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Ratings

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John Glenn Columbus International Airport, Ohio
Columbus Regional Airport Authority; Airport

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US$870.0 mil arpt rev bnds (AMT) (Columbus Regional Airport Authority) ser 2025A due 01/01/2055		
Long Term Rating	A/Stable	New
US$197.0 mil arpt rev bnds (non-AMT) (Columbus Regional Airport Authority) ser 2025B due 01/01/2055		
Long Term Rating	A/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'A' long-term rating to the Columbus Regional Airport Authority (CRAA), Ohio's proposed $870 million series 2025A (AMT) airport revenue bonds and $197 million series 2025B (non-AMT) airport revenue bonds, issued for John Glenn Columbus International Airport (CMH).
- The outlook is stable.

Security

The bonds are secured by a pledge of airport net revenue, including other pledged revenue under the master indenture. The series 2025 bonds are being issued to finance a large portion of the authority's $2 billion New Midfield Terminal Project, retire a portion of the outstanding principal balance of the 2024 credit facility bonds, fund capitalized interest, and fund the common debt service reserve account. The project includes a 1-million-square-foot, 36-gate facility with a 5,300-space parking structure. The authority anticipates that the new terminal building will be completed and open by early 2029. On completion of the new terminal, all passenger operations will move there from the existing passenger terminal.

In February 2024, the authority established a $300 million credit facility program, which it has used as interim financing for capital needs, as needed, and will be repaid periodically with this and future debt issuances.

A rate covenant requires the airport to generate debt service coverage (DSC) of at least 1.25x from net revenue plus any amounts on deposit in the coverage account, with pledged passenger facility charge (PFC) revenue serving as an offset to debt service. Our calculations, however, treat eligible PFCs applied to debt service as available revenue, rather than as an offset to debt service and excludes coverage accounts applied toward debt service. We consider the bond provisions credit neutral.

Credit overview

The rating reflects our expectation that CRAA will maintain strong financial metrics, supported by positive enplanement trends, increasing population and service routes, and robust management oversight. Our view incorporates the effects of the proposed series 2025 bonds, $1 billion in additional debt to fund the remaining portion of the terminal project, and the airport's change to a fully residual rate-setting methodology. We expect CRAA's leverage will further increase over the near term as the authority issues the remaining debt needed to complete the debt financing of its new passenger terminal project. Based on fiscal 2024 year-to-date trends, pro forma fiscal 2029 projections, and the airport consultant's forecast through fiscal 2032, we expect the authority will maintain DSC (S&P Global Ratings-calculated) near or above 1.1x, debt-to-net revenue at least below 15.0x, and unrestricted reserves above 400 days' cash on hand (DCOH) and 7.5% of debt.

Key credit strengths, in our view, are the authority's:

- Strategic location in central Ohio, providing a good base of air travel demand from serving a large and growing service area;
- DSC (S&P Global Ratings-calculated) that we expect will remain at levels we consider adequate in the long term, considering a change to fully residual rate-setting methodology as per new airline use-and-lease agreements; and
- Very strong management and governance, as evidenced by an experienced, proactive, and effective management team that has historically maintained robust financial metrics.

The strengths above, in our view, are offset by the authority's relatively high debt burden resulting from debt-financing nearly $1.7 billion of the $2 billion terminal project.

Environmental, social, and governance

We analyzed the airport's environmental, social, and governance factors relative to its market position, management and governance, and financial performance, and view them as neutral in our credit rating analysis. CMH was the first airport in the nation to deploy LED high-intensity runway lighting on its airfield, mitigating visibility issues in all weather conditions, including severe rainfall, to which data from S&P Global Sustainable1 shows the service area faces elevated exposure compared to other locations nationally.

Outlook

The stable outlook reflects our expectation that the authority will adjust revenue, expenses, and capital spending as needed to maintain financial metrics within ranges we consider consistent with a strong financial risk profile as it issues additional debt to fund a large terminal project.

Downside scenario

We could lower the rating if the authority needs to issue significantly more debt than is currently anticipated to complete the terminal project due to scope changes or other factors, resulting in materially weaker financial metrics than currently forecast.

Upside scenario

We do not expect to raise the rating over the two-year outlook period, given the airport's large capital improvement plan (CIP) and significant amount of debt financing to complete.

