Tampa International Airport

Issuer: Hillsborough County Aviation Authority, Florida		
Affirmed	**Rating**	**Outlook**
Tampa International Airport Revenue Bonds	AA	Negative
Tampa International Airport Subordinated Revenue Bonds	AA-	Negative

Methodology:

U.S. General Airport Revenue Bond Rating Methodology

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Rating Summary: KBRA affirms the AA senior lien rating and AA- subordinate lien rating on the Tampa International Airport Revenue Bonds and assigns a Negative Outlook to both liens. The Bonds are secured by a pledge of airport system net revenues, which include Available PFCs. Subordinate Lien bonds are payable from remaining net revenues after payment of the Senior Lien bonds.

The ratings reflect Tampa International Airport's (TPA's) stable origin and destination (O&D) market position and the favorable economic and demographic characteristics of the air trade area. Steady enplanement growth and expenditure controls have contributed to a trend of relatively low airline costs, sound debt service coverage and very strong liquidity. The Negative Outlook resolves the Watch-Developing designation on the GARBs and reflects a longer timeframe for recovery of airport passenger activity and revenues than was expected at the time of the Watch-Developing placement.

TPA's multi-year trend of record enplanement growth continued for the first five months of FY 2020. With the outbreak of the pandemic, traffic decreased precipitously in March and April. A faster than anticipated recovery began in May, however, and passenger trends have since exceeded TPA and national averages. Enplanements are projected to decline by 40% to 6.6 million in the fiscal year ending September 30, 2020. The Authority projects full FY 2021 enplanements to increase 18.3% over projected FY 2020 traffic levels to 7.8 million, with a gradual recovery to pre-pandemic levels by FY 2023.

Projected FYE 2020 operating revenues of $195 million are $77 million, or 27% below FY 2019, with parking, concession and rental car revenues most impacted. In recognition of the significantly weakened outlook for near to mid-term passenger demand, the Authority reduced the FY 2020 and FY 2021 operating budgets and approved adjustments to the previously approved CIP. The adjustments, which defer or cancel more than $905 million in CIP projects through 2025, were undertaken to right-size capacity requirements based on revised traffic projections and to realize cost savings. The reductions include the four-year delay of Phase 3 of the CIP, the $690 million Airside D domestic and international passenger terminal and APM.

TPA was allocated $81.2 million in Coronavirus Aid, Relief and Economic Security (CARES) Act reimbursement funding. To date, the Authority has drawn $44.2 million of CARES funding to support FY 2020 senior lien debt service coverage and for reimbursement of personnel and O&M transfers. Remaining amounts are planned to be used in FY 2021.

The Authority provided approximately $63 million of waivers and deferrals to airlines, concessionaires and rental car companies through FY 2021. These actions are projected to reduce operating revenues by roughly $32 million in both FY 2020 and FY 2021 relative to pre-aid projections. The Authority projects a pre-CARES contribution operating loss of $40 million for the full 2020 fiscal year. Inclusive of CARES Act funds, a nominal contribution of $5.8 million to operating reserves is expected. The Authority maintains a very strong liquidity position with 402 days cash on hand at FY 2019. For the full FY 2020, 401 DCOH is projected[1].

FY 2019 senior lien DSCR of 2.28x[2] is projected to decline to 1.72x in FY 2020, before recovering to a budgeted 2.13x in FY 2021[3]. Subordinated DSCR related to PFC-backed debt was 4.14x in FY 2019 and is projected at 2.38x for FY2020 and budgeted at 2.55x for FY 2021.

TPA's existing airline use and lease agreement (AUL) employs a hybrid rate-making methodology with residual landing fees and compensatory terminal rents. The AUL, in effect until September 30, 2020, will be replaced with a cost-recovery Rates by Resolution model pursuant to which airlines will pay for the facilities they utilize. Based on the new methodology, the Authority expects FY 2021 airline revenues to increase by over $15.6 million compared to the FY 2020 budget, and to

[1] Reflects the use of $44.2 million of CARES Act funding as an offset to O&M costs in FY 2020.
[2] Calculated per Trust Agreement.
[3] Does not reflect the use of $36.9 million of CARES Act funding as an offset to O&M in FY 2021 but does reflect the planned redemption of certain 2018 Series A maturities in FY 2021.

account for 40% of total operating revenue. Airline costs per enplanement (CPE) were among the lowest for large U.S. hubs at $4.94 in FY 2019. The Authority forecasts CPE of $9.06 for FY 2020 and $11.39 for FY 2021, which KBRA considers manageable. Non-airline costs will be calculated in accordance with existing contractual provisions.

KBRA's stress scenario assumes that the current monthly level of enplaned passenger activity persists through December 2020, with a slow recovery thereafter. In our view, projected airline cost increases remain manageable under this stress scenario. Please see RD 5: Airport Finances for additional information.

The Negative Outlook reflects the severe COVID-19 related reductions in passenger activity and airline and non-airline revenues recorded at TPA and the continuing uncertainty regarding the pace and trajectory of recovery. Additional detail on KBRA's rationale for assigning the Negative Outlook to the obligations of the rated airports and CFC secured bonds in our rating portfolio can be found **here**. This credit was placed on Watch-Developing status on March 26, 2020.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click **here** to access KBRA's ongoing research on the topic.

The rating reflects the following key credit considerations:

Credit Positives

- Broad and growing air trade area (ATA) economy and healthy population growth support increasing demand for air travel, while the strictly O&D nature of Airport activity confers stability.
- Diverse carrier mix with existing airlines continuing to strategically add new domestic and international routes is supportive of continued enplanement growth. Airline costs are competitive.
- Sound financial operations with additional financial flexibility from the ability to levy a 1.5 mil ad valorem tax which, based on current valuations, would generate approximately $100 million/year.

Credit Challenges

- Unprecedented decline in passenger traffic related to the COVID-19 pandemic pressures operating revenue.
- Significant leisure traffic component with potential to contribute to a slower than average enplanement recovery.

Rating Sensitivities

• A rapid and sustained recovery in passenger traffic growth with accompanying strong performance of non-aviation revenues. • Completion of capital program on time and within budget.	+
• Prolonged recovery in airline activity and passenger volumes. • Trend of weakened liquidity levels and/or debt metrics. • Cost overruns or delays associated with the capital program.	-

ESG Considerations

When relevant to credit, ESG factors are incorporated into the credit analysis in the same manner as all other credit-relevant factors. Among the ESG factors that have impact on this rating analysis are:

- Discussions in RD1 consider Governance Factors including management tenure and track record, airport/airline relations, and financial management practices.
- Discussions in RD 2 reflect social factors including trends in population, employment, unemployment, home values and the potential impact of the COVID-19 crisis.

More information on ESG Considerations for the Public Finance sector can be found **here**.

Key Airport Ratios FYE September 30 (Budgetary Basis)	
Airport Activity	
Top Carrier Market Share (FY2019)	
Southwest	31.2%
Delta	17.1%
American	15.8%
Trust Agreement Coverage in FY 2019 ($ 000's)	
Senior Debt Service Coverage	2.28x
Subordinate Debt Service Coverage	4.14x

Rating Determinants (RD)	Senior	Subordinate
1. Management	Favorable	Favorable
2. Economics/Demographics of the Service Area	AA-	AA-
3. Airport Utilization	A+	A+
4. Airport Debt/Capital Needs	AA+	AA+
5. Airport Finances	AA+	AA+
6. Legal Mechanics and Security Provisions	AA	AA-

RD 1: Management

KBRA views HCAA's governing structure, policies and procedures, and management background and experience as *Favorable*. TPA and three general aviation airports in Hillsborough County are owned by the Authority and collectively known as the Airport System. The Authority was created as an independent special district pursuant to Chapter 2003-370, Laws of Florida, Acts of 1945, with exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County. Although the Authority operates on a self-supporting basis, it can levy a 1.5 mill ad valorem tax. The Authority has not levied the tax since 1973 and currently has no plans to do so.

Governance

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

Authority policies and procedures ensure that operations are effectively maintained, and potential risks accounted for. The experienced and long-tenured management team has successfully overseen the execution of the 2012 Master Plan's phased CIP program. Proactive measures in response to the slowdown in enplanements experienced after pandemic restrictions went into effect include the tabling for three to four years of Phase 3 of the CIP, the proposed 16 gate, $690 million domestic and international Airside D and APM.

In KBRA's view, the Authority would benefit from formalized enterprise risk management strategies, succession and continuity planning and formalized debt polices.

