Tampa International Airport Customer Facility Charge Revenue Bonds

Issuer: Hillsborough County Aviation Authority, FL		
Affirmed	**Ratings**	**Outlook**
Tampa International Airport Customer Facility Charge Revenue Bonds	A+	Stable (Revised from Positive)

Methodology:
U.S. Special Tax Revenue Bond Rating Methodology

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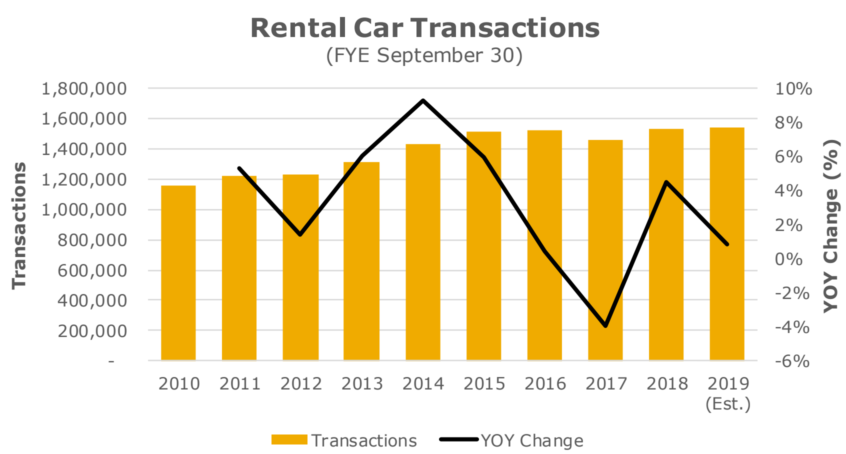
Rating Summary: The customer facility charge (CFC) bonds are payable solely from and secured by all on-airport CFC receipts, off-airport transportation facility charges (TFCs), and payments made by the concessionaires (rental car companies) pursuant to their respective concessionaire agreements as contingent payments to cover deficiencies, if any, in the amount of CFCs and TFCs needed to fund mandatory eligible costs[1].

The Hillsborough County Aviation Authority substantially completed Phase I[2] of the three-phase master plan in early 2018. A key element of Phase I was the construction of a consolidated rental car facility (ConRAC) and a 1.3-mile automated people mover (subsequently named SkyConnect) connecting the ConRAC to the main airport terminal. The two projects were completed and opened to the public on February 14, 2018.

TPA is the 28th busiest airport in terms of passenger activity, and is a top largest rental car market in the U.S. In recent years, both business and originating traffic have assumed a growing share of the total TPA market, and this was again the case in FY2019. The current leisure/business traffic mix for TPA is approximately 70/30, with business traffic constituting a growing percentage of the total. For the most recent 12 months of available data, originating traffic accounted for 46.3% of total passenger traffic, up 2.0% versus the same period last year. TPA percentage of originating traffic is the highest among Florida's four largest airports, and 4% greater than the second highest airport, FLL. Management projects that originating traffic will become an even larger part of the overall traffic equation at TPA over the near term, with trends showing more than 150 people a day permanently relocating to the Tampa Bay area, and airlines scheduled to increase available seats and non-stop destinations.

Pledged revenues consist of fees imposed on car rental transactions including a CFC charged to transactions at the ConRAC facility and a TFC charged upon off-airport rental car transactions in the area. The CFC has been collected since October 2011 and is currently set at a rate of $5.95 per transaction day while the TFC is presently $2.00 per transaction day. Enplanement growth in recent years has supported a trend of increasing car rental activity and good coverage of pledged revenues relative to debt service requirements. Pledged revenues in 2018 provided coverage of 1.75x MADS, which is scheduled to occur in 2042. KBRA modeled a stress scenario in which rental car transactions were assumed to experience a decline similar to that experienced in airport enplanements following the events of September 11, 2001, beginning in FY 2019. Based on this scenario, KBRA determined that pledged revenues, inclusive of rolling coverage, would reach a low point in FY 2020 with pledged revenues continuing to provide strong coverage of 1.76x MADS. The bonds feature a gross lien pledge and a rate covenant that requires 1.50x debt service coverage, with rolling coverage providing no more than 25% of CFC revenue bond debt



	CAGR Since 2010	Total % Chg. Since 2010
Rental Car Transactions (2018)	3.6%	32.2%

Source: Hillsborough County Aviation Authority

[1] Mandatory eligible costs are defined as the sum of (a) debt service; (b) 40% of the annual O&M cost of the automated people mover (APM); (c) establishment/funding of repair/replacement reserves; and (d) reimbursement of the Authority for debt service on previously issued HCAA bonds, and investments made on a PAYGO basis for prior rental car facilities.
[2] Phase I of the Master Plan was completed in December 2018.

service coverage requirements. Excluding rolling coverage, the covenant requires 1.25x coverage of annual debt service. The Authority has very limited responsibility for O&M costs of the ConRAC.

The fixed rate 2015 Series A and 2015 Series B CFC revenue bonds, which fully mature by 2044, represent all of the Authority's CFC-backed debt. Aggregate debt service increases from $18.2 million in fiscal year 2017 to approximately $26.6 million in fiscal year 2019 and remains essentially level through maturity. KBRA would therefore expect debt service coverage to increase over time.

