Columbus Regional Airport Authority

Issuer: Columbus Regional Airport Authority		
Affirmed	**Rating(s)**	**Outlook**
Airport Revenue Bonds	AA-	Negative

Methodology:

U.S. General Airport Revenue Bond Rating Methodology

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Rating Summary: KBRA affirms its long-term AA- rating on $60.9MM of airport revenue bonds (GARBs) issued by the Columbus Regional Airport Authority ('CRAA' or 'the Authority'). Airport revenue bonds, issued under a Master Trust Indenture (MTI), are secured by a pledge of net revenues from operations at John Glenn International Airport (CMH) and Bolton Field. Net revenues generated by Rickenbacker International Airport (LCK), the Authority's primary cargo facility, are not pledged to GARBs.

The 'AA-' rating continues to reflect CRAA's economically diverse air trade area, which supports CMH's stable O&D traffic levels over time; healthy financial performance, highlighted by solid debt service coverage and liquidity; and a proactive management team that is leading CRAA through the COVID-19 pandemic (pandemic). Offsetting these strengths is the unknown timing of a sustained recovery in enplanements to pre-pandemic levels and some historic volatility in passenger traffic due to airline routing and business model changes.

For the first three months of CY 2020, enplanements grew by a healthy 3.9% over the prior year period, to approximately 600 thousand. Beginning in March, the impact of the pandemic led to a precipitous decline in passengers, with the April 2020 enplanement level (13,693) down approximately 96.0% from April 2019. A modest, though uneven, recovery in traffic began during the second half of CY 2020, with the Authority projecting an enplanement level of 1.6 million for CY 2020, approximately 62% lower than CY 2019 (4.3 million).

Based upon 10-months of actual performance, CRAA estimates ending CY 2020 with an operating margin of $28.4 million, with an unfavorable $3.0 million budget variance in operating revenues somewhat offset by $2.0 million of cost savings, largely associated with purchased services, the Authority's owned, on-airport hotel, and personnel. The CY 2020 results also reflect the application of $21.0 million of federal funds received under the Coronavirus Aid Recovery and Economic Security Act (CARES). Remaining CARES money ($13.0 million) will be used by the Authority to bolster operations in CY 2021. CY 2020 cost per enplanement, reflecting the sharp decline in passenger activity, is estimated at $17.25. Revenue sharing with signatory airlines at CMH is estimated at $6.4 million.

Healthy liquidity provides an important source of flexibility for CRAA, especially given the unknown timing of a recovery in enplanements to pre-pandemic levels. Unrestricted cash & investments at CYE 2019 totaled $99.5 million, approximately 388 days cash on hand or 1.6x outstanding GARBs. At CYE 2020, unrestricted liquidity is expected to increase to $168.0 million as the Authority uses $60 million of Passenger Facility Charge (PFC) revenues under a recently approved application as reimbursement for eligible terminal projects.

CRAA's Capital Improvement Program (CIP) is notable for its limited reliance on debt financing, with internally generated funds, federal grants, and PFCs typically funding the bulk of CIP projects. CRAA's CY 2020-2025 CIP is no different and includes forecasted spending of $178.4 million, nearly 62% of which is tied to a consolidated rental car facility (CONRAC) at CMH. KBRA rated the $94.3 million of customer facility charge (CFC) revenue bonds issued in May 2019 to finance this facility. Please refer to KBRA's **report** published March 18, 2020. CFC bonds are secured by and payable from CFC revenues and have no claim on general airport revenues. Over the longer term, borrowing for a new passenger terminal may occur, with timing dependent on capacity and existing asset longevity.

The Authority benefits from other credit strengths, including a largely O&D passenger base, airline carrier diversity, and historically upward trending enplanement levels, though modest monthly and annual traffic volatility is possible, largely tied to airline scheduling decisions and, more broadly, hub strategy. An additional strength is the economically diverse service area, which includes being Ohio's largest city, the State capital, and the home of Ohio State University. The regional economy has historically outperformed both the State and the U.S. 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 500 companies. Columbus is the nation's fourteenth largest city and the fastest growing major midwestern city.

Not unlike other airports rated by KBRA, CRAA's Negative Outlook reflects significant uncertainty surrounding both the timing and magnitude of a recovery in passenger traffic and related operating revenues. Without a significant percentage of the population inoculated from COVID-19, the Authority's ability to sustain month to month traffic improvements, especially during the winter months, is likely to be challenging.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click **here** to access KBRA's ongoing research on the topic.

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

Credit Positives

- Diverse, well-performing economic base underpins airport activity.
- Absence of airline concentration and the origin and destination nature of activity aids stability.
- Sound debt service coverage, with extremely low debt, and solid balance sheet liquidity.

Credit Challenges

- Unknown timing of a sustained recovery in passenger traffic to pre-pandemic levels.
- Enplanement activity that has historically been somewhat volatile, largely reflecting air carrier business model shifts and evolving hub strategies.

Rating Sensitivities

▪ Outperformance of the post-pandemic, enplanement recovery forecast, and a related rebound in non-airline revenues, resulting in strengthened operating performance and liquidity growth.	+
▪ A longer than anticipated recovery in passenger traffic, potentially leading to a narrowing of operating margin and debt service coverage. ▪ While not expected, an erosion in liquidity or the issuance of debt leading to reduced financial flexibility and airline costs materially above current levels.	-

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:

- Discussions in RD 1 consider several Governance Factors including management tenure and track record and financial management practices.
- Discussions in RD 2 reflect Social Factors. KBRA has examined the following areas for this credit: trends in population, income, employment, unemployment, and the potential impact of the COVID-19 crisis.

