Columbus Regional Airport Authority
Airport Revenue Bonds

Executive Summary

Kroll Bond Rating Agency (KBRA) affirms the long-term rating of **AA-** with a **Stable Outlook** on the Columbus Regional Airport Authority's (CRAA) airport revenue bonds. This rating applies to all of the Authority's outstanding Airport Revenue debt, except for bonds backed by a letter of credit or liquidity facility. As of December 31, 2016, the Authority had approximately $84.2 million of airport revenue bonds outstanding.

This affirmation is based on KBRA's **U.S. General Airport Revenue Bond Methodology**. KBRA's rating evaluation of the long-term credit quality of general airport revenue bonds focuses on six key rating determinants:

- Management
- Economics and Demographics of Service Area
- Airport Utilization
- Airport Debt and Capital Needs
- Airport Finances
- Legal Mechanics and Security Provisions

In the process of affirming the rating, KBRA reviewed multiple sources of information and spoke with airport management. Further information may be found in the **Columbus Regional Airport Authority, Airport Revenue Bonds** rating report published on November 16, 2016.

Security Provisions

The airport revenue bonds are special obligations of the Authority, payable solely from and secured by a pledge of the net revenues of John Glenn International Airport (CMH) and Bolton Field, and a lien upon the revenue fund, debt service fund and the debt service reserve fund. Rickenbacker International Airport is not designated as an airport for purposes of the trust indenture. Neither the revenues nor expenses of Rickenbacker are included for purposes of calculating compliance with the rate covenant nor additional bonds test.

Key Rating Strengths
• Strong management team has implemented critical policies, funded capital needs largely from internal sources, and overseen financial operations in a responsible manner.
• Diverse, well-performing economic base underpins airport activity.
• Absence of airline concentration and the origin and destination nature of activity aids stability.
• Extremely low debt levels.
• Satisfactory debt service coverage and sufficient financial liquidity.

Key Rating Concerns
• Enplanement activity has been irregular, reflecting national recession impacts and hubbing shifts.
• Relative proximity of competing airports, which may limit potential for increased airline service.

Rating Summary

KBRA believes that CRAA exhibits many favorable credit features that in combination provide strong bondholder security for a relatively modest amount of outstanding debt. Rating strengths include a very capable, long-tenured management team with varied experience that has implemented policies and procedures that support well-maintained operations. An additional strength is the 10 county Metropolitan Statistical Area (MSA) for John Glenn International Airport (CMH) that is economically diverse and includes Ohio's largest city, which is the state capital, and home to Ohio State University. The regional economy has historically out-performed both the State and the U.S., and population is growing.

A mix of airlines serves CMH, and there is no carrier concentration. Airport traffic at CMH is almost exclusively origin and destination (O&D), and therefore not vulnerable to the de-hubbing that has characterized many surrounding regional airports. Enplanement trends had been static, but picked up significantly in 2015 and 2016, with more moderate growth continuing in 2017. Financial operations are historically favorable, with ample debt service coverage levels. CRAA has been able to address the bulk of its capital needs without having to enter the capital markets, and debt levels are extremely low.

KBRA views the regional economy as strong, based on the stabilizing influence of both the state capital and Ohio State University, and the attendant economic activity that stems from their presence. The economy is further diversified by a sizable financial sector and array of Fortune 500 companies.

Positive financial operations have provided ample support for debt service. Coverage has been far in excess of the 1.25x master indenture rate covenant, averaging more than 3x over the past five years. The Authority's signatory airline operating agreement and lease contains a revenue sharing component that necessitates a minimum of 2.0x debt service coverage and, for the final two years of the agreement, reserve levels equal to one year's operating expenses. The five-year agreement began January 1 of 2015, and continues the general framework established in the prior agreement, including compensatory rate-making for the terminal, and a residual airfield and apron. Two key changes are favorable to CRAA, including the agreement's approach to revenue sharing, and expansion of airline leased space.

The Authority is sensitive to higher airline costs, and has strived to control expenses in its financial planning to remain below a $10.00 per enplanement threshold in future years. Non-airline revenue growth has been favorable, average annual growth over the past five years for the two primary non-airline operating revenues, parking revenues and concession revenues, is 5.1% and 3.7%, respectively.

CRAA's capital spending is notable for the limited use of debt financing. The Authority has relied extensively on internally generated funds, Airport Improvement Program (AIP) and other grants, and Passenger Facility Charge (PFC) revenues. At FYE 2016, there was $90 million in airport revenue bonds outstanding, and per enplanement debt metrics are very low. The Airport's current 2017-2022 capital program projects spending of $336 million, and includes construction of a consolidated rental car facility. Over the longer term, there may be borrowing for a new passenger terminal, with timing dependent on capacity and existing asset longevity. Existing general airport debt matures in 2030, allowing ample flexibility for additional debt.

The airfield has ample capacity, and was augmented by a new south replacement runway in 2013. With placement 700 feet further south than the former runway, the replacement runway confers additional takeoff and landing capacity. Debt service, which increased in 2016, is now level at approximately $11.5 million through 2021, and thereafter declines to $9.1 million with all bonds maturing by 2030.

Based on review of the six KBRA Rating Determinants included in the KBRA Methodology for rating U.S. General Airport Revenue Bonds, KBRA has assigned a rating to each Rating Determinant, which is summarized as follows:

Management: Favorable	Airport Debt and Capital Needs: AAA
Economics and Demographics of the Service Area: AA-	Airport Finances: AA+
Airport Utilization: A+	Legal Mechanics and Security Provisions: AA

Outlook: Stable

The Stable Outlook reflects KBRA's expectation that passenger traffic will remain stable, borrowing levels will approximate what is currently anticipated, debt service coverage levels will remain robust, and non-airline revenues will continue to temper the need for significant increases in airline payments.

In KBRA's view, the following factors may contribute to a rating upgrade:

- An accelerated passenger traffic growth trend coupled with maintenance of favorable debt metrics and positive financial results

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Unanticipated large capital costs beyond what has been disclosed that sharply increase debt levels
- Significant narrowing of debt service coverage margins
- Loss of passenger enplanements to competing airports

Key Rating Determinants

Rating Determinant 1: Governance and Management

John Glenn International is the primary passenger airport for central Ohio, and contributed 87.2% of the Authority's revenues in 2016. Rickenbacker accounted for 11.4% of 2016 revenues, and is the primary cargo airport for the region. It provides limited scheduled passenger service and has a significant military presence. Bolton Field represents the balance of 2015 revenues and serves corporate and general aviation. Only CMH and Bolton are defined as airports for purposes of the Master Indenture. Revenues from operations at Rickenbacker are not pledged to bond repayment. John Glenn and Bolton Field are located inside the City, while Rickenbacker is situated outside of the City in Franklin County.