Credit Opinion

Enterprise Risk Profile: Strong

Medium-hub airport, supported by strong service area and a good base of air travel demand

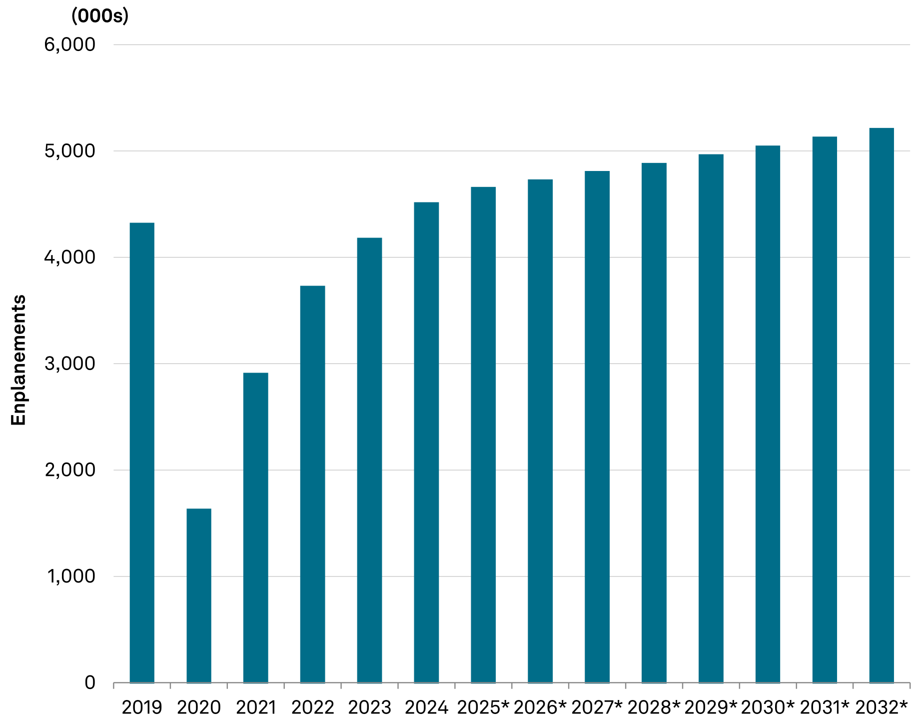
The airport is the primary commercial air service facility serving the central Ohio region, which includes the Columbus metropolitan statistical area (MSA). The airport's air service area (ASA) is defined as the Columbus MSA. The ASA is made up of ten counties in the state: Delaware, Fairfield, Franklin, Hocking, Licking, Madison, Morrow, Perry, Pickaway, and Union.

The airport is currently the only medium hub airport serving the Columbus MSA. The closest commercial airport is Rickenbacker International Airport (LCK; approximately 20 miles to the south), which is part of the authority and provides limited commercial service on Allegiant Air. Other nearby commercial airports include James M. Cox Dayton International Airport (DAY; approximately 77 miles to the west), Cincinnati/Northern Kentucky International Airport (CVG; approximately 127 miles to the southwest), and Cleveland Hopkins Airport (CLE; approximately 133 miles to the north). We note that average airfare at the airport has historically been lower than the closest small hub airport (DAY) and within a competitive range compared to other medium hub airports in the region. We also note that within the primary ASA (Columbus MSA), it was estimated that approximately 94% of air passengers use CMH as their primary point of origin or destination, according to a 2024 study by Campbell-Hill Aviation Group.

In fiscal 2023, enplanements increased by 12% from 2022 levels, to 4.1 million, equal to 97% of 2019 levels. As of October 2024, year-to-date enplanements were up 8.4% compared with the same ten-month period in the previous fiscal year and are expected to surpass 4.5 million at fiscal year-end, or 104% of 2019 levels. As per the airport consultant's report, enplanement levels are projected to exhibit a compounded annual growth rate (CAGR) of 1.6% from fiscal years 2025 through 2032 to 5.2 million, which we consider reasonable as the airport's service area population and carrier routes continue to increase. (See chart 1 below.)

Chart 1

Historical and projected enplanements



*Projected. Source: Report of the Airport Consultant.

