Hillsborough County Aviation Authority, FL
Tampa International Airport

Ratings	
Hillsborough County Aviation Authority, FL	
Assigned	
Long-Term Rating	**Outlook: Stable**
Tampa International Airport Revenue Bonds, 2018 Series E (AMT)	AA
Tampa International Airport Revenue Bonds, 2018 Series F (Non-AMT)	AA
Tampa International Airport Subordinated Revenue Bonds, 2018 Series A (PFC AMT)	AA-
Upgraded	
Long-Term Rating	**Outlook: Stable**
Tampa International Airport Revenue Bonds	To AA from AA-
Tampa International Airport Subordinated Revenue Bonds	To AA- from A+

KBRA's long-term ratings do not apply to bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

Methodology:
U.S. General Airport Revenue Bond Rating Methodology

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Rating Summary: KBRA has upgraded Tampa International Airport ("the Airport" or TPA) Revenue Bonds to AA from AA- and Subordinated Revenue Bonds to AA- from A+, both with a Stable Outlook. The upgrade reflects the successful completion of 40% of a massive three-phase Capital Improvement Program (CIP) and management's discipline to keep costs within budget and on schedule. Phase I of the CIP is in operation and it will enable the Airport to handle future growth, which is already gaining momentum. KBRA expects the Airport will continue to maintain strong financial operations and manageable debt metrics inclusive of future debt plans throughout Phase II & III of the CIP.

TPA is a large hub airport serving primarily origination and destination (O&D) traffic. In 2017 it served approximately 9.6 million enplaned passengers, which represented a strong 11% growth in enplanements compared to 2014. Further enplanement growth is expected in 2018 and 2019 due to a combination of strong domestic and international markets. Benefiting from the nearby Amazon fulfillment centers and Port of Tampa, as well as by a mature transportation network, commercial cargo operations have also experienced robust growth in the last two years. YTD cargo operations almost doubled that of 2017 during the same period.

The Airport is served by a core group of airlines with no one airline holding a dominant position. Southwest Airline is the largest carrier at the airport, accounting for about 36% of TPA's enplaned passengers in 2017. The top three airlines (Southwest, Delta, and American) consistently accounted for less than 70% of total enplanements.

The cost per enplanement (CPE) at TPA is among the lowest for large hub airports in the U.S., currently at $4.83. The projected CPE for FY 2019 is $5.15 and is expected to remain consistent with current levels as TPA works through Phase I and II of the master development plan.

The Airport Revenue Bonds are secured by net airport revenues where senior lien DSCR equaled 2.34x (FY 2017) and is projected at 2.32x (FY 2018). Combined senior and subordinated lien DSCR equaled 1.98x (FY 2017) and is projected at 2.03x (FY 2018). Operations are supported by 71% of non-airline revenue sources, which provide a diverse revenue stream. Liquidity position of HCAA is very strong with an excess of 430 DCOH in FY 2017.

The **Stable Outlook** reflects KBRA's expectation that passenger traffic levels will remain in line with projections. It also reflects KBRA's view that future borrowing and debt service coverage will approximate current anticipated levels and that non-airline revenues and the application of PFC revenues will continue to temper increases in airline payments.

In reviewing this credit, KBRA met with TPA management team, surveyed the completed Phase I of the CIP, and reviewed the Airport's 2019 Final Budget as well as a new Report of the Airport Consultant (Ricondo). Additionally, The FAA and the U.S. Departmart of Transportation both released aviation related statistics for 2017, which KBRA has incorporated into our assessments.

Key Rating Strengths

- Very strong management team that operates with high efficiency and is focused on improving customer experience at the Airport. Management's vision to address current and future capacity issues demonstrated excellent leadership.
- ATA population growth trends and increasing economic diversity support growing demand for air travel while strictly O&D nature of activity confers stability.
- Diverse carrier mix with existing airlines strategically adding new domestic and international flight routes that support enplanement growth.
- Debt metrics remain strong and management intends to maintain level annual debt service requirements at a manageable $60 million per annum.
- Well maintained overall financial operations with additional financial flexibility available from the ability to levy a 1.5 mil ad valorem tax, which based on current valuations would generate approximately $100 million/year.

Key Rating Concerns

- Significant leisure component, which could be sensitive to domestic economic environment and enplanement fluctuations.
- While management capability is viewed favorably by KBRA, certain policies and procedures, although adhered to, are not comprehensively documented.
- Rideshare services add some pressure to TPA's parking and rental car revenues.

Drivers for Upgrade

- More consistent pattern of passenger traffic growth with a greater mix of non-leisure passengers
- Increased diversification of the local economy

Drivers for Downgrade

- Passenger traffic erosion

Highlights of Important Ratios				
FAA Code	TPA			
Air Trade Area:	Tampa-St. Petersburg-Clearwater, FL (MSA)			
	As of Calendar Year 2017			
Population in MSA(1)	3,091,399			
MSA Income Per Capita(1)*	$43,807			
Primary Airline(2)	Southwest Airlines			
Primary Carrier Yield(2)	$0.16			
Primary Carrier Yield Relative to System(2)	-1.9%			
Total Available Seats(2)	10,252,122			
Total Available Seats - Primary Airline(2)	3,434,824			
	TPA	**Competing Airports****	**Large Hubs**	**U.S.**
Total Enplanements(3)	9,194,994	25,112,662	601,677,831	801,569,525
Enplanements 5 year CAGR	2.8%	2.1%	3.5%	3.3%
	TPA	**Southwest**	**Competing Airport****	**Large Hubs**
Load Factor	84.1%	83.5%	84.60%	82.4%