The management team has significant airport and industry experience, and has maintained a favorable relationship with airlines that has allowed for seamless renegotiation of a use and lease agreement that ensures ample debt service coverage, and strong liquidity, while sharing revenues with the airlines. Capital needs have been accommodated, while debt levels are extremely low.

Management Experience

Elaine Roberts, A.A.E., the President and Chief Executive Officer joined CRAA in early 2001. Prior to joining the Authority, she was employed as Executive Director by the Rhode Island Airport Corporation, which operates T.F. Green (Providence) Airport and five other state-owned airports for six years. Roberts began her airport management career with the Indianapolis Airport Authority in 1983, where she served for 12 years. Roberts is an Accredited Airport Executive (AAE) and has served in a number of capacities within the

American Association of Airport Executives, and is past Chair of the National Board its national board. She also serves on the Policy Review Committee and the Board of International Association of Airport Executives. Roberts is retiring in December, a search for her successor is underway. Elaine Roberts will be retiring from CRAA in December of 2017. The Board conducted a national search to identify a new Chief Executive Officer and plans to announce Robert's successor prior to her departure.

Randy Bush, CPA, CGMA, CIA is Chief Financial Officer, and has served in that capacity since late 2013. He has been employed by the Authority since 1992. Immediately prior to his present appointment, he was Director of Finance and Administration for five years, and has also served as Director of Parking, Transportation, and Audit Services. He is currently a member of the Airport Council International Finance Committee. Paul Streitenberger, CPA, is Director of Accounting and Finance, and has been at the Authority since 2011 overseeing aspects of accounting, audit and finance.

Key Policies and Procedures
CRAA has enacted various policies to ensure that operations are maintained and potential risks are accounted for. A variety of risk assessments are undertaken. These include Authority-wide enterprise risk management, and business succession plans for all critical businesses.

Debt Policy
The debt policy requires the Authority to seek Board of Directors approval, usually on an annual basis, for capital projects planned through its capital improvement plan. The Finance Committee of the Board of Directors is required to review and approve the recommendations of the Authority Chief Financial Officer regarding the issuance of debt obligations. A range of debt instruments may be employed, and the policy precludes bond or note proceeds from being used to fund operating expenses. The duration of bond issues reflects the expected life of the project being financed. Where appropriate, existing cash should be considered for funding capital improvements, but only to the extent it does not weaken necessary cash reserves. The formal policy requires cash reserve levels to be maintained at least equal to one year's operating expenses and net revenues equal at least 2.00x debt service requirements. The bond indenture specifies a 1.25x rate covenant.

The Authority has a stated goal of minimizing the amount of debt outstanding prior to the design and construction of a new terminal complex that, at present, is not expected before the early-2030s. The use of interest rate swaps or any form of derivatives is prohibited. Outstanding general airport revenue bonds (GARBs) are targeted not to exceed $40 per enplaned passenger. The airline cost per enplanement (CPE) is targeted not to exceed $10.00. The Authority typically avoids leasing costs related equipment, vehicle, and similar assets, choosing instead to fund those costs from reserves. All debt obligations have a maximum maturity of the earlier of: (1) the estimated useful life of the capital improvement being financed; or (2) the estimated useful life of the revenue stream funding the capital improvement; or (3) thirty years; or (4) in the event of refinancing outstanding debt obligations, the final maturity of the debt obligations being refinanced. Debt may be in a fixed or variable rate mode. The preference is to have a level overall debt structure, when issuing additional debt. However, an increasing debt service structure may be considered appropriate, but must be evaluated before proceeding.

Enterprise Risk Management
The CRAA has devoted significant attention to enterprise risk management (ERM) as a core function throughout the organization. A cross-functional risk management team meets quarterly to discuss new risks. Over 325 organizational risks are being managed. The Authority focuses on top risks, and considers the following risks to be the most critical: (1) inability to fund capital programs; (2) project management process and communication; (3) aircraft accident or incident on the airfield; (4) training, development, and

succession planning; (5) cyber risks; (6) continuity of operations, disaster recovery, and evacuation planning.

Budgetary Process

The budgetary process begins in June of each year with each department manager estimating expected costs for the upcoming year. Revenues are estimated based on history, projected increases and market trends within the aviation industry. The President and CEO holds the responsibility of submitting budgets for operating revenues and expenses and capital improvements to the Board for approval at least 30 days prior to the beginning of each fiscal year. The budget can be amended by the board subsequent to its adoption. There is a monthly look-back, revenues and expenditure performance of each department is reviewed by members of the accounting/finance team, who report back to the Board.

Capital Improvement Program Annual Financial Feasibility Analysis

The Authority undertakes an annual financial feasibility review to determine the affordability of the capital program. The analysis incorporates all projects in the Authority's five-year capital improvement program (CIP). The current year is used as a base year with separate assumed inflation factors for airfield projects and other projects. The analysis is updated annually or more frequently if changing conditions warrant. The current year operating budget is escalated based on various inflation assumptions. The analysis produces detailed financial results that include the amount, timing, and type of debt required. Also generated are pro-forma operating results, including airline rates, cost per enplanement (CPE), cash flow, and liquidity reserves. This analysis is used internally and shared with airlines and rating agencies.

Based on the foregoing, KBRA continues to view Columbus Regional Airport Authority's Governance and Management as consistent with a "Favorable" Rating Determinant rating.

Rating Determinant 2: Economics/Demographics of the Service Area

Growing Population Base Supports Air Travel

CRAA's primary service area is the Columbus MSA, which includes 10 counties, encompassing 3,170 square miles. An extended secondary air service area also exists, whose borders are based on the location of air service provided from Akron, Cincinnati, Cleveland, Dayton and Toledo in Ohio, and Charleston, West Virginia. The level of competition between these air service regions appears marginal, although there is some limited overlap. At a minimum there is some benefit to the airport from the de-hubbing of Cincinnati and Cleveland. The reduction in flights by Delta and United, respectively, at these airports with the closures of their associated hubs makes CMH a more attractive option for travelers.

The Columbus MSA is experiencing strong population growth; it is one of the fastest growing MSAs outside of the Sun Belt and has a population of over 2 million. The City of Columbus, the largest city in Ohio and the State capital, is the fifteenth largest city in the U.S. The region's population base and central location in the State enable a largely stable trend of O&D traffic at CMH.