KBRA has revised the Outlook to Stable from Positive reflecting the slowing rate of transaction and pledged revenue growth.

Key Rating Strengths

- Legal framework, including a 1.25x rate covenant (excluding rolling coverage), provides strong bondholder protection through established reserves and flexibility in adjusting pledged revenues.
- Pledged revenues provided debt service coverage of 2.43x (excluding rolling coverage); 2.68x (including rolling coverage) and MADS coverage of 1.84x in FY 2018. Strong pro-forma MADS coverage.
- The Tampa Bay area is an established and popular leisure/recreation destination that supports high levels of rental car utilization.

Key Rating Concerns

- While business traffic has grown in recent years, the sizeable leisure/recreation component presents vulnerability to economic downturns, as evidenced by sharp enplanement and rental car transaction declines during the Great Recession.
- Competitive market for leisure/recreation destinations and potential for shifts in consumer preferences may reduce demand for rental cars at Tampa International Airport (TPA).
- Rental car transactions declined in 2017 despite increased enplanement activity, potentially reflecting the recent authorization of rideshare services at TPA, which could weigh negatively on CFC revenue growth going forward.

Drivers for Rating Change	
• Establishment of successful operating history at the newly completed ConRAC and SkyConnect facilities. • Trend of steady growth in rental car transactions and transaction days resulting in steady increase in pledged revenues.	+
• Erosion of rental car market and rental car transactions pressuring debt service coverage.	-

Credit Highlights

FAA Passenger Volume	2017	2018
Domestic	9,088,804	9,881,171
International	429,351	463,469
Total	**9,518,155**	**10,344,640**
YOY Δ%		*8.7%*

	FY 2018	FY 2019 (Projected)
Rental Car Transactions	1,529,236	1,542,260
YOY Δ%		*0.9%*
Rental Car Transaction Days	7,480,222	7,510,746
		0.4%
Pledged Revenue Collections (CFC & TFC Only)	$44,381,069	$44,613,834
YOY Δ%		*0.5%*
DSCR	2.43x	1.68x
DSCR (Incl. Rolling Coverage)	2.68x	1.93x
MADS Coverage	1.84x	1.93x

Rating Determinants (RD)	
1. Legal Framework	AA
2. Nature of Special Tax Revenues	A+
3. Economic Base and Demographics	AA-
4. Revenue Analysis	A+
5. Coverage and Bond Structure	AA-

RD 1: Legal Framework

There has been no change to the legal framework of the CFC secured bonds and KBRA continues to view the security structure of the bonds as strong.

A key element in the Hillsborough County Aviation Authority's Airport master plan is the consolidation and relocation of rental car operations. To achieve this, the Authority constructed a consolidated rental car facility (ConRAC) and 1.3 mile automated people mover (subsequently named the SkyConnect) in 2014. The two projects were completed and opened to the public since February 2018. The projects freed up 2,400 parking spaces in the Airport's short-term parking garage and reduced congestion on Airport roadways and curbsides.

The improvements accommodate additional rental car activity growth and increase the efficiency of rental car operations by providing on-site mechanics and refueling operations at the ConRAC. The projects additionally eliminate bus traffic for off-site rental car customers, economy car parking users and airport employees.

The ConRAC and SkyConnect projects were financed in part with the proceeds of Series 2015 A&B general airport revenue bonds and from the CFC bonds discussed herein. The CFC bonds are paid from charges imposed by the Airport on the rental car companies providing service at and near the Airport. The legal framework governing the imposition of charges and repayment of debt is set forth within the CFC trust agreement and the lease and concession contract (concessionaire agreements) between the Authority and the rental car companies that use the ConRAC facility. The following table provides a summary of the security provisions of the CFC bonds.

Figure 1

Summary of CFC Revenue Bonds Security Provisions

Revenue Pledge

Gross Lien Pledge on rental car charges and payments imposed by HCAA. Charges include:

i. Customer facility charges (CFCs) at $5.95 per transaction day;
ii. Transportation facility charges (TFCs) at $2.00 per transaction day.

Rate Covenant

HCAA has covenanted to set rates and charges sufficient to pay the greater of:

i. 100% of required deposits into the debt service fund, DSRF, expense fund, rebate fund, HCAA reimbursement fund, and CFC repair and replacement fund; or,

ii. 100% of required deposits into the DSRF, expense fund, and rebate fund, plus 1.50x of annual debt service requirements. However, a 0.25x portion of the coverage requirement may be satisfied from the rolling balance of the CFC surplus fund, placing the effective rate covenant at 1.25x annual debt service.

Collection

Pledged revenues are collected by rental car companies and remitted to HCAA no later than the 10th day of every month.

HCAA is required to deposit pledged revenues into the CFC sinking fund which is held by the trustee. The funds will flow through the flow of funds as shown in Figure 3.

Bondholders benefit from a step-up provision that obligates rental car companies to cover any debt service requirements or operating deficiencies on an unlimited pro-rata basis.