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

Key Airport Ratios
FYE December 31

	2018	2019
Airport Activity		
Top carrier by market share (Southwest)	35.5%	33.0%
CMH Enplanements	4,076,000	4,314,619
YOY Change		*5.9%*
Summary Statement of Income ($ in millions)		
Operating Revenues	$ 116.7	$ 129.3
Operating Expenses Before Depreciation	$ 88.0	$ 93.6
Net Income	$ 28.8	$ 35.7
Operating Margin	24.6%	27.6%
Per Passenger Enplanement (PPE) Operating Ratios		
Airline Revenue PPE	$ 8.02	$ 8.41
Non-Airline Revenue PPE	$ 20.62	$ 21.55
Operating Expenditures PPE	$ 21.59	$ 21.70
Airline Cost PPE	$ 7.92	$ 7.72
Liquidity		
Days Cash on Hand[1]	355	388
Debt and Leverage Ratios		
Debt Per Enplanement[2]	$ 17.4	$ 14.1
Debt Service Coverage[2]		
Calculated Per Trust Indenture	2.45x	2.74
As Presented in Airport Financials	3.24x	2.15

Source: Columbus Regional Airport Authority
[1]Operating expenses per CAFR; calculation uses unrestricted C&I.
[2]Includes GARBs only.

Rating Determinants (RD)	
1. Management	Favorable
2. Economics/Demographics of the Service Area	AA-
3. Airport Utilization	A+
4. Airport Debt/Capital Needs	AAA
5. Airport Finances	AA+
6. Legal Mechanics and Security Provisions	AA

RD 1: Management

Leadership Update

CRAA management team remains stable since KBRA's last review, with one notable exception. Randy Bush, the Authority's long-time Chief Financial Officer (CFO), announced his retirement in late CY 2019. Following a nationwide search, Jeffrey Evans, former CFO for the Detroit Zoological Society, succeeded Bush in September 2020. Evans joins the Authority with over 20-years of experience in various finance, treasury management, human resources and investment management roles. He will report to the Authority's President and Chief Executive Officer (CEO), Joseph Nardone, and be responsible for financial reporting and planning, debt issuance compliance, and internal controls and audits, among other functions.

Key Policies and Procedures

KBRA views various Authority policies enacted to ensure operations are maintained, and potential risks are accounted for, as a credit positive. A variety of risk assessments are undertaken, including Authority-wide enterprise risk management, and succession plans for all critical businesses.

Enterprise Risk Management

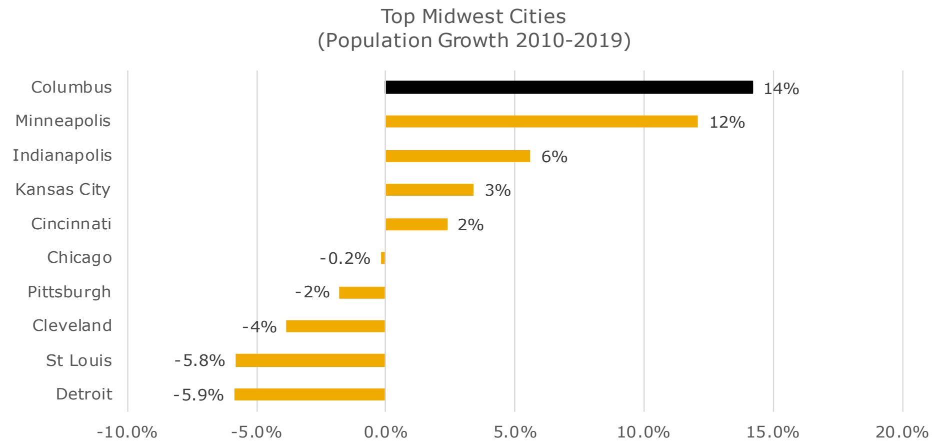
The CRAA has devoted significant attention to enterprise risk management (ERM) as a core function throughout the organization. A cross-functional risk management team meets quarterly to discuss new risks. Over 325 organizational risks are being managed. The Authority focuses on top risks and considers 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; and (6) continuity of operations, disaster recovery, and evacuation planning.

RD 2: Economics/Demographics of the Service Area

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, whose borders are based on the location of air service provided from Akron, Cincinnati, Cleveland, Dayton and Toledo in Ohio as well as Charleston in West Virginia. The level of competition between these air service regions is marginal, with each of these cities, except for Dayton, located more than 100 miles away. Dayton International Airport, located approximately 76 miles from Columbus, offers considerably more limited service than CMH.

The MSA has experienced stronger population growth over the last nine years compared to the rest of the State and the Nation. With a population of 2.1 million, it is the second largest MSA in the State behind the Cincinnati MSA and represents approximately 18.2% 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 14.2% to about 902,073. The City is the fastest growing major midwestern city (Figure 1).

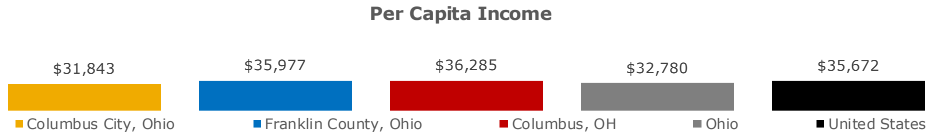
FIGURE 1



Source: U.S. Census Bureau

Per capita income exceeds the State and national averages (Figure 2), 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 134,000 students. This large institutional presence is reflected in the relatively high level of educational attainment.