The City is a one-day truck drive to 47% of the U.S. population. Enhanced freight rail connections to East Coast ports in Norfolk, VA; Baltimore, MD; and Wilmington, NC also position the region as a vital distribution center. Rickenbacker International Airport, with its air and road transport companies, numerous off-airport warehouses, and railroad intermodal partnership is poised for continued air cargo growth. After an extended period of decline, Rickenbacker air cargo fell to a low of 146 million pounds in 2011, but is now up a total of 38% through 2016 at just over 202 million pounds. Cargo activity comprised 4% of fiscal 2016 revenues.

	2016 Population	Chg from 2010	2016 Age Dependency Ratio[1,2]	Chg from 2010	2016 Population with B.A. Degree or higher[2]	Chg from 2010	2016 Poverty Level[2]	Chg from 2010	2016 Income per capita	Chg from 2010
Columbus MSA	2,041,520	7.3%	56.3%	35.2	36.0%	3.5	14.2%	0.1	$31,777	14.6%
Ohio	11,614,373	0.7%	63.9%	11.1	27.5%	3.4	14.6%	0.4	$29,164	16.1%
United States	323,127,515	4.5%	61.3%	10.6	31.3%	3.1	14.1%	-1.2	$31,128	19.5%
Columbus MSA as % of State	**17.6%**		**88.1%**		**130.9%**		**97.3%**		**109.0%**	
Columbus MSA as % of U.S.	**0.6%**		**91.8%**		**115.0%**		**100.7%**		**102.1%**	

Source: U.S. Census Bureau is used as the source in order to provide a consistent comparison among different units of government.

[1] Age dependency ratio is the sum of the population under 18 yrs and over 65 yrs divided by persons age 18 to 64 yrs.

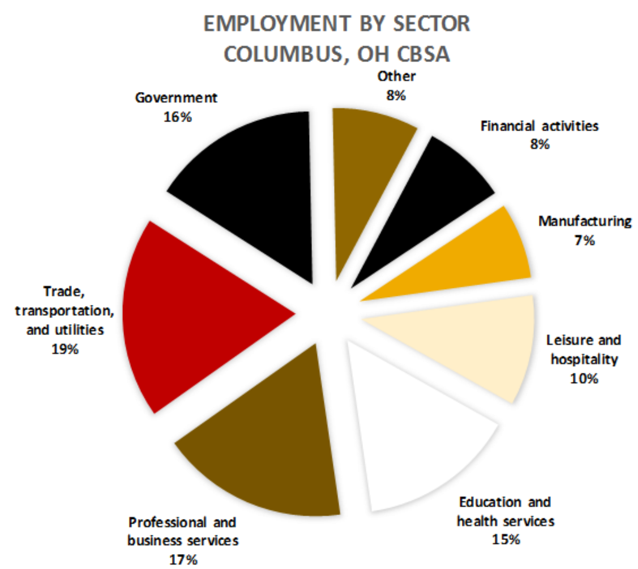
[2] Year over year change shown as nominal change in percentage points.

The MSA population growth rate has been well in excess of the U.S. rate. Personal income per capita exceeds the Ohio and U.S. averages, despite this figure being depressed somewhat by the large student presence in the region. The Ohio State University, with an enrollment in excess of 59,000 at the Columbus campus, has the largest student population of any campus in the U.S. The presence of more than 50 additional institutions of higher education raises total enrollment to more than 136,000 students. This large institutional presence is reflected in the relatively high level of educational attainment.

The Columbus housing market is characterized as "very hot" by Zillow, as home values have gone up over 8.2% over the past year and are forecast to climb another 4.5% within the next year. Housing and rental costs are still lower than many large cities.

Diversified Business Environment

The Columbus MSA has a generally strong and diverse economy, where no one sector accounts for more than 25% of employment. Finance and insurance, advanced manufacturing, health, logistics, and other industries complement the presence of The Ohio State University and the State capital.



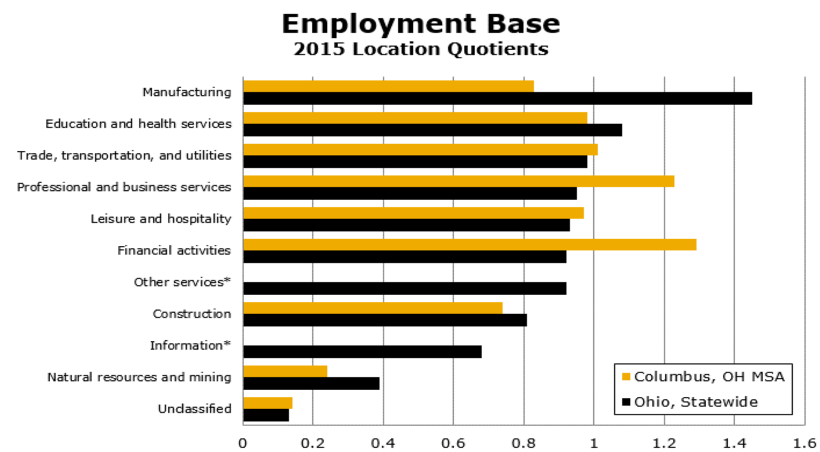
Source: U.S. Bureau of Labor Statistics, as of July 2017

Fifteen Fortune 1000 companies, including five Fortune 500 companies, are headquartered in the region. These companies include Cardinal Health Inc., Nationwide Mutual Insurance Company, American Electric Power (A.E.P.), LBrands Inc., and Big Lots. The largest private sector employers are Ohio Health and JPMorgan Chase & Co., followed by Nationwide Insurance. The Columbus MSA has more than 450 internationally owned companies, including companies from Japan, the United Kingdom, and Canada. Columbus is home to significant medical research and related institutions, such as the Battelle Memorial Institute (an applied science and technology development company), the Wexner Medical Center at Ohio State University, and the Research Institute at Nationwide Children's Hospital. Ohio State University and the State of Ohio are the largest public sector employers. The region's non-agricultural employment base is a key driver in support of O&D enplanement activity at CMH. A large educated workforce, combined with strong research capabilities has resulted in the region becoming one of the fastest growing technology hubs in the U.S.

The Columbus MSA is home to 62 college and university campuses. In addition to Ohio State, other campuses include Columbus State Community College, Franklin University, Otterbein University, Denison University, and Kenyon College. Ohio State is highly ranked among all universities in industry-sponsored research, with leading programs in biological engineering, agricultural engineering, computer engineering, and material sciences. The University holds research partnerships with over 300 companies in the State of Ohio, including over 100 in metropolitan Columbus.

