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CREDIT OPINION

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Columbus Regional Airport Authority, OH - Customer Facility Charge Revenue Bonds

Update to credit analysis

Summary

The credit profile of Columbus Regional Airport Authority Customer Facility Charge (A3 stable) reflects the continued demand for rental car transactions supported by the increase in air travel at the airport, which reached 96% of the 2019 level in year to date (YTD) September 2023. A comfortable liquidity position, which will continue to strengthen over the next several years, unlimited CFC rate setting and the ability to charge deficiency rent from rental car operators are also key supporting factors.

These strengths are balanced in part by significant, albeit temporary, impairment to the revenue generating base, with current customer facility charge (CFC) collections roughly at 83% of the 2019 level; a modestly elevated $6.50 CFC rate; and a 30-year debt term that could encounter competition in the future from evolving transportation modes or technologies.

Credit strengths

» Airport is primary provider for origin and destination (O&D) air travel in the Columbus metro area, which has supportive demographics and a strong business sector in addition to stable government, higher education and health care entities

» 30-year concession agreement with the ability to charge deficiency payments to the RACs in the event of CFC shortfalls

» Independent ability to increase CFC rate without limit; applies to on-airport and off-aiport RACs

Credit challenges

» Exposure to new technologies/vehicle usage patterns that could adversely impact rental car demand

» Subordinate use of available CFCs to support common use busing will limit accumulation of surplus funds in the next few years

» CFC rate of $6.50 is comparatively elevated

Rating outlook

The stable rating outlook reflects our expectation of continued recovery of transaction days at the car facility, as well as maintenance level debt service requirements and adequate liquidity.

Factors that could lead to an upgrade

» The rating could be upgraded if rental car transaction days exhibit a sustained period of growth that increases gross debt service coverage above 2.5x and the project maintains a substantial cash balance in the surplus fund

» Deleveraging and lowering of the CFC rate to a more competitive/flexible level

Factors that could lead to a downgrade

» A sustained period of declining rental car demand, leading to net (of common use busing) debt service coverage below 1.25x

» Limited or no cash balance maintained in surplus fund

Key indicators

Exhibit 1
Columbus Regional Airport Authority Customer Facility Charge

	2019	2020	2021	2022
Transactions (000)	541	217	276	371
Transaction days (000)	1,780	833	1,126	1,461
Transaction days annual change	5%	-53%	35%	30%
O&D enplanements (000)	4,469	1,733	3,054	3,870
Transaction days/O&D enplanements	0.40	0.48	0.37	0.38
CFC collections (000)	$10,967	$4,716	$6,254	$8,030
Net revenue DSCR	2.88	1.56	0.93	1.13
Bond ordinance DSCR	3.38	1.95	1.51	1.68

Source: Columbus Regional Airport Authority

Profile

The project is located at John Glenn International Airport, which is owned and operated by the Columbus Regional Airport Authority. The project consists of the construction of 1) a consolidated rental car facility (ConRAC) with a customer service building, ready/return, quick turnaround and staging/storage areas, and fueling, car wash and light maintenance facilities, 2) access roadway improvements, and 3) utility infrastructure improvements that will serve the ConRAC. The construction of the ConRAC facility is completed and opened to public in September 2021.

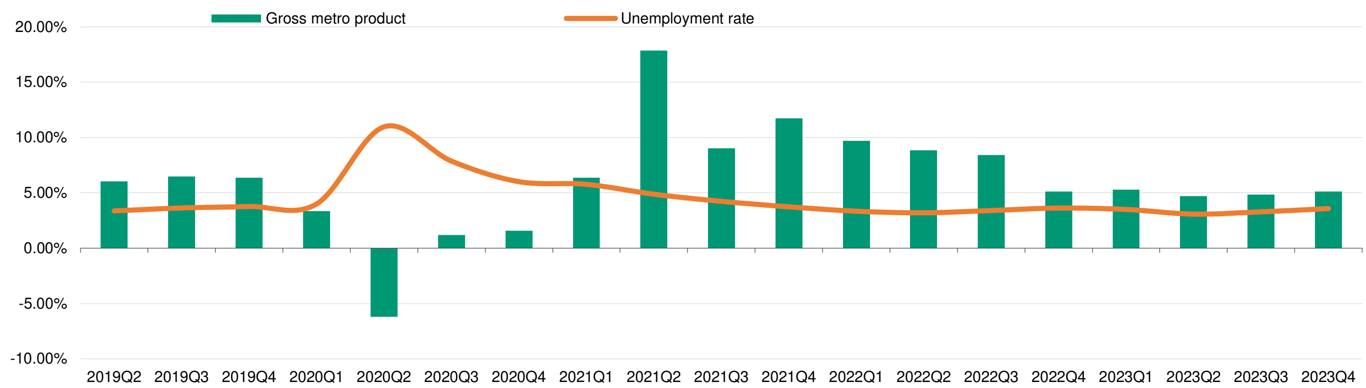
Detailed credit considerations

Revenue Generating Base

The main driver of revenue at the ConRAC facility is O&D travel, which accounts for 100% of the enplanements at John Glenn International Airport (CMH). CMH is the primary commercial airport for the Columbus metropolitan area, which has a population of roughly 2.15 million.

