

Hillsborough County Aviation Authority Tampa International Airport

**Customer Facility Charge Revenue Bonds
2015 Series A (Non-AMT),
Customer Facility Charge Revenue Bonds,
2015 Series B (Taxable)**

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Executive Summary

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of A+ with a stable outlook to the Hillsborough County Aviation Authority, Tampa International Airport \$101 million Customer Facility Charge Revenue Bonds, 2015 Series A (Non-AMT) and \$298.4 million Customer Facility Charge Revenue Bonds, Series B (Taxable), or together the CFC Bonds.

The rating is based on KBRA's [U.S. Special Tax Revenue Bond Rating Methodology](#), published on August 21, 2012. In the process of assigning the rating, KBRA reviewed multiple sources of information, met with Aviation Authority management, and conducted a site visit of Tampa International Airport (TPA) facilities.

Security

The CFC Bonds are payable solely from and secured by a pledge of Pledged Revenues and certain funds and accounts held under the CFC Trust Agreement. Pledged Revenues are comprised of all on-Airport customer facility charges (CFCs), off-Airport transportation facility charges (TFCs), and payments made by Concessionaires (rental car companies) pursuant to their respective Concessionaire Agreements as contingent payments to cover deficiencies if any in the amount of CFCs and TFCs needed to fund Mandatory Eligible Costs. Mandatory Eligible Costs are defined as the sum of (a) Debt Service; (b) 40% of the annual O&M cost of the Automated People Mover (APM); (c) establishment/funding of repair/replacement reserves; and (d) reimbursement of the Aviation Authority for debt service on previously issued Aviation Authority Bonds, and investments made on a "pay as you go" (PAYGO) basis for existing rental car facilities.

Use of Proceeds

Series 2015A bond proceeds together with other legally available funds will be used for the purpose of financing 40% of the cost of the construction of an automatic people mover (APM) system, which will connect the Airport's main terminal with the newly constructed Consolidated Rental Car Facility (ConRAC). Additional funding sources include subordinated GARBS (\$135.2 million) sold in July 2015, and a Florida Department of Transportation (FDOT) grant (\$178.6 million out of a total \$194 million grant). Series 2015B bond proceeds fund a portion of construction costs of the ConRAC, and are supplemented by \$54.8 million of CFC PAYGO. Additionally, proceeds will be used to fund the Debt Service Reserve Fund requirement, and make a deposit into the CFC Surplus Fund.

Key Rating Strengths

- Legal framework provides strong bondholder protection through established reserves and flexibility in adjusting pledged revenues.
- Service area with significant leisure/recreation activity is an important generator of rental car transactions.
- Construction of ConRAC and APM reduces congestion and eases capacity constraints within the main terminal, curbsides and roadways, while creating more than 2,400 additional parking spaces.
- Pro forma coverage of debt service requirements is ample; MADS coverage reached in fiscal year 2016.
- No additional planned borrowing; ConRAC capacity deemed sufficient for first 20 years of facility's utilization.

Key Rating Concerns

- Sizeable leisure/recreation component represents vulnerability to economic downturns, as evidenced by sharp enplanement and rental car transaction declines due to the Great Recession.
- Competitive market for leisure/recreation destinations and potential for shifts in consumer preferences may reduce demand for rental cars at Tampa International Airport (TPA).

Rating Summary

The Hillsborough County Aviation Authority is embarking on the construction of a ConRAC and APM as part of Phase I of a potential three-phase \$2.5 billion Capital Program. The impetus for this project is the conclusion that the current rental car operations are a major contributor to congestion and constrain capacity within the main terminal, curbsides and roadways. Furthermore, the current rental car facilities are expected to reach capacity within approximately one year. Therefore, the rental car operations are being relocated to a new facility away from the terminal area, and connected to the main terminal via an APM, which will also link the economy rate and employee parking area. A new curbside will be established at the ConRAC APM station for picking up deplaning passengers, and will serve as a drop-off point for bus and public commercial transportation vehicles. The ConRAC will group all rental car companies in one location, and bring six of the seven off-Airport rental agencies to on-Airport.

The Series 2015 A Bonds provide a 40% share of the borrowing for the APM. The balance of the Bond-financed component is being met from Aviation Authority Subordinated Revenue Bonds, which were delivered in July 2015. Please see KBRA's Airport Rating Report [Hillsborough County Aviation Authority-Tampa International Airport](#), dated July 9, 2015 for additional information. The Aviation Authority has secured \$178.6 million in Florida Department of Transportation (FDOT) grant proceeds to supplement the funding. The Series 2015 B Bonds fund the ConRAC, and are augmented by approximately \$55 million in CFC funds that have been collected since the CFC was first imposed on October 1, 2011.

In KBRA's opinion, the legal framework of the financing provides strong protections to bondholders. Construction risk is minimized by a design/build contract with a guaranteed maximum price from a designer/builder that has substantial experience in the design and construction of ConRACs and APMs. There is no need for capitalized interest since the CFC is already being collected. Debt service will be paid regardless of whether the ConRAC operates. The Aviation Authority has full autonomy to adjust the CFC, which is now set at a rate of \$5.95 per transaction day, and is in the mid to upper range of CFCs in place at other U.S. ConRACs. KBRA views the imposition of a CFC as an accepted industry practice, which is unlikely to have a measurable impact on rental car activity. There are currently no plans for any adjustments in the CFC. The Concessionaire's obligation with respect to the collection of CFCs is in addition to and not a substitution for the payment of ground rent or privilege fees. The Aviation Authority has entered into 30-year Lease and Concession Contracts with the rental car companies that allow for periodic adjustments in terms.

Credit features also include a gross lien pledge, and a rate covenant that includes 1.50x debt service coverage, with rolling coverage providing no more than 25% of the bond service requirement. The Aviation Authority has very limited responsibility for O&M. Therefore, KBRA would not expect to see very broad debt service coverage. Rental car companies are required to pay operating expenses on common and exclusive use portions of the ConRAC. In the event of a deficiency in CFCs and TFCs, the Aviation Authority is authorized to assess the rental car companies deficiency payments sufficient to meet the rate covenant. These deficiency payments, also referred to as contingent rent, are an additional payment obligation of the rental car companies, and do not represent a diversion from any other required

payments. There is an unlimited step-up provision to offset a default by one or more Concessionaires. CFCs remaining after meeting the rate covenant may be applied to reimbursement of the rental car companies for operating expenses on common use areas, Aviation Authority reimbursements, accumulation of funds for future related projects, including expansion of the ConRAC, and accumulation of amounts for rolling coverage. While there is an additional bonds test to prevent over-leveraging the pledged revenue source, no further borrowing is presently planned. The ConRAC is projected to have adequate capacity for a 20-year period following its opening.

The CFC Trust Agreement establishes reserves that KBRA views as providing additional layers of protection. The Aviation Authority expects to fund a Deficiency Reserve Fund with a one-time approximate \$10 million payment at the end of the construction period. Concurrently, the Repair and Replacement Fund will be funded in a like amount. There is also a fully cash funded Debt Service Reserve Fund.

KBRA views the Tampa-St. Petersburg-Clearwater MSA as an attractive leisure/recreation destination, which is underscored by TPA's ranking as the ninth largest rental car market in the US, while TPA ranks 29th in terms of passenger activity. Besides the numerous beaches, for which the area is well known, the MSA also includes Busch Gardens-Tampa Bay, a variety of cultural institutions, a thriving cruise ship port, and Ybor City, Tampa's historic Latin Quarter. Rental car transactions are a function of visiting origin and destination deplaned passengers, with a stronger correlation in a vibrant economy. Both enplanement activity and rental car transactions declined in the midst of the Great Recession. However, with the economic rebound, rental car transactions have increased at a compound annual growth rate (CAGR) of 5.5% since 2010. Approximately 75% of rental car transactions are for leisure purposes, with the balance related to business. KBRA believes that the rental car market at TPA remains susceptible to economic cycles. However, KBRA also views the MSA's population growth favorably as it attracts commercial activity and increased visits by friends and relatives. In an expanding market, airlines are likely to increase flight frequencies and serve additional destinations with non-stop flights, which may result in additional rental car transactions.