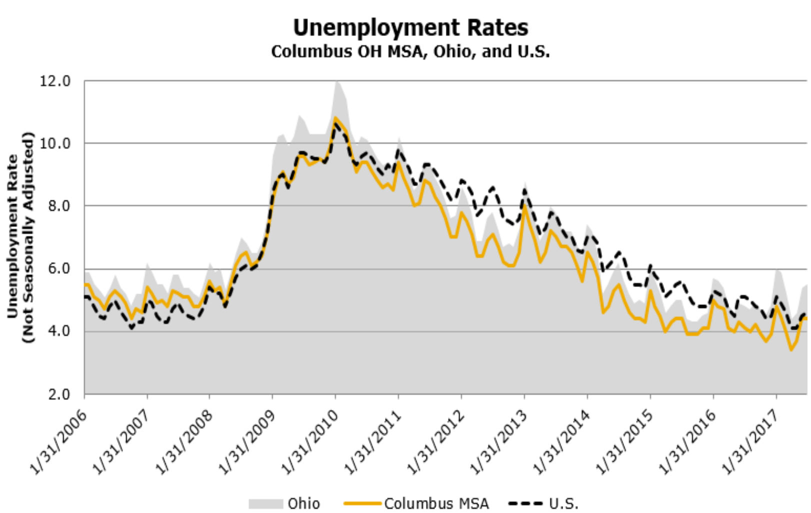
Employment Base More Resilient Than State/Nation

With a concentration in high skill, high wage-earning jobs, the Columbus MSA employment base differs from both the overall state and US base. Location Quotients quantify how the MSA's employment differs, and illustrate why the MSA's unemployment rates are historically below State and U.S. averages. The x-axis measures distinctions with the U.S., with 1.0 representing the U.S. median.



Source: U.S. Bureau of Labor Statistics
* Data for "Information" and "Other Services" subsectors are not available

The MSA has a significantly higher concentration in employment in financial activities and professional and business services, occupations which tend to be more skilled, higher paying, and less susceptible to economic downturns. Statewide, a greater percentage workers are employed in manufacturing, a group that was disproportionately affected by the Great Recession.



Source: U.S. Bureau of Labor Statistics

This dissimilarity in employment base composition may explain historical differences in employment and unemployment rate trends. The Columbus MSA lost relatively fewer jobs than the state and U.S. throughout the recession.

The Columbus MSA unemployment rate peaked at 10.8% in 2010, and has generally been one percentage point below the state and U.S. rates. As of July 2017, the MSA unemployment rate was a low 4.4%, compared to 5.5% and 4.6%, for the state and US, respectively. Columbus has historically recorded the lowest unemployment rate of Ohio MSA's.

Based on the foregoing, KBRA has maintained the AA- Rating Determinant rating on Columbus Regional Airport Authority's service area economic/demographics.

Rating Determinant 3: Airport Utilization

Diverse Carrier Mix; Strong Air Cargo Presence

CMH is a medium-sized hub, situated six miles east from downtown Columbus. It is almost exclusively origin and destination, with varied market share among its airlines. The Airport is primarily served by six signatory airlines: Southwest, American, Delta, United, Air Canada Express, and Frontier. In 2016, Southwest Airlines represented 36% of enplanements. KBRA believes that carrier participation is indicative of a stable airline mix. In June 2016, Frontier Airlines began service at CMH, and became a signatory carrier effective July 1, 2017. Onejet began serving CMH on November 1, 2017; and Spirit is adding service effective February 2018.

Air Carrier Market Shares Port Columbus International Airport
Tens Years Ended December 31, 2016

	Market Share	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Southwest Airlines [3]	36.1%	2,645,139	2,377,201	2,033,400	1,651,723	1,783,944	1,796,696	1,713,855	1,695,002	1,781,405	1,643,557
AirTran Airways	-		-	77,415	423,509	381,670	380,337	-	-	-	-
American Airlines Group	25.4%	1,859,983	1,853,766	936,617	815,779	824,959	787,556	746,322	739,273	821,772	956,494
US Airways	-		-	935,069	944,344	905,789	946,018	952,168	941,864	1,091,472	1,138,854
Delta Airlines [1]	21.9%	1,606,157	1,557,554	1,470,983	1,425,673	1,482,740	1,452,169	1,430,551	883,794	1,019,877	1,209,366
Northwest	-		-	-	-	-	-	-	493,543	546,485	525,810
United Airlines [2]	13.1%	960,786	917,109	835,235	898,478	904,514	543,080	554,292	558,088	641,690	700,422
Continental	-		-	-	-	-	340,083	817,446	800,804	498,364	513,554
Air Canada Jazz	0.9%	65,461	52,704	43,632	39,435	33,805	35,607	32,690	26,007	39,059	39,692
Frontier [4]	2.1%	150,504	-	472	19,113	14,516	80,860	98,673	73,284	79,100	80,189
Jetblue Airways	-		-	-	-	-	-	-	-	2,674	230,769
Commercial Total	**99.5%**	**7,288,030**	**6,758,334**	**6,332,823**	**6,218,054**	**6,331,937**	**6,362,406**	**6,345,997**	**6,211,659**	**6,874,053**	**7,673,981**
Scheduled	0.1%	6,596	10,414	9,829	11,157	7,398	7,154	6,840	6,915	18,383	26,767
Non-Scheduled	0.4%	29,554	27,466	13,322	7,317	11,111	9,162	13,354	14,911	17,609	18,592
Charter Total	**0.5%**	**36,150**	**37,880**	**23,151**	**18,474**	**18,509**	**16,316**	**20,194**	**21,826**	**35,992**	**45,359**
Total Passenger	**100.0%**	**7,324,180**	**6,796,214**	**6,355,974**	**6,236,528**	**6,350,446**	**6,378,722**	**6,366,191**	**6,233,485**	**6,910,045**	**7,719,340**

Source: The Authority's Accounting Department

(1) Northwest was merged into Delta in January 2010
(2) Continental was merged into United in March 2012
(3) AirTran Airways was merged with Southwest in December 2014
(4) Frontier ceased operations in January 2014, and resumed in 2016.