FIGURE 2



As of 2019

	2010	2019	% Δ 2010 to 2019	Comparison
Columbus City, Ohio	$22,495	$31,843	41.6%	-
Franklin County, Ohio	$25,820	$35,977	39.3%	88.5% of County
Columbus, OH	$26,527	$36,285	36.8%	87.8% of MSA
Ohio	$23,975	$32,780	36.7%	97.1% of State
United States	$26,059	$35,672	36.9%	89.3% of U.S.

Source: U.S. Census

Employment

Since the Great Recession and prior to the onset of the pandemic, employment in the MSA exhibited continuous growth. The MSA's employment grew at an average annual rate of 1.1% over the last ten years, compared to the nation at 0.7% across the same period.

The MSA's unemployment rate was consistently lower than the State and nation before the COVID-19 pandemic. In 2019, the unemployment rate was 3.6% for the MSA and 4.1% for the State, and 3.7% for the nation. After the State became subject to stay-at-home orders on March 23, 2020, the MSA's unemployment rate increased drastically from 4.2% in March to 13.7% in April, surpassing its Great Recession peak. As of November 2020, the unemployment rate has declined to 5.7%, which is lower than the nation at 6.4% but higher than the State at 5.2%.

Economy

The MSA has a strong and diverse economy, where no one sector accounts for more than 20% of employment, with the largest sector being the government sector at 16.5% of total employment. No one employer represents a disproportionate component of the MSA's employment base. Major employers include Ohio State University, various financial intuitions, health care facilities and local and state government. The largest private sector employers are JPMorgan Chase & Co., OhioHealth, and Nationwide. Ohio State University and the State of Ohio are the largest public-sector employers.

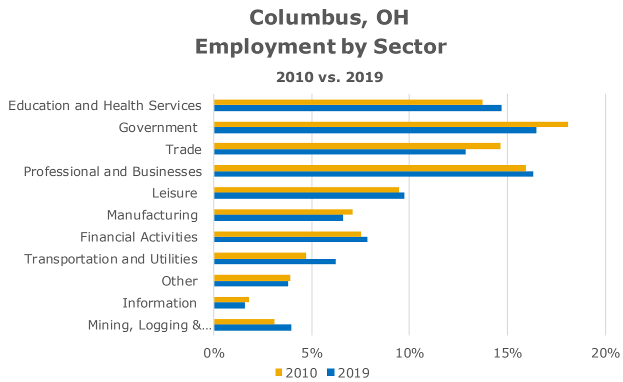
FIGURE 3

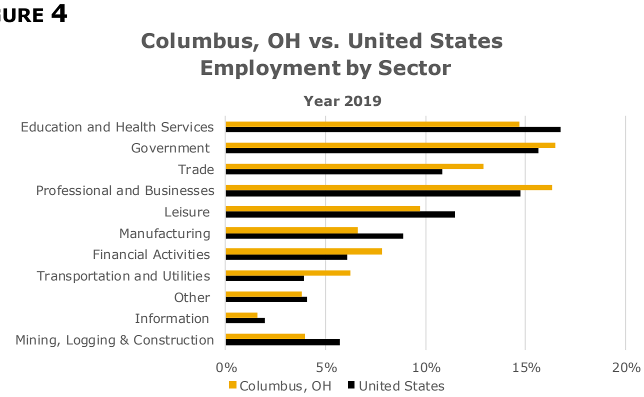
Largest Employers in the Greater Columbus Area (2019)		
Employer	**Industry**	**Approx. Employees**
The Ohio State University	Higher Education	33,335
OhioHealth	Health Care	23,836
State of Ohio	State Government	21,342
JPMorgan Chase & Co.	Financial Institution	18,400
Nationwide Insurance	Financial Institution	12,500
Nationwide Children's Hospital	Health Care	10,875
Kroger Co.	Grocery Stores	10,563
City of Columbus	Federal Government	8,963
Mount Carmel Health System	Health Care	8,776
L Brands	Retailer	8,616

Source: Columbus Regional Airport Authority CAFR

Not surprisingly, tourism related employment experienced the largest year-over-year decrease (24%) in response to the pandemic. While tourism remains does contribute to demand for air travel, it accounts for a de minimus 9.7% of the MSA's total employment.

FIGURE 4





Source: U.S. Bureau of Economic Analysis

RD 3: Airport Utilization

CRAA's airports include commercial facilities (CMH and LCK) and small general aviation, reliever airport (Bolton Field). Located six miles east of the central business district, CMH is a medium-sized hub airport serving the City and, more broadly, central Ohio. LCK is a major cargo facility located approximately 15 miles from the city's central business district. Year round and seasonal flights by Allegiant Airlines generate LCK's only passenger traffic. Operations of LCK are not part of the MTI.