CFCs have been collected since October 1, 2011, initially at \$2.50 per transaction day, increased to \$5.00 per transaction day in April 2014, and \$5.95 per transaction day on July 6, 2015. An off-Airport TFC of \$2.00 per transaction day was implemented in April 2014. CFC revenues increased from approximately \$14.4 million in fiscal year 2012 to \$23 million in fiscal 2014. For the first six months of fiscal 2015, CFC revenues were 120% above the level of the comparable 2014 period, with a full year projection of \$38 million. The Aviation Authority has projected total pledged revenues for the fiscal 2016 through fiscal 2024 period. The projections were based on assumptions KBRA considers reasonable. Projected total pledged revenues range from \$44.8 million in fiscal 2016 to \$52.8 million in fiscal 2024, based on compound annual 2.1% growth. Fiscal 2016 is the first full year of CFC collection at the \$5.95 per transaction day rate. At this level, pledged revenue already cover MADS by 1.50x. After factoring in rolling coverage at the permissible 25% of debt service level pursuant to the CFC Trust Agreement, MADS coverage rises to 1.68x. KBRA undertook stress cases to determine the impact on debt service coverage of event-related reductions in rental car transaction activity in the aftermath of events like the September 11, 2001 terrorist attacks and the Great Recession. Under this type of sensitivity analysis, while coverage falls below the rate covenant requirement, the Aviation Authority would have several options including the assessment of deficiency payments to the rental car companies, a draw on the Authority's Deficiency Reserve Fund, or adjustment of the per transaction day charge. These options confer significant flexibility.

The 2015 Series A and 2015 Series B Bonds are fixed rate obligations that mature in 2044. Initial full-year combined 2016 debt service of \$21.9 million rises to approximately \$29.9 million in fiscal year 2019, and remains essentially level through maturity. Therefore, KBRA would expect debt service coverage to increase over time.

Based on review of the five KBRA Rating Determinants included in the KBRA Methodology for rating U.S. Special Tax Revenue Bonds, KBRA has assigned a rating to each Rating Determinant, which is summarized as follows:

- Legal Framework: AA
- Nature of Special Tax Revenues: A+
- Economic Base and Demographics: A+
- Revenue Analysis: A+
- Coverage and Bond Structure: A+

Outlook: Stable

The stable outlook reflects KBRA's expectation that rental car transactions and associated CFCs will remain stable to slightly increasing, pro forma debt service coverage forecasts will be realized, and no additional borrowing will be undertaken.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Completion and demonstrated successful operation of APM and ConRAC facility.
- Increased diversification of the local economy.

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Rental car traffic erosion due to increased drawing capacity of nearby airports.

Key Rating Determinants

Rating Determinant 1: Legal Framework

A key element in the Hillsborough County Aviation Authority's Airport Master Plan is the consolidation and relocation of rental car operations. To achieve this goal the Aviation Authority is constructing a consolidated rental car facility "ConRAC". The facility will be linked to the main terminal by a new 1.3 mile automated people mover (APM) that is being built in conjunction with the ConRAC. The project will free-up 2,400 parking spaces in the Airport's short-term parking garage and remove 8,500 daily rental car vehicle movements from Airport roadways and curbsides. It will also accommodate additional rental car growth and increase the efficiency of rental car operations by providing on-site mechanics and refueling operations at the ConRAC. Finally, it will eliminate the bus traffic for off-site rental car customers, economy car parking users and Airport employees.

The ConRAC and APM projects are being financed in part with proceeds from the Series 2015 A&B bonds, together with the CFC Bonds. The CFC Bonds will be repaid from charges that are imposed by the Airport on the rental car companies providing service at the Airport. The legal framework governing the imposition of charges and repayment of debt is set forth within the CFC Trust Agreement and the Lease and Concession Contract (Concessionaire Agreements) between the Aviation Authority and the rental car companies that will use the ConRAC facility.

KBRA views the CFC Trust Agreement and Concessionaire Agreements as providing strong levels of bondholder protection. KBRA positively notes that governing documents set forth a gross lien pledge, fully funded debt service reserve fund, restrictive additional bonds test and a 1.50x rate covenant (including rolling coverage). KBRA also positively notes that the Aviation Authority has full rate setting authority and can adjust charges in approximately 60 days pursuant to Board resolution.

Bondholders also benefit from a step-up provision that obligates rental car companies to cover any debt service or operating deficiencies on an unlimited pro-rata basis. KBRA views this step-up provision as mitigating the uncertainties that could result if one of the large rental car companies were unwilling or unable to conduct operations at the Airport. These positive credit factors are somewhat constrained by the limited scope and relatively limited base upon which pledged revenues are collected.

Nature and Strength of Pledge

The CFC Bonds are secured by a pledge of and lien upon rental car charges and payments imposed by the Airport Authority. The Trust Agreement sets forth a gross lien pledge. There are currently 17 rental car companies providing service at or near the Airport. Most conduct operations from the designated rental car facilities that are adjacent to the Airport's main terminal building. Some of the companies provide service from off-site facilities that are located near the Airport. After construction of the ConRAC facility is complete all but one rental car company will provide service from the new facility. The company that is not participating in the new facility is a small scale local company that has historically accounted for less than 1% of the total annual gross rental car revenues.

Historically, there has been strong demand for rental car service at TPA and there is a long history of rental car companies providing service there. According to data from the Airline Revenue News 2014 Factbook, TPA hosts one of the largest rental car markets within the United States, which KBRA views as a positive credit factor indicating demand for future rentals.

KBRA understands that the lien on pledged revenues is created when the pledged revenues are collected, or received, by the Airport Authority. KBRA also understands that the Aviation Authority is obligated to deposit pledged revenues on a monthly basis into the pledged CFC Sinking Fund that is held by the trustee.

Transaction Facility Charges & Transportation Facility Charges

The CFC Trust Agreement defines pledged revenues as Customer Facility Charges "CFCs", Transaction Facility Charges "TFCs" and Concessionaire Deficiency Payments "Deficiency Payments". All of the pledged revenues are related to the business of providing rental car service at the Airport. CFCs and TFCs are similar in that they are both charges imposed on rental car companies when cars are rented from their facilities that are located on or near the Airport. Both charges are applied on a per-transaction day basis to each rented car. The distinction between CFCs and TFCs has to do with whether or not a rental car company has executed a Concessionaire Agreement. Those executing the Agreement will have space at the new facility and those not executing will continue providing service at off-site locations. On-site rental car companies will impose CFCs and off-site companies impose TFCs. The CFC rate is \$5.95 per transaction day and the TFC is \$2.00 per transaction day.

The Aviation Authority began imposing CFCs in October of 2011 at a rate of \$2.50 per transaction day. The rate was later increased to \$5.00 per transaction day in April of 2014 and then to \$5.95 in July of 2015. The fact that collection of the CFC is not tied to operation of the facility eliminates implementation risk and obviates the need for capitalized interest, which KBRA views as positive.

Concessionaire Deficiency Payments

Concessionaires are required to cover certain mandatory eligible costs related to the ConRAC facility. The costs are defined as annual debt service, 40% of the annual cost of operating and maintaining the APM, amounts necessary to establish and fund adequate repair and replacement reserves for the ConRAC and APM projects and any funds needed to pay or reimburse the Aviation Authority for debt service or "pay as you go" expenses related to the development of existing rental car facilities.

