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Summary:

Hillsborough County Aviation Authority, Florida Tampa International Airport; Non-recourse proj, single or multi tenants, entert

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Credit Profile		
US$298.43 mil customer fac charge rev bnds (Tampa Intl Arpt) ser 2015B due 10/01/2044		
Long Term Rating	A-/Stable	New
US$101.065 mil customer fac charge rev bnds (Tampa Intl Arpt) (Non-amt) ser 2015A due 10/01/2044		
Long Term Rating	A-/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'A-' long-term rating to Hillsborough County Aviation Authority (HCAA), Fla.'s $101.1 million series 2015A customer facility charge revenue bonds, and $298.4 million series 2015B customer facility charge revenue bonds, issued for Tampa International Airport (TPA). The outlook is stable.

The rating reflects our assessment of the following factors:

- Location in the Tampa-St. Petersburg-Clearwater MSA, which benefits from a strong economy and the airport serves the ninth-largest rental car market in the country,
- Stable passenger levels, with enplanements up 2.1% in fiscal 2014 and up 6.5% through the first six months of 2015; and
- A strong origin and destination (O&D) market (92% in 2014) and adequate diversity of carriers, with Southwest Airlines Co., American/US Airways, and Delta accounting for a combined 71% of enplanements for the 12 months ending March 31, 2015.

We believe credit weaknesses include:

- The narrow revenue pledge, with customer facility charges (CFC) revenue being the main recurring revenue source available to repay the bonds;
- A moderate CFC rate, at $5.95 per transaction per day; and
- Projected debt service coverage levels from annual CFC collection of 1.5x-2.09x through 2024, which we consider good.

CFC secured bond proceeds will fund approximately $357 million of the total $736.4 million project to fund the consolidated rental car (CONRAC) facility and automated people mover. Bond provisions are adequate, in our view, and provide a good legal framework for the operations of the facility. The rate covenant requires that the CFC be reviewed and adjusted to meet the greater of all mandatory deposits from the flow of funds and 150% of debt service, of which 25% which can be from rolling coverage. Mandatory deposits include CFC debt service, rebate fund, expenses, authority reimbursements, and CFC repair and replacement. The airport may issue additional bonds based on a historical or projected test coverage equals 1.25x debt service on debt outstanding excluding rolling coverage. The debt service reserve is fully funded to maximum annual debt service as well.

Upon completion, it is currently anticipated that the CONRAC facility will consist of a four-level, 2.5 million square-foot facility for rental car operations with an additional 75,000 square-foot facility to house four vehicle maintenance service centers. In addition, a 1.4 mile automated people mover will connect the main terminal to the CONRAC . Airport officials expect project construction to be substantially completed in October 2017.

In our view the underlying strength of the Tampa-St Petersburg-Clearwater MSA are supportive of rental car demand. The O&D base at the airport at 92% of enplanements helps support rental car demand. Visiting O&D deplaned passengers at TPA increased to 4.5 million in 2014 from 4.2 million in 2010. Rental car transaction days also grew -- to 7.2 million days in 2014 from 5.7 million days in 2010. The CFC was initially set at $2.50 in 2012 and was increased to $5.00 in 2014 and then raised to the current level of $5.95 in July 2015. Even with the initiation of the CFC and the subsequent increases, rental car transactions demonstrated strong growth. O&D enplanements are forecasted to grow 2.1% per year from 2015 to 2024. The rental car transaction forecast is driven by the enplanement forecast and is also expected to increase by 2.1% per year. We believe the forecast is reasonable.

New concession agreements with nine rental car companies, representing 16 brands, are uniform and run have a 30-year term, with the authority retaining the right to renegotiate terms every 10 years. Under its terms, the rental car companies are required to charge, collect, and remit the CFC to the authority. In addition, contingent fees may be charged to the rental car companies under the new concession agreements if CFC collections are insufficient to meet mandatory eligible costs in the flow of funds. The authority can raise the CFC rate at any time with board approval. The daily rate is $5.95 as of July 6, 2015. Management forecasts do not include additional CFC rate increases. Net of expenses associated with the automated people mover, debt service coverage ranges from 1.5x to 2.09x through 2024.

Outlook

The stable outlook reflects our view of the airport's generally stable enplanement history and Tampa's strong economy, which we believe will support demand for rental cars. The rating could be pressured to the extent that lower demand for the airport fuels declines for the facility and debt service coverage levels fall significantly below forecast. We could also consider lowering the rating if the project experiences significant delays in construction or cost overruns. We could raise the rating during the outlook period if financial performance exceeds the forecast.

Related Criteria And Research

Related Criteria

- USPF Criteria: Airport Multi-Tenant Special Facilities Bonds, June 13, 2007
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

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