Concessionaire Deficiency Payments
Concessionaires are required to cover certain mandatory eligible costs related to the ConRAC facility. The costs are defined as: i. Annual debt service; ii. 40% of the annual cost of operating and maintaining the APM; iii. Amounts needed to establish and fund the repair and replacement reserve for the ConRAC and APM projects; and, iv. Amounts needed to pay or reimburse HCAA for debt service of PAYGO expenses related to the development of the existing rental car facility.
Debt Service Reserve Fund
Initially funded from bond proceeds and is required to be maintained at a balance equal to at least the lesser of: i. 100% of MADS; ii. 1.25x annual debt service; or, iii. 10% of the original issuance par amount Subsequent deficiencies within the DSRF are captured by the rate covenant. An additional CFC surplus fund provides rolling coverage which may be credited to account for up to 25% of annual debt service requirements.
Additional Bonds Test
Additional bonds may be issued following a statement from the CFO of HCAA indicating that CFC revenues for the latest audited financial year, within the 24 months preceding the bond issuance, excluding funds re-deposited into the CFC revenue fund from the CFC surplus fund, were not less than the greater of the amounts required to be deposited in: i. the DSRF, rebate fund, expense fund, and 1.25x of MADS; or, ii. 1.00x MADS plus any amount required for deposit into the HCAA reimbursement fund and CFC repair and replacement fund. Alternatively, additional bonds may be issued following a statement from the airport consultant stating that the pledged revenues during the fiscal year when the additional bonds are to be issued through a period of review, that increases in CFC charges shall not be less than the greater of: i. 100% of DSRF, expense fund, HCAA reimbursement fund, CFC repair and replacement fund, and CFC sinking fund deposit requirements corresponding to the period of review on all outstanding bonds; or ii. 100% of DSRF, expense fund, rebate fund, and 125% of CFC sinking fund requirements corresponding to the period of review on all outstanding bonds.
Source: Hillsborough County Aviation Authority Customer Facility Charge Revenue Bonds Official Statement

*Details on the security of the bonds as discussed in the **Hillsborough County Aviation Authority Tampa International Airport Customer Facility Charge Revenue Bonds 2015 Series A (Non-AMT) and 2015 Series B (Taxable)** report.

CFC and TFC revenues are generated from fees charged upon the provision of rental car service at and near the airport on a per transaction day basis. CFCs are charged to rental companies operating on-site at the ConRAC facility per the terms of an executed concessionaire agreement at a CFC rate of $5.95 per transaction day. TFCs are in turn charged to car rental companies operating off-site at areas near the airport at a TFC rate of $2.00 per transaction day.

KBRA views the CFC trust agreement and concessionaire agreements as providing strong levels of bondholder protection. KBRA positively notes that governing documents set forth a gross lien pledge, fully funded debt service reserve fund, restrictive additional bonds test and a 1.50x rate covenant (1.25x excluding rolling coverage provided by the balance CFC surplus fund). KBRA also positively notes that the Authority has full rate setting authority and can adjust charges with approximately 60 days' notice pursuant to Board resolution.

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

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

Based on the foregoing, KBRA views the legal framework governing the bonds as being consistent with a AA rating determinant rating.

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues. 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 that prohibits 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 Revenues as Special Revenues under the Bankruptcy Code

Because the Pledged Revenues pledged for payment of the CFC Bonds are generated by revenue from the Airport's car rental concessions, as part of the aviation transportation projects and systems owned by the Authority, KBRA understands that the Pledged 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 CFC 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 ConRAC and APM Project, in a Chapter 9 case the bankruptcy court thus may not be limited by the provisions defining construction or operational expenses, or otherwise governing the flow of funds, in the Trust Agreement 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 CFC Bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the CFC Bonds or the interest rate or other terms of the CFC 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 a concessionaire bankruptcy

In the event a bankruptcy case is filed with respect to a Concessionaire operating at TPA, it is KBRA's understanding that the relevant Concession Agreement should constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. In Chapter 11 cases, the debtor in possession or a 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 Concession Agreement; this 120-day period may be extended by court order for an additional 90 days for cause. Any additional extensions are prohibited unless the debtor Concessionaire or its trustee obtains the Authority's consent and a court order.

Under the Bankruptcy Code, KBRA understands that if a bankruptcy trustee or the Concessionaire as debtor in possession were 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. Under the Bankruptcy Code, upon rejection of an unexpired lease the Concessionaire debtor must surrender the relevant non-residential real property to the lessor. As a result, rejection of an unexpired lease by a Concessionaire debtor may result in the Authority unexpectedly regaining control of the applicable Concessionaire facilities. The Authority could then lease or permit such facilities to other car rental companies. The Authority's ability to lease such facilities to other car rental companies may of course depend on the state of the travel industry in general, on the nature and extent of the increased capacity at TPA resulting from the departure of the debtor Concessionaire, and on the need for such facilities.

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 Concessionaire. Such claim would be in addition to all pre-bankruptcy amounts owed by the debtor Concessionaire. 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. Rejection damages claims are generally treated as a general unsecured claim of the Concessionaire debtor, and could be considerably less than the cap. However, the Authority may have rights against any faithful performance bond or letter of credit required of a Concessionaire to secure its obligations under the Concession Agreement and/or the right to set off against credits owed to the Concessionaire under relevant agreements.