Concessionaire deficiency amounts, if required, are assessed on a pro-rata basis depended on the amount of space that each rental car company occupies at the ConRAC Facility. Deficiency payments are calculated by subtracting the total annual operating costs from the amount of CFC revenues received, reduced by amounts in the Authority's Deficiency Reserve Fund. KBRA positively views this deficiency payment mechanism as a mitigating factor against volatility in rental car transaction activity. It is KBRA's view that the unlimited step-up provision affords support in the event of a rental car company being unwilling or unable to provide continued service at the facility.

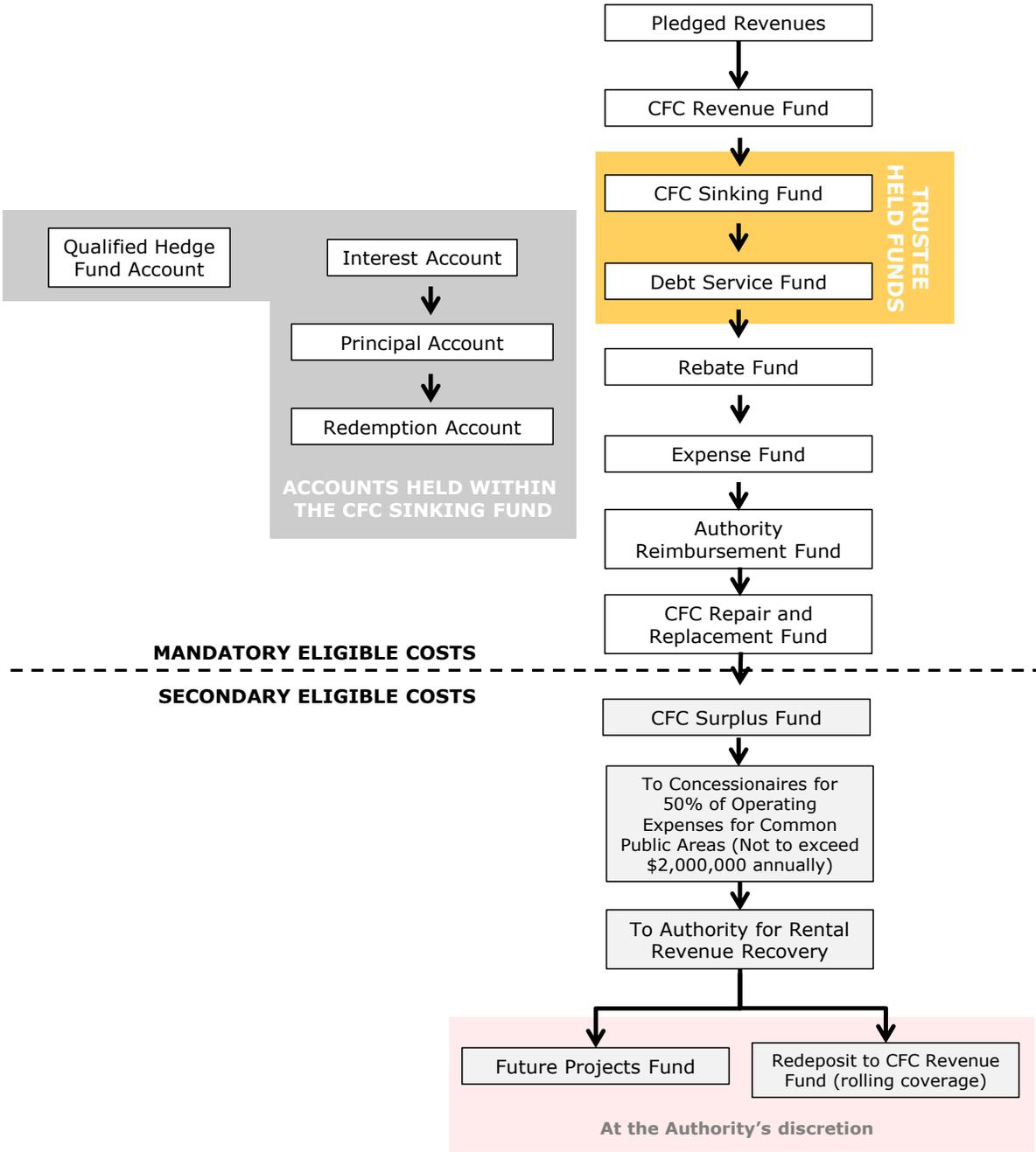
Rate Covenant

The CFC Trust Agreement sets forth a rate covenant in which the Aviation Authority is required to set rates and charges in an amount that will be sufficient to pay the greater of, (1) 100% of required deposits into the debt service fund, the debt service reserve fund, expense fund, rebate fund, the Aviation Authority Reimbursement fund and CFC Repair and Replacement Fund, or (2) 100% of the amounts required to be deposited into the Debt Service Reserve Fund, the Expense Fund and the Rebate Fund, plus 150% of the annual debt service requirements. The rate covenant allows for rolling coverage and can be satisfied with surplus revenues in an amount not to exceed 25% of annual debt service coverage. KBRA views the rate as a positive credit factor.

Monthly Withdrawal from the CFC Revenue Fund

The CFC charges are collected by the rental car companies and remitted to the Airport on a monthly basis. Once remitted they are deposited into a pledged CFC revenue account. On the first day of each month the Aviation Authority will disperse to the bond Trustee an amount equal to accrued and unpaid principal and interest. The trustee will then deposit the pledged revenues into the CFC debt service account where it will be used for debt service. The Concessionaire Agreements require that rental companies make payments to the Airport no later than the 10th day of each month. The full flow of funds is set forth within the following table.

APPLICATION OF REVENUES AFTER SUBSTANTIAL COMPLETION



Debt Service Reserve Fund

A common or series specific debt service reserve fund will be funded from bond proceeds in an amount equal to the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original issuance par amount. KBRA views the fully funded debt service reserve amount as a positive credit factor. Any deficiencies within the debt service reserve fund are captured within the Authority’s rate covenant.

Additional Bonds Test

The CFC Trust Agreement offers the option of complying with an historical or prospective additional bonds tests (ABT). The historical test requires a statement signed by an authorized officer of the Aviation Authority that the Authority's revenues for the latest audited fiscal year, within the 24 month period preceding bond issuance, were not less than the sum of all amounts required to be deposited in the Debt Service Reserve Fund, the Rebate Fund, the Expense Fund, plus the greater of 1.25x Maximum Annual Debt Service, or 1.00x Maximum Annual Debt Service and any amount required for deposit into the Aviation Authority Reimbursement Fund and CFC Repair and Replacement Fund.

Alternatively, the prospective test requires a statement of the Airport Consultant (Ricondo & Associates, Inc.) that revenues from the Airport system during the fiscal year in which such additional bonds are issued and each fiscal year thereafter through a period of review (the later of (1) fifth anniversary of issuance of the additional bonds, or (2) third anniversary of later to occur of the scheduled completion date of the project, or the date on which capitalized interest has been exhausted) taking into account among other factors, increases in rates and charges, shall not be less than the sum of (i) all amounts required to be deposited into the Debt Service Reserve Fund, the Expense Fund, the Rebate Fund, plus the greater of 1.25x of the projected amounts to be deposited into the CFC Sinking Fund during the period of review, or 1.00x the amounts to be deposited into the CFC Sinking Fund and any amounts required for deposit into the Aviation Authority Reimbursement Fund and CFC Repair and Replacement Fund during the period of review.

The Aviation Authority does not currently contemplate the issuance of additional debt supported by CFC charges. However, KBRA views the additional bonds test as providing a strong level of protection against over leveraging of pledged revenues.