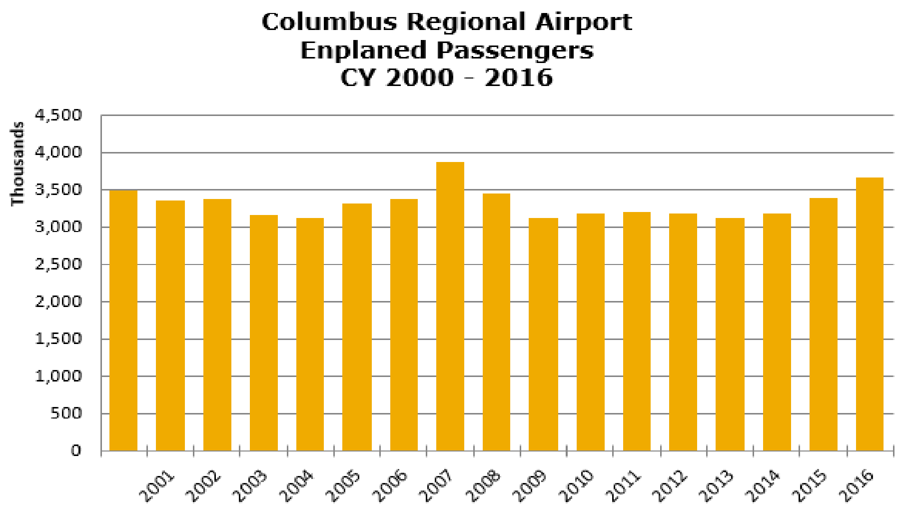
CMH has over 150 peak day departures to 40 destinations. Southwest initiated service expansion in 2015 to Oakland, Dallas (Love Field), Washington, D.C. (Reagan National), and Boston; Frontier launched new destinations to Denver, Las Vegas, Orlando, and Philadelphia. In addition, Vacation Express has also added new seasonal service to Punta Cana.

Rickenbacker International Airport, located ten miles south of downtown Columbus, is one of the world's few cargo-dedicated airports, and is part of Rickenbacker Inland Port, a multi-modal logistics hub with a favorable location for distribution to U.S. and Canadian consumers. It is referred to as an inland port because while there is no natural body of water; rail, trucking and air service provide connections to shipping docks. The airport also offers limited passenger service through its charter terminal. In 2016, Allegiant launched new seasonal services to Jacksonville, New Orleans, and Savannah.

The Norfolk Southern Rickenbacker Intermodal Terminal is capable of handling 400,000 containers. CSX Corporation provides rail service; and CEVA and Towne Air Freight are among many trucking companies serving the facility. Air Cargo operators at Rickenbacker include FedEx, UPS, Cargo Lux, and Cathay Pacific Cargo. Included in the inland port is the Rickenbacker Global Logistics Park, with 1,576 acres on five campuses surrounding the airport and the intermodal terminal. Central Ohio is considered a prime area for distribution since 47% of the U.S. population and 35% of the Canadian population is within a 500-mile radius, as is 50% of all U.S. manufacturing. Pursuant to a Master Development Agreement (MDA) with a developer, the Authority will sell property developed through the MDA and use the proceeds as an endowment for Rickenbacker or to fund revenue producing projects.

Enplanement Trends

Airport traffic is seeing positive growth, and enplanements in 2016 were the highest level since 2007. Airline passenger traffic increased for almost all airlines in 2016, with the largest growth by Southwest Airlines. Total FY 2016 enplanement growth was an impressive 7.8%, an increase from the 6.9% growth in 2015. Recent monthly data shows a continued positive trajectory. From January to July 2017, enplanements up by 3.9% compared to the same period in 2016. The improvement reflects the economic rebound, and gains in available seats from airline usage of larger aircraft.



Source: Columbus Regional Airport Authority

Previously, enplanement activity was irregular, with national economic as well as hubbing shifts impacting trends. Included in the activity figures was America West's 2002 and 2003 hub elimination; and 2007 hub establishment by start-up airline Skybus, followed by cessation in 2008. Beginning in 2014, enplanements began rebounding.

In the years following 2000, exogenous events like 9/11 terrorist attacks and the recession, resulted in passenger and available seat declines. The number of seats decreased 15.1% between 2003 and 2013, with some recovery between 2013 and 2015 with a 6.2% increase. A dampening effect on traffic is CMH's proximity to numerous Midwestern and northeastern cities. As scheduled flights became more limited and airfares increase, shorter haul leisure air travel has been replaced to a degree by automobiles and other transportation modes.

CMH metrics underscore its value to its airlines. The carrier yield at CMH compares favorably to macro level yields. Load factors, however, are slightly lower. In KBRA's opinion, CMH continues to maintain a highly competitive position.

Based on the foregoing, KBRA has affirmed Columbus Regional Airport Authority's A+ Rating Determinant rating on Airport Utilization.

Rating Determinant 4: Airport Debt/ Capital Needs

Debt Issuance Approach

The Authority's debt issuance adheres to a written debt management policy. KBRA views the Authority's capital planning as comprehensive and well thought-out, with a focus on minimizing borrowing. The analysis is updated annually or more frequently if project changes occur.

Outstanding debt is largely general airport revenue bonds (GARBs), secured by a lien on net airport revenues of CMH and Bolton Field. The Authority has been an infrequent participant in the capital markets; the last GARB new money issuance was in 1998. However, in March 2015, the Authority directly placed with Huntington Bank $40 million of Series 2015A and 2015B Revenue Bonds that are on parity with the Authority's Series 2013 general airport revenue bonds. Proceeds partially refunded the Authority's subordinated Revolving Bank Loan and Credit Facility (see below). In 2016 the Authority refunded the Series 2007 Bonds through a direct placement with Key Government Finance, Inc. (Key Bank), generating substantial net present value savings. The refunding maintained the level aggregate annual debt service of $11.5 million while significantly shortening the repayment period by applying approximately $7.4 million in debt service reserve fund amounts to reduce required borrowing.

The Authority has funded the vast majority of its capital needs from internal funds, federal and state grants, and passenger facility charges (PFC). There is approximately $84.2 million in outstanding GARB debt as of September 26, 2017. All GARB debt is in the form of fixed rate obligations, and matures in 2030. There are no swaps in effect, as the use of these instruments and derivatives in general, is prohibited by the Authority's Debt Policy. Nor is there any special facility debt outstanding.

Under a Subordinated Obligations Trust Indenture and Credit Facility Agreement dated June 14, 2012, the Authority is authorized via a revolving loan in the form of Credit Facility Bonds to borrow up to $70 million of subordinated debt from PNC Bank, the credit facility provider. The authorized maximum commitment is now $40 million, and the agreement expires on December 31, 2018. It is assumed that the facility will be renewed or replaced at that time under similar financial terms. The Authority has repaid draws on the facility with PFC and letter of intent (LOI) payments. Outstanding principal bears interest at a variable rate equal to the sum of LIBOR for that one-month LIBOR period multiplied by 0.72 plus 85 basis points (0.85%). The commitment fee is 10 basis points (0.1%) on the unused portion of the facility. As of September 26, 2017, $9.5 million is outstanding.

Capital Program Overview

Estimated spending for the Authority's 2017-2022 capital program approximates $336 million. Of this total, approximately $288 million (86%) is for CMH and $34 million (10%) is for Rickenbacker; the balance is for Global Logistics Park and Bolton Field. CIP funding sources include CFCs (50%), CRAA resources (32%) and FAA grants (12%).

