Columbus Regional Airport Authority (CRAA)

Affirmed	Rating(s)	Outlook
Customer Facility Charge Revenue Bonds, Series 2019 (Federally Taxable)	A+	Stable

Methodology:

U.S. Special Tax Revenue Bond Rating Methodology

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Rating Summary: The CRAA's Customer Facility Charge (CFC) Revenue Bonds financed a portion of a consolidated rental car facility (ConRAC) at the John Glenn Columbus International Airport (CMH). The Bonds are secured by a combination of pledged revenues, primarily a $6.50 CFC charged for each rental car transaction day, and concessionaire deficiency payments in the event of a shortfall. The Bonds are also secured by reserves in certain pledged funds. The rating affirmation of A+ and a stable outlook is driven by strong legal framework as well as the strong, diverse business and institutional base supporting rental car transactions.

The ConRAC project is on schedule and on budget, with construction aided by a mild winter. The facility is expected to open in June 2021. Principal payment begins December 2021. Construction risk is minimized by a guaranteed maximum price contract with a construction manager with substantial ConRAC experience. The application of more than $65 million in accumulated CFCs were used for project financing. Debt service will be paid regardless of ConRAC operation. The CRAA has full autonomy to adjust its CFC, which is in the upper range of ConRACs. KBRA views the use of CFCs as an accepted industry practice, which is unlikely to have a measurable impact on rental car activity. There are currently no plans for rate adjustments.

The rate covenant includes 1.25x debt service coverage, with rolling coverage providing no more than 25% of the debt service requirement. The CRAA has very limited responsibility for O&M. Therefore, KBRA would not expect to see very broad debt service coverage. Rental car companies are required to pay operating expenses on common and exclusive use portions of the ConRAC. While there is an additional bonds test to prevent overleveraging the pledged revenue source, no further borrowing is presently planned. The ConRAC is projected to have adequate capacity for a 40-year period following its opening.

The CFC Trust Agreement establishes reserves that KBRA views as providing an additional layer of protection, including a cash funded Debt Service Coverage Fund, a Debt Service Reserve Fund, and a $4 million Supplemental Reserve Fund. Furthermore, expectations are that the Surplus Fund will accumulate large balances, even in a low facility utilization forecast.

The service area is economically diverse and includes Ohio's largest city, the state capital, and Ohio State University. The regional economy has historically outperformed both the State and the U.S., and population is growing. The government and higher education sector are a stabilizing influence, and added diversification is provided by a sizable financial sector and an array of Fortune 1000 companies. KBRA views the metropolitan area's population growth favorably as it attracts commercial activity and increased visits by friends and family. In an expanding market, airlines are likely to increase flight frequencies and serve additional destinations with non-stop flights, which will likely yield additional rental car activity.

CFCs have been collected since July 1, 2007, initially at $2.00 per transaction day, increased to $3.85 in November 2008, $4.50 in June 2011, $5.50 in September 2015, $6.00 in September 2016 and $6.50 on January 1, 2017. CFC revenue growth is strong, increasing from $3 million in FY 2008, the first full year of collection, to $10.9 million in FY 2019. The FY 2018 to FY 2019 revenue increase was 5.0%. Over the past two years transaction volume growth has been favorable.

Debt service is essentially level. FY 2019 CFC revenues cover MADS ($5.69 million) by more than 1.9x. This excludes in rolling coverage at the permissible 25% of debt service level pursuant to the CFC Trust Agreement. KBRA modeled several scenarios under which assumptions were made regarding pledged CFC revenue trends. Under each scenario, pledged CFC revenues continued to provide sufficient coverage. Given the COVID-19 related impacts, KBRA has now considered a scenario where six months of revenues are lost in FY 2020, with a subsequent two-year period before CFC revenues recover to the FY 2019 level. Thereafter revenue growth is constrained to 0.5% a year. Even under this severe case, excluding the rolling coverage permitted, annual debt service coverage does not drop below 1.45x.

The Stable Outlook reflects KBRA's view that the magnitude of revenue flow can withstand absorb shocks yet still provide satisfactory debt service coverage.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus on the Airport sector. Please refer to our publications of **KBRA Monitors COVID-19 Credit Impact by Sector** and **Coronavirus (COVID-19): U.S. Airport Credit Impacts Are Evolving** for more detail. KBRA considered stress scenario involving a six-month interruption in revenue, a two-year recovery to 2019 levels and then slow growth. Debt service coverage remains favorable, see RD 5 "Coverage and Bond Structure".

The rating is affirmed because of the following key credit considerations:

Credit Positives

- Legal framework provides strong bondholder protection through reserves and autonomy to adjust pledged revenues.
- Strong and diverse business and institutional base affords support to rental car transactions.
- Level debt service requirements, strong MADS coverage, and no additional planned borrowing.

Credit Challenges

- Airline decisions regarding available seats and aircraft type may temper the number of deplaning passengers thereby adversely affecting demand for rental cars.
- Evolving competitive threat of Transportation Network Companies (TNCs).

Rating Sensitivities

• Completion and demonstrated successful operation of ConRAC facility. • Sustained growth in rental car transaction days.	+
• Severe secular erosion in rental car transaction days, including the potential effects of the COVID-19 virus on passenger and transaction day activity.	-

ESG Considerations

When relevant to credit, ESG factors are incorporated into the credit analysis in the same manner as all other credit-relevant factors. Among the ESG factors that have impact on this rating analysis are:

- Discussion in RD 3: Economic Base and Demographics reflect Social Factors. KBRA has examined the following areas for this credit: trends in population, education, income, poverty levels, employment and unemployment.

More information on ESG Considerations for the Public Finance sector can be found **here**.

Key Ratios	
Car Rental Activity	
CFCs	
CFC Per Day	$ 6.50
CFC Revenues CAGR (2008-2019)	12.4%
Transaction Days	
2019 Transactions Days	1,780,106
Transaction Days CAGR 2010-2019	4.4%
Airport Activity	
2019 Enplanements	4,294,434
Enplanements CAGR 2010-2019	3.4%
Debt Service Requirements	
FY 2019 CFC collections	$10.97 million
FY 2020 DS	$3.67 million
FY 2021 DS*	$5.69 million
MADS (FY 2021) Coverage based on 2019 CFC collections	1.93x
MADS (FY 2021) Coverage under a coronavirus stress scenario	1.44x
Demographics	
Columbus (MSA) Population CAGR 2010-2018	1.3%
State of Ohio Population CAGR 2010-2018	0.2%
Columbus (MSA) Income Per Capita as a % of the State of Ohio (2018)	111.6%
Columbus (MSA) / State of Ohio Unemployment Rates (Dec 2019)	3.6% / 3.8%

*Beginning in FY2021 DS is essentially level.

Rating Determinants (RD)	
1. Legal Framework	AA-
2. Nature of Special Tax Revenues	A
3. Economic Base and Demographics	AA
4. Revenue Analysis	A+
5. Coverage and Bond Structure	A+

RD 1: Legal Framework

KBRA views the legal framework that governs the issuance of the Customer Facility Charge Revenue Bonds as providing favorable bondholder protections. The Bonds are issued pursuant to the provisions of Sections 4582.21 through 4582.99 of the Ohio Revised Code, Section 13 of Article VIII of the Ohio Constitution, the Customer Facility Charge Master Trust Agreement and the Customer Facility Charge First Supplemental Trust Agreement. The Bonds are special obligations of the Authority payable from pledged revenues that consist mainly of a customer facility charge (CFC) levied on a per transaction-day basis on all rental car transactions at John Glenn Columbus International Airport (CMH), and concessionaire deficiency payments, if needed. Pledged funds consist of the CFC Debt Service Fund, CFC Debt Service Reserve Fund, CFC Debt Service Coverage Fund and CFC Supplemental Reserve Account.