RD 2: Economics/Demographics of the Service Area

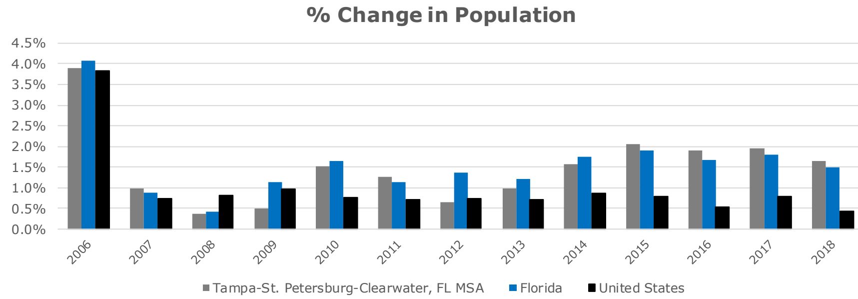
The economic and demographic characteristics of the service area are historically favorable, characterized by consistent growth and increasing economic diversity, which are supportive of demand for air travel and rental car services at the airport. Challenges posed by the COVID-19 crisis however will likely weigh on the area's economy for some time given an elevated reliance on tourism related travel.

The airport is located approximately six miles west of downtown Tampa in Hillsborough County, FL. The service area encompasses Hillsborough, Pinellas, Pasco, and Hernando counties, which comprise the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA) and a population of 3.1 million as of 2018. An extended service area consisting of 7 additional counties comprising the rest of the State's central Gulf Coast has a population of 1.5 million people.

Growing Economy

As of 2018, the MSA is the 19th largest metropolitan area in the U.S. and among the 50 fastest growing since 2010. MSA population increase 12.7% between 2010 and 2018 versus U.S. growth of 5.8% over the same period.

Figure 1



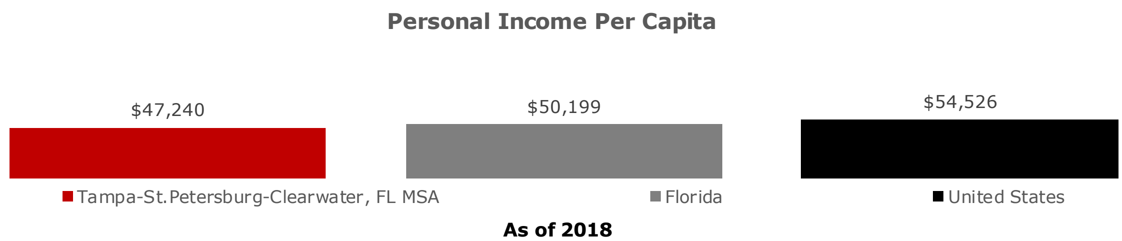
	2010	2018	% Δ 2010 to 2018
Tampa-St. Petersburg-Clearwater, FL MSA	2,789,116	3,142,663	12.7%
Florida	18,843,326	21,299,325	13.0%
United States	309,349,689	327,167,439	5.8%

Source: U.S Census

Income Levels are Moderate

MSA personal income per capita of $47,240 in 2018 was moderate at 94% of the State level and 87% of the U.S. average (Figure 2).

FIGURE 2



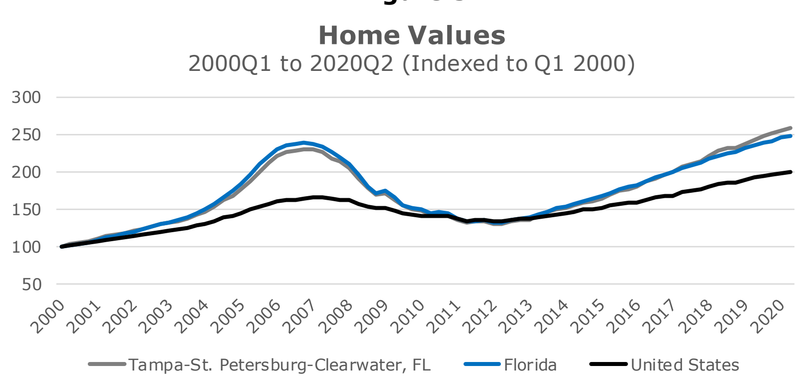
	2010	2018	% Δ 2010 to 2018	Comparison
Tampa-St. Petersburg-Clearwater, FL MSA	$38,418	$47,240	23.0%	-
Florida	$38,475	$50,199	30.5%	94.1% of State
United States	$40,547	$54,526	34.5%	86.6% of U.S.

Source: U.S. Bureau of Economic Analysis

Rising Home Values

The MSA housing market has outperformed the U.S. since 2000 and home value appreciation has returned to strong growth over the last seven years, following a period of significant volatility due to the Great Recession. As of 2020Q2, MSA and State home values had recovered to 112% and 104%, respectively of their prior cyclical high. In comparison, U.S. home values have recovered to 121% of prior cyclical highs.

Figure 3



Source: Federal Housing Finance Agency Quarterly All Transaction Indexes

Increasingly Diverse Economy

The overall business environment in the MSA continues to diversify. As of 2020, seven of the State's 18 Fortune 500 companies are headquartered in the MSA including Publix Super Markets, Tech Data Corp, technology manufacturer Jabil Inc, WellCare Health Plans, and Raymond James Financial, among others. Port Tampa Bay which is among the busiest U.S. seaports as of 2018, contributes to the area's logistics sector and additionally supports the area's cruise industry, which had tracked favorable growth prior to the pandemic.

Tourism remains an important driver of air travel activity in MSA. The leisure and hospitality sectors contribute to 4.7% of the region's gross domestic product (GDP) in 2018 versus the U.S. at 4.2%. According to Visit Tampa Bay, a local partnership that tracks tourism statistics for the area, visitors to Hillsborough County increased 3.8% to a record 24.5 million in 2019 generating $4.5 billion in spending. KBRA anticipates that tourism activity could remain significantly below this level for several years given the ongoing nature of the pandemic and the uncertain trajectory of the U.S. and global economy.

Shown below, MSA employment is somewhat concentrated in professional and business services, trade, and financial activities relative to the U.S. overall.

FIGURE 4

Tampa-St. Petersburg-Clearwater, FL Employment by Sector

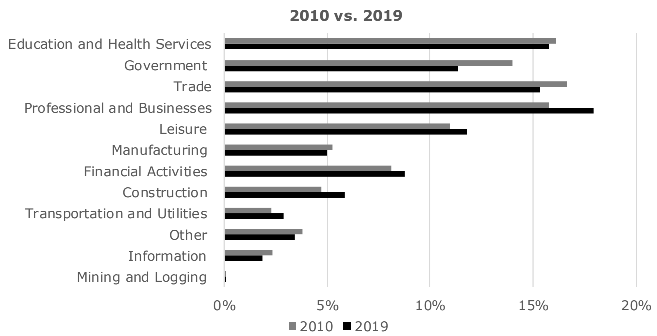
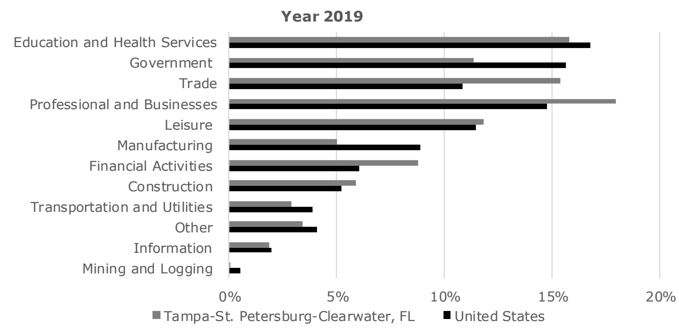


