Consultant and impacts associated with undertaking projects contained in the development plan.

4.3.1 Operating & Maintenance Expenditures

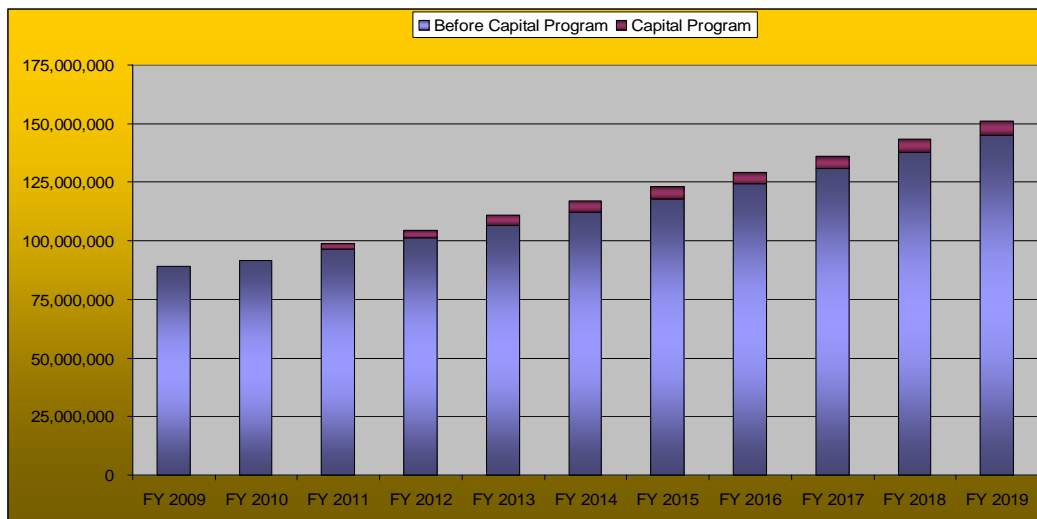
O&M expenditures include O&M expenses, purchases of all equipment with a unit cost less than \$50,000 and capital projects with a cost less than \$50,000. Projections were made taking historical and future expected inflationary trends into account, as well as the O&M impact of new capital programs placed in service.

To develop the operating expense projections, inflation factors were applied to the various O&M categories, from 2.5% for supplies and materials, 4.5% for maintenance expenses, 5% for utilities and insurance to 6% for personnel related costs.

The business plan forecast of operating expenses is shown in Exhibit 4H.

Forecasted Operating Expenses

Exhibit 4H



O&M costs associated with new projects coming on-line include the expansion of the rental car operations in FY 2011 and CUPPS phase I and II in FY 2012 and FY 2013. It should be noted the rental car expansion expenses will be recovered in reimbursement revenue from the rental companies. Other projects coming on-line and impacting O&M expenses to a

lesser degree include the bag claim expansion, reclaimed water project and the Taxiway B and service road project.

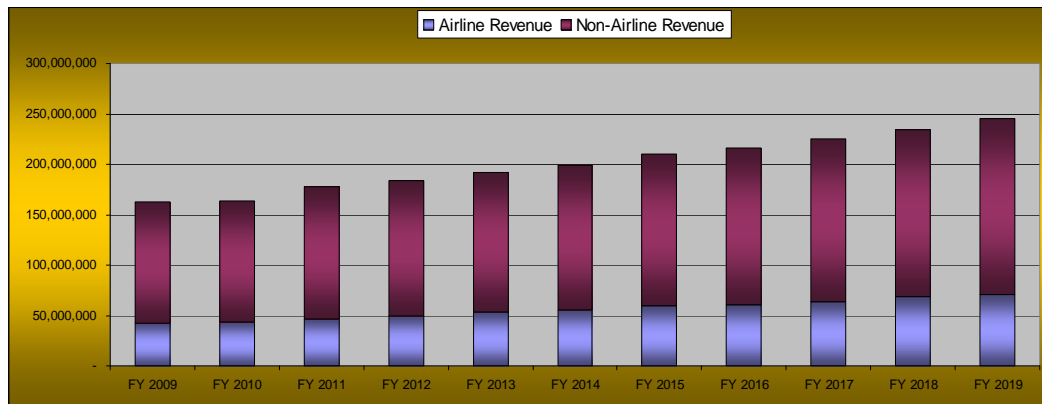
4.3.2 Revenues

Non-airline revenues are basically all airport revenues excluding airline revenues received through landing fees and terminal rents. Included are revenues from terminal concessions, parking, rental car fees, general aviation, cargo, other building rentals, interest income and miscellaneous other revenues.