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

RD 2: Nature of Special Tax Revenues

KBRA continues to view the nature of the pledged revenues as strong. CFC and TFC revenues are derived from rental car activity at and near the airport, which in turn correlate strongly with the level of enplanement activity at TPA year to year. Given this relationship, KBRA notes that pledged revenues are sensitive to the business cycle and the health of the overall domestic economy in much the same way as is demand for air travel. The prolonged economic expansion that has persisted over most of the last decade has supported strong enplanement growth averaging 3.2% annually between FY 2013 and projected FY 2019, which has, in turn, supported growth of rental car activity and pledged revenues.

KBRA believes the provision of rental cars at TPA is vital to attracting deplaning passengers to the Airport. KBRA's view is underscored by TPA's large leisure travel component (70% leisure versus 30% business), and the dispersed nature of Florida's multiple recreational attractions and destinations, which makes car travel the preferred mode for leisure customers and somewhat insulates the TPA rental car market from the volatility that can impact single-stop destinations. The CFC is a means of passing through the capital costs of the ConRAC and a portion of SkyConnect to the users of these facilities.

While local residents are not anticipated to constitute a meaningful portion of car rental activity covered by the CFC and TFC, KBRA views the strong historical growth of the MSA served by the airport as a credit strength because growth in the underlying economy supports both increased commercial activity and leisure travel among friends and families. In recent years, airlines at TPA have increased flight frequencies and are serving additional destinations with non-stop flights supporting demand for rental car services at the airport. Enplanement data for 2018 ranks TPA as the 28th busiest airport in the County by enplanements.

CFC Revenues

The pledged CFC and TFC revenues are nominally limited in scope and are applied as a fixed per day charge on rental car transactions at and near the airport. However, KBRA believes there are certain inherent characteristics of the revenue base and bond security that serve to mitigate the narrow revenue source. Unlike passenger facility charges (PFCs), CFCs and off-airport TFCs are not regulated by the federal government. The U.S. rental car market is currently served by all three major national brand families (Avis/Budget Car Rental LLC; Enterprise Holdings, Inc.; The Hertz Corporation) representing a total of 10 different brands. The three brand families cumulatively control more than 90% of the rental car market at TPA. Despite the relative proximity of other airports[3], KBRA does not anticipate any significant passenger and rental car transaction erosion at TPA. In KBRA's opinion, the presence of low-cost carriers and established travel patterns at TPA promote stability. Additionally, rental car rates at TPA are competitive with other airports in Florida.

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

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

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

From 2010 to 2018, total passenger enplanements increased at an annual rate of 4.0% which is similar to the rate of growth observed in rental car transaction over the same period. Enplanements at TPA are projected to increase 6.0% YOY in the fiscal year ending September 30, 2019, marking the ninth consecutive year of positive growth. KBRA anticipates that this increase will likely result in an increase in rental car activity YOY.

Car rental activity, however, may be subject to periods of significant event-based volatility similar to that experienced by the airline industry in the periods following the September 11, 2001 terrorist attacks and the Great Recession. In KBRA's view, the susceptibility of pledged revenues to similar cyclical and systemic events presents an element of risk. The revenue base is also vulnerable to changes in leisure/recreation travel and consumer preferences, which could potentially depress rental car activity at TPA.

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

RD 3: Economic Base and Demographics

KBRA continues to view the economic and demographic characteristics of TPA's service area as strong based upon a history of strong growth and business diversification, which are supportive of demand for air travel and rental car services at the airport.

TPA is located approximately six miles west of downtown Tampa in Hillsborough County, FL. The air trade area is the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA). The MSA consists of Hillsborough County, Hernando County, Pasco County, and Pinellas County. TPA's service area is extended to a secondary air trade area[4] that extends to Orlando International Airport's (MCO) service area.

The MSA population grew to 3.1 million people in 2017, approximately 11% increase since 2010 and placing it among the fastest growing metropolitan areas in the United States.

[3] Orlando International (MCO) is 80 miles to the northeast, Fort Myers Southwest Florida International Airport is 130 miles to the south, and Sarasota-Bradenton International, is 50 miles to the south of TPA.

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

Hillsborough County is the largest county by population in the air trade area with 1.4 million residents, followed by Pinellas County with 970,637.

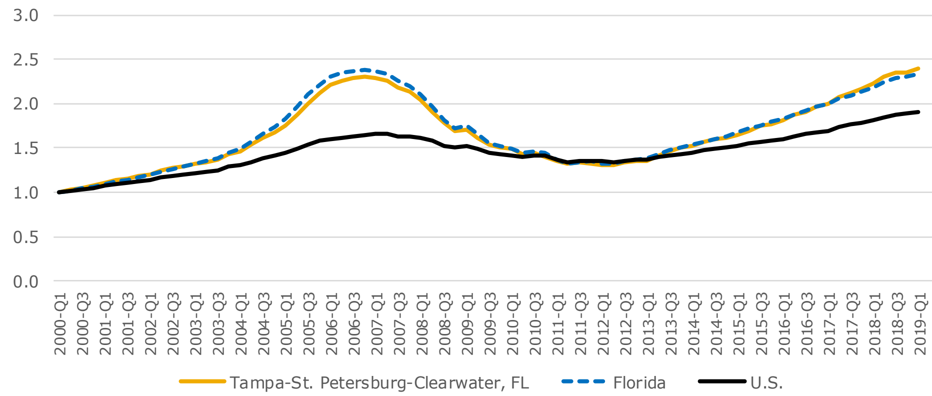
The MSA's housing market has outperformed the U.S. since 2000 and homes value appreciation has returned to very robust growth over the last six years. KBRA views the trend of rising home values as supportive of local wealth levels which are, in turn, an important driver of air travel activity.