FIGURE 5

Tampa-St. Petersburg-Clearwater, FL vs. United States Employment by Sector

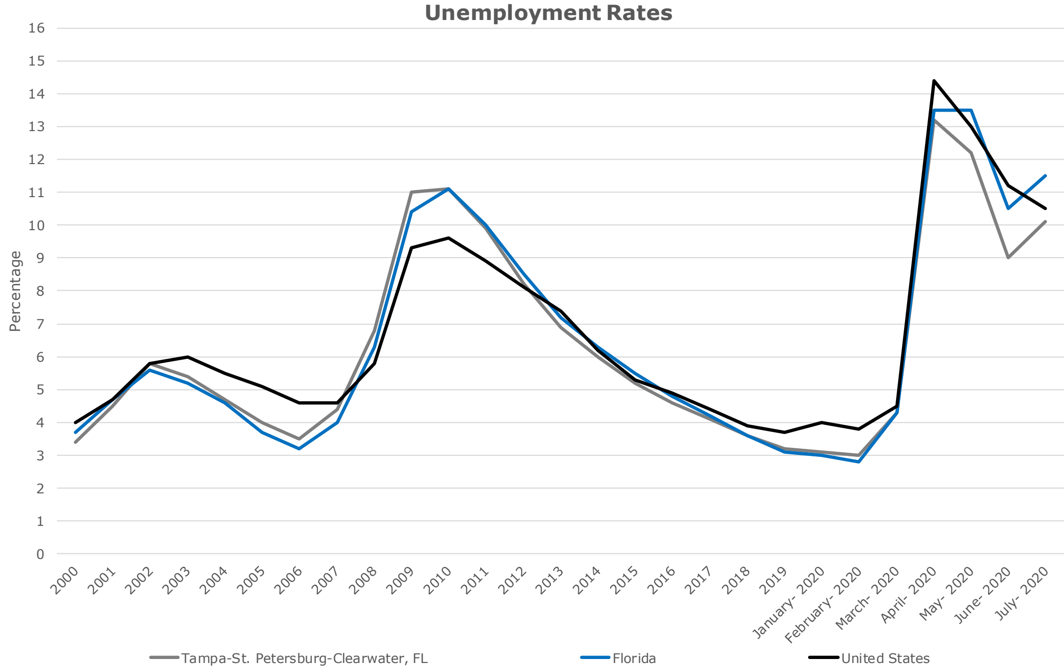


Source: U.S. Bureau of Economic Analysis

Unemployment Trends

Unemployment in the MSA peaked at about 1.5% higher than the U.S. overall following the Great Recession but has moved closely in line with the U.S. in recent years. With the onset of the COVID-19 crisis, MSA unemployment spiked from 4.3% in March to 13.2% in April, which was somewhat lower than the U.S. peak of 14.4%. Unemployment declined to 10.1% as of July with the easing of social distancing measures, but with setbacks in recent months in containing spread of the virus across many states, including Florida, it remains to be seen how quickly the reopening of the economy will proceed through year end.

Figure 6



	Tampa-St. Petersburg-Clearwater, FL MSA	Florida	United States
July 2020	10.1	11.5	10.5
June 2020	9.0	10.5	11.2
Great Recession Peak	11.1	11.1	9.6
Point Δ Since Great Recession Peak	-1.0	0.4	0.9

Source: U.S Bureau of Labor Statistics

Figure 7

Total Employment
(Not Seasonally Adjusted) (In Thousands)

	Tampa-St. Petersburg-Clearwater, FL	**% Δ**	**Florida**	**% Δ**	**United States**	**% Δ**
2000	1,159		7,566		136,891	
2001	1,163	0.3%	7,669	1.4%	136,933	0.0%
2002	1,152	-0.9%	7,656	-0.2%	136,485	-0.3%
2003	1,161	0.8%	7,783	1.7%	137,736	0.9%
2004	1,205	3.7%	8,050	3.4%	139,252	1.1%
2005	1,209	0.3%	8,399	4.3%	141,730	1.8%
2006	1,241	2.7%	8,710	3.7%	144,427	1.9%
2007	1,244	0.2%	8,790	0.9%	146,047	1.1%
2008	1,218	-2.0%	8,637	-1.7%	145,362	-0.5%
2009	**1,153**	-5.4%	**8,148**	-5.7%	139,877	-3.8%
2010	1,231	6.8%	8,194	0.6%	**139,064**	-0.6%
2011	1,259	2.3%	8,372	2.2%	139,869	0.6%
2012	1,295	2.8%	8,589	2.6%	142,469	1.9%
2013	1,323	2.2%	8,770	2.1%	143,929	1.0%
2014	1,346	1.8%	8,966	2.2%	146,305	1.7%
2015	1,364	1.3%	9,071	1.2%	148,834	1.7%
2016	1,406	3.1%	9,336	2.9%	151,436	1.7%
2017	1,447	2.9%	9,639	3.3%	153,337	1.3%
2018	1,470	1.6%	9,809	1.8%	155,761	1.6%
2019	1,505	2.4%	10,016	2.1%	157,538	1.1%
Δ 2010 to 2019		**22.2%**		**22.2%**		**13.3%**
Δ Since Trough		**30.6%**		**22.9%**		**13.3%**
July- 2020	1,366	-9.2%	8,875	-11.4%	144,492	-8.3%

Source: U.S Bureau of Labor Statistics

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

Limited Competition

The airport benefits from a limited degree of commercial air service competition. Of the state's 8 busiest airports, only Orlando International Airport (MCO) is located within 100 miles of Tampa. MCO offered 467 daily flights and served 24.8 million enplanements in 2019 compared to Tampa's 245 daily flights and 10.9 million enplanements. Nonetheless, KBRA views competition from MCO as fairly limited given the distance between the two international airports, which limits the practicality of diversion for most travelers, as well as the distinct nature of each airport's air travel market.

FIGURE 8

Busiest Florida Airports by Calendar Year Activity

City	Airport Name	Road Miles to Tampa Int'l Airport	Enplaned Revenue Passengers (000's) 2000	2010	2019
Orlando	Orlando International Airport	92	14,832	17,017	24,562
Miami	Miami International Airport	275	16,489	17,018	21,421
Fort Lauderdale	Fort Lauderdale-Hollywood Int'l Airport	259	7,817	10,830	17,951
Tampa	Tampa International Airport	-	7,970	8,137	10,941
Fort Myers	Southwest Florida International Airport	144	2,574	3,714	5,044
Jacksonville	Jacksonville International Airport	2,015	2,616	2,756	3,480
West Palm Beach	Palm Beach International Airport	211	2,929	2,958	3,460
Sanford	Orlando Sanford International Airport	118	508	554	1,602

Source: FAA BTS T-100 Database

RD 3: Airport Utilization

TPA's utilization profile was strong in the decade preceding onset of the COVID-19 crisis based on a general trend of increasing enplanement activity, little reliance on connecting traffic, and a fairly diverse carrier mix.

Airport Features

The HCAA airport system consists of Tampa International Airport and three general service airports. TPA occupies 3,400 acres and is comprised by three runways and 58 aircraft gates. It was the 27th busiest airport in the U.S. in the 2019 calendar year. The airport consists of a main terminal building connected to four airside concourses (A,C,E, and F), completed between 1987 and 2005, which are connected to the main terminal building by a fully automated elevated passenger transfer system. Parking garages, rental car facilities, and a 300-room Marriott hotel are located adjacent to the main terminal building.

Service and Destinations

In 2019 the airport provided at least weekly non-stop service to 81 cities including 11 international locations. Connections have accounted for less than 5% of enplanement activity in recent years with the top 20 O&D destinations mainly in the Northeast and Midwest. Domestic passengers have accounted for about 95% of enplanements in recent years.

FIGURE 9

Top O&D Markets
Fiscal Year Ended September 30, 2019

Rank	Destination	Passengers (000's)	% Total
1	New York, NY	1,561	14.1%
2	Chicago, IL	1,057	9.5%
3	Atlanta, GA	732	6.6%
4	Boston, MA	647	5.8%
5	Philadelphia, PA	627	5.7%
6	Washington, D.C.	606	5.5%
7	Detroit, MI	537	4.8%
8	Dallas, TX	522	4.7%
9	Baltimore, MD	493	4.4%
10	Denver, CO	490	4.4%
11	Houston, TX	401	3.6%
12	Minneapolis, MN	366	3.3%
13	Hartford, CT	331	3.0%
14	Las Vegas, NV	318	2.9%
15	Nashville, TN	281	2.5%
16	San Juan, PR	260	2.3%
17	Raleigh, NC	253	2.3%
18	Pittsburgh, PA	251	2.3%
19	Columbus, OH	243	2.2%
20	Cleveland, OH	223	2.0%
	All Others	885	8.0%
	Total	**11,085**	

Source: HCAA

Cargo Operations

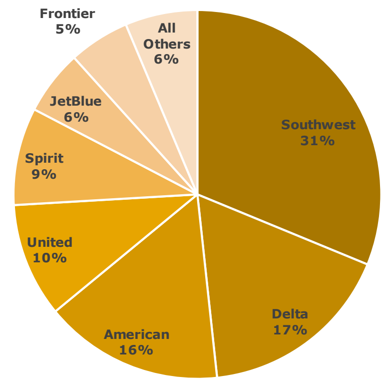
The airport recorded 105,000 metric tons of landed weight in CY 2019 based on FAA data, making it the 31st busiest air cargo operation in the U.S. and third busiest in the state. Landed weight increased at a 10.3% CAGR over the last decade and increased 24% to 33% annually each year through 2016, 2017, and 2018 due to the opening of two large Amazon fulfillment centers and the introduction of Amazon cargo freight service in that period.

