FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Columbus Airport Customer Facility Charge Rev Bonds at 'A-'; Outlook Stable

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Fitch Ratings - Chicago - 22 Apr 2024: Fitch Ratings has affirmed the 'A-' rating on Columbus Regional Airport Authority's (CRAA) approximately $88.1 million series 2019 customer facility charge (CFC) taxable revenue bonds for the construction of a consolidated rental car facility (CONRAC). The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Columbus Regional Airport Authority (OH)				
Columbus Regional Airport Authority (OH) /CFC Revenues - First Lien/1 LT	LT	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

RATING RATIONALE

The rating reflects the historically stable underlying traffic base supporting a modest-sized volume for rental car transactions, coupled with adequate liquidity from surplus funds and reserve accounts to sustain temporary severe revenue declines. Project strengths include a favorable debt structure, diversity of rental car operators, and rate-making flexibility with a backstop of a deficiency true-up mechanism to the participating rental car companies to fully support debt payments.

Payments for busing services to the CONRAC, although subordinate to debt service, slow down the accumulation of cash reserves. Potential overruns in busing costs are mitigated by caps on annual payments from CFC revenue and the requirement for the rental car companies to cover shortfalls if there is not adequate CFC revenue. Leverage is expected to continue decreasing below 5x in the near term, and Fitch's five-year forward rating case coverage averages 1.8x through fiscal 2028.

KEY RATING DRIVERS

Revenue Risk - Volume - Midrange

Midsized Market; Some Volatility: Rental car demand is supported by growing passenger traffic at John Glenn Columbus International Airport (CMH). Market share of the nine car brands operating at CMH is well dispersed with the largest brand accounting for 20% of gross rental revenue. Prior to the pandemic, historical performance has shown moderate volatility with a rental car transaction peak to trough of 17% during the great recession. Longer-term increased competition in ground transportation could hamper growth prospects for CRAA and other rental car facilities.

Revenue Risk - Price - Stronger

Significant Rate-making Flexibility: CRAA has full flexibility to increase both CFC rates and the seven-day transaction day cap on CFC collections. Fitch views the current $6.50 per day CFC rate as towards the higher end compared to midsize airport peers; however, CRAA does not expect to require further increases during the debt term. Since CFC collection began in 2007, CRAA has increased the rate five times without material effects from price elasticity of demand. CRAA can also levy additional charges to the RACs if there is a deficiency in CFC revenues.

Infrastructure Dev. & Renewal - Stronger

New Facility: The CONRAC facility is a new asset, opening in 2021, and providing for much needed additional space for rental car operations and public parking. The facility has been designed to accommodate potential future development with limited major capital expenditures required in the medium term. CFC collections fund annual deposits to a renewal and replacement fund to cover modest capital requirements without the need for additional debt issuances.

Debt Structure - 1 - Stronger

Conservative Debt Profile: The project debt is fixed rate and fully amortizing with level debt service payments through maturity in 2048. Pledged revenues form a closed loop of funds comprised of CFC revenues and, if needed, rental car contingent payments. Further support is provided by a debt service reserve account and debt service coverage account sized to 100% and 25% of maximum annual debt service (MADS), respectively. The debt service reserves are fully cash funded, and future cash flows will fund a renewal and replacement fund and shuttle busing services.

Financial Profile

The fiscal 2022 debt service coverage ratio (DSCR) from cashflow alone was 1.5x. CRAA's DSCR is estimated to be 1.7x in fiscal 2023. The coverage fund would add 20-25 basis points to the annual DSCR level. Considering cash outflows for busing operations, total coverage is expected to be around 1.6x in fiscal 2023.

Under Fitch's rating case, DSCR without CRAA's coverage fund averages 1.8x from fiscal 2024 through fiscal 2028 and 2.0x over the full debt term. The coverage fund enhances these metrics by a factor of approximately 0.25x in each year. Leverage gradually declines to a lower level over the next five years, reaching approximately 3.0x in fiscal 2028.