The projections for non-airline revenues were derived by taking into account estimated inflationary trends over the ten-year business plan period ending in FY 2019, expected passenger and activity growth, current and anticipated lease terms and the impact of new revenue generating projects and concepts. Exhibit 4I is a summary of these revenues by fiscal year over the business plan timeframe.

Revenue Projections

Exhibit 4I



As evident in the current economic recession and past economic recoveries, revenues may be impacted significantly as the economy declines or rebounds. With this in mind, the projections in this business plan have leaned toward a realistic, yet conservative approach. Non-airline revenue was projected based on an appropriate factor for each category of revenue.

4.4 Airline Costs

Airline costs at Tampa International Airport are among the lowest in the industry on a unit cost basis. While the industry average cost per enplaned passenger is in the \$9 to \$11 range, the airline’s cost of operating at Tampa is currently half the industry average. As shown in Exhibit 4J, the airline’s cost of operating at Tampa will remain relatively constant, extremely competitive and well below the industry average.

Projected Cost per Enplaned Passenger

Exhibit 4J

	Signatory CPE	Constant 2010 Dollars
Fiscal Year 2009	\$4.78	\$4.78
Fiscal Year 2010	4.74	4.74
Fiscal Year 2011	5.04	4.89
Fiscal Year 2012	5.21	4.90
Fiscal Year 2013	5.53	5.03
Fiscal Year 2014	5.61	4.94
Fiscal Year 2015	5.75	4.89
Fiscal Year 2016	5.76	4.72
Fiscal Year 2017	6.90	4.66
Fiscal Year 2018	6.13	4.66
Fiscal Year 2019	6.21	4.53

Exhibit 4K shows a comparative analysis of airline costs per enplaned passenger at thirteen airports in 2008. Additionally, the schedule depicts the five-year capital development program planned for 2009 - 2013 and the total O&M expenses per enplaned passenger for 2008. A central objective of the strategic business plan is to maintain the low airline operating costs experienced at Tampa International.