Favorable Carrier Mix

Carrier concentration is low with the largest market shares maintained by Southwest, Delta, and American in FY 2019 (Figure 10). Ultra low-cost carriers Frontier and Spirit have reported notable growth increasing from a combined 5.7% market share in FY 2015 to 13.9% as of FY 2019.

FIGURE 10

Airline Market Share at TPA by Enplanements
FY 2019



Source: HCAA

Value to Carriers

Load factors at the airport in CY 2019 trailed the systemwide average for Southwest by 0.8%, Delta by 0.1%, and American by 1.0%. Airline yields in CY 2019, defined as airline revenue per passenger mile, were mixed and lagged the systemwide average for Southwest by 2% but exceeded the systemwide average for Delta and American by 2% and 1%, respectively. KBRA views these factors overall as suggesting an about average level of profitability for airline operations at the airport.

Enplanement Trends – Prior to COVID-19

Enplanement activity at the airport has exceeded that of the U.S. air market over the last five years but trailed somewhat over the last decade (Figure 11). Recovery following the 2007-08 financial crisis roughly paralleled the overall U.S. air market with both TPA and total market enplanements first surpassing their pre-crisis high in 2018.

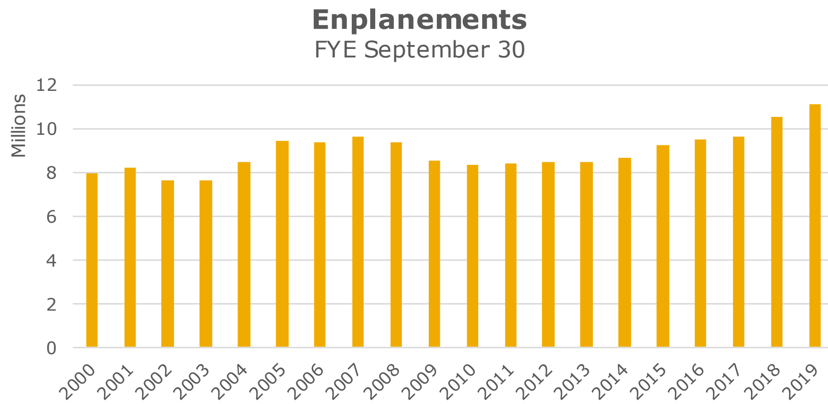
FIGURE 11

Annual Enplanement Activity and Available Seats vs. U.S. Air Market (in thousands)

Calendar Year	Enplanements: Tampa Int'l Airport	Δ YOY	Enplanements: U.S. Air Market	Δ YOY	Available Seats: Tampa Int'l Airport	Δ YOY	Available Seats: U.S. Air Market	Δ YOY
2000	7,928		766,800		10,637		1,122,559	
2001	7,905	-0.3%	711,061	-7.3%	10,777	1.3%	1,072,419	-4.5%
2002	7,811	-1.2%	697,376	-1.9%	10,724	-0.5%	1,036,213	-3.4%
2003	7,888	1.0%	729,868	4.7%	10,862	1.3%	1,058,870	2.2%
2004	8,625	9.3%	792,549	8.6%	11,459	5.5%	1,117,368	5.5%
2005	9,462	9.7%	826,800	4.3%	12,382	8.1%	1,134,373	1.5%
2006	7,928	-16.2%	831,830	0.6%	10,637	-14.1%	1,110,480	-2.1%
2007	9,530	20.2%	859,270	3.3%	12,430	16.9%	1,135,886	2.3%
2008	9,089	-4.6%	830,724	-3.3%	11,859	-4.6%	1,106,354	-2.6%
2009	8,449	-7.0%	786,434	-5.3%	10,504	-11.4%	1,035,828	-6.4%
2010	8,332	-1.4%	806,647	2.6%	10,351	-1.5%	1,033,755	-0.2%
2011	8,377	0.5%	822,783	2.0%	10,477	1.2%	1,046,882	1.3%
2012	7,928	-5.4%	831,418	1.0%	10,637	1.5%	1,044,787	-0.2%
2013	8,396	5.9%	842,613	1.3%	10,360	-2.6%	1,054,871	1.0%
2014	8,688	3.5%	868,277	3.0%	10,448	0.8%	1,069,596	1.4%
2015	9,311	7.2%	911,848	5.0%	11,057	5.8%	1,114,350	4.2%
2016	7,928	-14.8%	946,332	3.8%	10,637	-3.8%	1,166,508	4.7%
2017	9,677	22.1%	979,560	3.5%	11,594	9.0%	1,205,827	3.4%
2018	10,486	8.4%	1,027,167	4.9%	12,559	8.3%	1,258,422	4.4%
2019	11,038	5.3%	1,064,614	3.6%	13,230	5.3%	1,294,168	2.8%
5-Yr CAGR	4.9%		4.2%		4.8%		3.9%	
10-Yr CAGR	2.7%		3.1%		2.3%		2.3%	

Source: U.S. Bureau of Transportation Statistics T-100 Database.

FIGURE 12



Source: HCAA

COVID-19 Impact on Enplanement Activity

The onset of the COVID-19 crisis in mid-March resulted in a sharp reduction in enplanement activity. Monthly enplanements bottomed out at 47,000 in April, down 95.6% YOY. Enplanements gradually improved to 286,000 in August, a 67.2% decline relative to the same month in the prior year.

FIGURE 13

Monthly Airport Enplanement Activity[1]
FYE September 30

	2019	Δ YOY	2020
October	783	8.8%	852
November	915	0.1%	916
December	949	10.5%	1,049
January	910	5.7%	962
February	885	8.3%	958
March	1,170	-43.3%	663
April	1,056	-95.6%	47
May	975	-88.3%	114
June	922	-73.1%	248
July	934	-67.7%	302
August	871	-67.2%	286
September	716		

Source: HCAA

This performance is generally in line with TSA traffic counts at other U.S. airports. On a cumulative fiscal year-to-date basis through July, TPA enplanements are down 40% to 6.6 million, equal to the Authority's enplanement projection for the full 2020 fiscal year (ending September 30). The Authority projects FY 2021 enplanements to increase 18.3% to 7.8 million, with a gradual recovery to pre-pandemic levels by FY 2023.

As of September 2020, the Authority reports 13 newly announced routes, and 12 international services resumptions scheduled to commence in late fall of 2020. Two route resumptions (Silver Airlines to Nassau and Southwest to Las Vegas) will commence in September.

RD 4: Airport Debt/Capital Needs

Master Plan Projects

In 2012, the Authority embarked on a three-phase capital plan with a total estimated cost of $2.5 billion. Phase I, which was completed on time and within budget in 2018, decongested the Airport's roadways and passenger drop-off and pick up areas. It included the 2.6 million square foot rental car center (RAC) and the SkyConnect APM, which connects the RAC to the terminal. Phase II prepares the Airport infrastructure and enables future expansion needs to be undertaken in Phase III. Phase II includes curbside drop-off expansion and commercial development around the RAC (including the estimated $544 million SkyCenter One office project.) Phase III was to include a new 16-gate international and domestic passenger terminal (Airside D) and associated APM project, at an estimated cost of $690 million. With the advent of the COVID-19 crisis, on September 3, 2020 the HCAA Board put Phase III of the master plan on hold for three to four years.

Capital Improvement Program

In addition to the Phase II & III Master Plan projects, HCAA is undertaking a list of capital project renovations and refurbishments identified in the Authority's FY 2018-2028 Capital Improvement Program (CIP). These CIP projects have a total anticipated cost of $1.4 billion.

Funding Plans

The Authority's Capital Development Program is funded with a mix of federal AIP grants, State DOT grants, bond and bank note proceeds and Authority funds. As a result of the COVID-19 crisis, the Authority identified over $905 million of project deferrals or cancellations between FY 2021 and FY 2025 (including the deferral of Airside D).

After capital project deferrals, the FY 2021 capital program budget totals $47.0 million. Approximately $6.65 million (14.1%) of the FY 2021 capital program will be bond funded and $22.5 million (48%) will be paid from Authority funds.

Debt Levels Remain Manageable

Debt levels are expected to remain moderate due to the availability of non-GARB funding sources, the deferral of Phase 3 of the CIP, and the elimination/deferral of other non-Master Plan capital projects. KBRA calculates leverage as favorably low for a large hub, at 1.69x.