(1) U.S. Bureau of Economic Analysis | U.S. Census Bureau
(2) U.S. Department of Transportation; Yield data limited at the domestic level only
(3) Federal Aviation Administration (FAA) data
* Most recent data as of 2016 | ** Competing airports are Orlando International Airport, Sarasota/Bradenton International, and Southwest Florida International A

Financial and Liquidity		
	FY 2018 Projected	FY 2019 Final Budget
Operating Revenue (in thousands)	$240,516	$258,989
Operating Expenses (in thousands)	$131,684	$145,398
Total Funds Available (in thousands) inclusive of PFC Rev.	$112,161	$118,165
Cost Per Enplanement	$4.83	$5.15
Debt Per Enplanement*	$70.10	$104.94
Debt Service Per Enplanement*	$6.80	$7.10
Operating Margin	54.8%	56.1%
DCOH (Days)	439	424
Non-Airline Revenue per enplaned passengers	$16.52	$17.28

Debt Service Coverage Ratios		
	2019 Pro Forma	
	Senior Airport Rev Bonds	Subordinated Airport Rev Bonds
Bonds Outstanding*	$731,335	$406,850
Pro Forma 2019 DSCR (in thousands)	$55,495	$28,197
DSCR	**2.13x**	**3.33x**
Combined DSCR	**1.79x**	
Pro Forma MADS Year	**2021**	
Pro Forma MADS (in thousands)	**$85,145**	**1.83x**

Source: Hillsborough County Aviation Authority Budgets
* Pro Forma - Inclusive of the 2018 New Money Bonds

Rating Determinants (RD)	Senior	Subordinate
1. Management	Favorable	Favorable
2. Economics/Demographics of Service Area	AA-	AA-
3. Airport Utilization	A+	A+
4. Airport Debt/Capital Needs	AA+ (revised from AA)	AA+ (revised from AA)
5. Airport Finances	AA+ (revised from AA)	AA+ (revised from 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.

The act creating the Authority addresses the importance of County airports to Florida's economic health and tourism industry. And such, the Airport is operated with a focus on customer service, efficiency, and cost effectiveness where operating strategies are developed around actual performance data. Although the Authority operates on a self-supporting basis, it does have the ability to levy a 1.5 mill ad valorem tax. The Authority has not levied the tax since 1973 and has no plans to do so in the near future.

Governance

Pursuant to the authorizing act, 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 (and selected by) the Board of County Commissioners of the County, ex officio, for a one-year term. Each member continues to serve until a successor has been selected. Board members are not compensated for their services. 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, and the performance of other duties as authorized by the Board. The Board adopts an annual budget prepared by the CEO before October 1. Approximately 7,000 people are employed at TPA, including 690 Authority employees.

The Authority has enacted various policies to ensure that operations are effectively maintained, and potential risks are accounted for. While the Authority undertakes a variety of risk assessments, KBRA believes that the absence of formally documented policies for enterprise risk management, succession and continuity planning, and debt, as already exists for long-range financial and capital planning, holds back transparency. In KBRA's view, management is very capable, as underscored by TPA's ranking as a 3rd place winner for the Airport Council International (ACI) Best Airport in North America Service Quality Award. The 2017 award was the sixth consecutive year that TPA was recognized by ACI as one of the top five airports within North America. KBRA also notes that the management team has successfully managed the completion of a significant portion of its three-phase capital plan on time and within budget.

Based upon the review of the HCAA's governing structure, policies and procedures, and management background and experience, KBRA views HCAA's management as ***Favorable***.

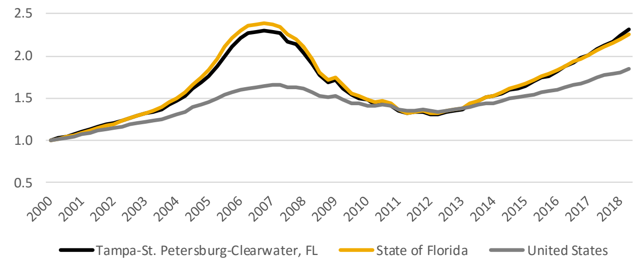
RD 2: Economics/Demographics of the Service Area

KBRA views the economic and demographics of TPA's service area as strong with increasing diversity of businesses supported by both the local economy and by leisure and business travelers, both of which provide support to TPA's growing market.

Located approximately six miles west of downtown Tampa in Hillsborough County, FL., TPA's air trade area (ATA) 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 ATA[1] that reaches to Orlando International Airport's service area. The primary ATA and secondary ATA are within a two-hour drive of TPA.

Figure 1

Homes Values Indexed to 2000Q1
2000Q1 to Q2 2018Q2



Source: Federal Housing Finance Authority All-Transaction Indexes

According to the U.S. Census data, total population in the ATA totaled 3.1 million in 2017, up 4% from 2015. Hillsborough County is the largest county by population with over 1.4 million residents followed by Pinellas County with over 970 thousand. Between 2010 and 2017, the ATA population growth exceeded 11%, which is more than the national rate of 5.5%.