As of Q1 2019, MSA home values had fully recovered to 104% of their previously cyclical high, which is stronger than Florida, which remains below peak at only 98%, but weaker than the nation at 115% (Figure 2).

The economic base of the air trade area continues to recover from the Great Recession. Gross regional product shows a compound annual growth rate of 2.1% between 2010 and 2017, which is on par with the State and nation.

MSA unemployment rates generally mirror that of the state and the nation. As shown in Figure 3, unemployment in the air trade area has declined sharply from recessionary highs and unemployment rates have been lower than the state and the nation in recent years. KBRA views the air trade area's post-recession employment recovery as supportive of continued growth in air travel demand.

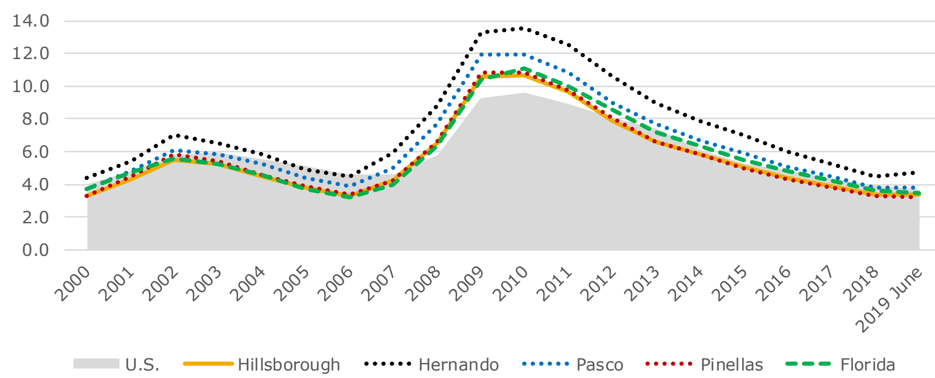
Figure 2
Home Values Indexed to 2000-Q1
2000-Q1 to 2019-Q1



Source: Federal Housing Finance Authority (FHFA), All-Transactions Indexes, Not Seasonally Adjusted

Figure 3

Trends in Unemployment Rates
Air Trade Area*, Florida, and U.S.



	2010	Current (June 2019)
Hillsborough	10.7	3.4
Hernando	13.5	4.7
Pasco	11.9	3.8
Pinellas	10.8	3.2
Florida	11.1	3.5
U.S.	9.6	3.7

Source: Bureau of Labor Statistics

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

The air trade area exhibits above average wealth levels. Income per capita in 2017 was $30,738, which was equivalent to 103% of the state average. The MSA's poverty rate is 13.9%, lower than the State at 14.1% but higher than the U.S. at 13.4%.

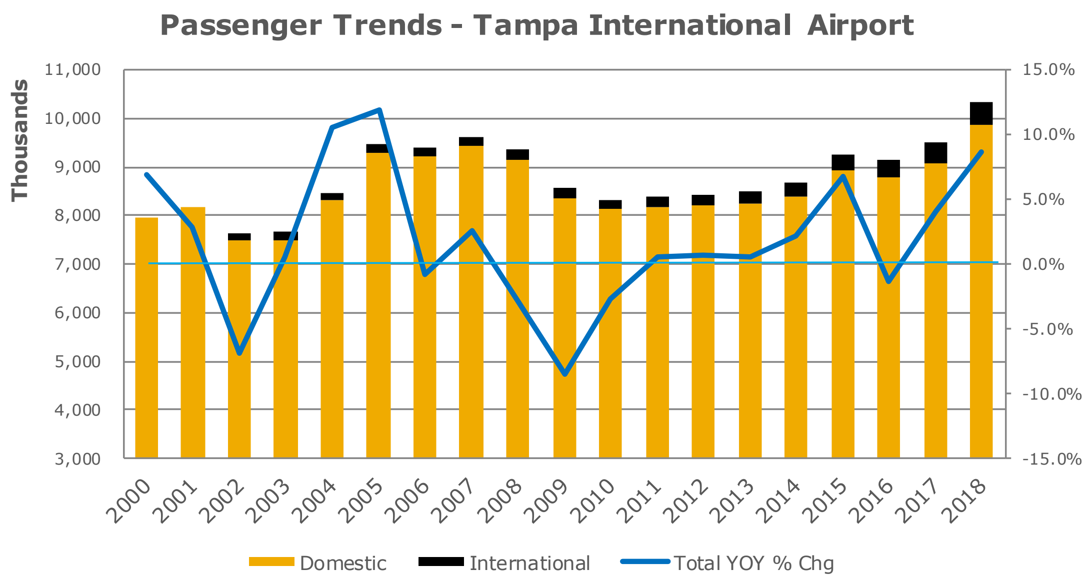
Based on the foregoing KBRA continues to view the economic base and demographics rating determinant rating as consistent with a AA-, reflecting the area's trend of strong demographic growth and solid wealth levels. Also reflected in this assessment is KBRA's view of the area's low unemployment comparable to the state average and below average incidence of poverty.