Outstanding Obligations

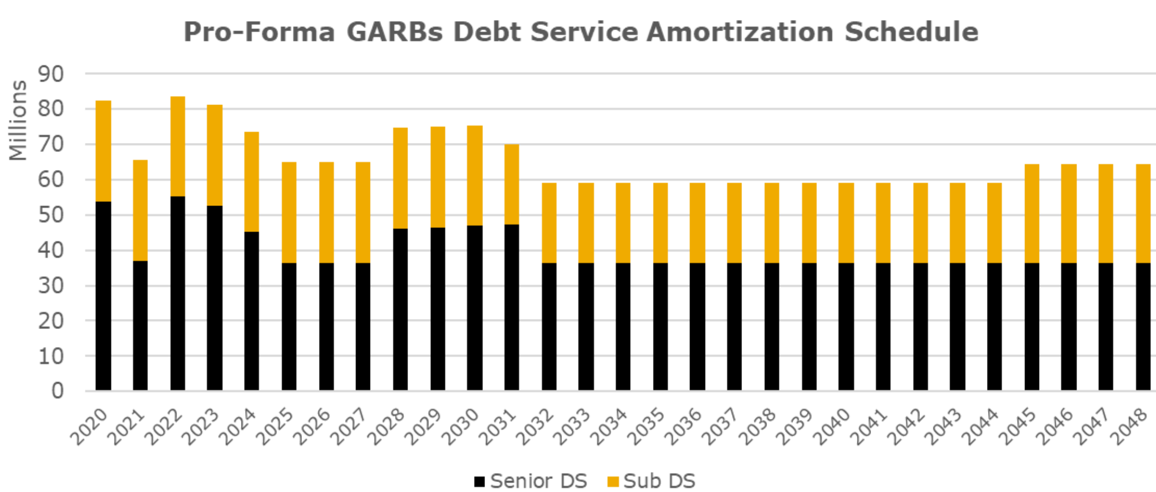
TPA's debt portfolio is summarized in Figure 14. The Authority first issued subordinated debt 2013. In addition to a subordinate lien on general airport revenues, the subordinate bonds are additionally secured by a subordinate lien on available PFC revenues after payment of senior lien PFC-supported debt service. There are presently no outstanding bonds secured solely by PFC revenues; such bonds, if issued, would have a prior lien on PFC revenues superior to both the senior and subordinate PFC bonds. Outstanding indebtedness is entirely fixed-rate, and there is no exposure to interest rate swaps. Combined lien MADS of $83.6 million occurs in FY 2022. The GARBs have a final maturity of 2048.

Figure 14

TPA's Debt Portfolio	
As of September 30, 2020	
Senior Lien GARBs	693,770
Subordinate Lien GARBs (PFC Funded)	396,695
Sub-total GARBs	**1,090,465**
Customer Facility Charge Bonds	374,955
Total Bonds Outstanding	**1,465,420**

Source: Hillsborough County Aviation Authority

Figure 15



Source: Hillsborough County Aviation Authority

Debt Service Coverage

FY 2019 senior lien DSCR[4] of 2.28x is projected to decline to 1.72x in FY 2020 (inclusive of $44.2 million of CARES Act funds as an offset to operating expense), before recovering to a budgeted 2.13x in FY 2021[5]. Subordinated DSCR[6] related to PFC-backed debt was 4.14x in FY 2019 and is projected at 2.38x for FY2020 and budgeted at 2.55x for FY 2021.

The Authority plans to apply approximately $15.7 million of Surplus Fund cash or CARES Act funds to the early redemption of certain Series 2018A Bonds maturing October 1, 2021, reducing FY 2021 senior lien debt service from $54.8 million to $38.7 million.

Figure 16 shows historic, projected and proposed budgeted revenues available for debt service. Figures are provided on a budgetary basis to allow FY 2020 projected and FY 2021 proposed budgets to be compared with prior budgeted levels. Trust Agreement coverage is provided at the bottom of Figure 16.

Figure 16

Hillsborough County Aviation Authority
Tampa International, Peter O Knight, Plant City & Tampa Executive Airports
Debt Service Coverage Ratios
Budgetary Basis
$ in thousands

	2017	2018	2019	2020 Projected	2021 Proposed Budget
Total Operating Rev	**$215,893**	**$240,573**	**$267,665**	**$194,941**	**$219,377**
Other Airline Costs					
Operating Revenues	$215,893	$240,573	$267,665	$194,941	$219,377
Operating Expenses	$117,204	$128,300	$144,634	$143,259	$141,862
CARES Act Funding (offset to O&M)				$44,240	$36,958
Funded by CFC Charges	-	-	-	$	$
Revenue Available for Debt Service	**$98,688**	**$112,273**	**$123,031**	**$95,921**	**$114,473**
PFC Revenues for Senior D/S (2009A Bonds)	$9,236	$9,233	-	-	-
Senior Debt Service	$46,116	$56,030	$55,194	$56,436	$54,787
Senior DSCR (min. 1.25x) [1]	***2.34x***	***2.17x***	***2.23x***	***1.70x***	***2.09x***
Revenues Available for Subordinate Lien D/S	$61,808	$65,476	$67,837	$39,485	$59,686
PFC Rev Available for Sub Debt	$13,481	$16,463	$30,982	$26,008	$31,494
Subordinate Debt Service	$15,328	$15,328	$28,001	$28,516	$28,512
Subordinate Lien DSCR (min. 1.25x)	***4.91x***	***5.35x***	***3.53x***	***2.30x***	***3.20x***
Combined Debt Service	$61,444	$71,358	$83,194	$84,952	$83,299
Combined DSCR (min. 1.15x)	***1.98x***	***1.93x***	***1.85x***	***1.44x***	***1.75x***
Senior Trust Agreement Coverage	***2.24x***	***2.08x***	***2.28x***	***1.72x***	***2.13x***
Subordinate Trust Agreement Coverage	***5.59x***	***6.06x***	***4.14x***	***2.38X***	***2.55x***

Source: Hillsborough County Aviation Authority Budgets

1. Does not reflect proposed application of approximately $15.7 million of surplus funds to the early redemption of bonds in FY 2021.

The Authority has a $200 million revolving credit agreement with Truist Bank. This short-term credit line, which is used as interim financing, was increased from $100 million in FY 2020. Draws are based on an estimated funding needs schedule submitted by the Authority semi-annually, projecting the monthly funding needs for the upcoming six months. Drawn amounts are payable from the surplus fund on a subordinate basis to both the senior and subordinate revenue bonds.

RD 5: Airport Finances

Sound management practices, financial planning, and expenditure controls have contributed to a trend of relatively low airline costs, sound debt service coverage and strong liquidity. Financial operations are governed by the provisions of the senior and subordinate trust agreements, which establish the various funds, flow of funds and the rate covenant.

Transition to Rates by Resolution

Operations are also a function of the airline-airport use and lease agreement ("Airline Agreement"), which expires on September 30, 2020. As the Authority and the airlines were unable to complete the negotiation of a new long-term agreement because of the COVID-19 pandemic, the Authority will utilize a Rates by Resolution model for FY 2021 and beyond. The Rates by Resolution model establishes a cost recovery rate setting methodology whereby airlines will pay for the facilities they use, including the baggage handling system and passenger shuttles to airsides. This represents a

[4] Calculated per Trust Agreement.
[5] Does not reflect the use of $36.9 million of CARES Act funding as an offset to O&M in FY 2021 but does reflect the planned redemption of certain maturities in FY 2021.
[6] Calculated per Trust Agreement.

departure from the Airline Agreement, which entailed subsidization of airline cost centers by the Authority. Although the new Rate Resolution is expected to increase costs to airlines by approximately 20.5% from $76 million to $90 million, costs will remain competitive in KBRA's view. Additionally, the new Rate Resolution provides for revenue sharing only after $10 million has been deposited to Authority reserves. Since there is no MII provision requiring airline approval, the new Rate Resolution is also expected to allow the Authority increased flexibility in undertaking capital projects.

In contrast with the Airline Agreement, which required signatory airlines to guarantee the 1.25x debt service coverage required by bond covenants in return for rebates of debt service coverage and a 20% share of remaining surplus revenues (revenues less expenditures less the operating reserve requirement less debt service), airlines will no longer provide a financial backstop under the new Rate Resolution.

Airline Rates and Charges Relief Agreement

The Authority provided approximately $63 million of waivers and deferrals to airlines, concessionaires and rental car companies through FY 2021. These actions are projected to reduce operating revenues by roughly $32 million in both FY 2020 and FY 2021 relative to pre-aid projections. Certain amounts due from the airlines for the months of March 2020 and April 2020 were deferred until July through September 2020. The Authority also agreed to waive the projected FY20 airfield settlement, estimated at $5.2M. In addition, although the new airline agreement goes into effect October 1, 2020, the Authority agreed to provide a credit to the airlines in the first quarter of FY21 which will effectively result in rates and charges as calculated under the existing agreement. The Authority also agreed to not charge the airlines extraordinary coverage for FY20 as required under the current agreement.