Bankruptcy Assessment

Based on the foregoing, KBRA views the Legal Framework governing the bonds as being consistent with a AA Rating Determinant rating.

Rating Determinant 2: Nature of Special Tax Revenues

KBRA believes the provision of rental cars at TPA is vital to the attraction of deplaning passengers to the Airport. KBRA's view is underscored by the large leisure component of travel to the region (75% leisure versus 25% business), and the dispersed nature of area recreational attractions, which in the absence of alternative forms of transportation, elevates the automobile to the chosen mode of travel. The enactment of a CFC is a means of passing through the capital costs of the ConRAC and a portion of the APM to its customers. While area residents will not patronize the facility, and thus do not contribute to revenue generation, local population growth is likely to indirectly support pledged revenues. In KBRA's opinion, increasing MSA growth attracts commercial activity, and increased visits by friends and relatives, which in turn positively affects enplaned passengers and rental car transactions. In an expanding market, airlines are likely to increase flight frequencies and serve additional destinations with non-stop flights, which may yield additional rental car transactions. TPA represents a large rental car market, presently ranking as ninth in the U.S. in terms of gross rental car revenues, while it ranks 29th in terms of passenger activity; both figures are as of 2013.

CFC Revenues

The CFC pledged revenue source is nominally limited in scope as it is solely a fixed charge on rental car contacts that is applied to each transaction day for both on-Airport and off-Airport rental brands. However,

KBRA believes there are certain inherent characteristics of the revenue base and Bond security that mitigate the narrowness of the source. Unlike passenger facility charges (PFC), CFCs and off-Airport TFCs are not regulated by the federal government. The rental car market is currently served by all three major national brand families (Avis/Budget Car Rental LLC; Enterprise Holdings, Inc.; The Hertz Corporation) representing a total of 10 different brands. The three brand families cumulatively control more than 90% of the rental car market. An additional 7 brands currently operate off-Airport, but six of these will relocate to the ConRAC upon its anticipated opening on October 1, 2017. Despite the relative proximity of other airports (Orlando International (MCO) is 80 miles to the northeast, Fort Myers Southwest Florida International Airport is 130 miles to the south, and Sarasota-Bradenton International, 50 miles to the south), KBRA does not believe there will be any significant passenger and rental car transaction erosion at TPA. In KBRA's opinion, the presence of low cost carriers and established travel patterns promote stability. TPA rental car rates are competitive with other airports in Florida.

The Aviation Authority has full autonomy to adjust rates as it deems necessary. A \$2.50 charge per transaction day CFC was enacted on October 1, 2011. The CFC was raised to \$5.00 per transaction day in March 2014, and increased to \$5.95 per transaction day on July 6, 2015, and is projected to remain at that level through Bond maturity. Aviation Authority officials have opined that a 45 – 60 day lead period is required to implement a rate adjustment. The CFC is collected from the rental car company, even if the customer is not charged a rental rate or charged a reduced rate due to a promotion. KBRA believes that CFCs have become an accepted practice in the rental car business, and customers are unlikely to balk at their inclusion, as it is one charge in a multitude of charges.

The Trust Agreement contains a rate covenant, and Concessionaires are obligated to make deficiency payments in the event there is a forecast insufficiency in CFC revenues. There is an unlimited step-up provision to offset a default by one or more Concessionaires. An additional safeguard is the expected \$10 million one-time funding of a Deficiency Reserve Fund at the end of the construction period. The Fund is expected to offset the need to charge rental car companies deficiency payments.

Rental Car Transactions are a Function of Visiting O&D Enplanements

The number of rental car transactions correlates with the level of visiting O&D deplaned passengers. Over the fiscal year 2010 through fiscal year 2014 period as the economy emerged from the Great Recession, the number of enplaned passengers rose at a compound annual growth rate (CAGR) of 1.8%, while rental car transactions increased by 5.5%. Since the average length of a rental increased marginally, the effect was a 5.8% CAGR increase in rental car transaction days, which forms the basis for how pledged revenues are calculated. A declining enplaned passenger trend, such as associated with the September 11, 2001 terrorist attacks and the Great Recession similarly generates declines. In addition to susceptibility to economic cycles, the revenue base may be vulnerable over time to changes in leisure/recreation competition and consumer preferences, which could potentially depress rental car activity at TPA. However, the adverse effects of such an event could be buffered by a growing business/commercial base that would decrease the relative importance of the leisure/recreation component of the economy.

Based on the foregoing factors, KBRA views the nature of the pledged revenues as being consistent with an A+ Rating Determinant rating.

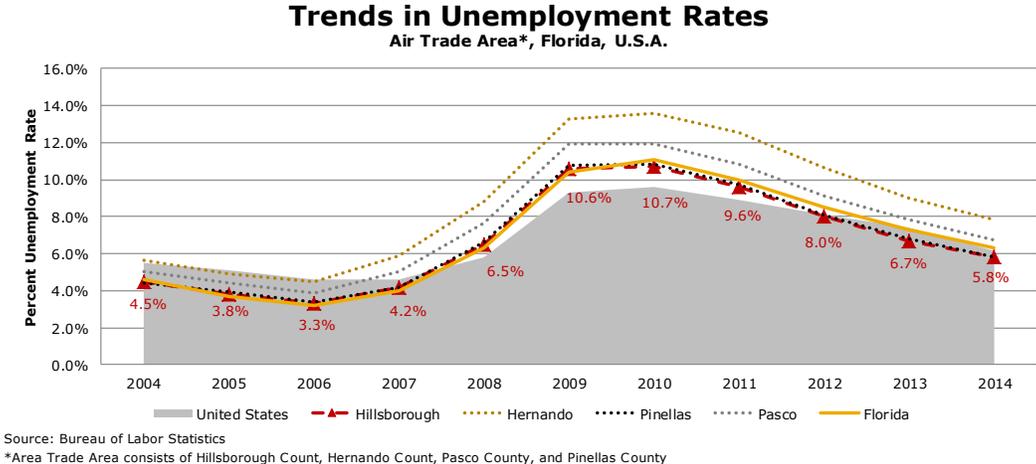
Rating Determinant 3: Economic Base and Demographics

TPA is located approximately six miles west of downtown Tampa in Hillsborough County, FL. The Air Trade Area is the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA). The MSA consists of Hillsborough County, Hernando County, Pasco County, and Pinellas County. TPA’s service area is extended to a secondary Air Trade Area¹ that reaches to Orlando International Airport’s (MCO) service area.

Total population in the Air Trade Area in FY 2013 was 2.86 million. Hillsborough County is the largest county with 1.29 million residents followed by Pinellas County with 930,000 residents. Between 2010 and 2013, the Air Trade Area recorded population growth of 3%, which is in excess of the national rate of 2.2%.

The economic base of the Air Trade Area continues to recover from the Great Recession. Gross Regional Product shows a compound annual growth of 1.7% between 2010 and 2014, which is slightly stronger than the State’s 1.6% but is weaker than the nation’s 2.1%.

Non-farm employment grew at a compound annual increase of 1.96% between 2010 and 2013. Unemployment rates of the Air Trade Area mirror those of the State and nation. As shown in the graph below, unemployment rates in the Air Trade Area have declined sharply from their recessionary highs. KBRA views the Air Trade Area’s post-recession employment recovery favorably as it provides a stronger basis for local residents’ demand for air travel.



Per capita personal income in the Air Trade Area averaged \$37,663 in 2013, which approximates 91% and 84% of State and national averages, respectively.