RD 4: Revenue Analysis

KBRA continues to view TPA's CFC revenue stream as strong although the breadth of the revenue source is narrow and potentially sensitive to economic cycles and increased competition from rideshare services. The Tampa-St. Petersburg-Clearwater MSA is a popular leisure and business travel destination. A total of 10.5 million passengers deplaned from TPA in FY 2018, over half of whom were visitors to the MSA. Public transportation is available within the Tampa Bay area but the primary mode of transportation is still automobile.

The Authority is expecting baseline passenger activity to increase by 6.0% for full-year FY 2019 and 4.7% in FY 2020 based on existing airline schedules and market conditions, which is anticipated to support in car rental activity and pledged revenues going forward (Figure 4).

Figure 4



	CAGR since 2010	Total % Chg. Since 2010
Domestic	2.5%	21.4%
International	11.2%	133.4%
Total	2.7%	24.1%

SOURCE: Bureau of Transportation Statistics T-100 Market data

There are three major national rental car companies at TPA operating under 19 different brands. Some of these companies have a long history of providing services at the Airport while some are new to the Airport. The majority have executed concessionaire agreements. A total of 16 brands signed and executed a new 30-year concessionaire agreement with TPA with the exception of Carl's Van Rentals, Silvercar, and Florida Van Rentals[5], which will continue to operate off-airport and pay a TFC to TPA. Since these three companies hold less than a 1% market share in TPA's rental car market therefore the collection of TFCs has an insignificant impact on pledged revenues.

Competition from Rideshare Companies

HCAA approved contracts with major rideshare companies in August of 2017, making it lawful to utilize such services at the airport. The updated policy has resulted in an uptick in utilization of these services, which appears to be placing a degree of downward pressure on the utilization of rental car services at the Airport. KBRA continues to believe that the risk of significant erosion in rental car activity is mitigated by the largely leisure focused composition of most visits to TPA's air trade area. In KBRA's view this category of customer derives a high degree of utility and convenience from rental car service given the relatively spread out nature of tourism and leisure activities in the MSA.

[5] Silvercar and Florida Van Rentals are new to the Airport post completion of the ConRAC.

Management states that although rideshare services (Lyft and Uber) continue to grow their operations at TPA, a passenger survey indicates that rideshare services appear to have had a greater impact on meeter/greeter drop-off/pickup transactions than on the Airport's parking and rental car businesses. The Authority projects growth in both its parking and rental car operations, although such growth is anticipated to occur at a slower rate than projected full-year passenger growth rates over the long-term.

Transportation Network Company ("TNC") revenues are projected to total $4.6 million for full year FY 2019, approximately $1.1 million or 36.1% higher than the FY2019 Budget. The Authority projects TNC revenues of $6.2 million for FY 2020 representing an additional 36% growth for next year, driven by a continued increase in transactions as well as by the Authority increasing its per-pickup transaction rate from $4 to $5 effective October 1, 2019 for all modes of Ground Transportation including TNC's.

KBRA understands that the TNC revenues may be utilized to offset potential erosion to CFC collections caused by increased competition from rideshares, but such revenue is not pledged to holders of the CFC bonds for debt service. As such, the development of a trend of significant diversion of car rental activity due to rideshare competition would present an area of concern given that pickup fee receipts are not available for payment of the CFC bonds. KBRA will monitor the dynamic between rideshare competition and parking and car rental activity going forward with an eye toward any implications for the long-term growth of CFC receipts.

Figure 5

RACs Operating at the Airport		
Current On-Airport Large Operators		**Executed Concessionaire Agreement**
1	Avis Budget Car Rental, LLC (Avis, Budget)	Yes
2	Enterprise Leasing Company of Florida, LLC (Enterprise, Alamo, National)	Yes
3	The Hertz Corporation (Hertz, Dollar, Thrifty)	Yes
Current Off-Airport Operators		
1	ACE Rent A Car (Owned by Avis)	Yes
2	Advantage Rent a Car	Yes
3	Carl's Van Rental	No
4	Executive Car Rental[1]	Yes
5	E-Z Rent A Car	Yes
6	Fox Rent A Car	Yes
7	Payless Car Rental (Owned by Avis)	Yes
8	Sixt Rent a Car	Yes
9	Zipcar (Owned by Avis)	Yes
10	Silvercar[2]	No
11	Florida Van Rentals[3]	No

Source: Hillsborough CNTY Aviation Authority

[1] Executive Car Rental Replaced Economy Rent A Car since the opening of CONRAC in February 2018; no impact to the Concession agreement