Cost Containment Measures to Address Forecast Declines in Traffic and Revenue

The Authority has taken measures to reduce operating and capital expenditures and maintain flexibility in response to projected pandemic-related revenue declines through FY 2025. Operating expense reductions include $8 million of non-personnel cuts in FY 2020, a proposed a $2.5 million reduction in personnel costs to be achieved through a voluntary separation incentive program and a budgeted $1.2 million personnel-related reduction in FY 2021. As previously discussed, over $905 million in Master Plan capital projects have been deferred through 2025, and the FY 2021 capital program was reduced by 34% from $71 million to $47 million. These capital program delays will allow the Authority to defer new money debt issuance by up to two years.

Financial Performance

Strong performance in FY 2019 continued a trend of improved operations. As a result of record increases in passenger traffic, operating revenues were up 8.0% YOY to $253.4 million, with ground transportation, concessions and landing fees evidencing the greatest growth. Operating expenses grew 5.7% YOY to $154.0 million, related mainly to higher personnel costs and airfield operating expenses. The Authority's FY 2019 net position was $1.14 billion

Figure 17

HCAA Financials
Summary of Statement of Revenues, Expenses, and Changes in Net Position
($000)

	2014	2015	2016	2017*	2018	2019
Net Position Beginning of FY	**747,522**	**747,522**	**825,656**	**936,472**	**1,079,213**	**1,123,306**
Operating Revenue	194,605	205,405	209,483	212,150	234,682	253,462
Operating Expense	102,985	108,172	119,473	125,012	145,659	154,016
Signatory Airline Net Rev Sharing	(9,012)	(10,535)	(9,867)	(8,841)	(12,503)	(16,253)
Operating Income before D&A	**82,608**	**86,699**	**80,143**	**78,297**	**76,519**	**83,193**
Depreciation and Amortization	89,362	93,570	84,738	81,539	103,282	150,438
Net Operating Income	**(6,754)**	**(6,871)**	**(4,595)**	**(3,242)**	**(26,762)**	**(67,245)**
Non-Op-Revenue (Expense)	23,215	(9,907)	155,015	(31,197)	(51,168)	(51,167)
Total Capital Contributions	68,673	94,913	152,228	177,180	122,023	116,450
Change in Net Position	**38,704**	**78,134**	**114,406**	**142,741**	**44,092**	**13,676**
Net Position End of FY	**786,226**	**825,656**	**940,062**	**1,079,213**	**1,123,306**	**1,136,982**

Source: HCAA CAFRs

**FY2017 numbers are restated*

Figure 18

HCAA Financials
Summary of Statement of Net Position
($000)

	2014	2015	2016	2017*	2018	2019
ASSETS						
Current Assets	115,283	181,201	270,261	287,744	238,930	268,601
Capital Assets, Net	1,149,446	1,244,227	1,582,218	1,921,351	1,957,723	1,967,172
Other Non-Current Assets	156,321	763,144	449,248	168,578	193,675	566,402
Total Assets	**1,421,050**	**2,188,572**	**2,301,728**	**2,377,673**	**2,390,328**	**2,802,174**
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding of Debt	2,827	2,171	1,649	1,791	2,241	1,323
Deferred Outflows on Pension Related Amounts	2,824	5,600	17,741	20,021	20,471	22,962
Total Deferred Outflows of Resources	**5,651**	**7,771**	**19,389**	**21,812**	**22,713**	**24,285**
LIABILITIES						
Current Liabilities	115,789	120,764	156,902	143,365	119,872	125,538
Non-Current Liabilities	549,397	1,244,266	1,225,805	1,172,826	1,163,480	1,558,808
Total Liabilities	**665,186**	**1,365,030**	**1,382,707**	**1,316,191**	**1,283,352**	**1,684,346**
DEFERRED INFLOWS OF RESOURCES						
Deferred Gain on Refunding of Debt	2,449	1,812	1,624	1,324	904	621
Deferred Inflows on Pension Related Amounts	11,543	3,843	314	2,363	4,529	3,904
Deferred Inflows on OPEB Related Amounts	-	-	-	394	1,097	636
Total Deferred Inflows of Resources	**13,993**	**5,655**	**1,938**	**4,081**	**6,530**	**5,161**
NET POSITION						
Net Investment in Capital Assets	618,609	687,705	813,780	907,382	900,089	907,319
Restricted	99,023	59,082	55,966	94,081	146,530	138,916
Unrestricted	29,889	78,869	66,726	77,751	76,687	90,746
Total Net Position	**747,522**	**825,656**	**936,472**	**1,079,213**	**1,123,306**	**1,136,982**

Source: HCAA CAFRs
**FY2017 numbers are restated*

Projected FY 2020 Results

Projected full year FY 2020 operating revenues of $195 million are $77 million, or 27% below FY 2019 actuals, reflecting the projected 40% decline in FY 2020 enplanements. Parking, concession and rental car revenues are most adversely impacted. In response to these revenue declines, the Authority reduced the FY 2020 operating budget by $8 million or 5.3% versus the prior fiscal year budget. After Authority-funded capital expenses, the operating reserve requirement and other reimbursements, the Authority is projecting a net loss of $43.9 million for FY 2020. It plans to use approximately $44.2 million of its $81.2 million CARES allocation to offset this loss. The Authority plans to contribute $361,000 to reserves in FY 2020. No revenues were shared with the airlines in FY 2020 and airline CPE increased 52% to $9.06.

Airport operating margins were satisfactory at 33% in FY 2019 but KBRA calculates that the FY 2020 operating margin will narrow due to pandemic-related declines in operating revenue.

Mix of Airline and Non-Airline Revenues

Airline revenues have consistently accounted for about 30% of total annual operating revenues. Because of the change to a Rates by Resolution method, this ratio is expected to increase to approximately 40% in FY 2021 and thereafter.

Ground transportation revenues, including parking and permit fees, are the largest non-airline revenue source, followed by concessions. Non-airline revenues, which grew by a CAGR of 5.2% from FY 2010 to FY 2018, are projected to decline by 31.8% in FY 2020 on a fiscal year-over-year basis. On a per enplanement basis, non-airline revenues per enplanement, which have exceeded $14.00 since 2011, grew to a very strong $17.41 in FY 2019. The Airport completed its concession redevelopment program in the spring of 2019, with 69 new high-end establishments strategically arranged on the basis of customer feedback. The concession redevelopment program is anticipated to further increase non-airline revenues. KBRA views the revenue diversity of the airport as a positive credit factor (Figure 19).

KBRA notes that ridesharing companies began operating legally in Florida since July 2017. HCAA signed and approved a contract with Uber, Lyft, and Wingz that allows these ridesharing companies to pick up and drop off customers at the Airport. In return, since 2018 these companies have paid a per-pick-up charge which increased from $3 to $5 effective October 1, 2019. Ridesharing services compete with existing ground transportation services and therefore limit growth in the Airport's parking facility revenues. With the implementation of the per-pick-up charge on ridesharing, total ground transportation revenue is expected to grow at over 4% YOY, which the Authority expects to be sufficient to recover all of the Airport's ground transportation expenses by the end of a three-year phase in period. Figure 19 summarizes airport operating revenues.