On January 18, 2018, the Authority approved 30-year rental car concession agreements with five rental car companies, representing eight brands. The agreements are effective upon operation of the ConRAC, currently expected in July 2021, at which time existing agreements will terminate. Prior to the opening of the ConRAC, each rental car company operates at the airport pursuant to a 2016 agreement which requires the companies to collect the CFC and remit payment to the Authority.

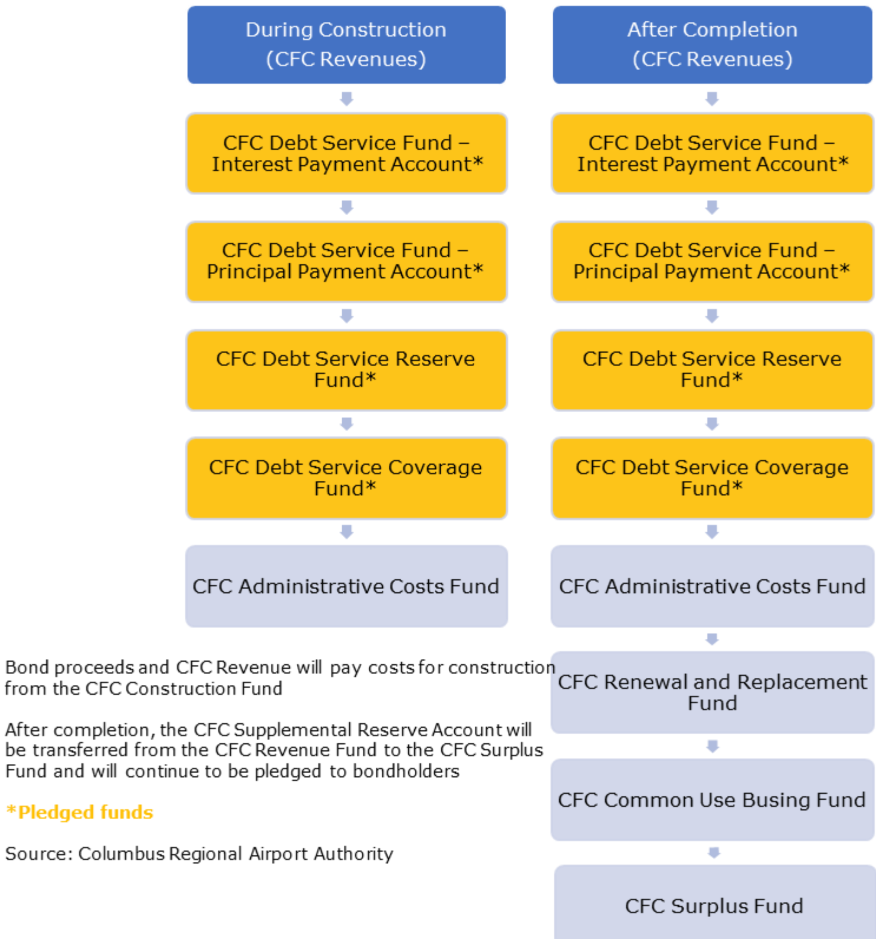
The 2018 Agreement establishes an obligation for the rental car companies to make concessionaire deficiency payments, in the event CFC revenues are not sufficient to meet debt service requirements and other remedying actions are not feasible. The deficiency payments are based on rental car market share at the Airport and consider gross sales and number of transactions in their allocation, and are adjusted periodically. Concessionaire deficiency payments are pledged to bond repayment.

The Authority began collecting the CFC on July 1, 2007 pursuant to the Board's Resolution No. 03-07. The Authority has full autonomy to raise the CFC, and rate increases have been implemented several times. The process reportedly takes 45 to 60 days pursuant to Authority resolution. There are no present plans for further increases. Concessionaires are required to pay CFCs to the Authority, regardless of whether the customer is charged. Remittances for the previous month are due by the 20th day of the current month, with interest penalties assessed thereafter. While CFCs are not remitted directly to the Trustee, comfort derives from limitations on using the CFC for non-ConRAC related purposes, and the Authority's very limited Facility operational responsibility. The Authority has covenanted that if Bonds are outstanding, no action will be taken with respect to pledged revenues that would impair the validity or enforceability of the imposition of CFCs or Concessionaire Deficiency Payments or to impede the ability to impose or collect CFCs or Concessionaire Deficiency Payments.

Flow of Funds

Under the Master Trust Agreement, pledged revenues are deposited into the CFC Revenue Fund and the separate account within, the CFC Supplemental Reserve Account. Following construction, the Supplemental Reserve Account will be transferred to the Surplus Fund. Amounts in the CFC Revenue Fund are disbursed as set forth in Figure 1:

FIGURE 1



Rate Covenant

The CFC Trust Agreement requires the Authority to maintain a CFC in an amount, together with any Concessionaire Deficiency Payment, sufficient to pay the greater of: (1) 100% of the required deposits into the CFC Debt Service Fund, the CFC Debt Service Reserve Fund, the CFC Debt Service Coverage Fund, the CFC Administrative Costs Fund and the CFC Renewal and Replacement Fund; or (2) 125% of debt service requirements.

The rate covenant allows for rolling coverage and can be satisfied with surplus revenues in an amount limited to the lesser of the actual amount transferred or 25% of annual debt service coverage.

Debt Service Reserve Fund

The Series 2019 debt service reserve fund, initially equal to $5.69 million and funded with cash, is the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original issue par amount. Any deficiencies within the debt service reserve fund are required to be replenished within one year.

Additional Bonds Test

The CFC Trust Agreement offers the option of complying with historical or prospective additional bonds tests (ABT). The historical test requires a certificate of the Chief Financial Officer of the Authority that CFC revenues during the most recent audited year, adjusted for any CFC rate revision before the issuance of additional Bonds, were not less than the sum of (1) 100% of the amounts required to be deposited into the CFC Debt Service Reserve Fund, the CFC Debt Service Coverage Fund, the CFC Administrative Costs Fund and the CFC Renewal and Replacement Fund, plus (2) 125% of maximum annual debt service on the existing and proposed Bonds.

Alternatively, the prospective test requires a certificate of a Consultant to the effect that CFC revenues expected to be collected during the fiscal year in which such additional bonds are issued and each fiscal year thereafter through a period of review (the later of (1) third anniversary of the issuance of the additional bonds, or (2) the later to occur of (i) scheduled completion date of the project to be financed with proceeds of such additional Bonds or (ii) first anniversary of the date on which capitalized interest with respect to such project is projected to be exhausted, whichever date is later in (i) and (ii)), adjusted to reflect CFC rates approved by the Authority before additional bond issuance, shall not be less than the sum of (a) 100% of the amounts required to be deposited into the CFC Debt Service Reserve Fund, the CFC Debt Service Coverage Fund, the CFC Administrative Costs Fund and the CFC Renewal and Replacement Fund in each year plus (b) 125% of MADS on account of all the Bonds Outstanding, including the additional Bonds proposed to be issued.