John Glenn International Airport

The Terminal Modernization Program (TMP), which began in October 2012, is now substantially complete. The 2017/2018 capital budget includes $53 million for the first phase of the Midfield Development Program which includes a Consolidated Rental Car Facility (CONRAC), a replacement passenger terminal, a new parking garage, and other supporting projects. The program is planned to occur in phases to limit disruption to existing operations. Originally sized at $160 million project, the CONRAC project was rescaled to $138 million. Additional projects include Mid-Field development enabling projects, pavement management, and snow removal and AFM equipment replacement.

In 2017 the authority chose TIBA Parking Systems, in association with Signature Control Systems, to install a new parking revenue and access control system (PARCS) at CMH and LCK. The networked PARCS for the airport's multi-level parking structure and 7 parking lots consists of 74 exit and entrance lanes and over 14,000 parking spaces. The project will also incorporate license plate recognition (LPR) to speed garage entries and exits, in addition to an online billing platform.

Rickenbacker International Airport and Global Logistics Park Projects
A large proportion of the $34 million in planned improvements are related to modification of standards (runway/taxiway paving), airside hanger acquisition for fixed-base operations, wetland and stream mitigation, and an air traffic control tower project. Operating surpluses of $1-$2 million, before depreciation, were achieved in FYs 2015 and 2016, and is budgeted for 2018.

Future Borrowing Plans
No additional GARB borrowing is expected until the early 2030s, at the earliest. A determination may be made to construct a new passenger terminal, and it is likely that additional debt will be issued for the new terminal. However, at the time of such issuance, the Authority is expected to have no general airport debt outstanding, as its outstanding GARB debt matures in 2030. While the amount of future borrowing has not been quantified, KBRA believes the Authority will be well-positioned to take on the additional debt at that juncture.

The expected funding for the CONRAC project is pay-as-you-go customer facility charges (CFC), a user fee imposed on each rental car user collected by rental car companies, and a rental car facility bond secured by CFCs. Bond issuance is anticipated in 2018. The CFC was increased to $5.50 per day from $4.50 per day on September 1, 2015, and increased to $6.50 on January 1, 2017. At the close of fiscal 2016, the Authority had $53 million of cash restricted from CFCs, up from $43 million held at the close of FY 2015.

History of Internal Capital Funding Contributes to Favorable Debt Ratios
The use of system-generated funds and reserves, supplemented by PFC and grant funding, results in low Authority debt ratios. In KBRA's opinion the Authority's operations are well positioned in relation to outstanding debt. At the close of FY 2016, GARB debt outstanding per 2016 enplanements is a very low $24.70. Annual debt service is level at approximately $11.5 million through 2021, then declining to about $9.1 million, and dropping off sharply in 2026. All outstanding Bonds mature on January 1, 2030. Maximum annual debt service per enplanement, at $3.17 for FY 2016, is also extremely low based on KBRA's Airport Methodology. As previously stated, the Authority managed to fund even large capital projects like the south runway and terminal modernization with very little borrowing.

Based on the foregoing, KBRA has affirmed Columbus Regional Airport Authority's AAA Rating Determinant rating on Airport/Debt Capital Needs.

Rating Determinant 5: Airport Finances

Cost Center and Account Structure
The Authority's financial operations are largely governed by the master trust indenture adopted July 1994, which establishes the flow of funds and the rate covenant, among its provisions. Operations are also a function of the signatory airline operating agreement and lease which lays out the financial obligations of both the airport and airlines, and determines the airport's rate setting and cost recovery mechanism.

The operating agreement and lease are hybrid in nature, with a compensatory rate-making structure in the terminal based on leasable square footage, and a residual agreement covering the airfield and apron. Direct and indirect cost centers account for revenues and expenses, and related rentals, fees, and charges. The direct cost centers are the airfield, terminal building, apron, parking and ground transportation, other leased properties, and Bolton Field. The indirect cost centers are administration, general support facilities, and cost center additions and subtractions.

Operating Agreement and Lease

The present Agreement's term is January 1, 2015 through December 31, 2019, and follows an agreement of similar duration and framework. A key change is connecting airline enplanement activity with revenue sharing, as a means of encouraging increased passenger activity. The revenue sharing calculation, referred to as the General Airline Credit (GAC) now includes an average rate of $1.60 per enplaned passenger, and $250,000 additional sharing for each 0.5% of overall enplanement growth. Revenue sharing is contingent on maintaining at least one year's operating expenses in the general purpose fund in years four and five of the Agreement, and debt service coverage of 2.0x or greater. The revenue sharing component is credited to the landing fee calculation. KBRA believes that the coverage condition results in ample historical margins that are well in excess of the 1.25x rate covenant.

The Agreement provides for preferential leasing of airline space, periodic leased space adjustments to reflect changes in airline activity, and in KBRA's opinion, strong Authority control of capital project approvals. Carriers have limited rights to defer for one year projects over $2.5 million in the airfield and apron cost centers. Airlines have no input for capital project decisions in the terminal or other cost centers.

Fiscal 2016 Financial Performance

Fiscal 2016 financial position remains satisfactory and cash position strong. FY2016 net income before depreciation remained essentially stable at $27 million. Debt service coverage declined to a still healthy 2.43x (as calculated per the trust indenture) due to a jump in debt service. Increases in non-operating revenue from a $6 million land sale and receipt of $19 million in capital contributions from state and federal sources, aid liquidity. Significant drivers to expenditure growth in FY2016 include increased pension costs for new reporting requirements under GASB 68; and increased purchased services due to contract labor costs at Rickenbacker and increased legal costs for labor negotiations. All labor contracts are now settled.

Columbus Regional Airport Authority
Debt Service Coverage Calculated as per Trust Indenture
FYs Ending December 31

($ in thousands)	2015	2016
GROSS REVENUES	**$85,332**	**$92,514**
DIRECT OPERATING EXPENSES	57,377	64,980
Net Revenues Available for Debt Service	27,955	27,534
Interest Income on Reserves	-424	-509
Amount Available for Debt Service - Bond Covenant	**$27,531**	**$27,025**
Principal	5,266	7,852
Interest	2,747	3,463
Total Debt Service Requirements	**8,013**	**11,315**
DEBT SERVICE COVERAGE	**3.49**	**2.43**

Source: Columbus Regional Airport Authority

Coverage calculated as per indenture requirements exceeded 2.00x over the past five years. On a GAAP basis, coverage has been even stronger. Debt service increased over 40% in FY 2016, reflecting the 2015 issuance, but operations still provide ample support. Favorable operating results were achieved even during periods of static enplanement, and with significant revenue sharing. Airline revenues have been consistently below 40% of total operating revenues, which KBRA views as positive.