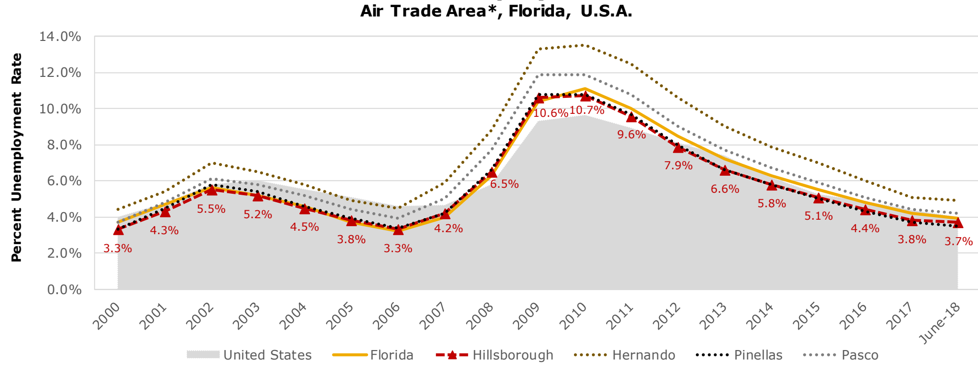
Based on the Federal Housing Finance Authority data, MSA home values have fully recovered to slightly more than 100% of their previously cyclical high in Q2 2018 compared to the state at 94% and the nation at 113%. Although growth in home values lags that of the U.S., the MSA's housing market however has outperformed the nation since 2000 and home value appreciation has returned to very robust growth over the last six years. KBRA views the trend of rising home values as supportive of local wealth levels, which is an important driver of air travel activity.

The economic base of the ATA continues to recover from the Great Recession. Real Gross regional product shows a compound annual growth rate of 2.3% between 2010 and 2016, which is slightly stronger than the State's 2.0% and the nation's 2.1%.

Figure 2

Trends in Unemployment Rates

Air Trade Area*, Florida, U.S.A.



Source: Bureau of Labor Statistics

**Air Trade Area Consists of Hillsborough County, Hernando County, Pasco County, and Pinellas County*

Unemployment rates of the ATA mirror that of the state and the nation. As shown in Figure 2, the unemployment rate in the ATA has declined sharply from recessionary highs. KBRA views the ATA's post-recession employment recovery as favorably and notes that it helps provides a stronger base for local air travel demand.

Per capita personal income in the air trade area averaged $43,807 in 2016, which approximates 95.5% and 89.0% of state and national averages, respectively.

Business Environment Lends Support to O&D Traffic

The Tampa Bay area is a popular vacation destination and a growing business center. In 2017, Tampa and the County had approximately $644 million in taxable hotel revenue and $32.3 million tourism development (bed) taxes, which was an 8% increase from 2016 and a record collection amount. Despite the importance of leisure-related activities, overall business environment in the ATA is evolving to become more diversified. In 2018, five of the 18 Fortune 500 companies that are headquartered in Florida are in the ATA or secondary ATA. KBRA notes that most of the concentrated employment sectors are still highly sensitive to changes in the macroeconomic conditions. Only education and health services are more resilient to economic downturns.

Port Tampa Bay ("the Port") is one of the largest U.S. seaports by tonnage and has a growing cruise industry presence.

[1]Secondary air trade area includes: Citrus, De Soto, Hardee, Manatee, Sarasota, Sumter, and a portion of Polk County

KBRA positively views the Port activities and notes that it contributes to demand for air traffic at TPA. The ATA has a vibrant trucking industry, which is reinforced by a developed network of interstate highways that connect the ATA to various major U.S. markets such as Orlando, Daytona Beach, Miami, Atlanta, Cincinnati, and Detroit. CSX Corporation provides freight rail service from the ATA to other major freight hubs and ports east of the Mississippi River.

Based on the foregoing, KBRA views the economics/demographics of TPA's service area as consistent with a AA- Rating Determinant rating.

RD 3: Airport Utilization

KBRA views the airport utilization of TPA as strong with a trend of healthy and steadily growing O&D enplanements and limited airline concentration. As a large air traffic hub, TPA ranks as the 29th busiest airport in the U.S based on FAA's preliminary 2017 enplanements. The airport system consists of TPA, Peter O. Knight Airport, Plant City Airport and Tampa Executive Airport. TPA has three runways, which are connected with a fully integrated system of taxiways.

The existing passenger terminal facilities consist of a main terminal building, 4 active airside buildings (A, C, E, and F) with a total of 59 gates that are connected to the main terminal building by a fully automated elevated passenger transfer system. The passenger terminals can accommodate multiple wide body aircrafts, such as the B747-400 and B757 aircraft, simultaneously. Adjacent to the main terminal are parking garages, rental car facilities, and a 300-room hotel.