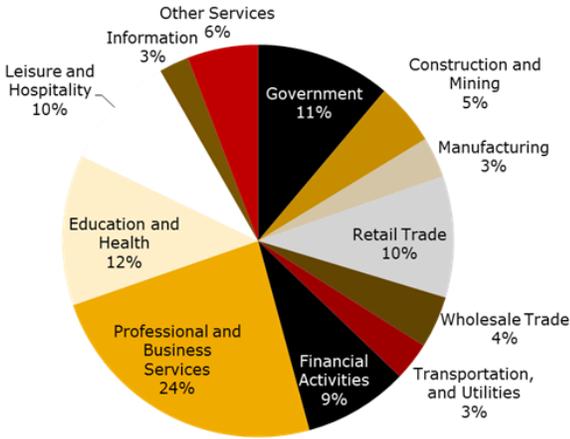
Business Environment

As shown in the location quotients chart below, Hillsborough County has high job concentration in professional and business services, retail and wholesale trade, education and health, and leisure and hospitality. KBRA notes that most of the concentrated employment sectors are highly sensitive to changes in macroeconomic conditions. Only education and health services are highly resilient to economic downturns.

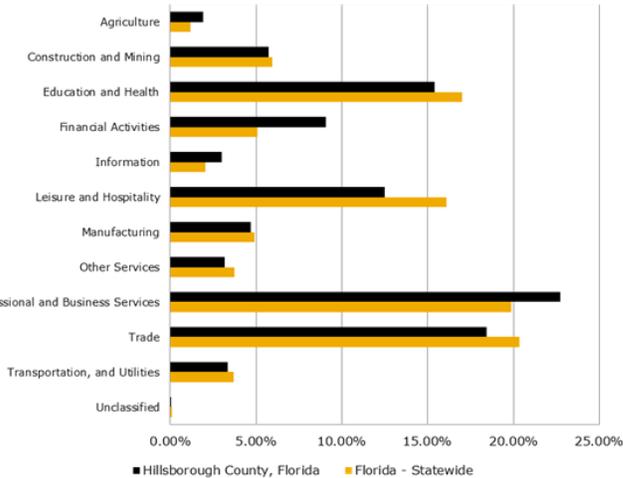
¹ Secondary Air Trade Area includes: Citrus, De Soto, Hardee, Manatee, Sarasota, Sumter, and a portion of Polk County

Professional and business services represented the largest sector with 24% of total employment in 2013. The second largest employment sector was retail and wholesale trade, which represented 14% of total employment. Education and health represented 12% of employment, followed by various governments.

Hillsborough County Employment by Sector CY 2013



2014 Location Quotients



Port Tampa Bay is the largest cargo seaport in Florida by tonnage and has a significant cruise industry presence. KBRA positively views the port activities and notes that they contribute to demands for air traffic at TPA. The Air Trade Area has a vibrant trucking industry, which is reinforced by a developed network of interstate highway system that connects the Air Trade Area to various major U.S. markets such as Orlando, Daytona Beach, Miami, Atlanta, Cincinnati, and Detroit. CSX Corporation provides freight rail service from the Air Trade Area to other major freight hubs and ports east of the Mississippi River.

Leisure and Business Environment Driving Demand for Rental Car

The Tampa Bay area is a popular vacation destination. It receives an average of 360 days of sunshine during the year, close access to beaches, tourist attractions, and business meeting venues. Hillsborough County alone has roughly 170 hotels and over 21,000 hotel rooms with an approximately 65.5% hotel occupancy rate in 2013. Since the Air Trade Area covers a large region, the most practical mode of transportation is the automobile, which KBRA views as lending support to the rental car business.

Historically, the Tampa-St. Petersburg-Clearwater MSA attracts primarily leisure-oriented visitors and some business-oriented travelers. The Tampa Bay area has multiple well known tourist attractions such as Busch Gardens, the Big Cat Rescue, Ybor City, MLB Spring Training, and Tampa Electric Manatee Viewing Center at Apollo Beach.

In addition to the importance of leisure-related activities, four of the 16 Fortune 500 companies that are headquartered in Florida are located within the Air Trade Area or secondary Air Trade Area. Tampa is also one of the top business meeting destinations in Florida. It was ranked 30th among top meeting destinations in the U.S. in 2013 and 2014 by Cvent. The City is home to two major convention centers, including the Tampa Convention Center located about 5.5 miles from TPA with a total of 600,000 square feet of meeting space. There are over 2,900 hotel rooms available within one mile of the Convention Center. The Lakeland Center is located approximately 4.5 miles from TPA with a total of 100,000 square feet of meeting space.

Leisure, and to a lesser extent, business activities are key drivers to rental car business in the MSA, and there is sensitivity to economic downturns. Changes in number of visiting deplaned O&D passengers at TPA is likely to result in fluctuations in demand for rental cars in the Air Trade Area.

Based on the foregoing, KBRA views the economics/demographics of TPA’s service area as consistent with an A+ Rating Determinant rating.

Rating Determinant 4: Revenue Analysis

Revenue Driver and Rental Car Companies

Tampa-St. Petersburg-Clearwater MSA is a popular leisure and business travel destination. A total of 8.7 million passengers deplaned from TPA in 2014, over half of which were visitors to the MSA. Although public transportation is available within the Tampa Bay area, the major mode of transportation is the automobile and the availability of a ConRAC is a key element supporting future rental car growth.

Three major national rental car companies operating under 17 different brands are currently operating at TPA. The majority have executed Concessionaire Agreements. A total of 16 brands have signed and executed a new 30-year Concessionaire Agreements with TPA with the exception of Carl’s Van Rentals. The company will continue to operate off-Airport and pay a TFC to TPA, and holds a less than 1% market share in TPA’s rental car market. Therefore, the collection of TFCs has an insignificant impact on pledged revenues.

RACs Operating at the Airport	
Current On-Airport Large Operators	Executed Concessionaire Agreement
Avis Budget Car Rental, LLC (Avis, Budget)	Yes
Enterprise Leasing Company of Florida, LLC (Enterprise, Alamo, National)	Yes
The Hertz Corporation (Hertz, Dollar, Thrifty)	Yes
Current Off-Airport Operators	
ACE Rent A Car	Yes
Advantage Rent a Car	Yes
Carl's Van Rental	No
Economy Rent A Car	Yes
E-Z Rent A Car	Yes
Firefly Rent A Car	Yes
Fox Rent A Car	Yes
Payless Car Rental	Yes
Sixt Rent a Car	Yes

Source: Hillsborough CNTY Aviation Authority

Trend in Pledged Revenue

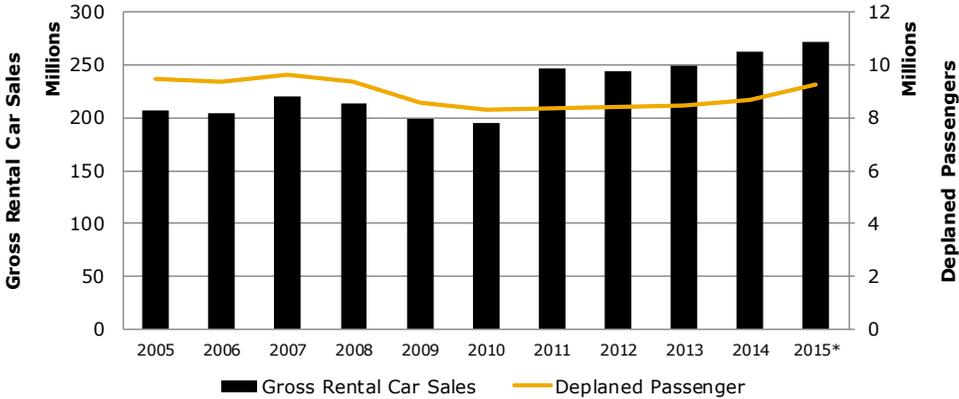
CFC is a flat fee imposed to on-Airport rental car users on a per transaction day basis. Whereas TFC is a flat fee imposed to off-Airport rental car users. The fee is shown as a surcharge in addition to rental car base rate. TPA began imposing CFC in October 2011 at a rate of \$2.50 per transaction day with no limit to the maximum number of days one can be charged. Since then CFC rate has been increased twice to the current rate at \$5.95 per transaction day in July 2015. The TFC was imposed in March 2014 at \$2.00 per transaction day. The Aviation Authority does not contemplate any increase in the CFC.