Non-airline revenue growth has been favorable, the five-year, average annual growth for the two primary non-airline operating revenues, parking revenues and concession revenues, is 5.1% and 3.7%, respectively (per CAFR). In fiscal 2016, non-airline revenues increased 6.8%. Parking remains the largest component of non-airline revenues. Construction of an Authority-owned hotel on airport property, which opened in August 2014, further enhances and diversifies the non-airline revenue stream. The hotel facility had a net operating surplus of $2.2 million in FY 2016.

Operating expenses per enplaned passenger equaled $17.76 in 2016, an increase from the prior year reflecting the impact of an accounting change for pension liabilities as well as increased operations at Rickenbacker, but are in what KBRA considers an acceptable range. Operating margins, which have been within 20% to 35%, are also in an acceptable range. Authority management is focused on, and has taken action, to moderate the growth in operating expenditures.

Passenger Airline Cost Per Enplanement (CPE)
Fiscal 2016 cost per enplaned passenger was $7.21, well below the medium hub average. CPE at CRAA declined for the third year in a row. Over the past five years, CRAA's CPE has averaged $8.01 per enplanement. The Authority's May 2017 Feasibility Report projected cost per enplanement rising to $8.46 in 2019, then declining to $7.80 in 2022. KBRA does not expect this metric to rise sharply as there is no currently planned GARB borrowing, and anticipated capital spending is on the low side.

Columbus Regional Airport Authority
Airline Costs (CMH)
Fiscal Years Ending December 31

($ in thousands)	2009	2010	2011	2012	2013	2014	2015	2016
OPERATING REVENUES								
Airline Cost for the Airfield Area	$14,809	$16,060	$16,403	$16,458	$16,404	$16,400	$16,278	$16,585
Airline Cost for the Terminal Building	9,194	9,820	11,007	12,014	11,977	12,735	13,464	15,044
Airline Cost for the Aircraft Parking Area	2,060	2,639	2,913	3,404	3,732	3,880	3,903	4,156
General Airline Credit	-3,275	-3,953	-5,853	-4,431	-4,461	-7,377	-4,804	-5,638
Supplemental Airline Credit	0	0	0	0	0	0	-3,250	-3,750
Total Airline Cost	**$22,788**	**$24,566**	**$24,470**	**$27,445**	**$27,652**	**$25,638**	**$25,591**	**$26,397**
Enplanements (000)	3,123	3,184	3,190	3,175	3,115	3,173	3,393	3,659
Airline Cost per Enplaned Passenger	**$7.30**	**$7.72**	**$7.67**	**$8.64**	**$8.88**	**$8.08**	**$7.54**	**$7.21**

Source: Columbus Regional Airport Authority CAFR

System Liquidity
The Authority has historically maintained substantial unrestricted cash, which complements its favorable coverage levels. The Authority seeks to maintain a balance equal to at least one year's operating expenses in its general-purpose fund, which is at the bottom of its flow of funds. As of December 31, 2016, the unrestricted, current balance was almost $53 million and unrestricted, noncurrent investments totaled $29.4 million, relative to $65 million of trust-indenture calculated operating expenses. Restricted cash and investments total almost $71 million, and include $52.9 million restricted for customer facility charges and $4.6 million restricted for passenger facility charges.

Budget: Fiscal 2017 and Fiscal 2018

Fiscal 2017 enplanements are estimated to be essentially on budget, with an estimated 3.3% growth over fiscal 2016. Both operating revenues and operating expenses are currently estimated to come in close to budget, to yield net operating income of $31.7 million, up from the $26.4 million generated in fiscal 2016. Current estimates are for a decline in net assets due to a decline in grants and higher than budget depreciation. Preliminary fiscal 2018 budgeted figures reflect an estimated 3% increase in enplanements, and net income of $28.4 million. KBRA believes that given the diverse carrier base and absence of connecting activity, CMH is unlikely to see wide swings in passenger traffic.

The airport continues to be low cost for its airlines. CPE for fiscal 2017 is estimated at $7.70, below the budgeted $8.15; and the fiscal 2018 CPE is budgeted at $8.14.

Given the authority's practices of conservative budgeting, and the level debt service profile, KBRA does not expect material changes in debt service coverage.

Retirement Benefits

All Authority employees are required to participate in the state-wide Ohio Public Employees Retirement System (OPERS). For valuation year 2016, the traditional plan was 80% funded, assuming a 7.5% discount rate to measure the pension liability. Fiscal 2016 employer contributions billed to the Authority were $4 million, and the authority's proportion of the net pension liability was $28 million. Employee pension contributions equal 10% of compensation. The Authority has historically contributed a share of employee contributions; however, this subsidy is being gradually be phased out. By 2019 employees will assume the full 10% contribution. Full-time employees hired on April 1, 2011 and thereafter already pay the full employee contribution. Other post-employment benefits (OPEB) for health care costs are provided by OPERS as well. The Authority's fiscal 2016 OPEB contribution was $488,800.

Based on the foregoing, KBRA has affirmed Columbus Regional Airport Authority's AA+ Rating Determinant rating on Airport Finances.

Rating Determinant 6: Legal Mechanics and Security Provisions

Bond Security

The GARBs are special obligations of the Authority, payable solely from and secured by a pledge of the net revenues of John Glenn International Airport and Bolton Field, and a lien upon the revenue fund, debt service fund and the debt service reserve fund. Rickenbacker is not designated as an airport for purposes of the trust indenture. No indebtedness of Rickenbacker is secured by the trust indenture, and Rickenbacker's revenues are not pledged to repayment of bonds issued pursuant to the indenture. Neither the revenues or expenses of Rickenbacker are included for purposes of calculating compliance with the rate covenant nor additional bonds test.

Rate Covenant

Amounts available for debt service (net revenues plus debt service fund investment earnings) at least equal to the greater of: (1) 100% of the amounts required to pay GARB debt service, the debt service reserve deficiency, subordinated debt service charges and the repair and replacement ($1 million requirement) deficiency during the fiscal year; or (2) 125% of the GARB debt service requirement. The second component of the two-prong test is currently operative. According to the master indenture, PFCs must be pledged by Authority Board resolution to be included in the amounts available for debt service in the calculation of coverage. No PFCs are currently pledged for this purpose.

If the rate covenant is not met in any fiscal year, the Authority covenants to employ an airport consultant, within 30 days following receipt of the annual financial statements, to make recommendations within 45 days as to a revision in rates, fee and charges or operating expenses, or methods of operation of the Airports, if any, that will result in the rate covenant being met in the current fiscal year. Failure to meet the rate covenant in two consecutive years constitutes an event of default.