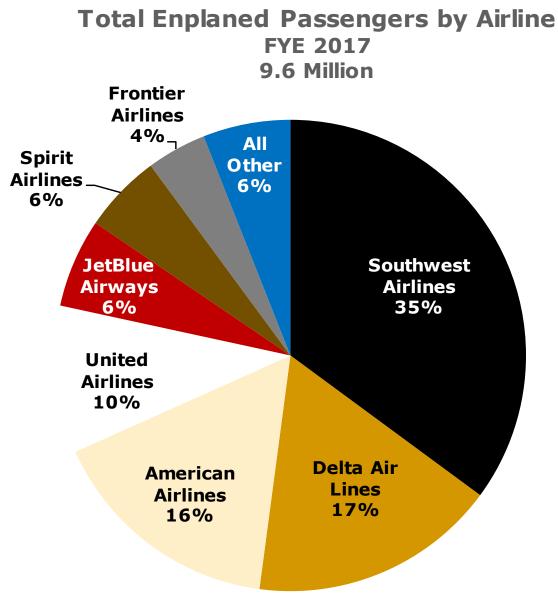
TPA Service and Destinations

In 2017, the airport is served by a total of 25 carriers, over 50% of the enplaned passengers were served by low cost carriers. Service at TPA is largely focused on O&D traffic with connecting enplanements represented less than 10% of overall enplanements in 2017. Currently, the Airport offers nonstop flights to 73 domestic and 17 international destinations with a total of 222 daily departures. International destinations include 5 cities in Canada, 9 cities in Caribbean/Latin America, and 3 cities in Europe.

Share of Enplaned Passengers by Airline

Figure 3 shows the market share of TPA's major airlines. Southwest Airlines is the primary carrier at TPA with consistent market share over the past 3 years. Worth mentioning, Spirit and Frontier Airlines experienced rapid enplanement growth by adding new routes route/increased service to TPA. Meanwhile, JetBlue's market share experienced slight declines due to a combination of discontinuing service from LGA and competition from other low-cost airlines. In KBRA's view TPA benefits from limited airline concentration and its mainly O&D nature confers stability.

Figure 3



Source: Hillsborough County Aviation Authority

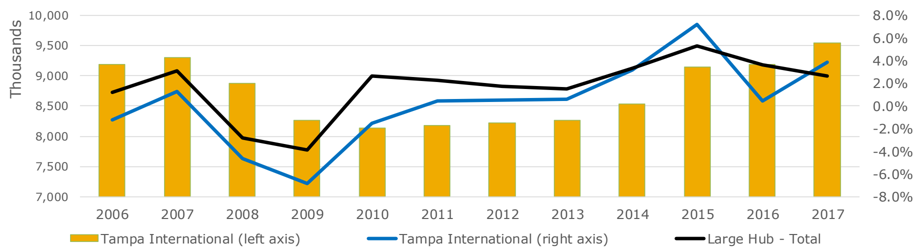
Enplanement Trends

TPA's post-recession enplanement growth was slow before experiencing strong upticks in years 2014 through 2017 (see Figure 4). According to the FAA, TPA's enplanement trend mirrors other large hubs in the nation. In 2017, TPA served approximately 9.6 million enplaned passengers. This represented a 1.6% growth in enplanements compared to 2016, higher than the YOY growth rate compared to other large hubs; domestic traffic increased by 3.6% and international traffic increased by 14.5%. The strong enplanement growth in 2017 is significant despite the impact that Hurricane Irma. TPA's compound annual growth rate of total enplanements for the period between 2010 and 2017 was 2.1%, which is below the 2.6% growth rate experienced by other large hubs.

According to the Authority, TPA served a record of 19.2 million passengers enplaned and deplaned in 2017, reflecting an increase of 1.6% over 2016. Based on airline schedules, TPA anticipates that total passenger traffic will increase by almost 9% in FY 2018 to 21 million, followed by another 3.2% increase in FY 2019 pushing passenger serviced to almost 22 million. The continued passenger growth expectations are driven by strong domestic and international demand for air travel.

Figure 4

Historic Change in Enplanements



Source: Federal Aviation Administration

Cargo Operations

Cargo operations at TPA showed strong growth in 2017 after some declines between FY 2014 to FY 2016. Two large Amazon Fulfillment Centers near the ATA as well as the introduction of Amazon cargo freighter service in 2016 have helped boost cargo operations in TPA. Cargo operations for the 10 months of FY 2018 almost doubled that of FY 2017 during the same period. According to the FAA, TPA handled approximately 426.6 thousand tons of cargo in 2017, which represented a 45.3% increase from 2016 and over a 160% increase from its 2010 landed weight. UPS relocation from St. Pete-Clearwater International Airport in October of 2017. As online shopping continues to trend upward, TPA management anticipates that growth in cargo operation will also continue. KBRA views the increase in cargo operations at TPA positively.

Based on the forgoing, KBRA views that TPA's Airport Utilization as consistent with a A+ Rating Determinant rating.

RD 4: Airport Debt/Capital Needs

Master Plan Projects

In 2012 the Authority embarked on a three-phase capital plan with a potential cost of as much as $2.5 billion. Phase I is focused on decongesting the Airport's roadways and passenger drop-off and pick up areas. Phase II will prepare Airport infrastructure and enable future expansion needs undertaken in Phase III. In February 2018, the Authority successfully completed the majority of the Phase I projects, which consist of building the SkyConnect automatic people mover (APM) and the rental car center (ConRAC). Phase I also included the construction of the TW J Bridge, roadway improvements, main terminal expansion & concessions redevelopment (MTAC), and the concessions receiving & distribution center. HCAA expects that the full Phase I of the capital plan will complete in October of 2018 and will be slightly under budget at $978.9 million. KBRA views the Authority's ability to substantially complete Phase I of the Master Plan on time and within budget as a major accomplishment that underscores the management team's strong ability to plan and execute significant capital projects.