As the graph below shows, deplaned passengers experienced declines of approximately 8% in 2008 and 2009 as a result of the Great Recession. Post-recession recovery is slow and the number of deplaned passengers is still below the pre-recession levels. As mentioned in the earlier section, demand for rentals

at the Airport is largely dependent upon the number of deplaned O&D passengers, specifically visitors. Gross rental car sales at TPA experienced a 6.9% decline in 2009 followed by a significant 26.2% growth in 2011. The growth in 2011 largely reflects Enterprise Holdings' acquisition of Vanguard in late 2010 which lead Alamo Rent A Car and National Rent A Car to operate as on-Airport brands. Gross rental car sales increased at a compound annual average growth rate of 2.4% between 2012 and 2015, which exceeded the MSA's inflation rate of 1.7% during the same period.

Recent route additions and increased flight frequencies have resulted in passenger activity growth in FY 2014 and the first half of FY 2015, which KBRA views positively for demand for rental cars at TPA.

**Gross Rental Car Sales vs. Deplaned Passengers
CY 2005-2015**

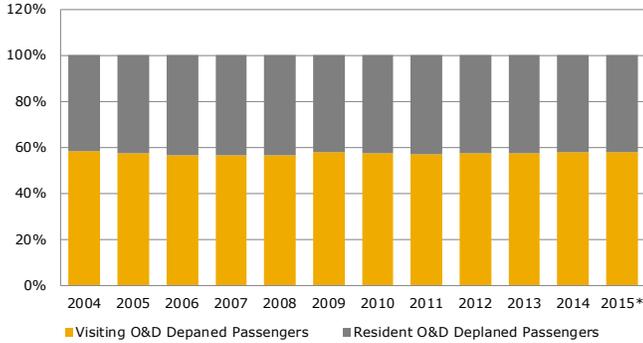


* 2015 is based on projections
Source: Hillsborough County Aviation Authority

Revenue Concentration

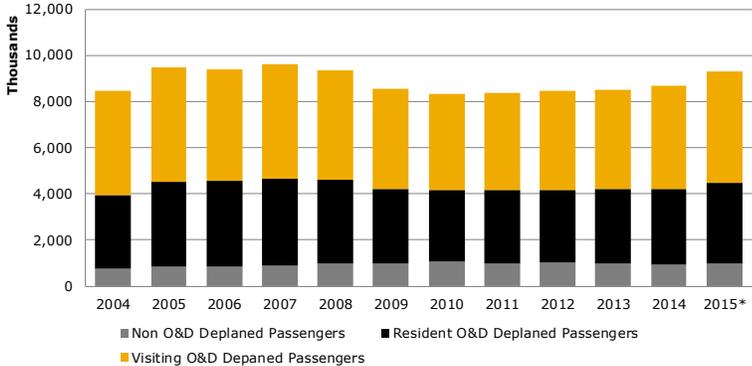
Demand for rental cars is mainly driven by visitors to the MSA. Of the 8.7 million deplaned passengers at TPA, visitors represented approximately 30%. As illustrated in the two charts below, while the actual number of deplanements is increasing over time as a result of improved economic performance and increased flights to TPA, the resident and non-resident mix in deplaned passenger has been constant for the past ten years. KBRA views the steadily growing deplanements and stable resident and non-resident mix as favorable.

**Composition of Deplaned Passengers
2004 to 2015**



* 2015 is based on projections
Source: Hillsborough County Aviation Authority

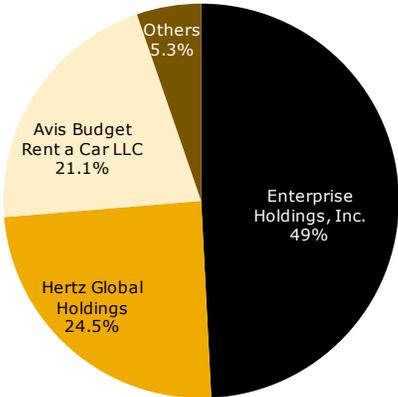
**Historic Trend of Deplaned Passengers
2004 to 2015**



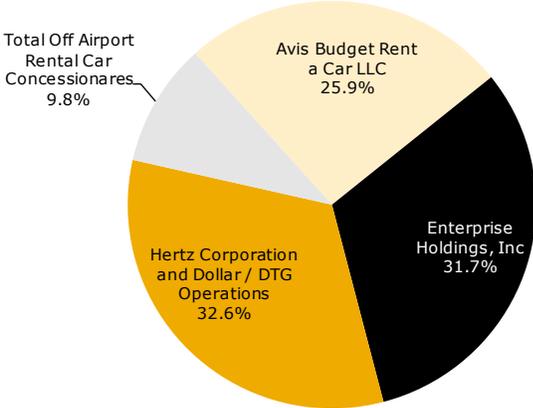
The rental car companies at TPA provide a wide range of options to customers. Selections such as premium, business oriented rentals and budget oriented rentals are available, which provide flexibility to suit customers with different budget categories. The CFC is a fixed charge regardless of which brand/type of car is rented.

Rental car companies’ market shares at TPA are less concentrated than the U.S. as a whole. The three largest rental car companies at TPA represented 90% of the rental car market at TPA, while they represent an average of 95% in other U.S. markets. Enterprise Holdings Inc. dominates the U.S. market with 49% market share, whereas it is only the second largest rental car company at TPA, as shown in the two charts below.