Additional Bonds Test

i. A Certificate of an airport consultant that amounts available for debt service will be sufficient to satisfy the rate covenant for (A) each of the five full fiscal years following the issuance of the series of Bonds, or (B) each of the two full fiscal years following the completion of the improvements financed by the issuance of bonds, whichever is later; provided that (1) if the aggregate of the debt service charges for all bonds outstanding (including the proposed series of bonds, all expected series of bonds necessary to complete the improvements) in any fiscal year will be greater than 120% of the aggregate of the debt service charges for all bonds during the test periods described in (A) or (B) above, then the fiscal year with highest aggregate debt service charges for all bonds is deemed to be the last fiscal year of the test period; or (2) if interest on any bonds or any subordinated obligations in the last fiscal year for the test periods described in (A) or (B) above has been or will be capitalized, the projected amounts available for debt service will be sufficient to satisfy the rate covenant for each of the first two succeeding full fiscal years for which no interest on any bonds or any subordinated obligations has been or will be capitalized, or

ii. The certificate of the authority fiscal officer that amounts available for debt service for each of the two full fiscal years preceding the issuance of the series of bonds were not less than 125% of (A) the aggregate of debt service charges for bonds outstanding, plus (B) in any future fiscal year the highest aggregate of debt service charges for the proposed series of bonds and all expected series of bonds necessary to complete such improvements, or

iii. The certificate of the Authority fiscal officer that the aggregate principal amount of all bonds issued or to be issued to finance the improvements will not exceed 115% of the aggregate principal amount of all bonds originally expected to be issued to finance the improvements as determined by the Board in the series resolution authorizing the first series of such bonds.

Debt Service Reserve Fund Requirement

The master trust indenture establishes a debt service reserve fund to be funded at maximum annual debt service. Each series is separately secured. The sixth, seventh and eight supplemental trust indentures, pursuant to which the Series 2013 A and B, Series 2015, and Series 2016 bond are issued, do not require debt service reserve funds and consequently do not have any.

Flow of Funds

All revenues are deposited into the revenue fund, when received. Then transferred monthly, on the first business day to the following Funds in the following order of priority: (1) operations and maintenance fund, sufficient to pay the Authority's estimated operating expenses for that month; (2) interest payment account of the debt service fund in an amount equal to one-sixth of the next due interest payment; (3) principal payment account of debt service fund in amount equal to one-twelfth of next due principal amount; (4) debt service reserve fund – amounts and deposit times are provided in supplemental trust indenture. Deficiencies are remedied with one-twelfth payment amounts; (5) operation and maintenance reserve- one twelfth of the budgeted increase in O&M expenses over prior year, plus one-twelfth of the aggregate withdrawn amount, if any, in the preceding 12 months until the account equals the reserve requirement (one-sixth of O&M); (6) subordinated obligations; debt service fund; (7) repair and replacement fund – an amount equal to one-twelfth the repair and replacement fund deficiency; (8) rebate fund; (9) airport general purpose fund – from time to time at the discretion of the Authority, any amount of the funds remaining in the revenue fund, which the Authority has determined will not be needed to make deposits required in the waterfall above. Funds may be used for any lawful purpose of the Authority.

Based on the foregoing, KBRA has affirmed Columbus Regional Airport Authority's AA Rating Determinant rating on Legal Mechanics and Security Provisions.

Bankruptcy Assessment

KBRA has consulted outside counsel and it is KBRA's understanding that for an entity to be an eligible debtor under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"), the municipal bankruptcy provisions of the Bankruptcy Code, the entity must: (i) be a "municipality" as defined under the Bankruptcy Code; (ii) be specifically authorized under state law to file a Chapter 9 petition; (iii) be insolvent (meaning that the municipality is generally not paying its undisputed debts as they come due or is unable to pay its debts as they come due); (iv) desire to adjust its debts; and (v) either have obtained agreement of certain creditors, have attempted to negotiate in good faith without obtaining agreement, be unable to negotiate because of impracticability, or believe that a creditor is attempting to obtain a preferential transfer under the Bankruptcy Code. With respect to the first requirement under the Bankruptcy Code, that a debtor be a "municipality", it is KBRA's understanding that CRAA qualifies as a municipality, and is eligible to file a petition for Chapter 9, if it is insolvent or unable to pay its debts, subject to prior approval of the Ohio tax commissioner. It is, however, KBRA's understanding that the provisions of Ohio law containing the authorization for Ohio municipalities to file a petition for Chapter 9 have recently been amended and appear to create ambiguity by miss-reference, and if strictly applied, could lead a bankruptcy court to find that the CRRA is not eligible to file a petition under Chapter 9. It is also KBRA's understanding that since the bonds are secured by net revenues from the operation, use, and services of CMH and Bolton Field, such revenues would be considered "special revenues". Thus the pledged revenues should be protected from the automatic stay provisions under the Bankruptcy Code and, assuming the sufficiency of the pledged revenue after the payment of necessary operating expenses, the lien on pledged revenues remains valid. Furthermore, it is KBRA's understanding that the pledge could also be a statutory lien, providing further protection. However, KBRA is not aware of any specific case considering pledged airport-related special revenues in a Chapter 9 proceeding involving an Ohio municipality like CRAA.

Conclusion

KBRA has affirmed the long-term rating of **AA-** with a **Stable** Outlook on the Columbus Regional Airport Authority's Airport Revenue Bonds.

<u>Analytical Contacts</u>:

Patricia McGuigan, Associate Director
pmcguigan@kbra.com, (646) 731-3350

Andrew Clarke, Senior Director
aclarke@kbra.com, (646) 731-2380

© Copyright 2017, Kroll Bond Rating Agency, Inc., and/or its licensors and affiliates (together, "KBRA"). All rights reserved. All information contained herein is proprietary to KBRA and is protected by copyright and other intellectual property law, and none of such information may be copied or otherwise reproduced, further transmitted, redistributed, repackaged or resold, in whole or in part, by any person, without KBRA's prior express written consent. Ratings are licensed by KBRA under these conditions. Misappropriation or misuse of KBRA ratings may cause serious damage to KBRA for which money damages may not constitute a sufficient remedy; KBRA shall have the right to obtain an injunction or other equitable relief in addition to any other remedies. The statements contained in this report are based solely upon the opinions of KBRA and the data and information available to the authors at the time of publication of this report. All information contained herein is obtained by KBRA from sources believed by it to be accurate and reliable; however, KBRA ratings are provided "AS IS". No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any rating or other opinion or information is given or made by KBRA. Under no circumstances shall KBRA have any liability resulting from the use of any such information, including without limitation, for any indirect, special, consequential, incidental or compensatory damages whatsoever (including without limitation, loss of profits, revenue or goodwill), even if KBRA is advised of the possibility of such damages. The credit ratings, if any, and analysis constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. KBRA receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website.