Phase II and III of the Master Plan projects would cost roughly $1.6 billion, combined. The estimated cost of Phase II projects is currently $544 million with expected completion in 2023. Phase III projects are anticipated to begin is 2026. HCAA tentatively expects to fund Phase II & III projects by issuing approximately $620.0 million in new GARBs and approximately $110 million in new subordinated PFC-backed bonds. Additional identified funding sources include $60 million in airport funds on a pay-go basis and approximately $94 million in passenger facility charge (PFC).

Capital Improvement Program

In addition to the Master Plan projects, HCAA is undertaking a list of capital projects identified in the Authority's FY 2018-2028 Capital Improvement Program (CIP) with total anticipated cost of $1.4 billion. The CIP intends to refurbish and improve existing facilities and infrastructure to accommodate the Airport's increased overall operational capacity.

The total estimated cost of the 2018 portion of the Master Plan and CIP approximates $504 million, of which roughly $394 million will be funded with proceeds from the 2018 Bonds.

Outstanding Authority Obligations

TPA's pro forma debt portfolio and maximum annual debt service coverage are summarized in Figure 5.

Figure 5

TPA's Debt Portfolio *pro forma including the 2018 Bonds*	
Senior Lien GARBs*	731,335
Subordinate Lien GARBs	406,850
Sub-total GARBs	**1,138,185**
Customer Facility Charge Bonds	383,325
Total Bonds Outstanding	**1,521,510**

Source: Hillsborough County Aviation Authority

Pro forma MADS			
	MADS Year	**MADS ($)**	**MADS Coverage**
Senior	2021	56,527,891	2.02x
Combined	2021	85,145,022	1.83x

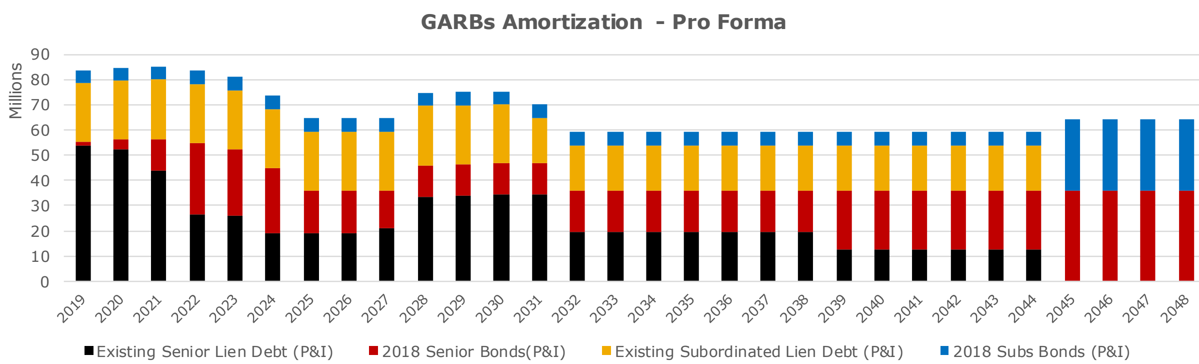
Source: Hillsborough County Aviation Authority

The Authority first issued subordinated debt under a subordinated trust agreement in 2013. The subordinate bonds are additionally secured by available PFC revenues that are available on a subordinated basis. The Authority does not presently have any outstanding bonds solely secured by PFC revenues, but if they did, those bonds would have a prior lien to both the senior and subordinate PFC bonds.

All of the Authority's indebtedness is in the form of fixed rate bonds and there are no outstanding interest rate swaps. Figure 6 shows HCAA's pro forma GARBs amortization schedule. Final maturity of TPA's GARBs is in 2048. MADS on the senior and subordinate lien bonds is 2021 and 2025, respectively. Combined debt service peaks in 2021 at $85.1 million. Combined debt service will hover between $59 and $64 million starting in 2032 till final maturity.

TPA's subordinate lien debt service burden is fully offset by PFC revenues in order to maintain low airline costs. Airlines costs at TPA are moderated by a revenue sharing agreement with the signatory airlines. Amounts distributed to the airlines through revenue sharing totaled $8.8 million in 2017 and are expected to total $12.6 million in 2018.

Figure 6



Source: Hillsborough County Aviation Authority

The Authority has a $100 million revolving credit agreement with SunTrust Bank. 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. Each draw on the revolving credit agreement is tied to a specific project or group of projects. The Authority covenanted in the revolving credit agreement that any bond proceeds of senior bonds, subordinate bonds, and grant proceeds received to refinance costs associated with any project initially financed with agreement draws will be used first to repay draws made specifically for that project. Drawn amounts are payable from the surplus fund on a subordinate basis to both the senior and subordinate revenue bonds.

Notwithstanding Capital Program Scope, Debt Levels Remain Manageable

The Authority's debt levels are expected to remain in the moderate range, due to the extensive availability of non-GARB funding sources. HCAA intends to keep annual debt service low, at roughly $62 million per year post-Phase II of the CIP, increased from the $50 million range during Phase I. The Authority is still assessing its needs for Phase III and KBRA believes that the Authority has the flexibility to scale up or down depending on future growth of the ATA and air travel trends.