Bankruptcy Assessment

KBRA has consulted outside counsel and the following represents KBRA's understanding of the relevant bankruptcy process issues for the Authority. To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located. It is KBRA's understanding that the Authority is a port authority and political subdivision of the State of Ohio, and thus it is a municipality under the U.S. Bankruptcy Code. As to authorization, KBRA understands that Ohio currently permits local government entities in the State to file for Chapter 9 relief with the permission of the State Tax Commissioner. KBRA also is informed that Ohio law provides, in addition, a fiscal emergency program for municipal corporations, counties, and townships, under which a commission is appointed to develop a plan to remedy a municipality's fiscal distress, and the commission oversees the financial activity of the government until the emergency is terminated. However, it is not entirely clear that this program applies to Ohio port authorities such as the Authority.

A. Statutory and Special Revenues Liens under the Bankruptcy Code

The authorizing statute (Ohio Rev. Code Section 4582.48) for the Authority's revenue bonds, as a port authority, provides for the immediate imposition of a lien on port authority revenues pledged to payment of the Bonds. KBRA understands that such provisions may create a statutory lien under applicable U.S. Bankruptcy law, which would mean that bondholders would likely be treated as secured creditors in a bankruptcy proceeding of the Authority, independently of whether there is a special revenues lien (discussed below). However, to KBRA's knowledge this Ohio statutory lien provision, which is not as clear as more recent statutory lien legislation, has yet to be applied by any reported bankruptcy court decision, and thus this potential result for bondholders in such a case remains uncertain. In addition, unlike a special revenues lien, a statutory lien is not exempted from the automatic stay arising on the filing of a Chapter 9 petition. Accordingly, a statutory lien does not prevent default. Nonetheless, a statutory lien should reduce the ultimate bankruptcy risk of non-recovery on the Bonds if, by having a statutory lien, the owners were treated as secured creditors in a bankruptcy proceeding of the Authority.

Separate from the matter of a statutory lien, because the Pledged Revenues pledged for payment of the Bonds are to be generated from the Authority's ownership of the Airport, specifically (i) the Customer Facility Charges ("CFC" or "CFCs") collected by Concessionaires from customers renting cars from the rental car companies operating from the ConRAC, (ii) Concessionaire Deficiency Payments to the Authority in the event CFCs collected by the Concessionaires are not sufficient to pay debt service on the Series 2019 Bonds and to make certain other deposits under the CFC Trust Agreement, (iii) investment income realized from any investment made from any money credited to the CFC Revenue Fund, the CFC Debt Service Fund, the CFC Debt Service Reserve Fund, and the CFC Debt Service Coverage Fund, and (iv) other money pledged in a CFC Supplemental Trust Agreement to secure the Bonds issued under the CFC Trust Agreement, KBRA understands, based on consultation with external counsel, that such Pledged Revenues should likely qualify as "special revenues" as that term is defined in the Bankruptcy Code.

There are separate protections in Chapter 9 for revenue bonds that fall within those special revenues definitions. Assuming there is no shortfall of funds to make debt service, given that the Bonds are revenue bonds secured by a pledge of special revenues it is KBRA's understanding that, if the Authority were authorized to file for protection under Chapter 9, it would generally be expected that such filing should have little to no effect on the payment of the Bonds during the bankruptcy case.

That stated, there are several additional issues that arise. If the Authority were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could possibly decide that (i) post-bankruptcy revenue bond payments by the Authority are merely optional and not mandatory under the special revenues provisions of the

Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement action by the Trustee) or is limited to amounts then on hand with the Authority or the Trustee. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceedings may be prohibited for an unpredictable amount of time from taking any action to collect any amount from the Authority, or from enforcing any obligation of the Authority, without the bankruptcy court's permission. However, it is KBRA's understanding that such a ruling would be contrary to historical experience in Chapter 9, and the clear intent of Congress regarding the continued payment of municipal revenue bonds post-bankruptcy, as expressed in the legislative history for the special revenues amendments to Chapter 9 and as interpreted in properly-reasoned existing (albeit limited) case precedent under Chapter 9.

Assuming the Pledged Revenues are in fact determined to be "special revenues," the Bankruptcy Code provides that, to keep revenue-generating municipal assets operating, special revenues can be applied to necessary operating expenses of the project or system ahead of all other obligations – including bondholder payments. This rule applies regardless of contrary provisions of the transaction documents, including the Concessionaire Agreements, if such governing documents do not adequately provide for payment of necessary operating expenses. In determining necessary operating expenses for the Airport and Airport Special Facilities such as the ConRAC, in a Chapter 9 case the bankruptcy court thus may not be limited by the provisions defining Operating Expenses, or otherwise governing the flow of funds, in the bond issuance documents.

One other issue bears mention. While there is no case law from which to make a definitive judgment, assuming the existence of a special revenues lien and/or statutory lien in favor of holders of the Bonds, KBRA understands that it is possible – in the context of confirming a Plan of adjustment in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (i) the bondholders retain their lien on the Pledged Revenues, and (ii) the payment stream has a present value equal to the value of the revenues subject to the statutory lien or special revenues lien, if applicable, and (iii) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

B. Possible effect of a Concessionaire bankruptcy

Given that a portion of the Pledged Revenues securing the Bonds are derived from payments by car rental companies pursuant to their respective Concessionaire Agreements, the bankruptcy of a car rental company could have an effect on the ability of the Authority to make debt service. KBRA understands that, in the event a bankruptcy case is filed with respect to a car rental company operating at the Airport, the car rental company's Concessionaire Agreement would constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. In Chapter 11 cases, the debtor in possession (or a trustee, if one is appointed) has 120 days from the date of filing of the bankruptcy petition to decide whether to keep ("assume") or jettison ("reject") a nonresidential lease, such as the Concessionaire Agreement. The 120-day period may be extended by court order for an additional 90 days for cause. Any additional extensions are prohibited unless the debtor car rental company or trustee obtains the Authority's consent and a court order.

KBRA understands that under the Bankruptcy Code, were a bankruptcy trustee or the car rental company as debtor in possession to elect to reject an executory contract or unexpired lease of non-residential real property, the rejection is deemed to be a default immediately before the date of the filing of the bankruptcy petition. Under the Bankruptcy Code, upon rejection of an unexpired lease the car rental company debtor must surrender the relevant non-residential real property to the lessor. KBRA understands that as a result, rejection of an unexpired lease by a car rental company debtor may result in the Authority unexpectedly regaining control of the applicable areas of the ConRAC. The Authority could then lease or permit such facilities to other car rental companies. The Authority's ability to lease such facilities may of course depend on the state of the travel industry in general, on the nature and extent of the increased capacity at the Airport resulting from the departure of the debtor car rental company, and on the need for such facilities.