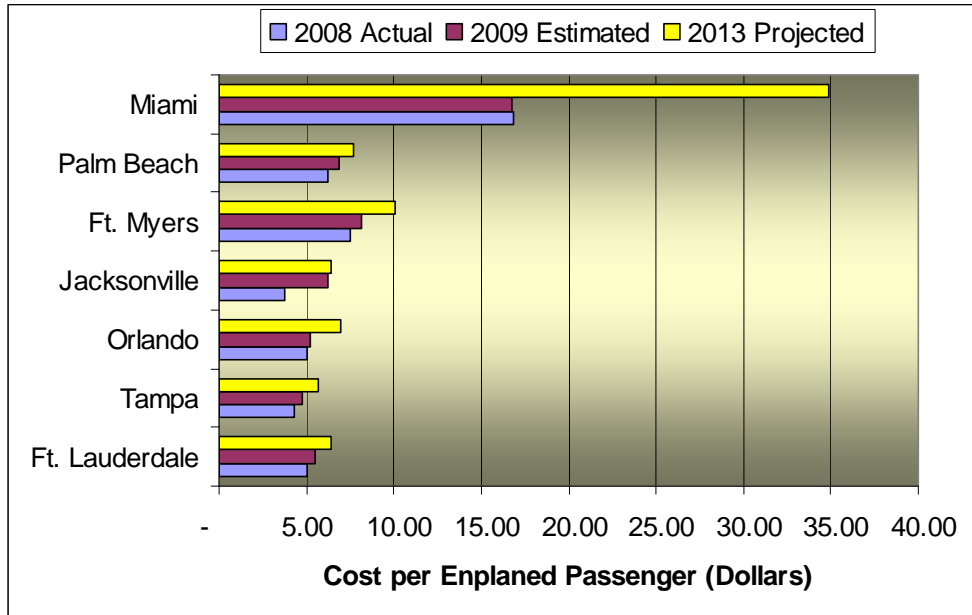
Comparative Airport Rates 2008

Exhibit 4K

Airport	Airline Cost Per Enplaned Passenger	O&M Cost Per Enplaned Passenger	Five-Year CIP Program (\$millions)
Baltimore Washington	8.00	14.48	395.8
Ft. Myers	7.49	14.08	698.3
Ft. Lauderdale	4.83	10.86	1,340.5
Jacksonville	3.88	13.37	225.5
John Wayne	8.65	11.73	413.8
Miami	17.23	22.48	2,014.9
Orlando	5.65	11.43	582.2
Palm Beach	6.20	13.43	609.5
Portland	11.79	12.11	968.9
San Diego	5.99	12.15	275.4
Tampa	4.47	9.61	379.9
Washington Dulles	14.06	18.37	967.7
Washington Regan	10.54	15.06	243.9

While performing the comparative analysis, a review of projected 2009 and 2013 airline costs per enplaned passengers for selected airports in the state of Florida was undertaken. Exhibit 4L depicts that Tampa’s projected airline cost per enplaned passenger will remain very competitive.

**Actual & Projected Airline Charges
Selected Florida Airports
Exhibit 4L**



5. IMPLEMENTATION & RECOMMENDATIONS

The business plan is comprised of three distinct periods. These periods are driven by the need to update and rehabilitate existing facilities and infrastructure, implement improved functionality and accommodate the demand requirements of a recovering and growing customer base. Each period has a specific center of attention and varied financial elasticity.

5.1 Initial Horizon Period (2010 – 2014)

This first horizon represents a recovery from the recession with record passenger activity returning in the latter part of the horizon. The Initial Horizon period contains a development program which will (1) complete the capacity enhancement projects for the existing terminal complex expanding the capacity to handle 25 million passengers, (2) improve functionality and reduce costs with the implementation of shared tenant services and common use passenger processing technology, and (3) continue to update and rehabilitate the existing facilities and infrastructure to maintain existing service levels.

5.1.1 Challenges

- **Slow Economic Recovery.** Generating sufficient net remaining revenues to fund the development program and maintaining a strong cash position is a key principle of defining success during the initial horizon period.
- **Providing Safe and Secure Facilities.** The Authority will continue the proactive approach of working with the Transportation Security Administration (TSA) to meet the security mandates and ensure efficient passenger processing times.
- **Accommodating a Changing Airline Industry.** Several intriguing challenges which management will deal with in the evolving industry include the dynamics of the low cost carriers and the continued evolution of cost competitive hub and spoke air carrier systems. This, combined with the economic uncertainties of reduced air travel demand, rising fuel prices and new pricing initiatives, will require the Authority to remain flexible in its development and marketing plans.
- **FAA Reauthorization and Passenger Facility Charge increases.** Gaining FAA reauthorization will provide a stable federal airport grant funding program during the first horizon. The Authority will continue its



efforts to increase the Passenger Facility Charge from \$4.50 per enplaned passenger to \$7.50 improving our ability to meet future development goals and maintain a competitive rate structure.

- **Ensuring Acceptable Customer Service Levels.** This challenge requires continued diligence of protecting passenger and tenant convenience while constructing improvements and maintaining existing infrastructure. The Authority will constantly monitor customer requirements and service level indicators during construction and develop transition plans to minimize impacts and ensure projects are delivered when needed.
- **Improving Terminal Roadway and Curbside Operations.** The terminal curbside will continue to experience periods of heavy congestion negatively impacting customer convenience. Curbside operations will need to be improved during this horizon providing improved airline identification, enhancing vehicular movement and decreasing curbside delays.