[2] Began operating at the Airport in March 2018 after the ConRAC opened

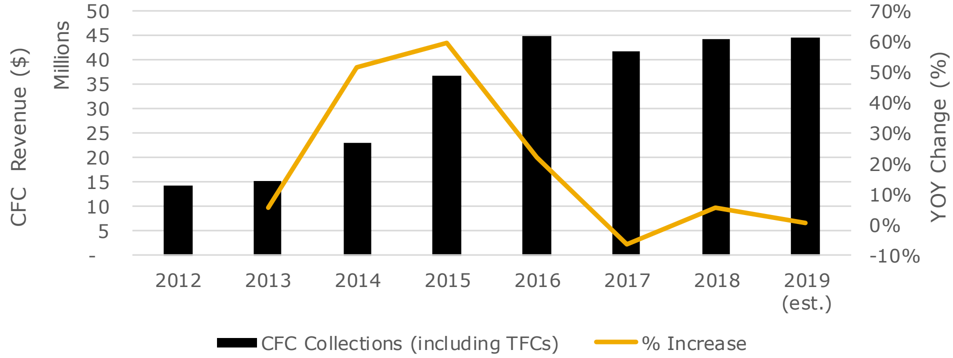
[3] A new off-airport rental operation opened in FY 2019

Trend in Pledged Revenue

The Authority reported over 1.5 million rental car transactions in FY 2018 marking an increase of 4.5% YOY. Despite the seemingly strong YOY growth, the total number of rental car transactions reflects only a 0.4% increase relative to FY 2016. As discussed in KBRA's 2018 surveillance report, rental car transactions experienced a 4.0% YOY decline in FY 2017 due to increased competition from rideshare services as well as the service interruption during and after Hurricane Irma. As a result, pledged CFC and TFC revenues declined by 6.5% YOY in FY 2017 to $41.9 million.

Pledged CFC and TFC revenues recovered by 5.9% YOY to $44.4 million in FY 2018, which is equivalent to 99% of the FY 2016 level (Figure 7). The FY 2020 Proposed Budget indicates that the Authority expects Pledged CFC and TFC revenues to increase by a small 0.5% YOY although the Authority continues to expect revenues generated from rental car business to grow at 4.7% YOY.

Figure 6
CFC Collection Trend
(FYE September 30)



	CAGR Since 2012	Total % Chg. Since 2012
CFC Collections (including TFCs) (2018)	20.7%	210.5%

Source: Hillsborough County Aviation Authority

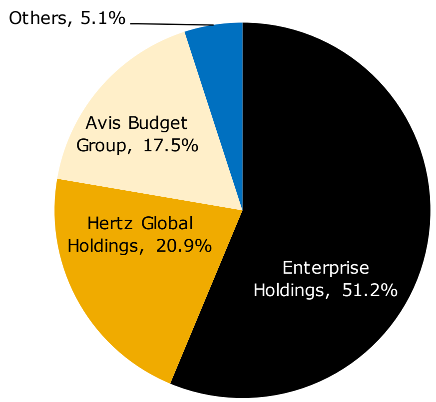
Revenue Concentration

Demand for rental cars is mainly driven by visitors to the MSA. TPA recorded 10.5 million passenger deplanements in FY 2018 and is expecting 11.1 million passenger deplanements in FY 2019. On average, approximately 90% of deplaned passengers have constituted O&D traffic in recent years. Of such O&D deplanements, between 55% and 60% have historically consisted of visitors to the area, with this subset representing the core market for rental car activity. KBRA notes that while enplanement activity is subject to a degree of volatility, the mix of O&D versus connecting and visitor versus residential deplanements has been generally stable over the last decade. KBRA views the steadily growing deplanements and stable resident and non-resident mix as favorable.

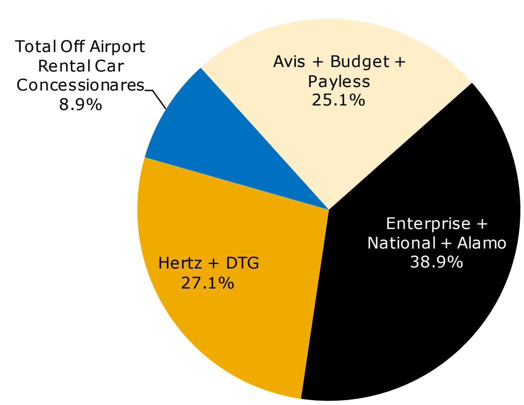
The rental car companies at TPA provide a wide range of options, including premium, business-oriented and budget-oriented rentals to suit customers with varying budgets. The CFC is a fixed charge regardless of which brand/type of car is rented. Rental car company market shares at TPA are slightly less concentrated than the U.S. as a whole. The three largest rental car companies at TPA represent 92% of the rental car market at TPA, but an average of 95% in other U.S. markets. Enterprise Holdings Inc. dominates the U.S. market with 57% market share and is also the largest rental car company at TPA (Figure 8).

Figure 7

U.S.
Rental Car Company Market Share by Estimated Gross Renvenue CY 2018



Tampa International Airport Rental Car Company Market Share by Estimated Gross Renvenue FY 2018



Source: Auto Rental Car News and Hillsborough CNTY Aviation Authority

Revenue Sensitivity and Competition

KBRA looked at CFC rates at 48 U.S. airports that impose a CFC by transaction days. As of August 2019, the CFC imposed by TPA, at $5.95 per transaction day, is at the 62nd percentile amongst these airports and is the highest among the four major airports in Florida.