Based on the foregoing, KBRA has raised TPA's debt/capital planning Rating Determinant rating to AA+ from AA. The Rating Determinant upgrade is supported by the Authority's ability to successfully manage and substantially complete

Phase I of its Master Plan on time and within budget. In KBRA's view, this accomplishment demonstrates the management team's effectiveness at planning and managing large complex projects. It also mitigates uncertainty as the Authority works through Phase II and Phase III of its Master Plan.

RD 5: Airport Finances

KBRA views the Airport's finances as very strong. Resulting from good management practices, financial planning, and expenditure controls, the Airport continues to maintain relatively low airline costs, strong overall debt service coverage, very strong liquidity, as well as consistent revenue sharing incentives to its signatory airlines.

The Airport's 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. Operations are also a function of the airline-airport use and lease agreement (Airline Agreement or "the Agreement"), which lays out the financial obligations of both the airport and airlines and determines the airport's rate setting and cost recovery mechanism. The current agreement went into effect on October 1, 2010 and in October 2013 the term of the Agreement was extended to September 30, 2020. The Agreement features a hybrid rate setting methodology with a residual landing fee and compensatory terminal rental rate.

The Airline Agreement establishes cost and revenue centers that are used for purposes of accounting for revenues, operating expenditures, and investment. Signatory airlines are required to lease space throughout the term of the agreement, and provide a guarantee of the Authority's debt coverage requirement. In return, signatory airlines receive rebates of debt service coverage, and a 20% share of remaining surplus revenues (revenues less expenditures less the operating reserve requirement less debt service) through a revenue sharing agreement. The 20% share of surplus revenue is eliminated if the Authority's share falls below $20 million. The signatory airlines' share rises to 25% for any portion of surplus revenues in excess of $37.5 million. Non-signatory airlines do not participate in revenue sharing and do not receive any reimbursement for excess debt service coverage charges. Annual rates and charges are initially calculated based on the annual budget, and reviewed and adjusted as necessary throughout the fiscal year to ensure that sufficient revenues are generated to meet the requirements of the trust agreement.

Financial Performance and Debt Service Coverage

The Airport operates with a healthy margin that hovers around 50%-55% in the last three years. Airline revenues show steady YOY increases for the last three years and have consistently accounted for about 29% of total annual operating revenues. Non-airline revenues continue to perform well and grew by an annual average of 4.2% from FY 2010 to FY 2017, which KBRA views favorably. Parking is the largest non-airline revenue source, followed by car rentals and then concessions. Non-airline revenues are high when measured on a per-enplanement basis. They were $15.89 in FY 2017 and have consistently been above $14.00 since FY 2011. Projected non-airline revenues for FY 2018 and FY 2019 are $173.4 million and $187.5 million, respectively. As the Airport completes its concession redevelopment program where more high-end establishments together with strategic arrangement of space based on customer feedback is anticipated to further increase non-airline revenues of the Airport. KBRA views the revenue diversity of the airport as a positive credit factor (see Figure 7).

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, these companies pay a small fee per pick-up at the Airport beginning in 2018. The per-pick-up charge is currently set at $3 and will gradually increase to $5 in 2020. Ridesharing services add additional competition and therefore create some pressure on the Airport's parking facility revenues. By imposing a per-pick-up charge on ridesharing, the Authority expects to recover all of the airport's ground transportation expenses by the end of the three-year phase in period. KBRA views the Authority's quick response to recover ground transportation expenses as positive.

Figure 7

Hillsborough County Aviation Authority Tampa International, Peter O Knight, Plant City & Tampa Executive Airports Comparison of Operating Revenues Budgetary Basis $ in thousands	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Final Budget
Passenger Airline Landing Fees	$15,200	$15,963	$17,262	$17,605	$18,234
Main Terminal Rentals	$24,967	$23,858	$24,576	$26,989	$28,493
Airside Rentals	$18,834	$18,850	$20,763	$22,551	$24,791
Total Passenger Airline Revenue	**$59,001**	**$58,671**	**$62,601**	**$67,145**	**$71,518**
Concession Revenues	$63,298	$60,336	$59,589	$72,248	$78,063
Ground Transportation Revenue	$63,638	$70,077	$68,455	$73,598	$75,925
Cargo Revenue	$2,607	$2,999	$3,530	$5,135	$5,146
TSA Revenues and Reimbursements	$1,217	$1,387	$1,478	$1,122	$724
General Aviation	$3,388	$3,505	$3,803	$4,101	$4,171
Other Revenues	$10,838	$11,767	$13,302	$13,565	$13,612
Interest Income	$2,112	$4,180	$3,135	$3,602	$9,829
Total Operating Revenues	**$206,099**	**$212,923**	**$215,893**	**$240,516**	**$258,989**
Airline Revenues	**$59,001**	**$58,671**	**$62,601**	**$67,145**	**$71,518**
y-o-y % growth		*-0.6%*	*6.7%*	*7.3%*	*6.5%*
Non-Airline Revenues	**$147,098**	**$154,252**	**$153,292**	**$173,371**	**$187,471**
y-o-y % growth		*4.9%*	*-0.6%*	*13.1%*	*8.1%*
Airline Revenues as % of Total Rev	28.6%	27.6%	29.0%	27.9%	27.6%
Non-Airline Revenues as % of Total Rev	71.4%	72.4%	71.0%	72.1%	72.4%
Net Airlines Fees and Charges	$48,716	$44,834	$41,917	$50,730	$55,850
Airline Revenue Sharing	$10,535	$9,867	$8,841	$12,625	$13,316
Total Airline Fees and Charges	$59,000,759	$58,670,854	$62,601,121	$67,145,126	$71,517,981
CFC & TFC Collection*	$36,747	$44,834	$41,917	$44,550	$46,512

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

As shown in figure 8, debt service coverage has been historically above the 1.25x rate covenant. In FY 2017 senior lien debt service coverage in equaled 2.34x, subordinated debt service coverage equaled 4.84x and combined debt service coverage equaled 1.98x. The projected debt service coverage for FY 2019, as presented in Figure 8.