5.1.2 Action Items - Business

- ❖ Analyze economic conditions and changes in demographics and continue to identify alternatives for improved revenue generation and cost control. Passengers are projected to exceed record levels during FY 2014 requiring us to actively monitor and trend passenger activity to ensure accurate financial projections and planning.
- ❖ Negotiate a new airline/airport use agreement that provides the framework to implement common use passenger processing and continued strong financial performance while still producing a very cost competitive rate structure for the air carriers.
- ❖ Implement the shared tenant services program providing data and voice services to the airport and its tenants at a reduced rate with high service levels.
- ❖ Initiate common use passenger processing systems providing our air carriers with an improved platform for information technology passenger processing at check-in and gate operations improving service levels and facility utilization.
- ❖ Actively participate in the Federal Aviation Administration reauthorization debate and strive to enact an increase in passenger facility charges tied to price indexing and eliminate the need for Federal AIP entitlement grants for large and medium sized airports.
- ❖ Actively work with state representatives to maintain or improve FDOT funding opportunities and identify projects which enhance strategic intermodal transportation services.

5.1.3 Action Items - Development

- ❖ Refurbish, rehabilitate and update existing facilities, infrastructure and systems to maintain and improve existing service levels.

- ❖ Finalize the baggage claim expansion adding new claim devices, bag service offices and improving passenger processing. This improvement marks the final terminal enhancement to accommodate a passenger capacity of 25 million.
- ❖ Finalize the car rental expansion program allowing 96% of the Tampa car rental market to be placed on airport with the expansion of the ready return level and the quick turn around area on the ground level of the existing blue car rental operations.
- ❖ Implement the departures and arrivals terminal drives program creating a visual zone concept for passengers to more easily identify airline location and navigate the terminal drives.
- ❖ Embark on the expansion of the general aviation hangar development if economic conditions improve and demand warrants development during the first horizon.
- ❖ Begin offering shared tenant service to all airport tenants and complete the development to initiate the roll out of common use passenger processing systems for the air carriers.
- ❖ Rehabilitate the red aircraft maintenance hangar and bring all systems up to existing code allowing for the expansion of commercial jet maintenance services at Tampa International.

5.2 Horizon II Period (2015– 2019)

The airport is now experiencing record breaking passenger growth year over year during this second horizon and will require major capacity enhancements following the end of the second horizon. This is a period in which we must fine tune our existing facilities, improve functionality where possible, replace major information technology operating systems, ensure we are prepared for the community light rail initiative and complete our debt financing plans for the development of the north terminal complex.

5.2.1. Challenges

- **Balancing the utilization of the existing facilities while maintaining customer service levels.** As the existing terminal facilities reach their maximum capacity during peak periods, customer service levels will be compromised before the new north terminal is opened. The ability to develop improved operational plans that ease congestion during these peak periods and ensure exceptional customer service will be paramount during this horizon.
- **Maintaining a Cost Competitive Rate Structure.** Keeping the airline rate structure below national and regional airport rates is a significant challenge facing the Authority as it begins implementation of the new north terminal complex. The ability to structure an acceptable debt portfolio is paramount to our future success and marks one of the top challenges during the end of horizon II. Ensuring strong revenue growth and maintaining

the appropriate balance between airline and non-airline revenue must also remain a priority.

- **Implementing the light rail initiatives developed for the community.** Taking the necessary development steps to ensure we are prepared for the community light rail initiative remains a top priority during this horizon.
- **Maintaining and upgrading our existing infrastructure.** Rehabilitating and replacing existing horizontal passenger transportation equipment, major information systems, airfield infrastructure, airside, landside terminal and other facilities represents a key challenge during the horizon.