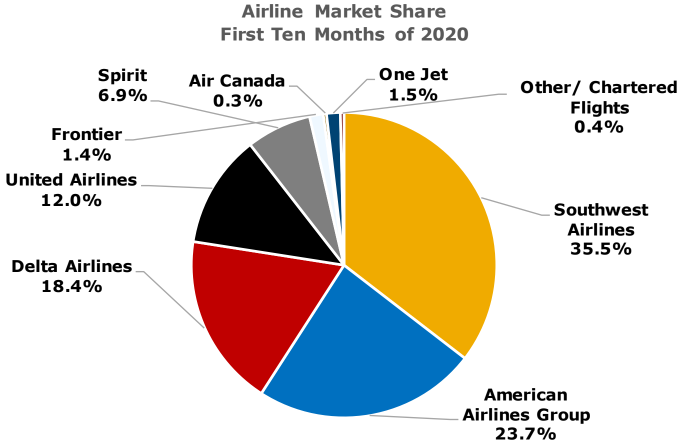
As of CYE 2019, CRAA's commercial facilities, namely CMH, offered 160 peak daily departures to 47 destinations. New destinations and increasing frequencies drove a 6.1% increase in total passengers served at CMH. Alaska Airlines began daily non-stop service to Seattle in March 2019, while United and Delta added non-stop flights to San Francisco and Salt Lake City, respectively in June 2019. In addition, CMH carriers began upgauging aircraft on existing, high demand routes, including Chicago, Denver and Fort Lauderdale, among others. The increase in passengers on these routes more than offset Southwest Airlines' elimination of a non-stop flight to Oakland during August 2019 and Frontier Airlines' continued rationalization of destinations and frequencies from CMH, reflecting changes to its corporate business model.

Air Carrier Concentration

CMH is almost exclusively origin and destination (O&D), with varied market share among its airlines. In CY 2019, the three largest carriers were Southwest (33% of enplanements), American (23.8%), and Delta (21.4%). These three carriers, together with United, Air Canada Express, Frontier, and Spirit, are signatory airlines to the Operating and Lease Agreement (see RD5: Airport Finances). KBRA believes that such broad carrier participation is indicative of a generally stable airline mix.

As noted in Figure 5, market share did not change materially during the first ten months of CY 2020. Southwest did gain modest share at the expense of the big 3 legacy carriers as service by the airline was restored more quickly during the summer of 2020 as pandemic cases and related travel restrictions temporarily abated.

FIGURE 5

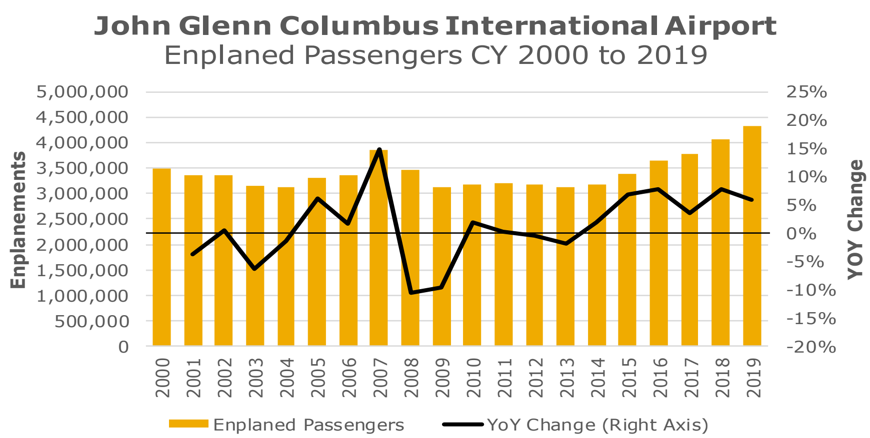


Source: CRAA Monthly Activity Report | October 2020

Enplanements

Enplanement activity at CMH grew faster than the U.S. air market overall over the last five years (2015-2019), increasing at a 6.0% CAGR versus 4.2% for the U.S. As noted in Figure 6, enplanement activity at CMH returned to its pre financial crisis high (3.9 million, CY 2007) in CY 2018, four years later than the U.S. air market overall. Between CY 2018 and CY 2019 total enplanements grew by 5.9%, to 4.3 million.

FIGURE 6



Source: Columbus Regional Airport Authority

CMH enplanements grew by a healthy 3.9% for the first two months of CY 2020 versus the prior year period, to approximately 600 thousand. However, as the onset of the global pandemic began to materially impact air travel both domestically and abroad, enplanements declined by a precipitous 42.8% between February 2020 and March 2020, to 161,672, with an even more severe 91.5% decline between March 2020 and April 2020. CMH's April 2020 enplanement level (13,693) represented just 3.9% of level reported during April of the prior year (707,185).

Consistent with the experience of many U.S. airports, CMH enplanements began a slow recovery in May 2020, by 173.8%, to 37,494, as demand for air travel, especially in leisure sunbelt markets, gradually returned. Further improvement occurred in June (84,119) and July (118,616), though by August (113,705), levels began to flatten as summer vacation travel began to wound down and demand for business travel remained anemic. For the 10-months ended October 2020, CMH enplanements totaled 1.4 million, a decline of 61.8% from the prior 9-month period in CY

2019 (3.6 million). For the full CY 2020, the Authority projects an enplanement decline of approximately 62% from CY 2019, to approximately 1.6 million.