KBRA understands that under the Bankruptcy Code, any rejection of a lease or other agreement could also result in a claim by the Authority for rejection damages against the debtor car rental company. Such claim would be in addition to all pre-bankruptcy amounts owed by the debtor car rental company. With respect to leases involving real property, a rejection damages claim for the rent due under a lease is capped under the Bankruptcy Code at the greater of one year, or 15%, not to exceed three years, of the remaining term of the lease. KBRA understands that rejection damages claims are generally treated as a general unsecured claim of the car rental company debtor, and could be considerably less than the cap. However, the Authority may have rights against the faithful performance bond required of each car rental company to secure its obligations under the Concessionaire Agreement.

Alternatively, KBRA understands that under the Bankruptcy Code a car rental company debtor can "assume" its executory contracts and unexpired leases. The Bankruptcy Code further provides for a car rental company debtor to assume and assign its executory contracts and leases to a third party, subject to certain conditions. KBRA understands that if the bankruptcy trustee or the car rental company assumes its executory contracts or unexpired leases as part of reorganization, the car rental company debtor must "cure" or provide adequate assurance that the car rental company debtor will promptly cure its prepetition defaults, including arrearages in amounts owed. Even if all such amounts owed are eventually paid, the Authority could experience delays of many months or more in collecting them.

RD 2: Nature of Special Tax Revenues

KBRA views the nature of the pledged revenue as strong given that CMH serves a predominately O&D market with a strong business, educational and governmental based economy, which drives the demand for rental cars. Additionally, CRAA has exhibited positive trends in airport passenger traffic since FY 2014, which tend to lead to positive trends in airport rental car demand. Most recently, FY 2019 enplaned passengers was 4.3 million, an annual increase of 5.3%. The Authority recorded 1.78 million rental car transaction days, which represented a 5.0% increase year over year.

The ConRAC project is being funded through a combination of $65.2 million CFC fees collected since 2007 and the Series 2019 Bonds. The development of the ConRAC will free up approximately 1,400 long-term parking spaces in the garage, which will benefit local travelers and generate additional parking revenue for the airport.

In KBRA's opinion, increasing MSA growth attracts commercial activity, and increased visits by friends and family will, in turn, positively affect enplanement and rental car transactions. CMH continuous to expand its airline partnerships and service routes, which KBRA views favorably as additional flight activities may yield additional rental car transactions.

CFC Revenues

The CFC pledged revenue source is nominally limited in scope, as it is a fixed charge on rental car contacts applied to each transaction day for rental car concessionaires (up to a maximum of seven days). However, KBRA believes there are certain inherent characteristics of the revenue base and bond security that mitigate the narrowness of the source. Unlike passenger facility charges (PFC), CFCs are not regulated by the federal government.

CMH currently has five concession agreements with all three major national brand families (Avis/Budget Car Rental LLC; Enterprise Holdings, Inc.; The Hertz Corporation) representing a total of eight different brands operated at the airport.

While the closest airport (Dayton International Airport) is located just 76 miles away, the competition between these two airports appears to be marginal, as Dayton provides significantly more limited airline service. Additionally, the all-in rental car rates at CMH are more favorable than Dayton, even though CFC charge is lower at Dayton (see Figure 15). As such, KBRA does not believe there will be any significant passenger and rental car transaction erosion at CMH. In KBRA's opinion, the presence of low-cost carriers and established travel patterns promotes stability.

CRAA has full autonomy to adjust rates as it deems necessary. The CFC was first implemented at $2.00 per transaction day on July 1, 2007 and it has since increased five times to $6.50 per transaction day, set on January 1, 2017 (see Figure 2). There are currently no plans for further rate adjustments. The CFC is collected from the rental car company, even if the customer is not charged a rental rate or is charged a reduced rate due to a promotion. KBRA believes that CFCs have become an accepted practice in the rental car business, and customers are unlikely to balk at their inclusion, as it is one charge within a multitude of charges.

FIGURE 2

Authorized CFC Collection Rate	
Date	**CFC Rate**
7/1/2007	$2.00
11/1/2008	$3.85
6/1/2011	$4.50
9/1/2015	$5.50
9/1/2016	$6.00
1/1/2017	$6.50

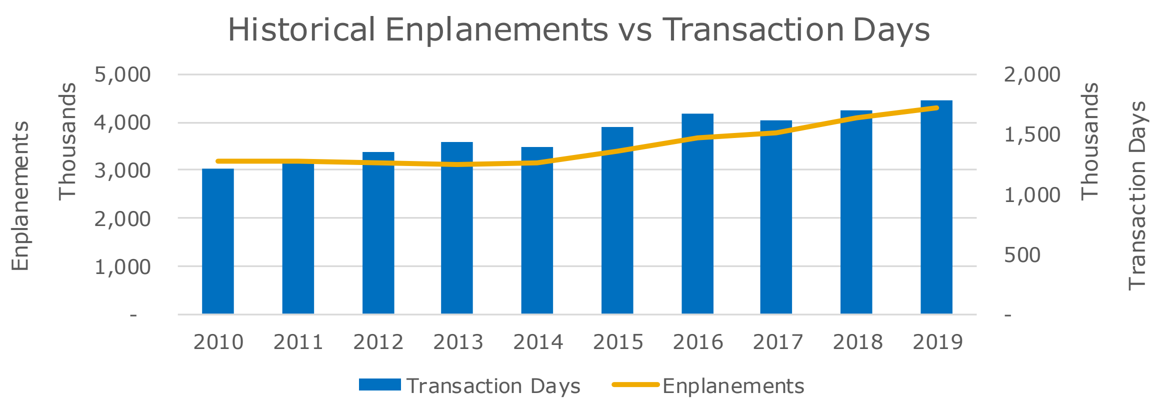
Source: Columbus Regional Airport Authority

Rental Car Transactions are a Function of Visiting O&D Deplanements

The number of rental car transactions correlates with the level of visiting O&D deplanements. KBRA believes enplanement and deplanement figures exhibit only slight variation, therefore, KBRA uses the terms here interchangeably. Over the last nine years, the number of enplaned passengers rose at a compound annual growth rate (CAGR) of 3.4%, while rental car transactions increased by 4.4% (see Figure 3). Additionally, enplanements have been resilient throughout the period of September 11, 2001 terrorist attacks and the Great Recession. Enplanement growth has accelerated since 2013 as airlines have upgraded aircraft, thereby adding seats; in addition, Spirit and Alaska have entered the market.

Factors that could potentially depress rental car activity at CMH include increasing competition from TNCs (Uber/Lyft) and peer-to-peer car-sharing platforms (Turo/Getaround). However, rental car industry is also evolving to adapt to changes in the marketplace by implementing strategies to better manage fleet, increase revenues, and develop new business segments.