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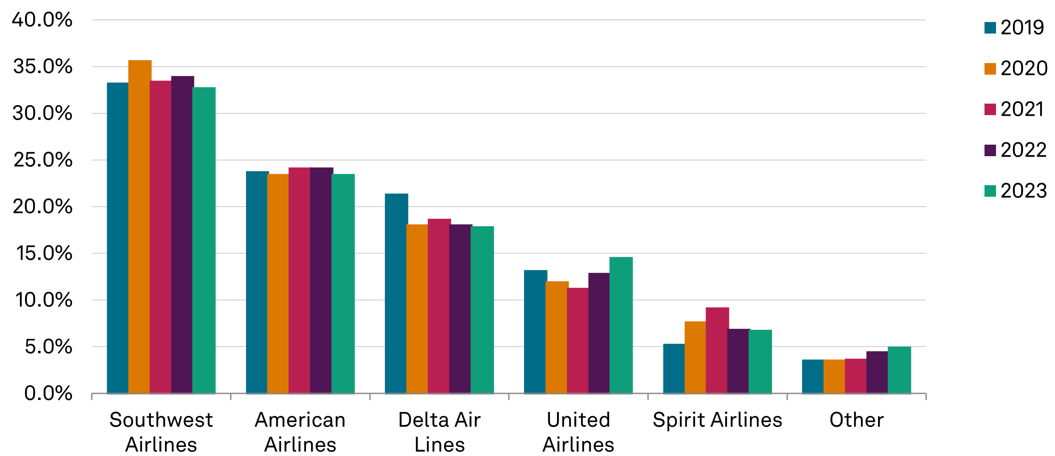
We view the airport's carrier mix as moderately concentrated, with Southwest Airlines representing 32.7% of enplanements in 2023, followed by American Airlines at 23.4%, Delta Air Lines at 17.8%, United Airlines at 14.5%, and Spirit Airlines at 6.7%. (See chart 2 below.) As of July 2024, there was scheduled service to 47 destinations with an average of 132 daily nonstop flights from the airport. There are two international flights, one to Cancun, Mexico provided by Southwest Airlines and one to Toronto by Air Canada. The airport has service to all the large hub airports along the U.S. East Coast, along with certain major connecting hub or key focus city airports in the western U.S., including recently added direct flights to Los Angeles.

Chart 2

Airline enplanement market share



Source: Columbus Regional Airport Authority.

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Management insights: Very strong management approach, supporting strong financial metrics

We view the authority's management and governance as very strong, reflecting our view of its strategic positioning, risk and financial management, and organizational effectiveness. Management has demonstrated successful planning and has begun to execute on various terminal enhancements. CRAA's budget process incorporates historical revenue and expenditure trends, including CRAA's economic outlook, changes in operations, new concession agreement terms, and other factors that may have an effect on revenue. The authority has adopted a target minimum DCOH of 365 and is projected to adhere to this it throughout the forecast period. We note that the authority also adopted a debt management policy to maintain at least 1.25x DSC as per the master indenture.

The authority's current signatory airline agreement uses a hybrid rate-setting methodology with the landing fees being calculated on a residual basis, the terminal rentals per a commercial compensatory basis using rentable space in the calculation, and apron fees and inline baggage system fees established through a residual methodology. The authority recently negotiated an amendment to the current signatory airline agreement which extends the term from Jan. 1, 2025, to the date of beneficial occupancy (DBO) of the New Midfield Terminal, which is expected to be in January 2029. Under the new signatory airline agreement, which uses a residual airline rate-setting approach, the aggregate of the amounts payable by the signatory airlines, together with other revenue required to be deposited by the authority into the revenue fund, must be sufficient to generate revenue in the airline-supported cost centers to operate on a break-even basis after paying all costs of such cost centers, including the satisfaction of all of the authority's obligations to make all deposits and payments required under the indenture through such date, plus produce annual discretionary funding for airport system capital improvements. The new signatory airline agreement becomes effective on DBO and expires on Dec. 31, 2033, but the agreement also includes a self-renewing mutual option to extend the term for an additional five-year period until Dec. 31, 2038.

The new signatory airline agreement includes a development fund deposit, which is the method that the signatory airlines will use to fund future capital improvement projects. That funding for each rate period will consist of $10 million, which will increase annually beginning in the first rate period after the commencement date by 3%.

Financial Risk Profile: Strong

Fully residual rate-setting methodology will support steady financial results, despite rising debt levels

Our financial risk profile assessment of strong considered CRAA's historical performance and financial projections included in the airport consultant's report done in connection with the proposed series 2025 issuance. The projections incorporate the anticipated debt service from the series 2025 bonds, an enplanement CAGR of 1.6% from fiscal years 2025 through 2032, new-money debt issuances in fiscal years 2026 and 2028, and a change to fully residual rate-setting methodology estimated in early 2029. Our evaluation resulted in the following expectations:

- DSC (S&P Global Ratings-calculated) will be maintained near or above 1.1x through fiscal 2032, which is within our adequate range, including the proposed series 2025, 2026, and 2028 bonds;
- Debt and liabilities capacity will fall to levels that we consider strong, within a range of 10x-15x, as debt levels rise from the authority's proposed series 2025 issuance and near-term additional borrowing plans; and
- Overall liquidity position will remain at levels we consider strong despite the authority's plan to use its new terminal reserve fund to pay for a portion of the CIP.

CRAA's substantial CIP and debt needs constrain the rating

The authority's $2 billion CIP, which includes the new terminal project over the next four fiscal years, will be predominantly debt-financed, resulting in a relatively high debt burden, and constrains the rating. Should the authority take on significantly more debt than currently anticipated, it could weaken the rating, especially if CRAA's debt-to-net revenue or unrestricted days' cash are materially weaker than forecast.