Figure 19

Hillsborough County Aviation Authority Tampa International, Peter O Knight, Plant City & Tampa Executive Airports Comparison of Operating Revenues Budgetary Basis $ in thousands	2016	2017	2018	2019	2020 Projected	2021 Proposed Budget
Passenger Airline Landing Fees	$15,963	$17,262	$17,597	$18,908	$14,197	$21,913
Main Terminal Rentals						
Main Terminal Rentals	$23,858	$24,576	$27,201	$29,252	$23,381	$38,465
Airside Rentals	$18,850	$20,763	$22,749	$25,399	$24,958	$31,486
Total Passenger Airline Revenue	**$58,671**	**$62,601**	**$67,547**	**$73,559**	**$62,536**	**$91,863**
Concession Revenues	$60,336	$59,589	$70,628	$75,236	$50,645	$48,943
Parking and Ground Transportation	$70,077	$68,455	$76,135	$77,390	$43,754	$52,633
Cargo Revenue	$2,999	$3,530	$5,133	$5,522	$6,190	$6,505
TSA Revenues and Reimbursements	$1,387	$1,478	$1,318	$1,259	$404	$550
General Aviation	$3,505	$3,803	$4,086	$4,297	$4,185	$4,097
Other Revenues	$11,748	$13,302	$13,727	$14,167	$15,051	$10,960
Interest Income	$4,180	$3,135	$3,864	$16,235	$12,175	$3,824
Total Operating Revenues	**$212,904**	**$215,893**	**$240,573**	**$267,665**	**$194,941**	**$219,377**
Airline Revenues	**$58,671**	**$62,601**	**$67,547**	**$73,559**	**$62,536**	**$91,863**
y-o-y % growth	*-0.6%*	*6.7%*	*7.9%*	*8.9%*	*-15.0%*	*46.9%*
Non-Airline Revenues	**$154,233**	**$153,292**	**$173,026**	**$194,106**	**$132,405**	**$127,513**
y-o-y % growth	*4.2%*	*-0.6%*	*12.9%*	*12.2%*	*-31.8%*	*-3.7%*
Airline Revenues as % of Total Rev	27.6%	29.0%	28.1%	27.5%	32.1%	41.9%
Non-Airline Revenues as % of Total Rev	72.4%	71.0%	71.9%	72.5%	67.9%	58.1%
Net Airlines Fees and Charges	$44,834	$41,917	$54,079	$54,184	$59,931	$89,204
Airline Revenue Sharing	$9,867	$8,841	$9,578	$15,816	-	$659
Airline Settlement	$360	$1,505	$1,516	$1,066	$1,318	-
ASIP Waivers	$850	$1,057	$2,375	$2,493	$1,288	$2,000
Total Airline Fees and Charges	$58,671	$62,601	$67,547	$73,559	$62,536	$91,863
CFC & TFC Collection*	$44,834	$41,917	$44,381	$44,655	$28,482	$31,869

Source: Hillsborough County Aviation Authority Budgets
**Customer Facility Charge and Transportation Facility Charge*

The Authority collects a Passenger Facility Charge (PFC) of $4.50 less $0.11 collection compensation per enplaned passenger. HCAA received $41.7 million of PFC revenues in FY 2019. PFCs are available for both PFC supported debt service and capital projects.

Passenger Airline Cost Per Enplanement

TPA's airline cost per enplanement (CPE) has averaged $5.04 over the most recent three years, which KBRA considers low for a large hub airport. PFC support helps to moderate the impact of the capital plan on CPE. Figure 20 shows additional airport metrics based on TPA's historic performance. KBRA expects cost per enplanement and debt service per enplanement to trend upward based on enplanement projections, CIP and borrowing plan.

Figure 20

Additional Airport Metrics FYE September 30	2015	2016	2017	2018	2019
Enplaned Passengers	9,263,336	9,485,879	9,638,070	10,159,247	11,085,290
Cost Per Enplanement	$5.26	$5.02	$5.31	$4.89	$4.94
Debt Service Per Enplanement	$8.48	$7.44	$6.38	$7.02	$7.50
Operating Margin	51.5%	53.0%	54.3%	54.6%	53.2%
DCOH	450	400	483	343	402
Non-Airline Revenue Per Enplaned Passenger	$15.88	$16.87	$16.11	$16.72	$17.51

Source: HCAA Budgets

FY 2020 pre-COVID CPE was budgeted at $5.15, but due to enplanement reductions, FY 2020 CPE is now projected at $9.06. FY 2021 budgeted CPE is a manageable $11.39. We note that the increase in FY 2021 budgeted CPE reflects both FY 2021's lower enplanement projections and the increased airline costs associated with the new Rate by Resolution model which becomes effective at the beginning of FY 2021.

System Liquidity

The Airport has historically maintained substantial levels of unrestricted cash. The senior bonds' trust agreement requires approximately two months of operating expenses to be held within an operating reserve.

As of September 30, 2019, the unrestricted cash balance (inclusive of amounts in the operating reserve) was a strong $160.0 million, which KBRA calculates as equivalent to 402 DCOH. Without the use of CARES Act funding, HCAA expects the FY 2020 unrestricted cash balance (inclusive of amounts in the operating reserve) to decline to $152.6 million -- ($54.9 million excluding other available funds)- but to essentially breakeven to FYE 2019 if the planned use of $44.2 million of CARES funding in FY 2020 is factored in.

Stress Case

KBRA's stress case assumes that September through December 2020 enplanements remain 67% below 2019 same month levels, followed by a 2% monthly recovery thereafter. Under this stress case, enplanements would not recover to pre-pandemic levels for nearly three years and CPE would rise to $9.04 in FY 2020 and to $19.88 in FY 2021 absent further extraordinary support. KBRA views these stress case CPE projections as elevated but still manageable. In our view, airline's decisions regarding fleet size and utilization of their existing hubs in the current and post COVID-19 environment will be primarily driven by passenger demand rather than CPE. KBRA further anticipates that the Authority will have the financial resources and flexibility to take extraordinary actions, in necessary, to keep airline changes within a reasonable range through the application of available reserves toward operating expenditures, additional capital project deferrals, and other potential actions, including further expenditure reductions. Our assumed gradual recovery in passenger activity results in CPE improving to $12.21 in FY 2022 and receding thereafter. KBRA will continue to monitor passenger demand and CPE on an airport by airport basis.

RD 6: Legal Mechanics and Security Provisions

KBRA views the legal mechanics and security provisions of the bonds, set forth in the senior and subordinated trust agreements, as providing strong levels of bondholder protection. Both senior and subordinate lien bonds are payable from net airport revenues, after operating expenses (see Appendix for Flow of Funds). Revenues are defined as all rates, fees, rentals and other charges or income received by the Airport.

The Authority has no outstanding standalone PFC Bonds, but certain subordinated lien Airport Revenue bonds are additionally secured by PFC revenues. The pledging of PFC revenues to specific bond issue repayment lowers airline costs. PFC revenues flow through both the senior and subordinate waterfall prior to being used for FAA-approved PAYGO purposes. Figure 21 summarizes the major legal mechanics and security provisions of the bonds.

The rate covenant requires 1.25x annual debt service for senior lien bonds and 1.25x annual debt service for subordinate lien bonds. There is also a combined lien coverage requirement of 1.15x annual debt service. The documents set forth restrictive additional bonds tests for both lien classes and establish senior and subordinate lien debt service reserve funds. The senior lien debt service reserve fund is required to hold an amount equal to maximum annual debt service (MADS), while the subordinate lien reserve is funded at the lesser of MADS, 1.25x average annual debt service, or 10% of bond proceeds.

Figure 21

Hillsborough County Aviation Authority, Airport Revenue Bonds						
Airport Revenue Bond Trust Agreement	**Revenue Pledge**	**Rate Covenant (no PFC)**	**Rate Covenant (PFC)**	**Additional Bonds Test**	**Debt Service Reserve Fund**	**Flow of Funds**
Senior Lien	Net Airport System Revenue Pledge	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service	1.25x Annual Senior Lien Debt Service. Surplus Revenues can be applied to satisfy test but rates must always equal 1.00x annual operating expenses and debt service	Historic 1.25x coverage in 12 consecutive months of past 18, **OR**, Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments	Maximum Annual Debt Service	Closed Flow of Funds
Subordinate Lien	Net Airport System Revenue Pledge	1.25x Annual Subordinate Lien Debt Service. Same surplus rules as senior test	1.15x Annual Subordinate Lien Debt Service	Historic 1.25x coverage in 12 consecutive months of past 18, **OR**, Prospective 1.25x debt service coverage over minimum 5 year test period including revenue adjustments	The lesser of MADS, 125% of average annual debt service, or 10% of original principal amount.	Closed Flow of Funds

Source: The Hillsborough County Aviation Authority Airport Revenue Bond Trust Agreements and related issuing documents

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues. KBRA understands that to be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located. The Authority meets the definition of municipality, as it is a public body corporate and an independent special district of the State of Florida. As to authorization, Florida law generally permits municipal entities to seek Federal bankruptcy relief, but this authority is limited by a separate companion statute prohibiting certain local governmental entities (defined to include special districts) from seeking such relief except with the prior approval of the governor. Accordingly, KBRA believes it likely that a bankruptcy court reviewing any Chapter 9 filing by the Authority would require, among other conditions to eligibility, that the Authority has received prior permission from Florida's governor.