FIGURE 7

Monthly Enplanements CY 12/31			
	2019	**2020**	**2020 as % 2019**
Jan	283,532	296,017	104.4%
Feb	293,744	303,880	103.5%
Mar	392,410	161,672	41.2%
Apr	345,374	13,693	4.0%
May	391,558	37,494	9.6%
Jun	392,064	84,119	21.5%
Jul	387,964	118,616	30.6%
Aug	362,201	113,705	31.4%
Sep	346,862	105,739	30.5%
Oct	392,111	135,064	34.4%
Nov	350,291	-	
Dec	376,508	-	
Actual	**4,314,619**	**1,369,999**	
Projected		**1,631,000**	37.8%

Source: CRAA

Cargo Trends

The Columbus area is a major logistics hub due to its lo cation within 10 hours of 47% of the U.S. population, 33% of the Canadian population and about 47% of all U.S. manufacturing. Enhanced freight rail connections to East Coast ports in Norfolk, VA; Baltimore, MD; and Wilmington, NC bolster the region's role as a vital distribution center. LCK, with its air and road transport companies, numerous off-airport warehouses, and intermodal rail terminal partnership remains one of the busiest air cargo hubs in the U.S. by landed weight.

For the first ten months of CY 2020, cargo at LCK grew at a solid CAGR of 1.9%, to 219 million pounds, comparing favorably with the prior-year period (205 million pounds). Cargo demand has been heavily influenced by the pandemic, though month to month volumes have been somewhat variable. Over the long term, CRAA management expects moderate annual growth in cargo activity, acknowledging year to year volumes are subject to exogenous variables, including the strength of the US economy, inventory practices and shipping methods, and the cost and location of competing facilities.

RD 4: Airport Debt/Capital Needs

The Authority's consistently low leverage as compared to similarly sized facilities reflects its long-standing practice to fund capital needs primarily from internal sources, federal and state grants, and/or PFCs rather than debt. To issue GARBs or other debt to fund all or portions of CIP projects, the Authority must obtain Board approval, typically on an annual basis. Debt that is approved must have a maximum maturity that is the earlier of the estimated useful life of the project; the estimated useful life of the revenue stream funding the project; or thirty years. Level debt amortization is preferred, though alternative structures are considered on a project specific basis. CRAA's debt policy specifically prohibits the use of swaps and other derivative instruments.

The Authority's outstanding debt totaled $155.2 million at CYE 2019. Of this total, $60.9MM (39.2%) is in the form of fixed rate, privately placed airport revenue bonds (GARBs) that are the subject of this Surveillance Report. The remaining $94.3MM (60.8%) is in the form of fixed rate, CFC revenue bonds secured solely by CFCs imposed on motor vehicle rentals. GARB debt amortizes serially through 2030, with final maturity of CFC bonds, which were issued in August 2019, occurring in CY 2048.

At CYE 2019, outstanding GARBs ($60.9 million) per 2019 enplanements (4.1 million) represented a low $14.11. Measured against the same denominator, CY 2019 GARB debt service ($11.4 million) equaled an extremely low $2.65., Debt service increases slightly, to approximately $11.5 million, in CY 2020 through CY 2022, and declines thereafter. Based upon Authority interim financial statements, outstanding GARBs declined to $52.3 million at Oct. 31, 2020. All GARBs fully mature by CY 2030.

To help bridge capital expenses with receipt of long-term funding, CRAA has access to an up to $75MM revolving line of credit with Bank of America NA. Outstanding principal was $17.4MM at CYE 2019 and bears interest at a variable rate equal to the sum one-month LIBOR multiplied by 0.80 plus 45 basis points. A commitment fee of 25 basis points is paid on the unused portion of the facility.

Capital Program Overview

The Authority's FY2020 – FY2025 CIP totals $178.4 million for CMH ($178.2 million) and Bolton Field ($200 thousand). The primary capital projects include:

- Midfield Development Phase I, including construction of the CONRAC and several enabling projects related to a future terminal building;
- Construction of a second on-airport hotel (opened Nov. 2020); and investment in terminal building infrastructure, including elevators and escalators, passenger boarding bridges, and the baggage system.

CIP funding is expected to come from a variety of sources, including CFC revenue bonds and CFCs applied on a pay-as-you go basis (53.6%); internal funds (36.4%); FAA and other grants (7.4%); and passenger facility charge (PFC) revenues (2.6%). No additional GARB debt is anticipated. CRAA will continue to use its revolving bank facility to bridge expenditures incurred during project construction with its receipt of PFC revenues and other long-term funding sources.

At CYE 2019, significant CRAA capital projects in progress and expenditures incurred totaled $65.6 million, including $30.7 million (46.8% of total expenditures) related to the CONRAC and $11.4 million (17.3%) associated with rehabilitation of the terminal apron and a taxiway. The Authority's approved capital budget for CY 2020 totaled $125.7 million, of which $93.8 million (75%) had been cash funded as of Oct. 31, 2020. The CONRAC, which represents approximately 62.1% of total CY 2020- CY 2025 CIP projects, is expected to open on-time and on-budget in spring 2021.

KBRA notes that none of CRAA's CIP projects were canceled or postponed indefinitely as a result of the pandemic. However, certain demand driven projects beyond the time horizon of the current CIP, including a new parking garage and central utility plant, may not ultimately begin until a sustained recovery in enplanements is underway. Capital spending across all Authority airports and the Intermodal and Industrial Development Zone near LCK is budgeted at $109.4 million for CY 2021 and CY 2022, down considerably from CY 2019 and CY 2020 ($230.2 million).

