FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Outlook to Stable for Six U.S. Airport Rental Car Facilities Amid Pandemic Recovery

Thu 27 Jan, 2022 - 5:08 PM ET

Fitch Ratings - New York - 27 Jan 2022: Fitch Ratings has affirmed the ratings on the following airport related credits and revised the Rating Outlooks to Stable from Negative:

--Atlanta Hartsfield-Jackson International Airport (GA) 'A' rating on its consolidated rental car facility and automated people mover system project revenue bonds issued by the city of College Park;

--Cincinnati/Northern Kentucky International Airport (KY) 'A-' rating on its senior customer facility charge revenue bonds issued by the Kenton County Airport Board;

--Columbus (John Glenn) International Airport (OH) 'A-' rating on its customer facility charge revenue bonds issued by Columbus Regional Airport Authority (CRAA);

--Hartford-Bradley International Airport (CT) 'BBB' rating on its customer facility charge revenue bonds issued by the Connecticut Airport Authority;

--Portland International Airport (OR) 'A-' rating on its customer facility charge revenue bonds issued by the Port of Portland;

--San Antonio (TX) 'BBB+' rating on its customer facility charge revenue bonds.

RATING RATIONALE

The Rating Outlook revisions to Stable for the consolidated rental car facility (CONRAC) credits cited above reflect the diminished operational and financial risks that have challenged CONRACs since early 2020 due to a combination of improving transaction volumes in recent months and effective management oversight. While exposures remain with regard to transaction and revenue improvement, the progress suggests lessened fiscal strains, with projects better positioned to retain or grow liquidity and to restore metrics to levels consistent with current rating levels.

The outbreak of coronavirus and related government containment measures worldwide created unprecedented disruptions for air travel affecting all airport types. The rapid progress of vaccination deployment across the country has more recently brought U.S. airport traffic levels, using daily reported TSA screenings, to around 80% of 2019 levels, and Fitch believes there are reasonable expectations for a continuation of the current recovery trajectory in 2022 and beyond. The omicron variant of the virus has so far had minimal effects to the performance activity, but can pose demand risks to the industry.

KEY RATING DRIVERS

No key rating drivers were changed as part of this review. See links below to individual issuer Rating Action Commentaries with individual Key Rating Driver assessment scores and analysis.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A period of material volume declines that presents further challenges to stabilize the finances of the affected airport credits;

--Sustained deterioration in liquidity levels;

--Further credit deterioration of the major rental car companies or payment delinquencies.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Positive rating action is not expected in the near future as forward-looking key metrics are still progressing toward levels anticipated prior to the pandemic.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

CREDIT UPDATE

Atlanta (ATL)

Transaction days and customer facility charge (CFC) collections declined 23.0% and 23.8%, respectively, in fiscal year (FY) 2020, due the onset of the coronavirus pandemic, and continued to fall in FY 2021 by an additional 29.7% and 29.3%, respectively. Total transaction days and CFC revenues fell by 45.9% and 46.1%, respectively, over pre-pandemic levels. ATL expects 2022 transaction days will rebound to approximately 79.5% of FY 2019 levels, which reflects a growth of 47.0% over FY 2021 levels. Management currently has no plans to raise the CFC rate. The 2021 debt service coverage ratio (DSCR) came in at 1.6x including the coverage fund, and 1.3x excluding the coverage fund (CF). FY 2021 total leverage (including the subordinate loan to the airport) increased to 6.2x.

Going forward, rating case DSCR averages 2.7x (with CF) and 2.4x (without CF) over FY 2022-2026. Downside DSCR averages 2.6x (with CF) and 2.3x (without CF) over the same period. Leverage in FY 2026 falls to 1.0x when including the subordinate loan to the airport. In contrast to possibilities under prior forecasts at the peak of the pandemic, Fitch's cases now forecast the surplus fund balance to remain positive and no deferral of the subordinate loan to the airport needed, though that remains an option to the project should revenues underperform.

Cincinnati/Northern Kentucky International Airport (CVG)

The CONRAC opened on Oct. 20, 2021 and is fully operational. As of Nov. 30, 2021, $189.4 million has been expensed against the program budget of $205.0 million. The remaining $15.6 budget balance is anticipated to complete and financially close the project. Several remaining punch list items are expected to be completed by Q2 2022 in order to fully close out the project.

Transaction days and CFC collections both declined 58.3% in FY 2020 due to the onset of the pandemic (enplanements decreased by 59.7%). CVG estimates 2021 to be roughly 61% of 2019 levels, and forecasts 2022 to be about 65% of 2019 levels. The airport's longer-term master plan is expected to accommodate further growth in enplanements, which could positively affect CONRAC transactions and revenues as well.

Management currently has no plans to raise the CFC rate given the pre-pandemic healthy traffic performance. CVG used roughly $900,000 from the project fund to supplement monthly debt service transfers to the trustee between January and June 2021. Since July 2021, monthly CFC revenues at the current rate has generated coverage above the rate covenant and management forecasts revenues will continue to do so moving forward.