In KBRA's view the current CFC rate is set at an optimal level as no significant diversion of customers to alternative means of transportation such as taxi, rideshare, public transportation or off-airport rental car branches which are not required to impose a CFC or TFC fee has been observed.

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

RD 5: Coverage and Bond Structure

Pledged revenues provide strong coverage on the CFC secured bonds. The Series 2015 A&B bonds represent the sole CFC-secured debt issuance by HCAA for the ConRAC and SkyConnect. The bonds were issued as fixed rate obligations. Interest on the bonds has been paid on a current basis since issuance although principal repayment will not commence until October 1, 2019. MADS will occur in FY 2042 at $26.6 million (Figure 9).

Pledged revenues collected in FY 2018 provided 2.43x debt service coverage. Coverage increases to 2.68x when the surplus fund balance is included. MADS coverage on the bonds inclusive of the surplus fund balance equals 1.84x.

Figure 8

Debt Service Coverage

	2015	2016	2017	2018	2019 Budget	2020 Projected
Rental Car Transactions	1,517,280	1,523,700	1,463,215	1,529,236	1,542,260	n/a
YOY % Change		*0.4%*	*-4.0%*	*4.5%*		
Pledged Revenue Collections (CFC & TFC Only)	$36,746,567	$44,833,655	$41,916,820	$44,381,069	$44,613,834	$45,521,349
YOY % Change		*22.0%*	*-6.5%*	*5.9%*	*0.5%*	*2.0%*
Additional CFC Surplus Fund Balance Applicable to Coverage Calc[1]		$4,911,871	$4,557,406	$4,557,406	$6,649,906	$6,649,523
Annual Debt Service		$19,647,484	$18,229,624	$18,229,624	$26,599,624	$26,598,093
DSCR (Excluding Rolling Coverage)[1] *(actual and pro forma)*		**2.28x**	**2.30x**	**2.43x**	**1.68x**	**1.71x**
DSCR (Including Rolling Coverage) *(actual and pro forma)*		**2.53x**	**2.55x**	**2.68x**	**1.93x**	**1.96x**

Source: HCAA Tampa International Airport CFC Continuing Disclosure Statements. CFC and TFC collection is estimated. Figures for 2019 were provided by HCAA management. Estimated 2019 pledged revenue collection figure is as of August 2019 for the year ending September 30, 2019.

[1]Per the Indenture, the CFC surplus fund balance may be credited to account for up to 25% of annual debt service requirements for the purpose of calculating coverage.

KBRA stress tested the pledged revenue projections to assess the potential impact of a change in current and future demand for rental cars. Two stress scenarios were created to mimic both mild growth in deplanements and more severe declines in overall passenger activity similar to what was experienced in the aftermath of the September 11, 2011 terrorist attacks and the Great Recession. Details on KBRA's assumptions can be found in the **Hillsborough County Aviation Authority, Tampa International Airport Revenue Bonds** report. The refreshed MADS coverage tests and their respective results based on the FY 2018 disclosures and enplanement trends discussed in the 2018 Airport consultant report.

Figure 10

MADS Coverage Ratios (Including Rolling Coverage)
MADS: $26,602,000 (in 2042)

MADS Coverage	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Actual 2017 and Proposed Budgeted 2019	1.38x	1.87x	1.75x	1.84x	1.93x					
KBRA Stress Test 1: Mild Growth in Deplanements						1.96x	2.06x	2.07x	2.08x	2.09x
KBRA Stress Test 2: Event-related Declines Followed by Mild Deplanement Growth						1.92x	1.79x	1.79x	1.80x	1.80x

Source: HCAA Tampa International Airport Customer Facility Charge Revenue Bonds 2015 Series A & B Official Statement | HCAA Continuing Disclosure | KBRA Est.

KBRA stress case 1 demonstrates that even in an environment where pledged revenues grow by just 0.4% annually after FY 2019, MADS coverage is projected to increase above the 2.00x coverage threshold in FY 2021 and remain there through the final maturity of the bonds. KBRA notes that the increase in MADS coverage in 2019 in this scenario reflects an increase in annual debt service in that year which triggers an increase in the CFC surplus fund balance (i.e. rolling coverage) applicable to the calculation of coverage.

KBRA stress case 2 in turn shows that the modeled event-related declines in enplanements for FYs 2020-2022 would translate to MADS coverage bottoming out at 1.79x in FYs 2021 and 2022. The event related enplanement decline is more than offset by the application of additional rolling coverage funds in 2019 per the aforementioned increase in annual debt service occurring in that year. In this stress scenario, MADS coverage would slowly improve and remain above 1.80x through final maturity.

The Authority anticipates pledged revenues will continue to perform well and expects that growth in passenger activity levels will result from current and new flight schedules. Growth in passenger traffic is a credit positive for car rental demand at TPA and will contribute positively to debt service coverage of the CFC secured bonds.

In KBRA's view, the characteristics of the CFC bonds' coverage and bond structure continue to be consistent with the AA- rating determinant rating.

Conclusion

KBRA has affirmed the long-term rating of A+ and revised the Outlook to Stable from Positive on the Hillsborough County Aviation Authority, Tampa International Airport Customer Facility Charge Revenue Bonds.