FIGURE 3



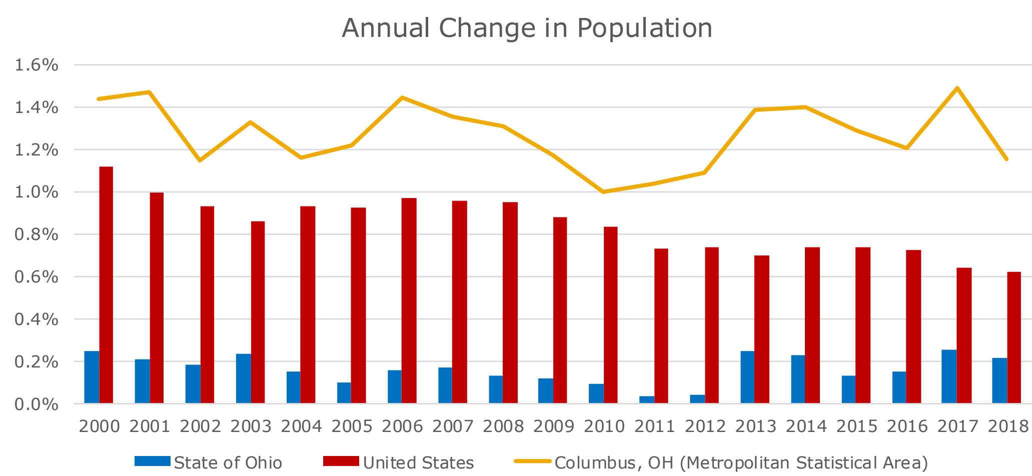
Source: Columbus Regional Airport Authority

RD 3: Economic Base and Demographics

KBRA views the Economic Base and Demographic characteristics of CRAA's service area as strong based upon strong population growth and a diverse business environment, which KBRA views as supportive of demand for air travel and rental car services at the airport.

CRAA's primary service area is the Columbus metropolitan statistical area (the "MSA"), which consists of Franklin County and the adjacent 10 counties encompassing 3,170 square miles. An extended secondary air service area also exists, which includes air service provided from Akron, Cincinnati, Cleveland, Dayton and Toledo in Ohio as well as Charleston in West Virginia. Competition between these air service regions appears marginal as these cities are located more than 100 miles from Columbus, except for Dayton, which is located 76 miles away. At a minimum, there is some benefit to the airport from the de-hubbing of Delta at Cincinnati and United at Cleveland. The reduction in flights at these airports makes CMH a more attractive option for travelers.

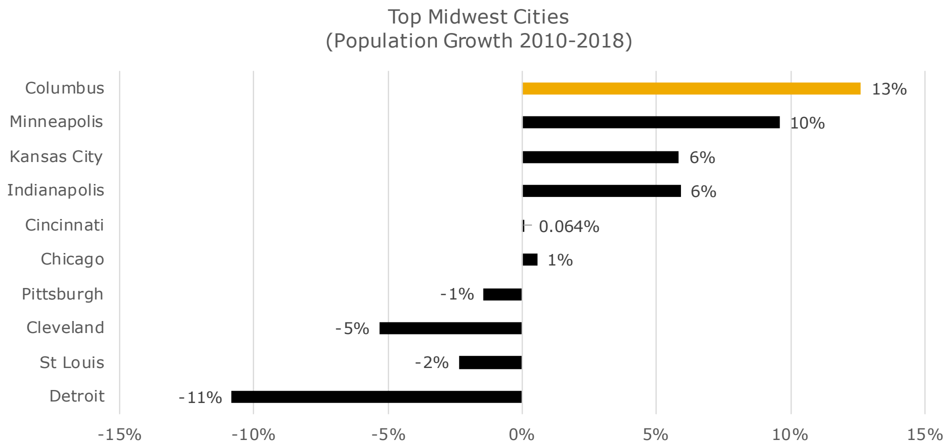
FIGURE 4



Source: Bureau of Economic Analysis

The MSA has experienced stronger population growth over the last seventeen years compared to the rest of the State and the Nation (see Figure 4). With a population of 2.1 million, it is the second largest MSA in the State behind the Cincinnati MSA and represents approximately 18% of the State's total population. The City of Columbus (the "City"), the largest city in Ohio and the State capital, is the fourteenth largest city in the U.S, and since 2010, has grown by approximately 12.6% to about 868,000. The City is the fastest growing major midwestern city (see Figure 5).

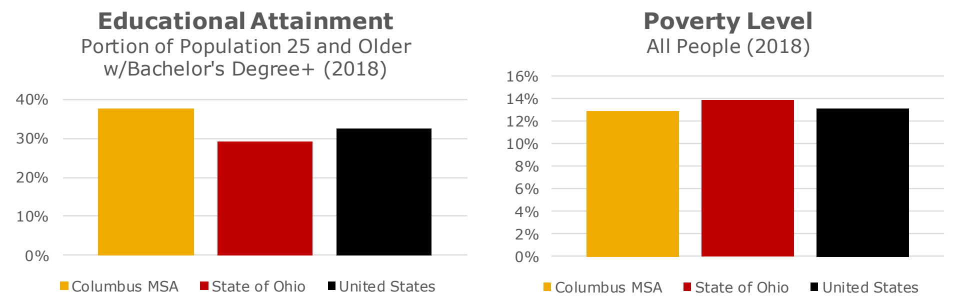
FIGURE 5



Source: U.S. Census Bureau

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. Ohio State University, located in Columbus, is one of the largest universities in the nation with approximately 68,262 students in 2019. In addition, there are more than 50 additional institutions of higher education bringing total area enrollment to more than 136,000[1] students. This large institutional presence is reflected in the relatively high level of educational attainment (see Figure 6).

FIGURE 6



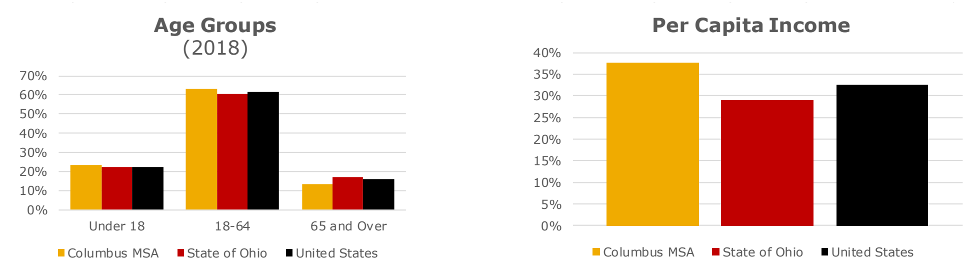
Educational Attainment

	2010	2018	Point Δ 2010 to 2018
Columbus MSA	32.5%	37.7%	5.2
State of Ohio	24.6%	29.0%	4.4
United States	28.2%	32.6%	4.4

Poverty Level

	2010	2018	Point Δ 2010 to 2018
Columbus MSA	15.7%	12.9%	-2.8
State of Ohio	15.8%	13.9%	-1.9
United States	15.3%	13.1%	-2.2

Source: U.S. Census Bureau



Age Groups

	Under 18	18-64	65 and Over	Age Dependency Ratio
Columbus MSA	23.50%	63.30%	13.20%	58.1%
State of Ohio	22.20%	60.70%	17.10%	64.6%
United States	22.40%	61.60%	16.00%	62.5%