2021 DSCR came in at 1.5x including the coverage fund, and 1.3x when excluding the coverage fund. Rating case DSCR averages 1.9x (with CF) and 1.6x (without CF) over FY 2022-2026. Downside DSCR averages 1.8x (with CF) and 1.5x (without CF) over the same forecast period. Leverage falls from 10.1x in 2021 to 3.7x in 2026 under the rating case.

Columbus (CMH)

Despite the pandemic, the Authority was able to open the new CONRAC facility in September 2021. Traffic activity at CMH recovered significantly in 2021, reaching 67% of 2019 levels, improving from FY 2020's performance of reaching 38% of 2019 levels. Traffic has steadily improved through the year, with December reaching 78% of 2019 levels. Rental car transactions have moderately improved in 2021, reaching 51% of 2019 levels, an increase over 2020's performance of 40% of historical levels. Transactions have steadily increased through the year, with December reaching 60% of 2019 levels. In 2021, 67% of 2019 transactions days were reached, up from 47% of 2019 levels in 2020.

2021's performance led to $6.3 million in CFC revenues to be collected, up from $4.7 million in 2020. While the authority was able to pay debt service of $5.7 million in full, a withdrawal of $577,481 from the CFC Surplus Fund was required to cover the shortfall in CFC revenues to reach the 1.25x rate covenant. Upon delivery of the series 2019 bonds, $4 million of previously collected CFC revenues were deposited into the CFC Surplus Fund.

Going forward, rating case DSCR averages 1.9x (with CF) and 1.6x (without CF) over FY 2022-2026. Downside DSCR averages 1.8x (with CF) and 1.5x (without CF) the same forecast period. Leverage reaches 6.1x in FY 2026 under the rating case.

Connecticut

Transaction days and CFC revenues finished FY 2021 (FYE June 30) down 58% and 53%, respectively, when compared with FY 2019. FY 2020 transaction days and CFC revenues declined approximately 21% and 12% relative to FY 2019. YTD transaction days through the first five months of FY 2022 have recovered to 73% of transaction days during the same period in 2019. Management has indicated that rental car companies have been making on-time CFC payments directly to the trustee each month. The CFC rate is currently set at $8.40 per day, and management does not anticipate an increase to the CFC rate nor to institute contingent rent at this time. Construction of the ground transportation center is currently on time and on budget, with substantial completion planned for February 2022 and final completion slated for May 2022. Leverage is elevated in the near term at over 12x in 2022, though it is expected to decline to below 7x by 2026 as debt principal begins to be paid starting in 2023.

Rating case coverage averages 1.8x when including facility payments (or 2.0x with the coverage fund) through 2026. Downside case coverage over the same period averages 1.7x when including facility payments (or 2.0x with the coverage fund).

Portland

FY 2021 (ending June 30) transaction days were down 52% relative to FY 2019 levels; transaction days in FY 2020 were down 24%. YTD transaction days through the first five months of FY 2022 indicate recovery to 63% of transaction days during the same period in FY 2019. Transaction days in November 2021 recovered to 74% of transaction days in November 2019.

The port revised the CFC rate policy from a rate of $6.00 per day with a four-day cap to $6.00 per day with a 10-day cap. To ensure compliance with PDX's 1.5x annual debt service coverage test, the port's executive director has full authority to adjust CFC rates and/or to revise or eliminate the cap on transaction days. The port also strategically applied $4 million of federal relief funds towards debt service, resulting in FY 2021 debt service coverage of 1.3x (1.7x when including the rolling coverage fund). The port still has $1 million in federal relief funds available in the CFC Surplus Account that could be used to pay for all or a portion of FY 2022 CFC debt service or debt service in a future year.

Rating case DSCRs from CFC revenues average 2.0x (or 2.2x with the coverage account) through 2026. Downside case DSCRs from CFC revenues over the same period average 1.8x (or 2.1x with the coverage account). The revision of the transaction day cap provides significant flexibility and improves revenue levels.

San Antonio (SAT)

Pre-pandemic, SAT was enjoying strong traffic growth, with the five-year CAGR (up to FY 2019) at 4.4%. Deplanements for FY 2020 and FY 2021 (FYE Sept. 30) declined by 45.4% and 39.9%, respectively, due to the pandemic. FY 2021 deplanements of 3.1 million rebounded to approximately 60.1% of FY 2019 numbers. Transaction days reached 1.7 million in FY 2021, a growth of 5.2% versus FY 2020 and decline of 34.1% versus FY 2019. The decline was partially mitigated by a somewhat higher propensity to rent, with the ratio of transaction days per deplanements at 54.8% for the year, versus an average over 2014-2019 of 49.1%.