Figure 8

Hillsborough County Aviation Authority Tampa International, Peter O Knight, Plant City & Tampa Executive Airports Debt Service Coverage Ratios Budgetary Basis $ in thousands	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Final Budget
Total Operating Rev	**$206,099**	**$212,923**	**$215,893**	**$240,516**	**$258,989**
Other Airline Costs					
Net Operating Revenues	$206,099	$212,923	$215,893	$240,516	$258,989
Operating Expenses	$106,221	$112,849	$117,204	$131,684	$145,398
Funded by CFC Charges	-	-	-	$3,329	$4,574
Revenue Available for Debt Service	**$99,878**	**$100,074**	**$98,688**	**$112,161**	**$118,165**
PFC Revenues for Senior D/S (2009A Bonds)	$9,234	$9,229	$9,236	$9,233	$0
Senior Debt Service*	$57,009	$49,006	$46,116	$52,427	$55,495
Senior DSCR (min. 1.25x)	***1.91x***	***2.23x***	***2.34x***	***2.32x***	***2.13x***
Revenues Available for Subordinate Lien D/S	$52,103	$60,298	$60,701	$68,967	$62,670
PFC Rev Available for Sub Debt	$20,105	$19,727	$13,481	$16,463	$31,276
Subordinate Debt Service*	$21,581	$21,573	$15,328	$15,328	$28,197
Subordinate Lien DSCR (min. 1.25x)	***3.35x***	***3.71x***	***4.84x***	***5.57x***	***3.33x***
Combined Debt Service	$78,590	$70,579	$61,444	$67,755	$83,691
Combined DSCR (min. 1.15x)	***1.64x***	***1.83x***	***1.98x***	***2.03x***	***1.79x***

Source: Hillsborough County Aviation Authority Budgets

**KBRA modified debt service numbers in FY 2019 to reflect DS requirements after the issuance of the 2018 new money bonds*

HCAA recognized $37.4 million of PFC revenues in FY 2017. The funds were made available for both PFC supported debt service and capital projects.

Figure 9 shows additional airport metrics based on TPA's historic performance and impact of the 2018 new money bonds on the FY 2019 Final Budget. KBRA expects some of these ratios to trend up slightly through 2021 (MADS year) and then to trend down post-Phase II of the CIP.

Figure 9

Additional Airport Metrics	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Final Budget
Enplaned Passengers (by HCAA)	9,263,336	9,485,879	9,641,228	10,497,519	10,846,240
Cost Per Enplanement	$5.20	$5.02	$5.31	$4.83	$5.15
Debt Per Enplanement*	$88.48	$81.36	$78.96	$70.10	$104.94
Debt Service Per Enplanement*	$8.48	$7.44	$6.38	$6.80	$7.10
Operating Margin	51.5%	53.0%	54.3%	54.8%	56.1%
DCOH	450	424	434	439	424
Non-Airline Revenue per enplaned passengers	$15.88	$16.26	$15.90	$16.52	$17.28

* 2019 numbers include the 2018 new money bonds

Source: Hillsborough County Aviation Authority Budgets | Debt Service Requirements of the 2018 new money bonds

Passenger Airline Cost Per Enplanement (CPE)

Airline costs at TPA are in the low range, averaging $5.15 per enplanement over the most recent five years. Projected FY 2018 and FY 2019 CPE equal $4.83 and $5.15, respectively. Current and projected CPE levels are low when compared to enplaned passenger costs at peer airports. TPA's declining debt service structure and PFC support help to moderate the capital plan's impact on CPE, which is not expected to rise considerably despite the significant increase in GARB debt.

System Liquidity

The Airport has historically maintained substantial levels of unrestricted cash, which have grown in recent years. The Airport is required to hold approximately two months of operating expenses within an operating reserve. As of September 30, 2018, available funds were sufficient to cover over 430 days of operating expenses.

Based on the foregoing, KBRA has raised TPA's financial operations and financial performance Rating Determinant rating to AA+ from AA reflecting the Authority's ability to substantially complete a significant portion of its airport master plan while consistently maintaining strong debt service coverage levels, operating margin trends and a low level of airline payments relative to total airport operating revenues.

KBRA KROLL BOND RATING AGENCY

RD 6: Legal Mechanics and Security Provisions

The legal mechanics and security provisions for TPA's airport revenue bonds have not changed and KBRA continues to view them as providing strong levels of bondholder protection. These provisions are set forth within senior and subordinated trust agreements pursuant to which the Authority issues debt. The Agreements clearly establish the priority of senior lien debt repayment but otherwise set forth very similar covenants and restrictions.