Per Capita Income

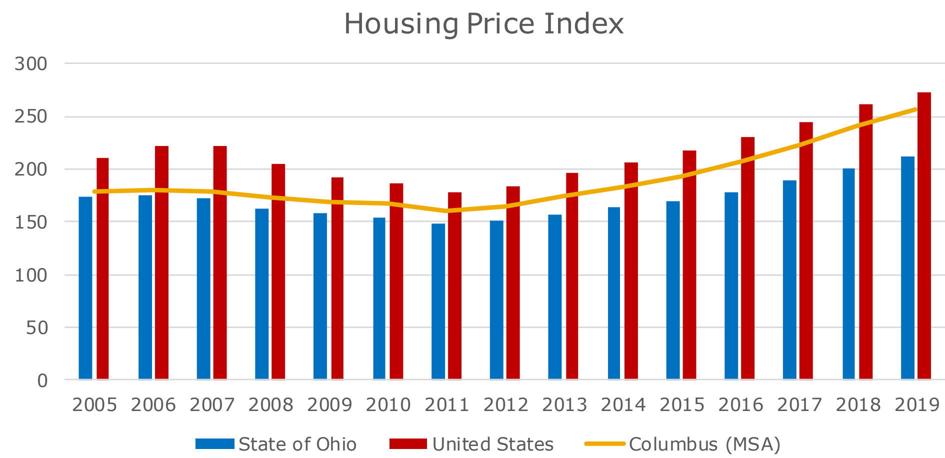
	2010	2018	Δ 2010 to 2018
Columbus MSA	26,527	33,830	27.5%
State of Ohio	23,975	30,304	26.4%
United States	26,059	33,831	29.8%

Source: U.S. Census Bureau

[1] https://columbusregion.com/moving-here/education/colleges-and-universities/

The MSA's housing market has performed well since the Great Recession and has historically had a stronger housing price index (HPI) than the State (see Figure 7). In 2011, after four consecutive years of declines, the HPI reached a low of 160.9. However, it has grown by 59% to 256.6 in 2019, which represents 142.4% of its pre-recession peak of 180.2. This compares favorably to the State and the U.S. recovery, which only represents 121% and 123% of their respective pre-recession peaks.

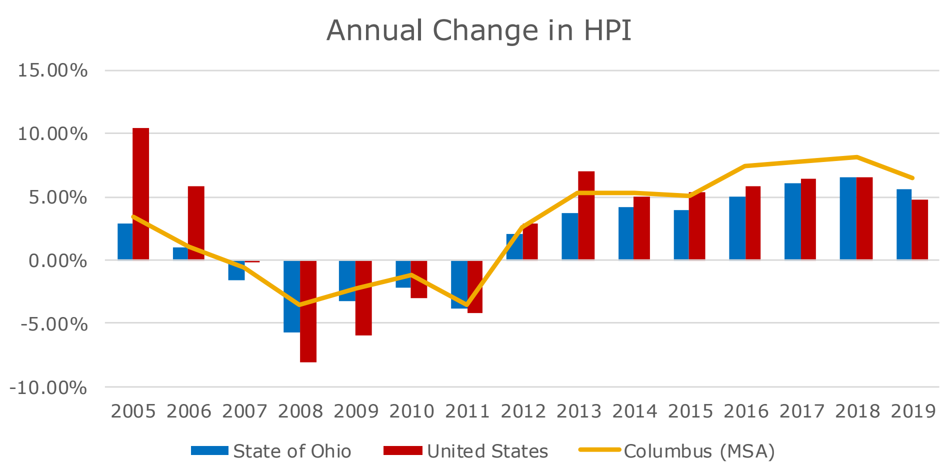
FIGURE 7



Source: Federal Housing Finance Agency

The region historically has had stronger year over year growth when compared to the rest of the State. In addition, as of the last four years, it has experienced better growth than the Nation as well (see Figure 8). This strong comparative performance underscores the strength of the service area economy, which KBRA views as supportive of demand for O&D service.

FIGURE 8



Source: Federal Housing Finance Agency

Diversified Business Environment

The Columbus MSA has a strong and diverse economy, where no one sector accounts for more than 20% of employment. Finance and insurance, technology, health, logistics, and other industries complement the presence of Ohio State University and the State capital.

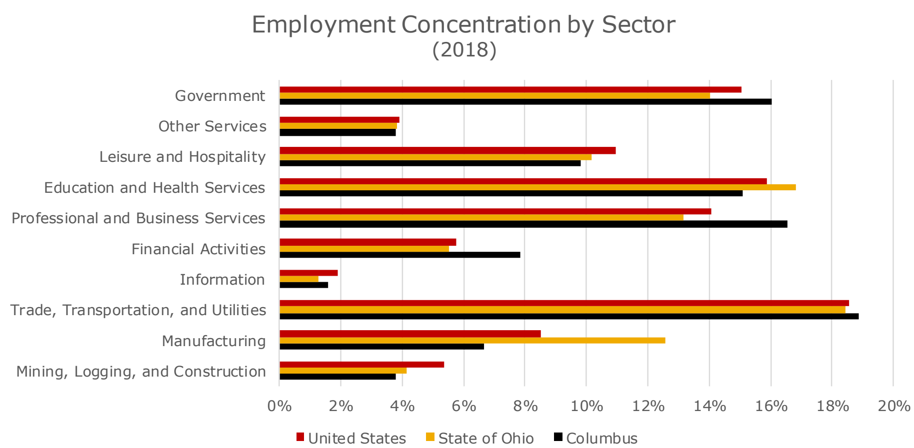
Twenty Fortune 1000 companies are headquartered in the region including Abercrombie & Fitch, Big Lots, DSW, and Cardinal Health. The largest private sector employers are OhioHealth, Wal-Mart Stores Inc. and JPMorgan Chase & Co. Ohio State University and the State of Ohio are the largest public-sector employers. The region's robust 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 56 college and university campuses. In addition to Ohio State, campuses include Columbus State Community College, and Ohio University. Ohio State is a major center for industry-sponsored research, with leading programs in bioengineering, 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. The University is also home to the third largest college football stadium in the Nation, with a capacity of approximately 104,900, which attracts a large fan-base base during the fall months.

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 state and nation overall (see Figure 9). The MSA has a significantly higher concentration of 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 employment in turn has a greater proportion of employment in manufacturing, a sector that was disproportionately affected by the Great Recession. This dissimilarity in employment base composition may explain historical differences in unemployment rate trends. The Columbus MSA lost relatively fewer jobs when compared the state and U.S. throughout the recession.

FIGURE 9



Source: Bureau of Labor Statistics

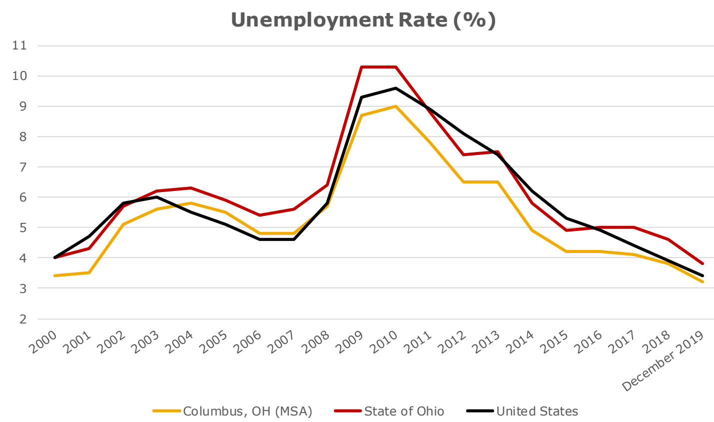
The Columbus MSA unemployment rate peaked at 9.0% in 2010 and has generally trended below state and U.S. rates. (see Figure 10) As of December 2019, the MSA unemployment rate was a low 3.2% compared to 3.8% and 3.4% for the state and U.S., respectively.