The proposed series 2025 will fund $800 million of the CIP, while the remaining portion is expected to be funded through:

- $867.5 million of proceeds from additional debt in 2026 and 2028;
- $82.5 million from federal grants;
- $60 million from PFC funding; and
- $190.0 million from the authority's new terminal reserve fund.

The authority established a $300 million credit facility program and could use it as interim financing for its new terminal project ahead of its additional debt issuance, if needed.

Guaranteed Maximum Price (GMP) contract is being used to contain the CIP budget

The new terminal project will allow the airport to meet future growth and capacity needs and provide an enhanced, modern level of passenger service at CMH. The project will include a 1-million-square-foot, 36-gate facility with a parking structure that will have more than 5,300 parking spaces. The existing terminal, which first opened in 1958, will be demolished on the opening of the new terminal, expected in mid-2029. There is expected to be no effect on existing operations during construction of the project since the new terminal is being developed in a different location on airport property. The terminal project is being managed with a GMP strategy, whereby a maximum price is agreed on before substantial project work has begun. The authority reports that 66% of the total terminal project cost is already subject to GMP, with six out of eight construction packages under contract. The authority expects all eight GMP construction packages to be under contract by July 2025, covering the entire cost of the terminal project and mitigating risk of cost overruns.

Table 1

Columbus Regional Airport Authority--Ratings score snapshot	
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Table 2

Columbus Regional Airport Authority, Ohio--Financial and operating data

	--Fiscal year ended Dec. 31--						Medians for 'A' category rated airports
	2029f	2023	2022	2021	2020	2019	2023
Financial performance							
Total operating revenue ($000s)	277,259	141,420	129,717	111,392	79,801	129,266	123,653
Plus: interest income ($000s)	N.A.	8,521	9,895	1,029	2,892	5,283	MNR
Plus: other committed recurring revenue sources ($000s)	19,599	16,181	15,160	11,889	5,679	17,040	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	133,979	95,398	81,606	56,563	76,217	93,607	84,197
Numerator for S&P Global Ratings' coverage calculation ($000s)	162,879	70,724	73,166	67,747	12,155	57,982	MNR
Total debt service ($000s)	150,019	3,426	10,947	11,562	11,679	11,616	35,806
Denominator for S&P Global Ratings' coverage calculation ($000s)	150,019	3,426	10,947	11,562	11,679	11,616	MNR
S&P Global Ratings-calculated coverage (x)	1.09	20.64	6.68	5.86	1.04	4.99	1.92
Debt and liabilities							
Debt ($000s)	2,020,295	63,382	66,754	71,299	81,894	78,259	496,407

Table 2

Columbus Regional Airport Authority, Ohio--Financial and operating data (cont.)

	--Fiscal year ended Dec. 31--						Medians for 'A' category rated airports
	2029f	**2023**	**2022**	**2021**	**2020**	**2019**	**2023**
S&P Global Ratings-calculated net revenue ($000s)	162,879	70,724	73,166	67,747	12,155	57,982	61,680
Debt to net revenue (x)	12.4	0.9	0.9	1.1	6.7	1.3	7.5
Liquidity and financial flexibility							
Unrestricted cash and investments ($000s)	266,630	250,969	225,303	188,141	156,156	98,974	131,134
Unrestricted days' cash on hand	726.4	960.2	1,007.7	1,214.1	747.8	385.9	581.0
Available liquidity to debt (%)	13.2	396.0	337.5	263.9	190.7	126.5	28.0
Operating metrics - airport							
Rate-setting methodology	Residual	Hybrid	Hybrid	Hybrid	Hybrid	Hybrid	MNR
Total EPAX (000s)	4,961	4,175	3,722	2,905	1,628	4,315	4,913
Origin and destination EPAX (%)	N.A.	96.8	96.9	98.0	96.8	94.9	95.0
Primary passenger airline carrier name	N.A.	Southwest Airlines	Southwest Airlines	Southwest Airlines	Southwest Airlines	Southwest Airlines	MNR
Primary airline EPAX market share (%), including regional affiliates	N.A.	32.7	33.9	33.4	35.6	33.2	38.0
Passenger airline revenue ($000s)	127,380	36,963	36,170	30,737	26,902	33,292	MNR
Debt per EPAX ($)	407.24	15.18	17.93	24.54	50.30	18.14	99.00
Airline cost per EPAX ($)	25.68	8.85	9.72	10.58	16.52	7.72	9.33
Annual PFC revenue ($000s)	19,599	16,181	15,160	11,889	5,679	17,040	MNR
PFC rate ($)	4.50	4.50	4.50	4.50	4.50	4.50	MNR

f--Forecasted. O&M--Operations and maintenance. EPAX--Enplanements. PFC--Passenger facility charge. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N.A.--Not available. MNR--Median not reported.

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