The governing documents establish a traditional net revenue pledge and rate covenant that is set at 1.25x annual debt service for senior lien bonds and subordinate lien bonds, with combined coverage of 1.15x for both liens. The documents also 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.

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.

PFC Revenues and PFC Bonds

The Authority has no outstanding standalone PFC Bonds, but certain Authority Airport Revenue bonds are additionally secured by PFC revenues. The pledging of PFC revenues to specific bond issue repayment lowers airline costs. The PFC revenues flow through both the senior and subordinate waterfall prior to being used for FAA-approved PAYGO purposes. Figure 9 summarizes the major legal mechanics and security provisions of the bonds followed by Figure 10 illustrating the flow of funds.

Figure 10

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

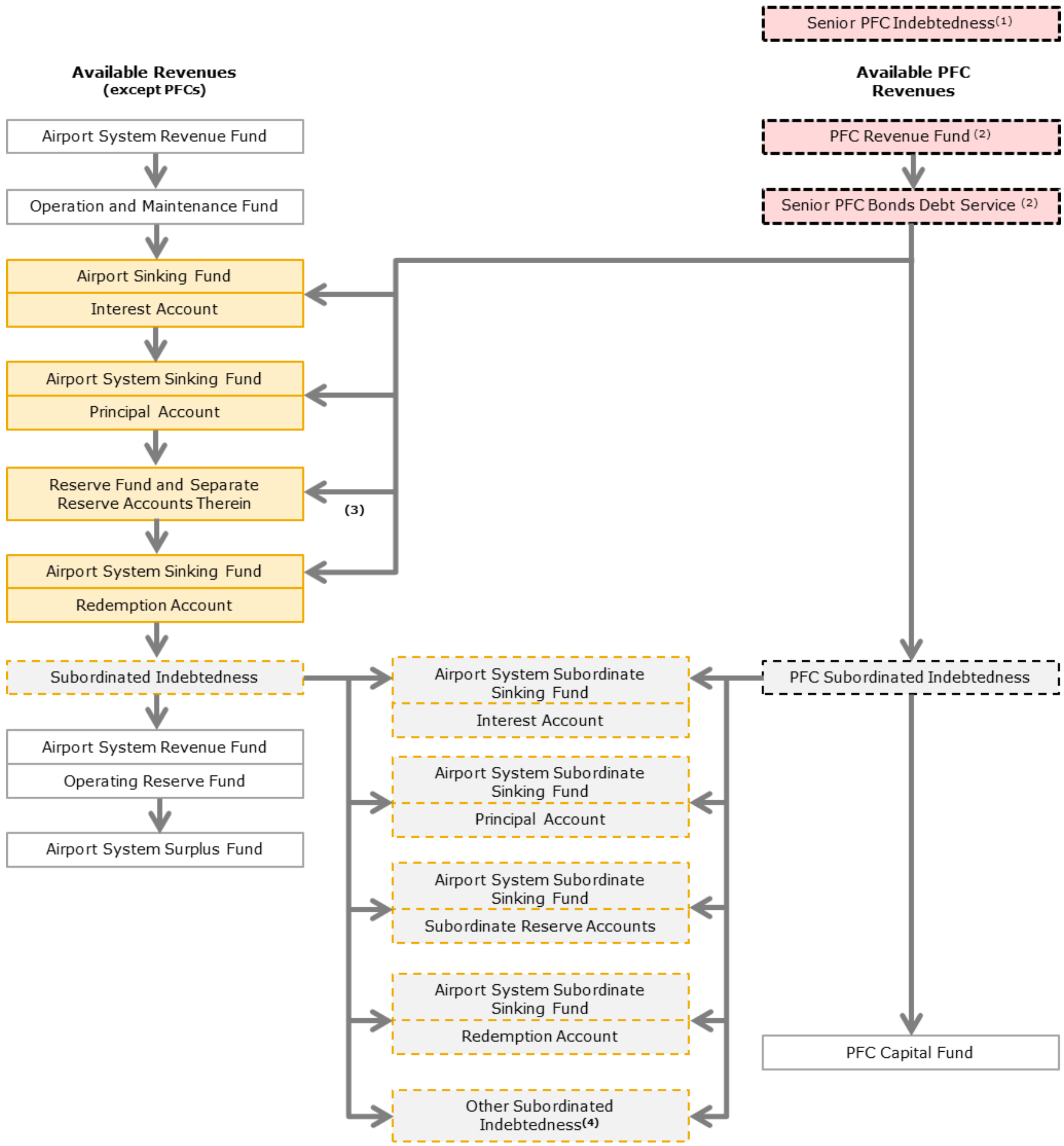
KBRA views the Airport's senior lien revenue bonds as being consistent with a AA rating determinant rating and the subordinated lien revenue bonds as being consistent with a AA- rating determinant rating. These ratings reflect the strong levels of bondholder protection set forth within the senior and subordinated trust agreements and the order of bond payment priority.

Conclusion

KBRA has upgraded the long-term rating to AA from AA- with a Stable outlook on the Hillsborough County Aviation Authority, Tampa International Airport Revenue Bonds and the long-term rating to AA- from A+ with a Stable outlook on the Hillsborough County Aviation Authority, Tampa International Airport Subordinated Revenue Bonds. These ratings apply to all of the County's outstanding aviation revenue bonds that are not backed by letters of credit or third-party credit agreements.

Appendix

Flow of Funds



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 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.