A. Pledged Net Revenues as Special Revenues under the Bankruptcy Code

Because the revenues pledged for payment of the senior bonds and subordinated bonds are generated by the airport system, as part of the aviation transportation projects and systems owned by the Authority, KBRA understands that the Revenues will qualify as "special revenues" as that term is defined in the Bankruptcy Code. There are separate protections in Chapter 9 for revenue bonds that fall within those special revenues definitions. Assuming there is no shortfall of funds to make debt service, given that the Bonds should be considered revenue bonds secured by a pledge of special revenues it is KBRA's understanding that, if the Authority were authorized to file for protection under Chapter 9, it should generally be expected that such filing should have little to no effect on the payment of the Bonds during the bankruptcy case.

That stated, there are several additional issues that arise. If the Authority were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could possibly decide that (i) post-bankruptcy revenue bond payments by the Authority are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement action by the Trustee) or is limited to amounts then on hand with the Trustee or the Authority. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceedings may be prohibited for an unpredictable amount of time from taking any action to collect any amount from the Authority, or from enforcing any obligation of the Authority, without the bankruptcy court's permission. However, it is KBRA's understanding that such a ruling would be contrary to historical experience in Chapter 9, and the clear intent of Congress regarding the continued payment of municipal revenue bonds post-bankruptcy, as expressed in the legislative history for the special revenues amendments to Chapter 9 and as interpreted in properly reasoned existing (albeit limited) case precedent under Chapter 9.

Assuming the revenues pledged are in fact determined to be "special revenues," the Bankruptcy Code provides that, to keep revenue-generating municipal assets operating, special revenues can be applied to necessary operating expenses of the project or system ahead of all other obligations – including bondholder payments. This rule applies regardless of contrary provisions of the transaction documents, if such governing documents do not adequately provide for payment of necessary operating expenses. In determining necessary operating expenses for the airport system, in a Chapter 9 case the bankruptcy court thus may not be limited by the provisions governing the flow of funds or that define operating expenses, in the Trust Agreements or other bond issuance documents. In addition, while there is no case law from which to make a definitive judgment, it is possible that, in the context of confirming a plan of adjustment in a Chapter 9 case where the plan has not received the requisite consent of the holders of the senior bonds or the subordinated bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the senior bonds or the subordinated bonds or the interest rate or other terms of the senior bonds or the subordinated bonds, provided that (i) the bondholders retain their lien on the special revenues and (ii) the payment stream has a present value equal to the value of the special revenues subject to the lien.

B. Possible effect of an airline bankruptcy

Given that a substantial portion of the revenues to be deposited in accordance with the Senior Trust Agreement is derived from rentals, fees and charges imposed upon the Signatory Airlines pursuant to the Airline Agreement, the bankruptcy of a Signatory Airline, particularly a dominant one, could have an effect on the ability of the Authority to make debt service payments. KBRA understands that in the event a bankruptcy case is filed with respect to an airline operating at TPA, the Airline Agreement, lease or permit governing such airline's use of Airport space would constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. KBRA understands that in Chapter 11 cases, the debtor in possession or its bankruptcy trustee, if one is appointed, has 120 days from the date of filing of the bankruptcy petition to decide whether to keep ("assume") or jettison ("reject") a nonresidential lease, such as the Airline Agreement. KBRA also understands that the 120-day period may be extended by court order for an additional 90 days for cause and that any additional extensions are prohibited unless the debtor airline or its bankruptcy trustee obtains the Authority's consent and a court order.

KBRA understands that under the Bankruptcy Code, were a bankruptcy trustee or the airline as debtor in possession to elect to reject an executory contract or unexpired lease of non-residential real property, the rejection is deemed to be a default immediately before the date of the filing of the bankruptcy petition. KBRA also understands that under the Bankruptcy Code, upon rejection of an unexpired lease the airline debtor must surrender the relevant non-residential real property to the lessor. As a result, rejection of an unexpired lease by an airline debtor may result in the Authority unexpectedly regaining control of the applicable facilities (including gates and boarding areas). The Authority could then lease or permit such facilities to other airlines. The Authority's ability to lease such facilities to other airlines may of course depend on the state of the airline industry in general, on the nature and extent of the increased capacity at TPA resulting from the departure of the debtor airline, and on the need for such facilities.

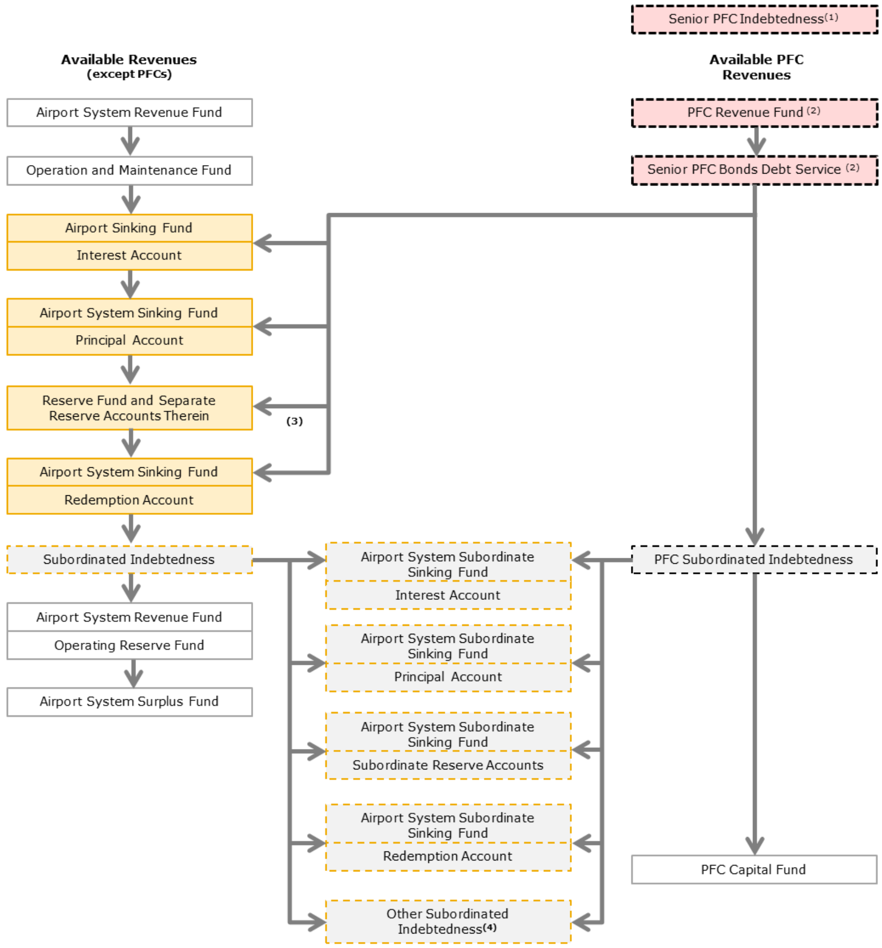
KBRA understands that under the Bankruptcy Code, any rejection of a lease or other agreement could also result in a claim by the Authority for rejection damages against the debtor airline. KBRA understands that such claim would be in addition to all pre-bankruptcy amounts owed by the debtor airline. KBRA understands that with respect to leases, a rejection damages claim for the rent due under a lease is capped under the Bankruptcy Code at the greater of one year, or 15%, not to exceed three years, of the remaining term of the lease. KBRA understands that rejection damages claims are generally treated as a general unsecured claim of the airline debtor, and could be considerably less than the cap. However, KBRA understands that the Authority may have rights against any faithful performance bond or letter of credit required of an airline to secure its obligations under the Airline Agreement and/or the right to set off against credits owed to the airline under relevant agreements.

Alternatively, KBRA understands that under the Bankruptcy Code an airline debtor can "assume" its executory contracts and unexpired leases and that the Bankruptcy Code further provides for an airline debtor to assume and assign its executory contracts and leases to a third party, subject to certain conditions. KBRA understands that if the bankruptcy trustee or the airline assumes its executory contracts or unexpired leases as part of reorganization, the airline debtor must "cure" or provide adequate assurance that the airline debtor will promptly cure its prepetition defaults, including arrearages in amounts owed. Even if all such amounts owed are eventually paid, the Authority could experience delays of many months or more in collecting them.

KBRA KROLL BOND RATING AGENCY

Appendix

Flow of Funds
Under the Senior and Subordinate Lien Trust Agreement



1) No such debt is currently outstanding.
2) Available PFC Revenues are required to be deposited into the Interest Account, the Principal Account and the Redemption Account Under the Senior Trust Agreement in an amount equal to the monthly deposit requirements with respect to the PFC Bonds, and then for the replenishment of any reserve account established for PFC Bonds, and then to the payment of debt service on PFC Subordinated Indebtedness.
3) To the extent required to fund deficiencies in the separate reserve accounts established in the Reserve Fund for a particular series of PFC Bonds.
4) The SunTrust Note has a third lien status.