The economic conditions in the service area have improved since the start of the pandemic (see Exhibit 2). The economy has good industrial diversity and is a regional economic center with a sound demographic profile, which should support long-term travel demand generation. Over the long term, a superior demographic profile will enable Columbus to outpace most in-state peers and the region's other metro areas.

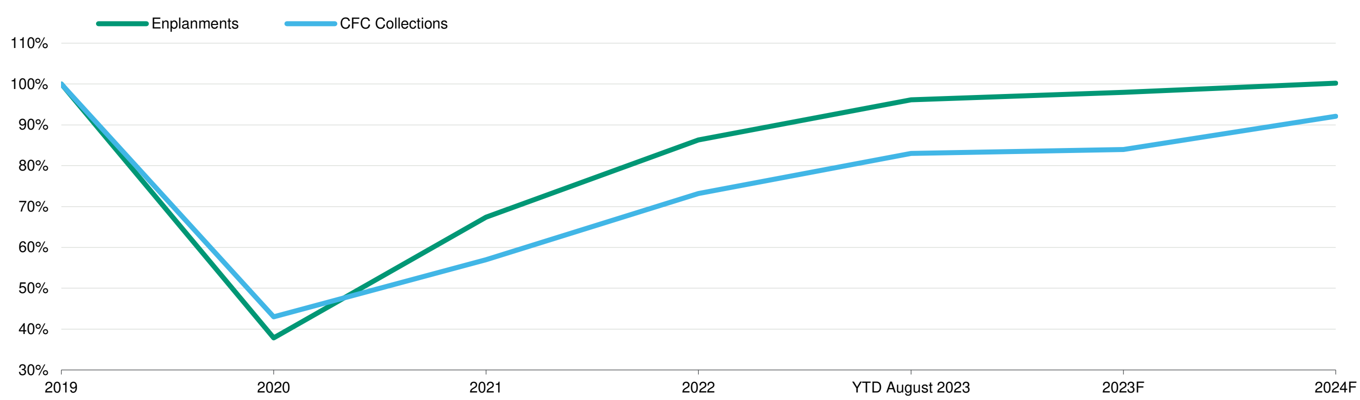
Exhibit 2
Columbus metropolitan area economic indicators
Annual change (GMP) and rate (unemployment), actual and projected



Source: Moody's Analytics

Like at all airports, passenger activity fell significantly during the pandemic, but has almost fully recovered with YTD August 2023 enplanements reaching 96% of the 2019 level. Parallel to the traffic recovery, rental car activity has been recovering, but at a lower rate with year-to-date August 2023 CFC collections at 83% of the 2019 level. Per the management, the slower recovery is mainly due to a vehicle supply constraint as the rental vehicle industry has been working with a reduced fleet since their fleet liquidation caused by the COVID-19 pandemic. Although management expects the traffic to be fully recovered by the end of 2024, CFC collections for the same period is expected to be around 92% of the 2019 level.

Exhibit 3
Rental car activity is recovering slower than O&D enplanements



Source: Columbus Regional Airport Authority and Moody's Investors Service

Financial Operations and Position

The financial performance of the CFC bonds has been weak in the last two years with net revenue DSCR of 0.93x in 2021 and 1.13x in 2022. The weak performance mainly reflects lower CFC collections compared to the pre-pandemic level. The net revenue DSCR is calculated by CFC revenues netted after common busing operating expenses that started to be paid with the opening of the ConRAC facility in September 2021. During 2021, CFCs collections were insufficient to fully fund the debt service requirements of the bonds. Therefore, the airport used previously collected CFC revenue ($615k) to make up for the deficit. Per the 2023 budget, we expect the net revenue DSCR to improve to 1.33x, reflecting CFC collections at 84% of the pre-pandemic levels.

The project has a conservative financial structure that is supported by 1) a CFC Supplemental Reserve Account in addition to a 12-month Debt Service Reserve Fund; 2) a 30-year concession agreement that is coterminous with the bonds and includes the ability to charge deficiency payments to the RACs in the event of CFC collection shortfalls; 3) the payment of facility operating and maintenance expenses by the RACs, which reduces claims on CFC revenues; and 4) level debt service and satisfactory gross coverage in the event of no growth compared to pre-pandemic level.