FIGURE 10

Employment
(Not Seasonally Adjusted) (in thousands)

	Columbus, OH (MSA)		State of Ohio		United States	
	Employment	Δ YOY	Employment	Δ YOY	Employment	Δ YOY
2000	879		5,557		136,891	
2001	892	1.5%	5,567	0.2%	136,933	0.0%
2002	890	-0.2%	5,517	-0.9%	136,485	-0.3%
2003	890	0.0%	5,506	-0.2%	137,736	0.9%
2004	894	0.4%	5,502	-0.1%	139,252	1.1%
2005	904	1.1%	5,541	0.7%	141,730	1.8%
2006	926	2.5%	5,624	1.5%	144,427	1.9%
2007	**943**	1.8%	**5,658**	0.6%	**146,047**	1.1%
2008	939	-0.3%	5,581	-1.4%	145,362	-0.5%
2009	908	-3.3%	5,297	-5.1%	139,877	-3.8%
2010	914	0.6%	5,247	-0.9%	139,064	-0.6%
2011	925	1.2%	5,261	0.3%	139,869	0.6%
2012	939	1.5%	5,284	0.4%	142,469	1.9%
2013	950	1.2%	5,291	0.1%	143,929	1.0%
2014	977	2.8%	5,373	1.6%	146,305	1.7%
2015	995	1.9%	5,417	0.8%	148,834	1.7%
2016	1,012	1.7%	5,451	0.6%	151,436	1.7%
2017	1,032	2.0%	5,483	0.6%	153,337	1.3%
2018	1,039	0.7%	5,492	0.2%	155,761	1.6%
December 2018	1,044		5,465		156,481	
December 2019	1,072	2.8%	5,588	2.3%	158,504	1.3%
Growth 2007 Peak to December 2019	13.8%		-1.2%		8.5%	

Source: U.S. Bureau of Labor Statistics



	Columbus, OH	State of Ohio	United States
Peak	9	10.3	9.6
December 2019	3.6	3.8	3.4
Point Δ Since Peak	-5.4	-6.5	-6.2

Source: U.S. Bureau of Labor Statistics

RD 4: Revenue Analysis

Revenue Driver and Rental Car Companies

The Columbus MSA has a strong and diverse economy and is home to 15 Fortune 1000 Headquarters. It has the advantage of being the state capital and the largest city in Ohio, which allows Columbus to attract both business and leisure travelers. Additionally, the presence of Ohio State University creates rental car demands as students and families arriving from other parts of the State and the nation. Approximately 4.3 million passengers deplaned from CMH in 2019, a 6.3% increase from the prior year. Although public transportation is available within the Columbus area, the major mode of transportation is the automobile. As such, the availability of a ConRAC is a key element supporting future rental car growth.

CRAA entered into a 30-year Concessionaire Agreement in January 2018 with each of five car rental concessionaries (representing eight brands). The agreements are effective upon operation of the ConRAC.

FIGURE 11

2019 Rental Car Activity

Brand	Gross Revenue (000s)	Revenue Share	Market Share
Hertz	$18,671	19.4%	19%
Dollar	$4,788	5.0%	
Thrifty	$5,169	5.4%	10%
Enterprise	$15,503	16.1%	16%
National	$18,470	19.2%	
Alamo	$6,878	7.1%	26%
Avis	$15,198	15.8%	
Budget	$11,543	12.0%	28%

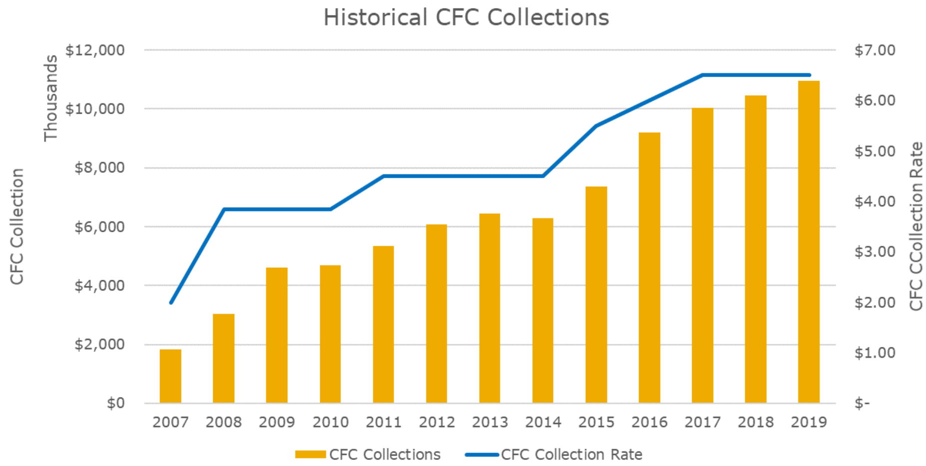
Source: Columbus Regional Airport Authority

Trend in Pledged Revenue

The CFC is a flat fee imposed to Airport rental car users on a per transaction day basis. The fee is shown as a surcharge in addition to rental car base rate. CRAA began imposing CFC in July 2007 at a rate of $2.00 per transaction day up to a maximum of seven days. The CFC rate has increased five times since 2007. There are currently no plans for rate adjustments.

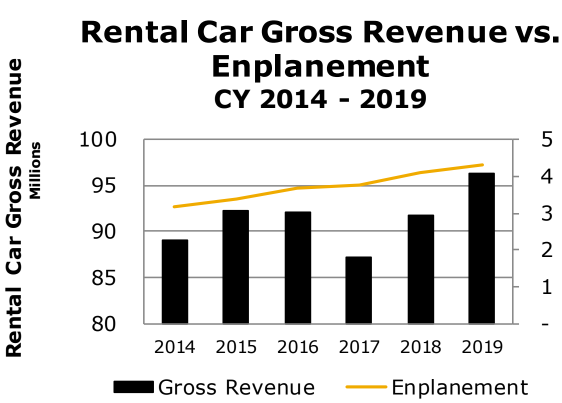
CFC revenues have increased from $3 million in FY 2008, the first full year of collection, to $10.9 million in FY 2019. While much of the growth reflects an increase in the CFC rate, the FY 2017 to FY 2019 revenue increase was 9.3%, a period in which the CFC rate was held constant (see Figure 12).

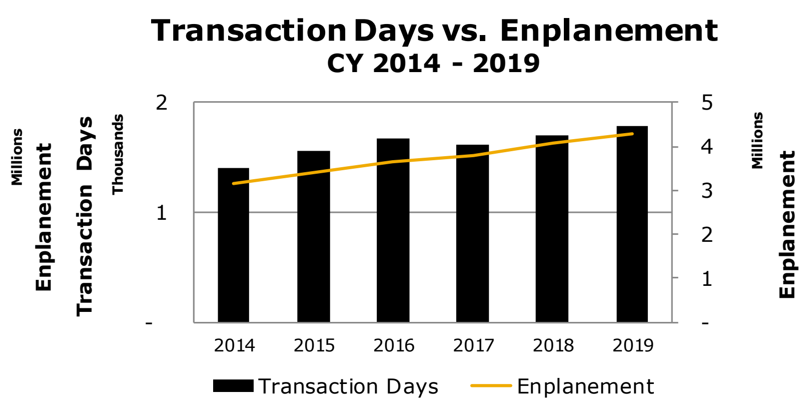
FIGURE 12



Per charts below, enplanements enjoyed a steady incline from 2014 to 2019 while gross revenue for the rental car companies and rental transaction days at CMH both experienced declines in 2017. As mentioned in the earlier section, demand for car rentals at the Airport is largely dependent on the performance of the enplanement trend. While enplanement grew by 3% in 2017, gross revenue and transactions days at CMH experienced a decline of 5.3% and 4%, respectively in 2017, due to the introduction of TNCs as well as a policy change from rental companies that require all non-passenger customers to pay with a credit card as opposed to a debit card, which discouraged weekend renters. Gross revenue and transactions days have both recovered since then where transaction days reached 1.79 million in 2019, the highest level since the enactment of the CFC.