U.S. Rental Car Company Market Share CY2014



Tampa International Airport Rental Car Market Share by Gross Revenue CY 2014

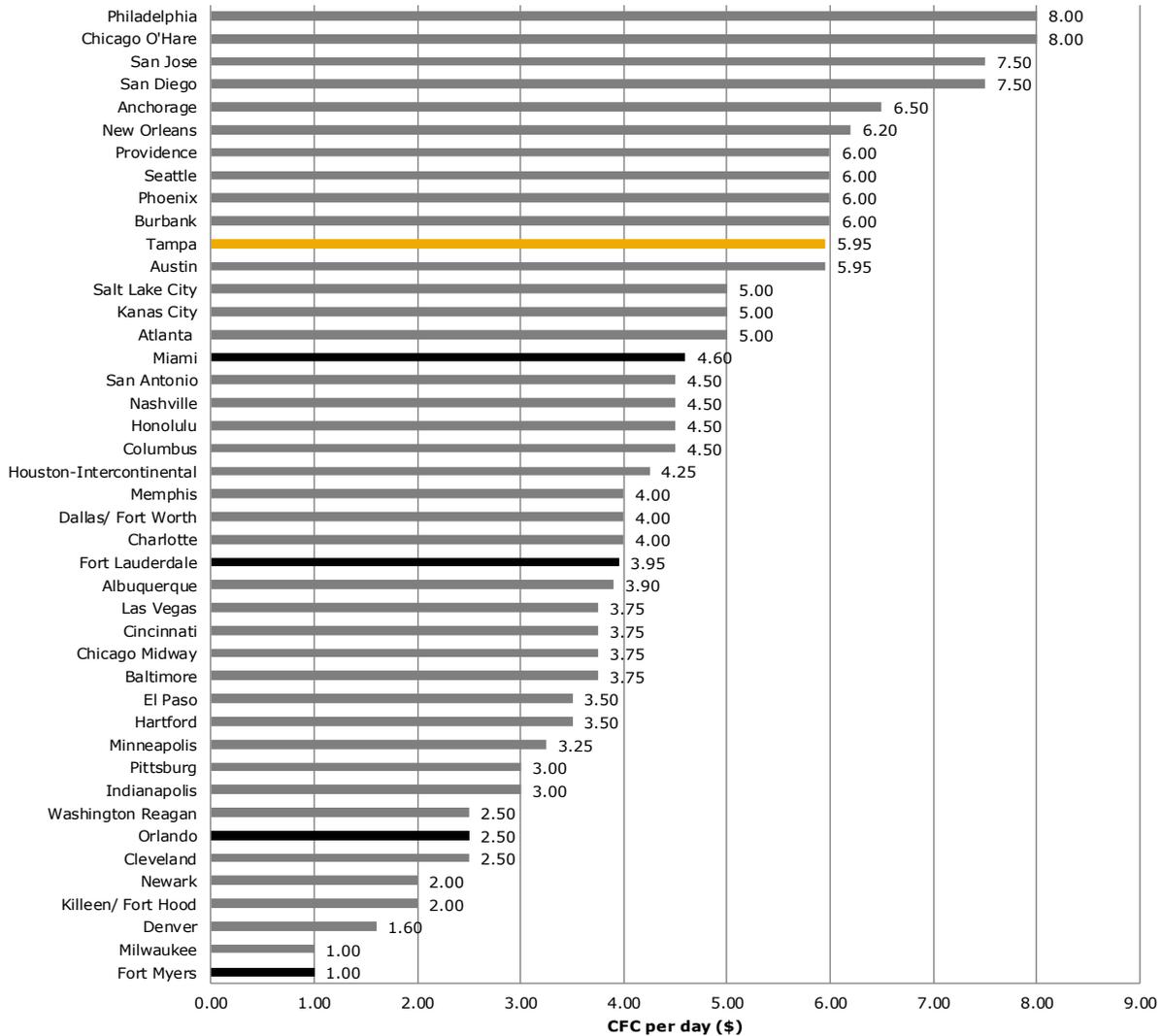


Source:Auto Rental Car News and Hillsborough CNTY Aviation Authority

Revenue Sensitivity and Competition

KBRA looked at CFC rates in 43 U.S. airports that impose a CFC by transaction days. As of July 2015, CFC imposed by TPA is at the 75th percentile amongst these airports and it is the highest among the five major airports in Florida. CFC revenue is economically sensitive. The current CFC is set at \$5.95 per transaction day, which is a relatively small component of the overall rental car contract. It is KBRA’s view that the current CFC rate would not be significant enough reason for visitors to seek alternatives, such as taking a taxi or using public transportation. KBRA also notes that there are rental car branches at off Airport locations within the MSA that are not required to impose the CFC. However, it is rare for customers to pursue this alternative for the purpose of avoiding the CFC.

CFC at Selected U.S. Airports



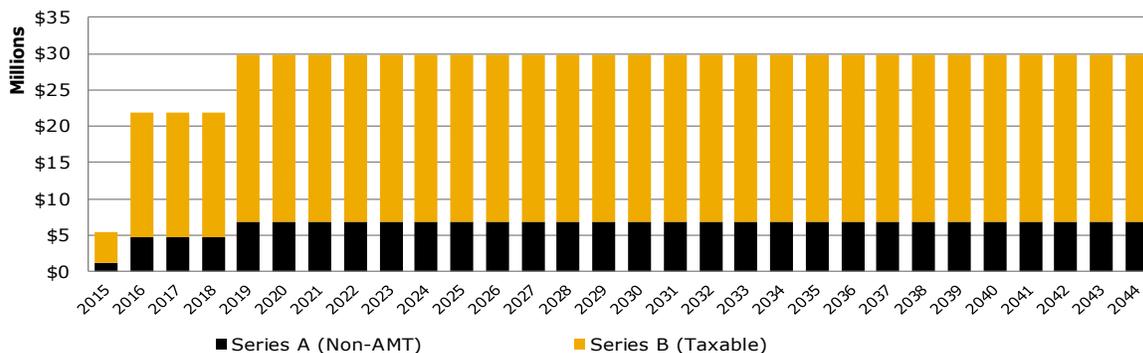
Source: Ricondo & Associates; Rental Car Company Websites, As of July 2015
 Note: Airports located in Florida have been highlighted in the above table

Based on the foregoing, KBRA views TPA's CFC revenue analysis as consistent with an A+ Rating Determinant rating.

Rating Determinant 5: Coverage and Bond Structure

The Series 2015 A&B bonds represent the sole expected debt issuance by the Aviation Authority for the ConRAC and APM. The bonds are being issued as fixed rate obligations with level debt service payments beginning in fiscal year 2019. Based on the Airport Consultant report projection, the current CFC rate will provide annual debt service coverage of 1.60x to 6.19x to the CFC bonds from 2015 through 2024. KBRA views the projected coverage levels as favorable, but notes the lack of an established collection history.

2015 CFC Bonds Debt Service



Source: Hillsborough CNTY Aviation Authority

KBRA performed stress tests based on different scenarios to help measure the potential impact of a change in current and future demand for rental cars. The first scenario employed a very mild year-over-year compound annual deplaned passenger growth rate of 0.4% from 2015 to 2024, which was derived from the ten year average in deplanement growth. It was also assumed that there was no change to the number of transaction days at five days throughout the projection period. Under this stress scenario pledged revenues for the CFC bonds will be sufficient to meet the 1.50x annual debt service coverage through 2024 as mandated by the CFC Trust Agreement.

The second scenario is much more onerous, and uses the same event-related reductions in passenger activity that was experienced in the aftermath of the September 11, 2011 terrorist attacks, and the Great Recession, as discussed in the [Hillsborough County Aviation Authority, Tampa International Airport Revenue Bonds](#) report. It was assumed that the enplanements declined by 15% in 2016, which is more onerous than those event related declines. This was followed by a 1.0% recovery annually through 2024, with no change to the number of transaction days. Under this scenario, pledged revenues would fall short of the 1.50x rate covenant in 2019 to 2022. At this point, rental car companies would either have to make deficiency payments, the Aviation Authority would draw on its Deficiency Reserve Fund, or a rate increase would be adopted. This high level of flexibility is viewed favorably by KBRA.

Based on the Airport Consultant’s projection, pledged revenues in 2016, the first full year of collection at the \$5.95 rate provide MADS coverage of 1.68x, which rises to 2.02x in 2024. MADS coverage based on KBRA stress case 1 would provide MADS coverage of 1.23x in 2015 and up to 1.67x in 2024. KBRA stress case 2 would provide MADS coverage of 1.15x in 2015 and up to 1.51x in 2024.

		Maximum Annual Debt Service Coverage									
		MADS: \$29,869,568									
		2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
MADS Coverage	Airport Consultant Projection	1.31x	1.68x	1.72x	1.75x	1.85x	1.88x	1.91x	1.95x	1.98x	2.02x
	KBRA Stress Test 1: Mild Growth in Deplanement	1.23x	1.56x	1.56x	1.57x	1.64x	1.65x	1.65x	1.66x	1.66x	1.67x
	KBRA Stress Test 2: Event-related Declines	1.15x	1.35x	1.36x	1.37x	1.45x	1.46x	1.48x	1.49x	1.50x	1.51x

Based on the foregoing, KBRA views that TPA’s Coverage and Bond Structure as consistent with an A+ Rating Determinant rating.