5.2.2 Action Items - Business

- ❖ Begin final planning efforts to issue \$1 billion in new long term debt for phase 1 of the north terminal complex. Structure the debt in a manner to achieve the financial goals for future development in horizon III while maintaining flexibility with the commercial paper program.
- ❖ Negotiate an airline use agreement for the north terminal development program that will maintain the Authority's sound financial condition and provide for the development of the north terminal complex to meet our growing passenger demands.
- ❖ Refine the approach for development with the FAA regarding funding alternatives for two major taxiway projects and develop a letter of intent to maximize AIP participation resulting in reduced impacts to air carrier landing fees.
- ❖ Continue to concentrate on reducing operating costs and developing alternative approaches that will increase financial capacity and minimize impacts to the air carrier rates keeping them well below the national average during the period.
- ❖ Complete the final planning for the north terminal development phase #1 and prepare final scheduling for the design and construction planned to take place at the beginning of the third horizon.
- ❖ Perform an analysis of the potential impacts to public and employee parking revenues and capacity requirements prior to implementing light rail service to the airport.
- ❖ Negotiate new commercial paper to replace existing program that expires during horizon II. Provides short-term debt financing which allows for maximum flexibility in the timing and structure of long-term debt.

5.2.3 Action Items – Development

- ❖ Refurbish and update existing facilities at all four airports to maintain and improve existing service levels and ensure operational capacity.

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- ❖ Replace several major information systems to include access control, public parking and financial systems.
 - ❖ Replace and rehabilitate terminal complex aircraft ramps, Taxiways A and T and the fixed base operator ramps maintaining operational capacity.
 - ❖ Replace the horizontal transportation shuttles for Airside A & C and the monorail system connecting the long term parking garage to the landside facility.
 - ❖ Continue the general aviation hangar development expansion program if economic conditions and demand warrants development during horizon II.
 - ❖ Complete the construction of the east-west taxiway system by constructing a new elevated Taxiway M and eliminating the existing portion of Taxiway A to provide efficient airfield utilization, eliminate vehicle crossings and enable the development of a new ground transportation corridor to serve the north terminal complex and accommodate light rail through the airport.
 - ❖ Reconstruct Taxiway J based on life cycle replacement criteria and include a dedicated right-of-way to accommodate the community light rail system to the airport.
 - ❖ Begin construction of the first light rail station connected to the existing south terminal complex if light rail is expanded to the airport during this horizon.

5.3 Horizon III Period (2020 – 2029)

The Horizon III represents the largest development requirements during the twenty year planning period with the opening of the first phase of the north terminal complex and beginning the construction of the second phase towards the end of this horizon. This development program will put in place the necessary infrastructure to meet the growth demands at Tampa International and once the entire north terminal complex is completed the Authority will have the capacity to process more than 50 million passengers per year. Passenger volumes will reach critical levels during peak periods in the south terminal facilities when the north terminal phases are under construction. Additionally, major portions of the airfield infrastructure will reach the end of useful life during the horizon requiring replacement and reconstruction to maintain airfield capacity.

5.3.1 Challenges

- **Ensuring future passenger facility capacity.** Increasing facility utilization with the first phase implementation of the new north terminal complex represents the single most challenging task during this horizon. Ensuring just in time development of the new landside and airside facilities will require a delivery method to provide the shortest development window for the major facility projects.

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- **Balancing the utilization of the existing facilities while maintaining customer service levels.** As the existing terminal facilities reach their maximum capacity during peak periods, customer service levels will be compromised before the new north terminal is opened. The ability to develop improved operational plans that ease congestion and ensure exceptional customer service will be paramount during this timeframe.
 - **Ensuring airfield capacity is maintained and customer service levels are not diminished.** Reconstructing the two parallel north-south runways and major portions of the connecting taxiway system at Tampa International without major disruption to aircraft operations and airfield capacity during construction is one of the top challenges facing us during this horizon. Delivering a well orchestrated construction program on an accelerated schedule will minimize operational impacts.
 - **Maintaining a cost competitive rate structure with the development of the north terminal complex.** Maintaining the airline rate structure below national and regional airport rates is a significant challenge facing the Authority. The ability to deliver cost efficient north terminal facilities and maintain effective controls on operating costs is key to our future success.
 - **North terminal complex phase #2 planning and design.** It is currently anticipated that once Tampa International Airport reaches 32.5 – 34.0 million annual passengers, the second phase of the north terminal will be required. The Authority will undertake a complete analysis to determine the appropriate construction phasing and financial feasibility associated with the development of the program during the later years of this horizon.
 - **Reducing airfield delay.** Towards the end of this horizon, airfield delay will increase to a level that will trigger the need for an environmental assessment to be performed for the design and construction of the new west parallel runway.