PEER GROUP

Fitch-rated peers include CONRACs at the Austin ('A'/Stable) and San Antonio ('BBB+'/Stable) airports. Although Austin has a slightly higher CFC rate compared with CMH, its improved coverage, quickly declining leverage profile, and strong growth support the higher rating. San Antonio also has similar coverage levels to CMH but requires more CFC revenue growth to maintain a stable DSCR profile, as reflected in its rating level.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A considerable drop in rental car transactions or volatility in underlying O&D traffic base, which adversely affects pledged revenue and reduces cashflow coverage levels below 1.6x on a sustained basis under the Fitch rating case.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Favorable trends in rental car transactions and pledged revenues to support over 2x coverage under Fitch's rating case, with a steady build-up of project cash.

CREDIT UPDATE

Deplanements in fiscal 2023 (unaudited) slightly exceeded fiscal 2019 levels, reaching 4.3 million. Passenger deplanement levels for fiscal 2023 exceeded Fitch's base case expectation by 5.8%. Total transaction days in fiscal 2023 increased by 12.7% when compared with fiscal 2022, and exceeded the previous base case by 3.8%.

Rental car demand remains in a recovery position with fiscal 2023 transaction days at 1.6 million, only reaching approximately 93% of fiscal 2019 levels mainly due to slower recovery for business-related traffic. Management expects both deplaned passenger levels and transaction days to continue growing over the next five years.

CFC revenues collected increased to over $9 million, which is still below fiscal 2019 levels of almost $11 million. Management has no plans to raise the CFC rate. CFC revenues at the current rate are forecast by the airport to generate coverage above the rate covenant There are no near-term plans to issue debt, with planned capital projects and maintenance adequately covered by the repair and replacement fund. The authority has continued to build up its surplus fund liquidity with a balance of approximately $22 million at FYE 2023.

CMH is developing a new terminal with construction expected to begin in late 2024 and open in early 2029. A pedestrian bridge will be built from the rental car center to the new terminal which will eliminate the need for shuttle buses to transport passengers to and from the CONRAC. As such, payments for busing services will no longer be required beyond fiscal 2029. Fitch views this positively as it will increase funds deposited into the cash reserves in the medium term.

FINANCIAL ANALYSIS

Under the base case, deplanements grow in line with management's expectations for fiscal 2024 and thereafter increase by 1% per annum. For both cases, the propensity to rent is held constant at 29%, and CFC rates remain at the current rate of $6.50 per day. Under this case, the senior lien DSCR is robust averaging 1.9x over the next five years, or 2.2x when including the coverage fund for the same period. Leverage declines from approximately 5.2x in fiscal 2024 to 2.6x in fiscal 2028. Surplus cash after deposits to the renewal and replacement fund leads to negative net leverage by fiscal 2032.

Fitch's rating case largely follows base case assumptions for rental behavior and applies a 10% recessionary shock to deplanements in fiscal 2025 followed by a recovery through fiscal 2027. Deplanements grow at 1% per year from fiscal 2028-2040 followed by no growth thereafter. Under this case, DSCR averages 1.8x over the next five years, or 2.1x when including the coverage fund for the same period. Leverage declines to 3.0x in fiscal 2028. Rating case metrics remain robust under the recessionary conditions and are supportive of the current rating level.

SECURITY

The series 2019 bonds are special limited obligations of the authority, payable solely by pledged revenues collected from CFCs paid by rental car operators and annual requirement deficiency fees, if any, payable by the rental car operators. A debt service reserve equal to maximum annual debt service (MADS) and a separate coverage account reserve equal to 25% MADS also secure the CONRAC bonds.

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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

Infrastructure & Project Finance Rating Criteria (pub. 17 May 2023) (including rating assumption sensitivity)

Transportation Infrastructure Rating Criteria (pub. 18 Dec 2023) (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, v1.4.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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