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Summary:
Columbus Regional Airport Authority, Ohio; Airport

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Summary:

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Credit Profile		
Columbus Regional Airport Authority (AGM) (MBIA)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Columbus Regl Arpt Auth arpt		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Columbus Regl Arpt Auth arpt imp (Port Columbus Intl Arpt Proj) ser 1998 dtd 02/01/1998 ser A due 1/1/2001-2005 ser B due 1/1/2005-2016 2018 2028		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Columbus Regl Arpt Auth arpt rfdg rev bnds (Port Columbus Intl Arpt Proj) ser 2003A&B dtd 10/28/2003 due 01/01/2005-2024		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has raised its rating on Columbus Regional Airport Authority (CRAA), Ohio's senior airport revenue bonds outstanding to 'A+' from 'A'. The outlook is stable.

We base the upgrade on continued strong debt service coverage (DSC) and other financial metrics, with additional debt only in the form of an existing subordinate commercial paper (CP) program.

In our opinion, credit strengths include the following:

- Strong DSC in the past three years, ranging from 2.78x to 3.37x, with the low occurring in fiscal 2010 (year ended Dec. 31), and level debt service;
- An origin-and-destination airport with good carrier diversity, located within a stable regional economy; and
- Low debt per enplanement of about $31 with no additional parity debt plans.

We believe that declining enplanement trends in 2008 and 2009 (10.5% and 9.7%, respectively) is a mitigating credit weakness, although a 2.0% rebound to 3.18 million in 2010 tempers this.

Net revenues of Port Columbus International Airport and the small Bolton Field Airport secure the bonds. The authority also owns Rickenbacker Airport, which is primarily for cargo. Rickenbacker's revenues are not pledged to the bonds, and its expenses are subordinate to bond debt service payments.

CRAA's airport revenue bond debt outstanding totals about $89.7 million. All debt is fixed-rate, and the authority has entered into no interest rate swap agreements. Maturing in 2027, debt service is level at approximately $8.4 million through 2023, then falls for the remaining years. In addition, CRAA has approximately $5 million in subordinate commercial paper outstanding, against a total line of $75 million.

DSC has remained strong and above 2x since 2007. At fiscal year-end 2010, CRAA had $69.8 million in revenue, including $2.8 million passenger facility charge (PFC) revenue eligible for debt service, $47.5 million in expenses, and $8.0 million in debt service. During this period, airline revenue as a share of total operating revenue has increased slightly, to 33% in 2010 from 28% in 2007, although we still consider revenue diversity overall to be good.

The airport benefits from its origin-and-destination nature. It has what we consider to be good carrier diversity. The largest, Southwest Airlines Co., accounts for 27% of 2010 enplanements, the same as in 2009, and up from 26% in 2008. The top three carriers (including Delta Air Lines Inc. and US Airways Inc.) accounted for 64% of 2010 enplanements. As well, the airport benefits from the diverse Columbus economy, which is anchored by the government and services sectors, providing stability and helping to protect against economic cycles. We rate the city of Columbus's general obligation bonds 'AAA', with a stable outlook.

CRAA's three-year capital improvement program (CIP) through 2013 is an estimated $228.7 million, and assumes no additional parity debt, although management plans to continue accessing the CP line. It is to repay about $26 million of this during the next three years with PFCs, although letter-of-intent money and capital reserves will also repay CP outstanding. We also expect pay-as-you-go PFC funding to contribute about $41.4 million. Other funding sources include about $86.7 million in FAA grants, $24.8 million in TSA grants, and $50 million from the authority's capital reserves. The CIP focuses on a replacement runway (about $204.4 million), and an in-line baggage screening system ($34.4 million). Given the airport's debt outstanding, including about $31 of revenue bond debt per enplanement based on 2010 results, which we consider low, we believe the CIP's lack of additional parity debt to be a particular strength.

Enplanement trends have risen following two years of declines. In addition to the 3.18 million in 2010 enplanements, a feasibility study provided by management in conjunction with the airport's ability to finance the CIP forecasts a 3% increase in 2011 enplanements to 3.28 million, and 3% each for the following two years. While we believe that the forecast is somewhat aggressive and note that the first three months only demonstrated a 1.6% increase, we believe that given CRAA's strong and consistent financial history, the positive enplanement trend overall is consistent with an upgrade.

Based on audited financial statements, the authority's liquidity position was 192 days' unrestricted cash in 2010 ($28.3 million on Dec. 31), and 28% of revenue bond debt. In terms of ratios and the nominal figure, 2010 results represent the low since before 2007, except for 25% cash to debt in 2008. However, CRAA holds significant unrestricted, noncurrent assets, which management has historically included in its calculation; based on $95.1 million as of Dec. 31, it has approximately 646 days' cash and 95% unrestricted cash to revenue bond debt. While management has projected that during the next three years its calculation will drop in line with capital spending and range from about $75 million-$80 million, we believe its liquidity will remain a credit strength.

CRAA entered a five-year airline agreement that expires Dec. 31, 2014. The major difference includes a formula-based revenue-sharing model (the airlines have been receiving a fixed payment of about $2 million annually).After meeting two tests (DSC no less than 2x and the general purpose fund holding at least one year's worth of operating expenses), the airlines receive 75% of the authority's net operating income after payment of non-PFC debt service and after a transfer to the capital reserve that escalates modestly from the first $12 million transfer in 2010. We believe that the revenue sharing model is reasonable.

Outlook

The stable outlook reflects our expectation that CRAA will maintain strong DSC within the historical range. We further expect that during the next two years the airport will continue demonstrating enplanement growth and issue no additional parity debt. Should enplanements start falling again, resulting in a deteriorating financial risk profile, we could lower the rating. We do not expect to raise the rating during the outlook period.

Related Criteria And Research

USPF Criteria: Airport Revenue Bonds, June 13, 2007

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