Liquidity

The financial structure is expected to result in the build-up of significant liquidity in the project. This is achieved by the initial $4 million deposit to the Supplemental Reserve Account and growing surplus cash flow given level long-term debt service and no additional pay-go funding by the authority. While subordinate use of available CFCs to support common use busing will limit accumulation of surplus funds in the next few years, the need for busing operations will be eliminated with the construction of a new passenger terminal that includes a pedestrian walking bridge allowing passengers connectivity to the ConRAC facility. The construction of the new terminal is estimated to start in the first quarter (Q1) of 2025 with a target date of completion of Q1 2029.

If there is a deficiency in the Debt Service Fund, the trustee will draw first from the Supplemental Reserve Account, second from the Coverage Fund, and third from the Debt Service Reserve Fund. The authority is also able to apply, at its discretion, amounts in the Renewal & Replacement Fund (funded incrementally to a maximum of $13.9 million) and in the Surplus Fund to the payment of debt service. Currently, the authority has $1.9 million in Renewal & Replacement Fund and $17.9 million in the Surplus Fund. While these two funds should represent substantial additional liquidity available to support the project, we view one of the main risks to be the authority's likely ability to identify a nexus with the midfield development program for accumulated surplus CFC balances, which could reduce the liquidity available to support the project.

Debt and Other Liabilities

As of the end of 2022, the project had around $90.2 million debt.

Leverage at the facility is moderate for a newly built asset because of the authority's large cash/pay-go contribution to the project at approximately 40% of total project costs.

Legal security

The bonds are secured by pledged CFC revenues, deficiency payments from rental car concessionaires and certain funds and accounts included in the trust estate. The bonds are also secured by a debt service reserve fund sized at the lesser of the three-prong test, which will be funded in cash at closing. If there is a deficiency in the debt service fund, the trustee will draw first from the Supplemental Reserve Account in the Surplus Fund, second from the Coverage Fund, and third from Debt Service Reserve Fund.

Debt structure

The bonds bear interest at a fixed rate and amortize fully over 30 years with level annual debt service and final maturity in 2048.

Debt-related derivatives

None.

Pensions and OPEB

Rental car companies will pay facility operating and maintenance expenses and the authority will likely maintain a low relative allocation to the project's cost centers, which minimizes the impact of pension and other-post employment benefit (OPEB) liabilities on the project.

ESG considerations

Columbus Regional Airport Authority, OH - Customer Facility Charge Revenue Bonds' ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 4
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

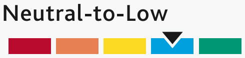
Source: Moody's Investors Service

The Columbus Regional Airport Authority's (CRAA) Customer Facility Charge ESG credit impact score of **CIS-2** indicates that ESG considerations have a neutral-to-low impact on the rating. The score reflects the ConRAC's moderate environmental risk and neutral-to-low social and governance risks.

Exhibit 5
ESG Issuer Profile Scores

ENVIRONMENTAL
E-3
Moderately Negative

SOCIAL
S-2
Neutral-to-Low



GOVERNANCE
G-2
Neutral-to-Low

Source: Moody's Investors Service

Environmental
The environmental risk (**E-3** issuer profile score) reflects moderate carbon transition risk. Evolving decarbonization policies around the globe and regulations may increase operating costs for airlines and result in higher airfares that reduce the demand for air travel. Further, the desire by some to reduce carbon emissions may lead to reduced travel, in particular, corporations seeking to reduce their carbon footprints. Our consideration of carbon transition risk is balanced by neutral-to-low risk for physical climate risk, water management, natural capital, and waste and pollution.

Social
Exposure to social risk (**S-2**) is neutral-to-low. Levels of social risk related to the linkage between carbon transition and demographic and societal policies to be lower in the US than in other regions given the geographically dispersed nature of the country and the lack of viable rail alternatives.

Governance
Exposure to governance risk is neutral-to-low (**G-2**) as it relates to our assessment of management credibility and track record, organizational structure, compliance and reporting, and board structure, policies and procedures. Federal Aviation Administration regulation of US airports tightly restricts the use of funds generated at US airports to aviation purposes and essentially eliminates the possibility that a municipal owner could extract value from the airport at the expense of bondholders. By indenture, funds in the ConRAC accounts are either restricted for debt service or available for operating, maintaining, and improving the ConRAC.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Methodology and scorecard

The principal methodology used was the Publicly Managed Airports and Related Issuers Rating Methodology, published in February 2023. Bonds backed by solely by airport rental car charges use considerations described in Appendix B of the methodology.

There is no scorecard for this rating.

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