FitchRatings

Infrastructure & Project Finance
Airports
United States

Columbus Regional Airport Authority (OH)

Ratings

Columbus Regional Airport Authority (OH)/CFC Revenues – First-Lien	A

Outlook

Stable

Applicable Criteria

Infrastructure & Project Finance Rating Criteria (January 2025)

Transportation Infrastructure Rating Criteria (January 2025)

Related Research

Fitch Affirms Columbus Airport Customer Facility Charge Rev Bonds at 'A-'; Outlook Stable (April 2024)

Analysts

Nikita Verma
+1 212 908 9168
nikita.verma@fitchratings.com

Jim Code
+1 312 368 3194
jim.code@fitchratings.com

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 strengthening financial profile of the consolidated rental car facility's (CONRAC), 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. Further, the expected rise in project unencumbered fund balances will enable leverage to reach under 2.0x by fiscal 2029 under Fitch's rating case. The increased market volume, with deplanements surpassing 4.4 million in fiscal 2024, further supports the rating upgrade.

Payments for busing services to the CONRAC, although subordinate to debt service, are nominal to the overall net cashflows and therefore only slightly diminishes the accumulation of cash reserves. Caps on annual payments from CFC revenue and the requirement for rental car companies to cover shortfalls mitigate potential overruns in busing costs if CFC revenue is not adequate. Leverage is expected to continue decreasing below 2x in the near term and 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: Growing passenger traffic at John Glenn Columbus International Airport (CMH) supports rental car demand. 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 the 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 if there is a deficiency in CFC revenues.

Infrastructure Development & Renewal - Stronger

New Facility: The CONRAC facility, which opened in 2021, provides 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 - Stronger

Conservative Debt Profile: The project debt is fixed-rate and fully amortizing with level debt service payments through its 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 cashflow 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 negative by 2032.

Peer Analysis

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 profile, and stable growth. CMH has higher transaction days, and higher coverages than CVG, but 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, 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.

Overview

The CRAA manages and operates passenger-focused CMH, cargo-focused Rickenbacker International Airport (LCK), and general aviation airport Bolton Field (TZR). CMH is the principal air carrier airport serving central Ohio. The airport is classified as a “Medium Hub” commercial service airport by the Federal Aviation. CMH has been named one of the best airports for passenger experience, earning the 2020 Airport Service Quality (ASQ) award for North America.

In 2021, a new rental car center opened at CMH, representing another step toward opening a new terminal. The new facility features a spacious and modern customer service lobby and the first zero-emission battery-electric buses in operation in the state of Ohio. The new process to rent and return cars will be fast and easy, with a color-coded wayfinding system guiding passengers to circulating shuttle buses. For local travellers, the relocation of operations from the terminal garage free 40% or 1,700 spaces of garage parking. The state-of-the-art facility creates greater efficiency for rental car companies with a 15-minute quick turnaround to clean, fuel and service vehicles.

The rental car center is one among several projects designed to enable development of a new terminal, which remains slated for a future phase of the airport’s master plan. A second-floor lobby addition to the rental car center could one day connect to the new terminal. In April of 2022, CRAA’s Board of Directors approved a resolution to initiate professional design services for a new CMH terminal with the global architecture, design, and planning firm Gensler.

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 MADS and a separate coverage account reserve equal to 25% MADS also secure the CONRAC bonds.

Latest Developments

In fiscal 2024, deplanements grew by 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. Additionally, 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 collected 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, as the repair and replacement fund adequately supports capital projects and maintenance. 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.

Key Features

Project Summary Data

Project type	CONRAC
Project location	Columbus, Ohio (CRAA encompasses three airports - CMH, LCK and TZR)
Project status	Operation
Revenue basis	Volume
Concession/lease maturity date	30 years after opening of CONRAC
Concession granting authority	CRAA
Applicable regulation	Ohio and federal law
Operator	CRAA, MVI is the CONRAC Facility Manager

Source: Fitch Ratings

Financial Summary Data

Rated debt terms	$88.1 million CFC revenue bonds ($85.9 million outstanding as of year-end 2024)
Amortization profile	Fully amortizing, level debt service
Reserves	As of December 31, 2024, Debt service reserve facility: $11.3 million Debt service coverage fund: $1.5 million Repair and replacement fund: $3.3 million
Transaction triggers	Rate covenant is the greater of: (a) 1.00x required to be deposited into the CFC debt service fund, the CFC admin costs fund, and the CFC renewal fund (b) 1.25x debt service Additional Bonds Test: 1-year historical or 3-years projected compliance with the rate covenant and 1.25x MADS including the debt service of the additional bonds

Source: Fitch Ratings

Financial Profile and Fitch Cases

Overview

GIG AST model was used for all projections.

Current Cases

Base Case Assumptions

Fitch incorporated CRAA's forecast for 2025 in the base and rating case. The following assumptions were used in the base case:

- **Deplanements –** Deplanements in 2024 exceeded prior year by 3.3% and was in line with prior base case expectations. Deplanements in 2025 are based on management's forecast and increase by 3.6% when compared with the previous year, followed by 1% growth per annum from 2026-2048.
- **Transaction Days–** With the following factors, transaction days have a CAGR of 0.9% from 2026-2048.Rental car transactions have a CAGR of 1% from 2026-2048.
  - Percent visiting passengers of 41.6% held at 2017 level throughout forecast.
  - Propensity to rent assumed at 29% throughout forecast, based on third party report during the issuance.
  - Days per transaction is held in the 3.9-4.0 range, in line with current levels.
  - The percentage of transaction days within cap from 2026-2048 is held at approximately 85%, which is consistent with the last three years.
- **CFC Revenues** – The CFC rate is held constant at $6.50 throughout forecast.
- **Interest Earned on Deposits** – Interest income is held flat to expectations for 2025 throughout the forecast period.
- **Busing Funds** – CRAA used $336 thousand in CFC revenues for busing costs in 2024. Both cases assume that busing costs increase by the maximum 4% throughout 2029 when the new terminal opens.
- **Liquidity** – CFC Surplus Fund grows with surplus cash flow. Busing costs are taken out of surplus cash flow.

Rating Case Assumptions

The following assumptions were used in the rating case:

- **Deplanements** – The rating case reflects a 10% decrease to deplanements to reflect a recession in 2026 followed by two recovery years. Thereafter, deplanements grow by 1% per annum through 2040 and remains flat through the remainder of the forecast.
  - In 2009, enplanements declined by 10%.
- **Transaction Days** – Same as the base case, see details above.
- **CFC Revenues** – Same as the base case, see details above.
- **Interest Earned on Deposits** – Same as the base case, see details above.
- **Busing Funds** – Same as the base case, see details above.
- **Liquidity** – Same as the base case, see details above.

Both cases include a DSCR calculation that includes busing costs in debt service through 2029.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.