FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Columbus Airport's CFC Revenue Bonds to 'A '; Outlook Stable

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Fitch Ratings - New York - 19 Mar 2025: Fitch Ratings has upgraded Columbus Regional Airport Authority's (CRAA) approximately $88.1 million series 2019 customer facility charge (CFC) taxable revenue bonds to 'A' from 'A-'. The Rating Outlook is Stable.

The rating upgrade reflects the consolidated rental car facility's (CONRAC) strengthening financial profile, which is evidenced by growing transaction volumes and strong rating case debt service coverage ratios (DSCR) averaging above 2x for the term of the debt, excluding the coverage fund. Furthermore, the expected rise in project unencumbered fund balances will enable leverage to decrease to below 2.0x by fiscal 2029 under Fitch's rating case. The volume growth in the market further supports the rating upgrade, with deplanements reaching levels of over 4.4 million in fiscal 2024.

Project strengths include a favorable debt structure, diversity of rental car operators, and strong legal and economic rate-adjustment flexibility with a backstop of a deficiency true-up mechanism to the participating rental car companies to fully support debt payments. The adequate liquidity from surplus funds and reserve accounts can also help sustain temporary severe revenue declines.

Payments for busing services to the CONRAC, although subordinate to debt service, are nominal to the overall net cash flows and therefore only slightly diminish 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 CFC revenue is not adequate. Leverage is expected to continue decreasing below 2x in the near term and turn negative by 2032. Fitch's five-year forward rating case coverage averages 1.9x through fiscal 2029 and 2.0x through the term of the debt.

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 around 20% of gross rental revenue. 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-Setting 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 competitive compared to midsize airport peers. 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 rates if there is a deficiency in CFC revenues.

Infrastructure Dev. & Renewal - Stronger

New Facility: The CONRAC facility is a new asset that opened in 2021, providing 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 2024 debt service coverage ratio (DSCR) from cash flow alone was 1.9x. CRAA's DSCR is estimated to be 1.9x in fiscal 2025. The coverage fund would add 20-30 basis points to the annual DSCR level. Considering cash outflows for busing operations, total coverage is expected to be around 1.8x in fiscal 2025.

Under Fitch's rating case, DSCR without CRAA's coverage fund averages 1.9x from fiscal 2025 through fiscal 2029 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 below 2.0x in fiscal 2029 and turning negative by 2032.

PEER GROUP

Fitch-rated peers include operational CONRAC facilities at Cincinnati (CVG; A-/Positive), Portland (PDX; A/ Stable), Austin (AUS; A/Stable), and Atlanta (ATL; A/Stable).

CVG and AUS are similarly midsized markets but with higher CFC rates than CMH and have similarly supportive coverage, quickly declining leverage profiles, and stable growth. CMH has higher transaction days and higher coverages than CVG, but a similar rating case coverage profile at 2.0x or higher (excluding the coverage fund) to Austin, supportive of the 'A' rating for both. Given CMH has a slightly lower CFC rate compared with its peers, its supportive coverage, quickly declining leverage profile, and strong growth support the 'A' rating.

RATING SENSITIVITIES

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

--A persistent deterioration in rental car transactions or volatility in underlying traffic base without sufficient CFC rate increases leading to DSCRs, excluding the coverage account, below 2.0x on a sustained basis under Fitch's rating case.

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

--Longer-term maintenance of liquidity in excess of debt outstanding together with sustained Fitch rating case DSCRs (without the coverage fund) in excess of 2.4x. Given the franchise strength of the CONRAC, upward migration is limited.

CREDIT UPDATE

In fiscal 2024, deplanements experienced a 3.3% year-over-year growth, reaching approximately 4.5 million, aligning with Fitch's base case expectations. Management anticipates a further 3.6% growth in deplanements for 2025. In addition, total transaction days within the seven-day cap in fiscal 2024 increased by 10% compared to fiscal 2023, consistent with previous base case expectations. Management projects steady growth in both deplaned passenger levels and transaction days.

CFC revenues surpassed $9 million in fiscal 2024 and are expected to exceed $10 million by fiscal 2025. Management foresees no need to raise the CFC rate, as revenues at the current rate are projected to generate coverage above the rate covenant. There are no immediate plans to issue debt, with capital projects and maintenance adequately supported by the repair and replacement fund. The authority has successfully bolstered its surplus fund liquidity, achieving a balance of approximately $25 million by the end of fiscal year 2024.

The current capital improvement program includes a $4 million capital project for rental car counter relocation, funded by CFC Reserves. The customer service building will be expanded to accommodate future demand from the New Midfield Terminal Project. CRAA has no intentions to refund outstanding CFC Bonds or issue new CFC debt in the near term.

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.

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	Upgrade	A- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Transportation Infrastructure Rating Criteria (pub. 07 Jan 2025) (including rating assumption sensitivity)

Infrastructure & Project Finance Rating Criteria (pub. 08 Jan 2025) (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, v1.4.2 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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