For FY 2020 and FY 2021, withdrawals were required from the CFC Surplus Fund and CFC Revenue Fund to cover the shortfall in CFC revenues and provide a portion of GARB debt service payments ($2.6 and $1.8 million from the CFC Surplus Fund and $1.2 million and $495 thousand from the CFC Revenue Fund for FY 2020 and FY 2021, respectively). Management does not anticipate further draws given transaction day recovery.

Fitch's rating case DSCR averages 1.6x through FY 2026, or 1.8x when including the coverage fund; all-in DSCR, including GABR debt service, averages 1.2x. Fitch's downside case DSCR averages 1.5x through FY 2026, or 1.8x when including the coverage fund; all-in DSCR, including GABR debt service, averages 1.1x. Despite the lower all-in DSCR, SAT retains significant financial flexibility including the ability to raise the CFC rate at the city's discretion, to adjust the routine and major maintenance schedule and expenses, and to change the funding source of the GARB debt service to airport revenues.

FINANCIAL ANALYSIS

Fitch Cases

Given that the facilities have not yet fully returned to normal operations and recovered to historical traffic levels due to the current operating environment, Fitch's rating case is also considered the base case. The differences for each case focus on the level and speed of recovery starting in 2022 and through the next several years.

Fitch conducted a coronavirus rating case and downside case for each of the select CONRAC credits referenced above to assess coverage and liquidity. On July 21, 2021, Fitch issued a report detailing the revisions to the forward-looking U.S. air traffic assumptions due to the strong rebound in domestic air travel driven by increased U.S. vaccinations and a surge in U.S. leisure air traffic. These assumptions formed the starting point for Fitch's analyses and were then adjusted to reflect actual transaction day performance to date as well as the characteristics of the airport (business versus leisure market, franchise strength, etc.).

--The starting point for the coronavirus rating case scenario contemplates airport enplanement recovery of 90%, 95%, and 100% in calendar years 2022, 2023, and 2024, respectively, relative to 2019 actual levels.

--The starting point for the coronavirus downside case assumes a more gradual recovery of 80%, 90% and 95% in calendar years 2022, 2023 and 2024, respectively, relative to 2019 actual levels.

Links to last published issuer RACs with Key Rating Driver assessments covered in the above rating actions:

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-affirms-hartsfield-jackson-airport-ga-car-rental-facility-bonds-at-a-outlook-stable-19-09-2019

https://www.fitchratings.com/entity/cincinnati-northern-kentucky-international-airport-oh-rental-car-facility-credit-summary-96739968

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-columbus-airport-customer-facility-charge-rev-bonds-a-outlook-stable-09-04-2019

https://www.fitchratings.com/entity/connecticut-airport-authority-ct-airport-customer-facility-charge-credit-summary-96755495

https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-portland-international-airport-or-customer-facility-charge-revs-a-outlook-stable-20-03-2019

https://www.fitchratings.com/entity/san-antonio-tx-airport-customer-facility-charge-credit-summary-96755505

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Victoria Babcock
Senior Analyst
Primary Rating Analyst
+1 646 582 4608
victoria.babcock@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Jeffrey Lack
Director
Primary Rating Analyst
+1 312 368 3171
jeffrey.lack@fitchratings.com
Fitch Ratings, Inc.
2600 Via Fortuna, Suite 330 Austin, TX 78746

Aysha Seedat
Analyst
Primary Rating Analyst
+1 646 582 4278
aysha.seedat@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Jennie Mu
Associate Director
Primary Rating Analyst
+1 646 582 4748
jennie.mu@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Jeffrey Lack
Director
Secondary Rating Analyst
+1 312 368 3171
jeffrey.lack@fitchratings.com

Jim Code
Senior Analyst
Secondary Rating Analyst
+1 312 368 3194
jim.code@fitchratings.com

Anne Tricerri
Director
Secondary Rating Analyst
+1 646 582 4676
anne.tricerri@fitchratings.com

Victoria Babcock
Senior Analyst
Secondary Rating Analyst
+1 646 582 4608
victoria.babcock@fitchratings.com

Scott Monroe, CFA
Senior Director
Committee Chairperson
+1 415 732 5618
scott.monroe@fitchratings.com

MEDIA CONTACTS

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Airports Rating Criteria (pub. 22 Oct 2020) (including rating assumption sensitivity)

Infrastructure and Project Finance Rating Criteria (pub. 23 Aug 2021) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

GIG AST Model, v1.3.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

College Park (GA)	EU Endorsed, UK Endorsed
Kenton County Airport Board (KY)	EU Endorsed, UK Endorsed
Columbus Regional Airport Authority (OH)	EU Endorsed, UK Endorsed
Connecticut Airport Authority (CT)	EU Endorsed, UK Endorsed
Port of Portland (OR)	EU Endorsed, UK Endorsed
San Antonio (TX)	EU Endorsed, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, THE FOLLOWING HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

READ LESS

COPYRIGHT

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of preexisting third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular

insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.
For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001
Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Industrials and Transportation US Public Finance Infrastructure and Project Finance

North America United States