Future Borrowing Plans

No additional GARB borrowing is expected until at least 2030 when a determination will be made as to whether CMH's existing passenger terminal should be replaced. If the determination is made to replace the terminal, the Authority expects to issue additional GARBs to finance the majority of project costs. As currently outstanding GARB debt will have fully matured by the time of such issuance, KBRA believes CRAA is well-positioned to manage the additional leverage.

RD 5: Airport Finances

The Authority's financial operations are largely a function of the Signatory Airline Operating Agreement and Lease (Agreement) which lays out the financial obligations of both the airport and airlines, and determines the airport's rate setting and cost recovery mechanism.

Operating Agreement and Lease

The current Operating Agreement and Lease (Agreement), signed at the end of 2019, is hybrid in nature, with a compensatory rate-making structure in the terminal and a residual structure for the airfield and apron. The term of the Agreement is 5 years, expiring on December 31, 2024. 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 $5.0 million in the airfield and apron cost centers. Airlines have no input for capital project decisions in the terminal or other cost centers.

The Agreement connects airline enplanement activity with revenue sharing, to encourage increased passenger activity. The revenue sharing calculation, referred to as the General Airline Credit (GAC), includes an average rate of $1.60 per enplaned passenger, and $250,000 of 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. In CY 2019, $7.3 million of operating revenues were shared with the airlines, including a GAC of $5.5 million and a supplemental credit of $1.8 million. Reflecting the impact of the pandemic, total revenue sharing is projected to decline in CY 2020 and CY 2021, to $6.4 million and $4.9 million, respectively.

CY 2019 Financial Performance

In CY 2019, CMH represented approximately 85.2% ($110.1 million) of CRAA's total operating revenues, with LCK and Bolton Field a considerably smaller 13.8% ($17.9 million) and 0.77% ($1.0 million), respectively. The Authority's Intermodal & Industrial Development Zone generated 0.25% ($0.3 million) of total operating revenues. GARBs are secured by a net revenue pledge of CMH and Bolton Field. Unless otherwise noted, KBRA's financial analysis is based upon the entire CRAA reporting entity.

CRAA's operations remained healthy in CY 2019, driven by solid (10.7%) y/y growth in total operating revenues from both airline (10.6%) and non-airline sources (11.0%). CY 2019 total operating revenues of $129.3 million yielded a surplus, excluding depreciation, of $35.7 million, or a margin of 27.6%, consistent with prior years.

Non-airline revenue streams annually contribute a significant 70% or more to CRAA's operations. Parking, CRAA's largest non-airline funding source (33.2% of CY 2019 total operating revenues), and concessions (20.7%), grew at a five-year CAGR of 9.2% through CYE 2019, offsetting increasing wages and benefits (9.9%) and purchased services (7.9%) costs. Net income generated by an on-airport, CRAA owned hotel property increased by 7.3%, to $2.2 million, in CY2019, providing some diversification to non-airline revenues. Revenues from the airlines, which account for a much smaller, though still meaningful one third of CRAA's annual operations, grew by a solid 8.1% CAGR between CY 2015 and CY 2019, to $36.3 million.

FIGURE 8

Columbus Regional Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
CY 12/31 ($000's)

	2015	2016	2017	2018	2019
Operating Revenues					
Parking Revenue	32,880	34,821	36,006	38,694	42,944
Concession Revenue	20,122	21,791	21,800	23,151	26,791
Cargo Operations Revenue	5,478	5,338	6,488	7,791	7,893
Hotel Operations Revenue	4,094	4,605	4,492	4,615	4,856
General Aviation Revenue	3,205	3,276	3,524	3,631	3,919
Foreign Trade Zone Fees	308	326	320	310	308
Other Revenues	3,185	3,846	4,820	5,869	6,258
Non-Airline Revenue	69,271	74,003	77,451	84,061	92,968
Airline Revenue	26,608	30,215	35,125	32,676	36,297
Total Operating Revenues	**95,879**	**104,218**	**112,575**	**116,738**	**129,266**
Operating Expenses					
Employee Wages & Benefits	33,005	37,606	42,287	43,310	48,137
Purchased Services	27,348	31,137	35,124	36,750	37,064
Hotel Services	2,149	2,437	2,487	2,576	2,669
Other Expenses	4,973	4,745	3,990	5,350	5,737
Total Operating Expenses	**67,475**	**75,926**	**83,889**	**87,986**	**93,607**
Depreciation Expense	42,811	44,160	46,107	47,232	48,800
Operating Surplus/Deficit*	**28,404**	**28,292**	**28,686**	**28,751**	**35,658**
Operating Margin*	29.6%	27.1%	25.5%	24.6%	27.6%

*Excluding Depreciation
Source: CRAA CAFR

CY19 debt service coverage a healthy 2.74(x) per indenture reporting. Coverage is consistent with the longstanding favorable trend.

FIGURE 9

Columbus Regional Airport Authority Debt Service Coverage Calculated Per Trust Indenture CY 12/31					
($ in thousands)	**2015**	**2016**	**2017**	**2018**	**2019**
Gross Revenues	$85,332	$92,514	$99,252	$101,630	$111,080
Total Expenses	57,377	64,980	71,566	72,922	78,826
Net Revenues	27,955	27,534	27,686	28,708	32,254
Interest Income on Reserves	(424)	(509)	(634)	(692)	(964)
Amount Available for DS	**$27,531**	**$27,025**	**$27,052**	**$28,016**	**$31,290**
Principal	5,266	7,852	9,378	9,966	10,152
Interest	2,747	3,463	1,643	1,460	1,274
Total Debt Service*	**$8,013**	**$11,315**	**$11,021**	**$11,426**	**$11,426**
DEBT SERVICE COVERAGE	**3.44**	**2.39**	**2.45**	**2.45**	**2.74**

*Airport Revenue Bonds (GARBs)
Source: CRAA

Cost per enplaned passenger (CPE) decreased minimally in CY 2019 (Figure 10) and remains well below the medium hub average as calculated by the FAA. Over the past five years, CRAA's CPE has averaged a low $7.64 per enplanement. Both enplanement growth and strong cost controls by the Authority contribute to the low CPE.