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KBRA LONG-TERM RATING: A+

OUTLOOK: STABLE

Issuance

\$101 million Hillsborough County Aviation Authority, Tampa International Airport Customer Facility Charge Revenue Bonds, 2015 Series A (Non-AMT) and \$298.4 million Customer Facility Charge Revenue Bonds, Series B (Taxable)

Security

The CFC Bonds are payable solely from and secured by a pledge of Pledged Revenues and certain funds and accounts held under the CFC Trust Agreement. Pledged Revenues are comprised of all on-Airport customer facility charges (CFCs), off-Airport transportation facility charges (TFCs), and payments made by Concessionaires (rental car companies) pursuant to their respective Concessionaire Agreements as contingent payments to cover deficiencies if any in the amount of CFCs and TFCs needed to fund Mandatory Eligible Costs. Mandatory Eligible Costs are defined as the sum of (a) Debt Service; (b) 40% of the annual O&M cost of the Automated People Mover (APM); (c) establishment/funding of repair/replacement reserves; and (d) reimbursement of the Aviation Authority for debt service on previously issued Aviation Authority Bonds, and investments made on a "pay as you go" (PAYGO) basis for existing rental car facilities.

Use of Proceeds

Series 2015A bond proceeds together with other legally available funds will be used for the purpose of financing 40% of the cost of the construction of an automatic people mover (APM) system, which will connect the Airport's main terminal with the newly constructed Consolidated Rental Car Facility (ConRAC). Additional funding sources include subordinated GARBS (\$135.2 million) sold in July 2015, and a Florida Department of Transportation (FDOT) grant (\$178.6 million out of a total \$194 million grant). Series 2015B bond proceeds fund a portion of construction costs of the ConRAC, and are supplemented by \$54.8 million of CFC PAYGO. Additionally, proceeds will be used to fund the Debt Service Reserve Fund requirement, and make a deposit into the CFC Surplus Fund.

Key Rating Strengths

- Legal framework provides satisfactory bondholder protection through established reserves and flexibility in adjusting pledged revenues.
- Service area with significant leisure/recreation activity is an important generator of rental car transactions.
- Construction of ConRAC and APM reduces congestion and eases capacity constraints within the main terminal, curbsides and roadways, while creating more than 2,400 additional parking spaces.
- Pro forma coverage of debt service requirements is ample; MADS coverage reached in fiscal year 2016.
- No additional planned borrowing; ConRAC capacity deemed sufficient for first 20 years of facility's utilization.

Key Rating Concerns

- Sizeable leisure/recreation component represents vulnerability to economic downturns, as evidenced by sharp enplanement and rental car transaction declines due to the Great Recession.
- Competitive market for leisure / recreation destinations and potential for shifts in consumer preferences may reduce demand for rental cars at Tampa International Airport (TPA).

The Hillsborough County Aviation Authority is embarking on the construction of a ConRAC and APM as part of Phase I of a potential three-phase \$2.5 billion Capital Program. The impetus for this project is the conclusion that the current rental car operations are a major contributor to congestion and constrain capacity within the main terminal, curbsides and roadways. Furthermore, the current rental car facilities are expected to reach capacity within approximately one year. Therefore, the rental car operations are being relocated to a new facility away from the terminal area, and connected to the main terminal via an APM, which will also link the economy rate and employee parking area. A new curbside will be established at the ConRAC APM station for picking up deplaning passengers, and will serve as a drop-off point for bus and public commercial transportation vehicles. The ConRAC will group all rental car companies in one location, and bring six of the seven off-Airport rental agencies to on-Airport.

The Series 2015 A Bonds provide a 40% share of the borrowing for the APM. The balance of the Bond-financed component is being met from Aviation Authority Subordinated Revenue Bonds, which were delivered in July 2015.

Please see KBRA's Airport Rating Report [Hillsborough County Aviation Authority-Tampa International Airport](#), dated July 9, 2015 for additional information. The Aviation Authority has secured \$178.6 million in Florida Department of Transportation (FDOT) grant proceeds to supplement the funding. The Series 2015 B Bonds fund the ConRAC, and are augmented by approximately \$55 million in CFC funds that have been collected since the CFC was first imposed on October 1, 2011.

In KBRA's opinion, the legal framework of the financing provides strong protections to bondholders. Construction risk is minimized by a design/build contract with a guaranteed maximum price from a designer/builder that has substantial experience in the design and construction of ConRACs and APMs. There is no need for capitalized interest since the CFC is already being collected. Debt service will be paid regardless of whether the ConRAC operates. The Aviation Authority has full autonomy to adjust the CFC, which is now set at a rate of \$5.95 per transaction day, and is in the mid to upper range of CFCs in place at other U.S. ConRACs. KBRA views the imposition of a CFC as an accepted industry practice, which is unlikely to have a measurable impact on rental car activity. There are currently no plans for any adjustments in the CFC. The Concessionaire's obligation with respect to the collection of CFCs is in addition to and not a substitution for the payment of ground rent or privilege fees. The Aviation Authority has entered into 30-year Lease and Concession Contracts with the rental car companies that allow for periodic adjustments in terms.

KBRA views the Tampa-St. Petersburg-Clearwater MSA as an attractive leisure/recreation destination, which is underscored by TPA's ranking as the ninth largest rental car market in the US, while TPA ranks 29th in terms of passenger activity. Besides the numerous beaches, for which the area is well known, the MSA also includes Busch Gardens-Tampa Bay, a variety of cultural institutions, a thriving cruise ship port, and Ybor City, Tampa's historic Latin Quarter. Rental car transactions are a function of visiting origin and destination deplaned passengers, with a stronger correlation in a vibrant economy. Both enplanement activity and rental car transactions declined in the midst of the Great Recession. However, with the economic rebound, rental car transactions have increased at a compound annual growth rate (CAGR) of 5.5% since 2010. Approximately 75% of rental car transactions are for leisure purposes, with the balance related to business. KBRA believes that the rental car market at TPA remains susceptible to economic cycles. However, KBRA also views the MSA's population growth favorably as it attracts commercial activity and increased visits by friends and relatives. In an expanding market, airlines are likely to increase flight frequencies and serve additional destinations with non-stop flights, which may result in additional rental car transactions.

CFCs have been collected since October 1, 2011, initially at \$2.50 per transaction day, increased to \$5.00 per transaction day in April 2014, and \$5.95 per transaction day on July 6, 2015. An off-Airport TFC of \$2.00 per transaction day was implemented in April 2014. CFC revenues increased from approximately \$14.4 million in fiscal year 2012 to \$23 million in fiscal 2014. For the first six months of fiscal 2015, CFC revenues were 120% above the level of the comparable 2014 period, with a full year projection of \$38 million. The Aviation Authority has projected total pledged revenues for the fiscal 2016 through fiscal 2024 period. The projections were based on assumptions KBRA considers reasonable. Projected total pledged revenues range from \$44.8 million in fiscal 2016 to \$52.8 million in fiscal 2024, based on compound annual 2.1% growth. Fiscal 2016 is the first full year of CFC collection at the \$5.95 per transaction day rate. At this level, pledged revenue already cover MADS by 1.50x. After factoring in rolling coverage at the permissible 25% of debt service level pursuant to the CFC Trust Agreement, MADS coverage rises to 1.68x. KBRA undertook stress cases to determine the impact on debt service coverage of event-related reductions in rental car transaction activity in the aftermath of events like the September 11, 2001 terrorist attacks and the Great Recession. Under this type of sensitivity analysis, while coverage falls below the rate covenant requirement, the Aviation Authority would have several options including the assessment of deficiency payments to the rental car companies, a draw on the Authority's Deficiency Reserve Fund, or adjustment of the per transaction day charge. These options confer significant flexibility.

The 2015 Series A and 2015 Series B Bonds are fixed rate obligations that mature in 2044. Initial full-year combined 2016 debt service of \$21.9 million rises to approximately \$29.9 million in fiscal year 2019, and remains essentially level through maturity. Therefore, KBRA would expect debt service coverage to increase over time.

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