FIGURE 13





Source: Columbus Regional Airport Authority

Recent airline additions (Spirit and Alaska) as well as additional routes and increasing frequencies have resulted in passenger activity growth in FY 2019, which KBRA views positively for rental car demand at CMH.

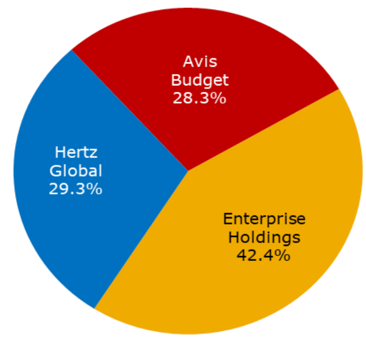
Revenue Concentration

While the number of deplanements has increased over time as a result of improved economic performance, use of larger aircraft and ultra-low-cost carrier entry, the resident and visitor passenger mix has remained fairly constant for the past six years. The rental car companies at CMH provide a wide range of options to customers. Selections such as premium, business-oriented rentals and budget-oriented rentals are available, which provide flexibility to suit customers in different budget categories. The CFC is a fixed charge regardless of which brand/type of car is rented.

Rental car companies' market shares at CMH are more concentrated than the U.S. as a whole as there are only three rental car companies at CMH.

FIGURE 14

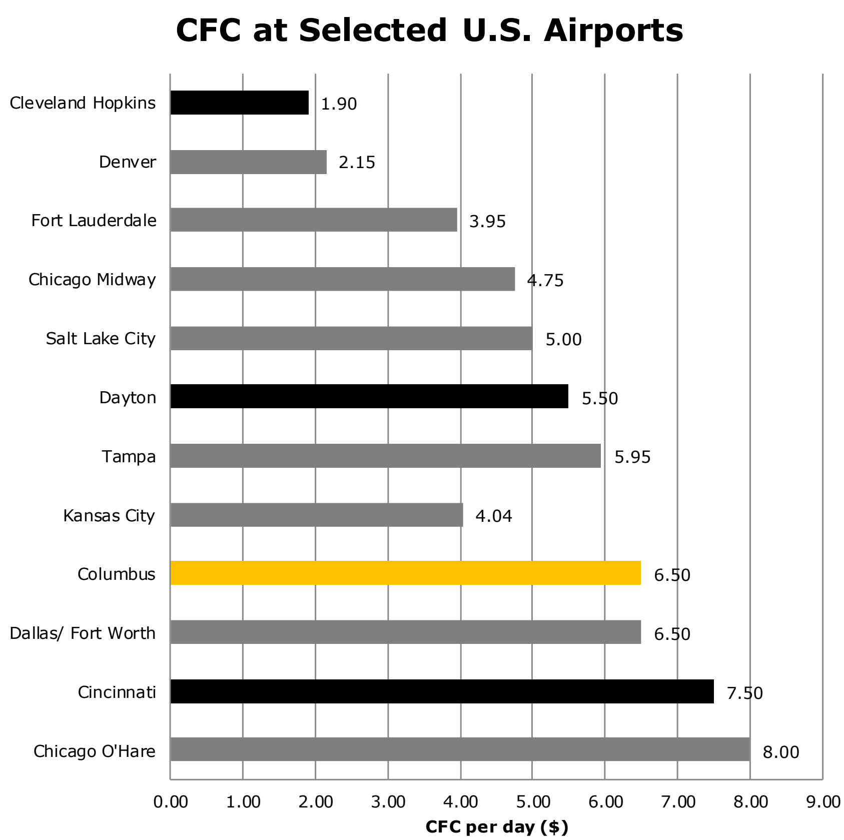
John Glenn International Rental Car Market Share by Revenue CY 2019



Revenue Sensitivity and Competition

KBRA looked at CFC rates at selected U.S. airports that impose a CFC by transaction days. As of March 2020, the CFC imposed by CMH is at the 75th percentile amongst these airports and is also the second highest among Ohio airports (see Figure 15). With the CFC rate set at $6.50 per transaction day – a relatively small component of the overall rental car contract, it is KBRA's view that at its current level, the CFC would not compel multi-day visitors to seek alternatives such as taxis/TNCs or public transportation. Furthermore, according to the *Financial Feasibility Report*, average daily rental rates have been decreasing in recent years. This trend is projected to continue for the near-term, followed by growth at or near the inflation rate through the end of 2029.

FIGURE 15



Source: Financial Feasibility Report; Hertz Rental Car Website, As of March 2020
Note: Airports located in Ohio have been highlighted in the above table

As mentioned earlier, increasing competition from TNCs dampens the growth in airport rental car demand. Uber and Lyft have both signed agreements to operate at CMH in 2016 and were subjected to a fee of $4 per pick-up and drop-off as of January 1, 2019. According to Management, the competitions from TNCs have stabilized in 2019. Please note that the fees are collected by the airport for general purposes and do not support the security structure for the CFC bonds.

KBRA also notes that there are rental car agencies located close to the airport that do not impose CFCs. However, it is rare for customers to pursue this alternative for the purpose of avoiding the CFC.

RD 5: Coverage and Bond Structure

The Series 2019 Bonds is the only debt supported by the CFCs. The bonds are fixed rate with level annual debt service of approximately $5.69 million beginning in 2021. Debt service in FY 2020 is interest only ($3.7 million). FY 2019 CFC revenues provides 1.93x coverage of MADS.

The *Financial Feasibility Report* dated March 6, 2019 provided a proforma ten-year analysis, including two scenarios in forecasting transaction days and debt service coverage. In both, the CFC charge remains at $6.50. Under the base scenario, the transaction day growth CAGR is 2.4% between 2019 to 2029, which is greater than the projected 1.7% enplanement growth CAGR for the same period. A low scenario anticipates weaker economic conditions and greater rental car market erosion due to TNCs, where transaction days and enplanements grow at an annual average 1.2%. Under both scenarios, pledged revenues exceed the amounts required by the rate covenant.

Actual debt service (MADS is $5.69 million) is significantly lower than what was assumed in the financial feasibility report ($6.78 million). At the time of issuance, KBRA modeled stress scenarios and found pledged CFC revenues provided sufficient coverage.

Given the COVID-19 related impacts, KBRA has now considered a scenario where six months of revenues are lost in FY 2020, with a subsequent two-year period before CFC revenues recover to the FY 2019 level. Thereafter revenue growth is constrained to 0.5% a year. Even under this severe case, excluding the rolling coverage permitted, annual debt service coverage does not drop below 1.45x.