FIGURE 10

Columbus Regional Airport Authority Airline Cost Per Enplanement (CMH) CY 12/31					
	2015	**2016**	**2017**	**2018**	**2019**
OPERATING REVENUES ($000's)					
Airline Cost for the Airfield Area	16,278	16,585	15,813	17,516	19,099
Airline Cost for the Terminal Building	13,513	15,044	16,610	17,803	17,258
Airline Cost for the Aircraft Parking Area	3,894	3,996	4,072	4,428	4,170
General Airline Credit	(4,804)	(5,638)	(5,884)	(5,722)	(5,485)
Supplemental Airline Credit	(3,250)	(3,750)	(1,000)	(1,750)	(1,750)
Total Airline Cost	**25,631**	**26,237**	**29,611**	**32,275**	**33,292**
Enplanements (000)	3,393	3,659	3,785	4,076	4,315
Airline Cost per Enplaned Passenger ($)	**7.55**	**7.17**	**7.82**	**7.92**	**7.72**

Source: CRAA CAFR

The Authority maintains healthy levels of liquidity, which provides flexibility to manage unexpected revenue interruptions or costs increases. At CYE 2019, unrestricted cash & investments totaled $99.5 million, including $60.3 million of current unrestricted cash and investments, or 388 days cash on hand. As a percentage of outstanding GARBs, unrestricted cash & investments represented a sound 1.6x. Restricted cash and investments, representing PFC and CFC balances, totaled $117.2 million at CYE 201

The Authority expects to end CY 2020 with total cash & investments of $238.0 million, including $156.0 million that is unrestricted.

CY 2020 Budget, Revisions, and Estimates

Prior to the pandemic, the Authority budgeted for a 3.9% increase in total operating revenues between CY 2019 and CY 2020, to $133.4 million, with total operating expenses, excluding depreciation, budgeted to decrease by 3.9%, to $88.5 million, namely driven by lower benefits expense. As a result, the CY 2020 operating surplus was initially budgeted to increase to $45.9 million (34.1% margin). Underpinning all budget assumptions was a 3.2% increase in enplanements, to 4.5 million.

Authority management revised its 2020 operating budget in June 2020 to reflect the unprecedented operating conditions created by the pandemic. Based upon a revised CY2020 enplanement level of 1.7 million, nearly 62.2% lower than originally forecast, CRAA lowered budgeted operating revenues by 20.0%, to $107.3 million, while budgeted expenses were trimmed by a somewhat lower, though still significant, 12.0%, to $77.9 million. Not surprisingly, the most severe revisions to budgeted revenues were tied to passenger activity, including parking, ground transportation and concessions. Taken together, the reductions resulted in revised budgeted CY 2020 revenues that were approximately $36.8 million below the CY 2019 level. The Authority also revised downward budgeted revenue from the airlines by 11.1%, or $4.4 million, putting the revised airline revenue figure ($35.7 million) nearly unchanged from CY 2019.

Like U.S. airports, the Authority received approximately $34.0 million in funds from the Coronavirus Aid Recovery and Economic Security (CARES) Act, approximately $21.0 million of which was applied in CY 2020 to offset a portion of the activity based revenue declines noted above. Inclusive of CARES Act funds, the Authority's revised CY 2020 budgeted operating surplus declined sharply (35.7%) to $29.5 million, though remained positive.

CRAA released estimated CY 2020 operating results during November 2020 based upon 10-months of actual performance. Total operating revenues ($104.4 million) are estimated to underperform the revised budget by approximately 2.8% ($3.0 million), while operating expenses ($75.9 million) are estimated to outperform by nearly 2.5%, notably as a result of positive variances in purchased services, hotel service, and personnel costs. Estimated operating surplus will come in just under the revised budget at $28.4 million (27.3% margin).

FIGURE 11

Columbus Regional Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
CY 12/31 ($000's)

	2019 (a)	2020 (r)	2020 (e)	2021 (b)
Operating Revenues				
Auto Parking	42,936	19,474	16,061	17,141
Ground Transportation	16,335	7,399	6,384	8,669
Concessionaires	10,464	6,068	5,964	7,250
Air Freight	7,893	6,284	7,290	7,100
Hotel Revenue	4,856	2,850	2,207	5,645
Other	9,790	8,057	8,188	8,235
Non-Airline Revenue	92,274	50,132	46,094	54,041
Airline Revenue	36,297	35,688	36,807	36,875
Other Income	695	21,566	21,518	13,207
Total Operating Revenues	**129,266**	**107,385**	**104,420**	**104,123**
Operating Expenses				
Personnel Costs	48,137	37,212	36,802	35,843
Purchased Services	25,298	23,184	21,025	22,789
Contract Labor	11,766	10,246	9,914	10,872
Supplies & Materials	5,655	4,728	4,620	5,195
Hotel Services	2,669	2,556	1,825	3,682
Other	82	0	1,760	0
Total Operating Expenses	**93,607**	**77,925**	**75,946**	**78,382**
Depreciation Expense			48,800	48,800
Operating Surplus/Deficit*	**35,658**	**29,460**	**28,474**	**25,742**
Operating Margin*	27.6%	27.4%	27.3%	24.7%
Enplanements	**4,315**	**1,711**	**1,631**	**2,353**