5.3.2 Action Items - Business

- ❖ Initiate and complete the necessary bond financings for the new terminal complex phases #1 and #2. Ensure appropriate utilization of passenger facility charges to help maintain competitive air carrier rates and charges.
- ❖ Refine the approach for development with the FAA regarding funding alternatives for the planned airfield reconstruction and develop a letter of intent to maximize AIP participation and lessen the financial impact on air carrier landing fees.
- ❖ Continue to keep airline rates and charges well below the national average both prior to and following the opening of the first phase of the north terminal complex.
- ❖ Identify alternatives to reduce operating costs and improve on the competitiveness of air carrier rates and charges.

- ❖ Balance the parking rate structure to keep up with the cost of providing and maintaining the public parking facilities with rate increases tied to the opening of the new north terminal.
- ❖ Conduct an environmental assessment for the new west runway and initiate discussions with the FAA in developing an appropriate funding program.

5.3.3 Action Items – Development

- ❖ Open the first phase of the north terminal complex in 2023. This will include the new roadway systems, public parking garages, car rental facilities, the airport's second landside terminal, a 14-gate airside complete with shuttle systems, federal inspection service facilities and all retail concessions.
- ❖ Begin design and construction of the second phase of the north terminal complex with the addition of a second 14-gate airside complete with all apron and underground fueling systems coupled with an expansion of the landside terminal facilities to accommodate the additional demand.
- ❖ Implement the major airfield reconstruction program and expansion to the aircraft fuel farm to include the reconstruction and replacement of concrete pavement on both north south runways 18L/36R and 18R/36L and the reconstruction of several connecting taxiways.
- ❖ Refurbish, rehabilitate and update existing facilities, infrastructure and systems at Tampa International and the three general aviation airports to maintain and improve existing service levels.

6. CONCLUSIONS

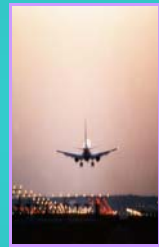
6.1 Summary

The central purpose of this 2010 Strategic Business Plan is to provide decision makers and stakeholders with a common understanding of the issues associated with development at the Aviation Authority's four airports.

The business plan demonstrates the Authority can achieve the established goals while expanding airport facilities to meet forecast demand. In particular, sustaining the airport's cost competitive rate structure and providing financial capacity for future development will be accomplished.

In order to execute the elements of the plan successfully, the Authority will be required to manage a number of key challenges and be prepared for changing circumstances in the industry. The most critical of these include:

- Ensure financial strength which affords flexibility and enables timely reaction to changing conditions, keeping abreast of industry trends and providing cost effective development without overbuilding.
- Continue to improve the productivity and utilization of existing facilities in order to extend the functional life of facilities and maintain acceptable service level standards.
- Stage the development of the new north terminal complex to meet passenger growth when needed without negatively affecting service levels.
- Structure the Authority's debt portfolio providing capacity for future requirements and cost competitive rates.
- Continue to maintain a low operating cost growth rate that ensures capacity to finance future high cost projects is preserved and airline rates remain competitive.
- Initiate efforts to increase the current passenger facility charge rate and install a mechanism for tying this charge to a price index.
- Maximize funding sources of federal and state grant programs, especially for the major airfield reconstruction efforts, strategic intermodal systems, new north terminal roadway systems and continued development of general aviation airports.



6.2 Updates to the Plan

The factors driving the development requirements are subject to considerable change as a result of a changing environment in patterns of air service, economic growth of the region and the evolution of the airline industry. This strategic business plan provides principles in making informed decisions today in the context of airport requirements and limitations in the future.

The strategic business plan financial analysis and capital development program will be reviewed and compared to actual performance on an annual basis in conjunction with the development of annual budgets. The plan itself will be updated following the completion of any master plan update, significant air service market shifts, and sustained economic downturns.