*Excluding Depreciation
(a)= actual; (r) = revised budget; (e) = estimate; (b) = budget
Source: CRAA

CY 2021 Budget

Approved by CRAA's board on December 1, 2020, the CY 2021 operating budget assumes enplanements of 2.4 million, approximately 54.5% higher than the revised 2020 budget (1.7 million), but nearly 44.2% below CY 2019 (4.3 million). Budgeted CY 20201 operating revenues ($104.1 million) are relatively unchanged from the CY 2020 estimate, though the ability to achieve such levels is contingent upon realizing the expected recovery in passenger activity. Parking, ground transportation, and concessions are budgeted to increase by 16.1% over CY 2020 estimate, to $33.1 million, while remaining CARES Act funds ($13.0 million) are budgeted at 12.7% of operating revenues, down from 20.6%. Net income from on-airport hotel operations, including the Authority's second owned property that opened in November 2020, is budgeted at $2.0 million. While this performance is significantly above the break-even level expected for CY 2020, it is in-line with pre-pandemic performance when only one hotel was in operation. Budgeted airline revenue of $36.9 million, approximately 35.4% of total operating revenues, remains nearly unchanged CY 2020 estimates.

CY 2021 budgeted operating expenses of $78.4 million are approximately 5.7% higher than CY 2020 estimate ($74.1 million), driven by budgeted increases in costs associated with the expected rebound in passenger traffic. Importantly, CRAA continues to closely manage personnel costs, its primary expenditure. Budgeted CY 2021 personnel costs, including salaries, wages and benefits, are expected to decline by approximately 3.0% from CY 2020 estimate, to $35.8

million. When compared to personnel costs in CY 2019 ($48.2 million), CY 2021 budgeted costs are roughly 25% lower, reflecting the Authority's elimination of 50 positions since that time.

Reflecting the combination of flat revenues and increased expenditures (excluding depreciation), CRAA's 2021 operating surplus is budgeted to decline by approximately 15.0%, to $25.7 million, a margin of 24.7%. KBRA recognizes the significant level of uncertainty underpinning the CY 2021 budget, though believes the Authority's experienced management team will take measures as necessary to address an evolving business environment.

Estimated Cost Per Enplanement

Based upon estimated CY 2020 operating performance, including revenue sharing of sharing $6.4 million, and an estimated CY 2020 enplanement level of 1.6 million, CRAA expects CMH's CPE to rise to $17.25. For CY 2021, the Authority is budgeting revenue sharing of $4.9 million, with a projected CPE of between $14.01 and $14.86.

KBRA considered the impact of a prolonged recovery in enplanements on CMH's CPE. KBRA assumed the approximately 62% y/y decline in enplanements between CY 2019 and CY 2020 persisted for the first six-months of CY 2021 (January through June). Thereafter, the decline each month was assumed to decrease by 2%, with growth in enplanements relative to CY 2019 finally returning in early 2024. Non-airline revenues were assumed to grow by 0.5% from the CY 2021 budget ($67.3 million) in CY 2022 and CY 2023, and then by 1.0% and 2.0% in CY 2024 and CY 2025, respectively. Operating expenses were assumed to grow 3.0% from the CY 2021 budget ($78.4 million) in each year from CY 2022 through CY 2025. GARB debt service (plus the .25% coverage factor) is budgeted at $14.4 million in CY 2021 and CY 2022 and $12.7 million in CY 2023. In CY 2024 and CY 2025, debt service drops significantly, to $4.2 million, reflecting the maturity of several outstanding GARB series.

Based upon the above analysis, KBRA views the Authority's CY 2021 CPE projections as reasonable. If the enplanement recovery tracks more closely with KBRA's expectations, CMH's CPE would remain elevated in CY 2022 ($10.10), before falling closer to the CY 2019 level in CY 2023. Importantly, the Authority's airline costs remain competitive, largely reflecting its limited use of debt as a funding source for capital.

RD 6: Legal Mechanics and Security Provisions

Bond Security

GARBs are special obligations of the Authority, payable solely from and secured by a pledge of the net revenues of CMH 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 MTI.

Rate Covenant

Amounts available for debt service (net revenues plus debt service fund investment earnings) at least equal to 125% of the GARB debt service requirement. PFCs must be pledged by 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.

Additional Bonds Test

i. An airport consultant certifies 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:
   a. if the aggregate of the debt service charges for all bonds outstanding (including the proposed series of bonds and all series of bonds expected to be issued 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
   b. 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. A CRAA fiscal officer certifies 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. A CRAA fiscal officer certifies 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.

Flow of Funds

All revenues are deposited into the revenue fund, then transferred monthly, on the first business day to 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.

Bankruptcy Assessment

KBRA's view of CRAA's ability to file for Chapter 9 bankruptcy protection under the U.S. Bankruptcy Code, informed by consultation with outside counsel, remains unchanged from our previous review of the credit. Please refer to the Surveillance Report **here** dated November 19, 2019 for the full bankruptcy assessment.