Columbus Regional Airport Authority

Issuer: Columbus Regional Airport Authority		
Affirmed	**Rating**	**Outlook**
Customer Facility Charge Revenue Bonds, Series 2019 (Federally Taxable)	A+	Stable (revised from Negative)

Methodology

- U.S. Special Tax Revenue Bond Rating Methodology
- ESG Global Rating Methodology

Analytical Contacts:

Jozelle Cox, Senior Analyst
+1 (646) 731-1227
jozelle.cox@kbra.com

Michael Taylor, Senior Director
+1 (646) 731-3357
michael.taylor@kbra.com

Douglas J. Kilcommons, Managing Director
+1 (646) 731-3341
douglas.kilcommons@kbra.com

Rating Summary: The Outlook revision to Stable reflects the strong recovery in passenger air traffic at John Glenn Columbus International Airport ("CMH") in CY 2021, which has continued through January 2022, and its subsequent positive impact on rental car transactions and related Customer Facility Charge ("CFC") revenues. KBRA recognizes that while CMH enplanements/deplanements, as well as CFC revenue and transaction days, at CMH have not recovered to pre-pandemic 2019 levels, recent trends continue to suggest that sustained demand for air travel and related services, like rental cars, at or above pre-pandemic levels may not be far off.

The long-term rating continues to reflect the health and diversity of CMH's economic base which drives rental car transactions and related CFCs and the strength of the legal framework and security pledge supporting bond repayment.

Security for the Columbus Regional Airport Authority ("CRAA") CFC Bonds is provided 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. CFC Bonds are also secured by reserves in certain pledged funds.

CRAA retains full autonomy to adjust the CFC, though has no plans at present to increase the rate from its current level ($6.50); the rate remains in the upper range of CONRACs nationwide. CFC revenue growth had historically been strong, increasing from $3 million in FY 2008, the first full year of collection, to $10.9 million in CY 2019. Similar to passenger traffic, CFC collections were negatively impacted by the COVID-19 pandemic as CY 2020 CFC revenue of $4.7 million declined by 57% YoY. With the rollout of various COVID-19 vaccines and increasing demand for travel in 2021 yielding improving enplanement/deplanement levels , CY 2021 CFC revenue increased by 32.6% YoY to $6.3 million, 43% below CY 2019 levels.

The Authority covenants to maintain a CFC, along with any concessionaire deficiency payment, sufficient to pay the greater of (a) 100% of required deposits under the CFC Trust Agreement or (b) 125% of the debt service requirement. Annual transfers to the CFC Revenue Fund from the CFC Surplus Fund may be included in the Rate Covenant calculation in an amount equal to 25% of debt service (i.e., rolling coverage). An Additional Bonds Test is in place to prevent overleveraging of the pledged revenue source, though no further borrowing is presently planned. The CONRAC is projected to have adequate capacity for a 40-year period following its opening. CRAA has very limited responsibility for operations and maintenance of the CONRAC, with payment from rental car companies supporting expenses related to both common and exclusive use space.

The CFC Trust Agreement establishes reserves that KBRA views as providing additional layers of protection for bondholders, including a cash funded Debt Service Reserve Fund, a Debt Service Coverage Fund, and a $4 million Supplemental Reserve Fund. The CFC Supplemental Reserve Fund was housed in the CFC Revenue Fund prior to completion of the CONRAC. With the CONRAC now completed and operational, the Supplemental Reserve Fund is housed within Surplus Fund, though remains pledged to CFC bondholders. Other monies within the Surplus Fund remain available, but are not pledged. Based upon the strength of projected CFC collections, KBRA expects the CFC Surplus Fund to accumulate large balances, even if facility utilization recovers more slowly than expected to pre-pandemic levels. At CYE 2021, the CFC Surplus Fund totaled $29.7 million.

Debt service on the Bonds is essentially level at $5.7 million beginning in CY 2021. CY 2021 CFC revenues of $6.3 million plus interest earned on deposits in the CFC Debt Service Reserve Fund of approximately $243 thousand, only covered debt service payments by 1.10x. Subsequently, the Authority transferred over $615 thousand from the CFC Surplus Fund to meet the rate covenant of 1.25x.

KBRA reviewed the conservative CY 2022 CFC recovery scenario provided by the Authority and deemed it to be reasonable given recent enplanement and rental car activity at CMH. Under the scenario, CFCs would recover to $8.3 million (75% of the CY 2019 level) with debt service coverage, inclusive of rolling coverage ($1.4 million), equaling 1.70(x). KBRA also prepared its own stress case which considered a 15% decline in CFC collections through the first three-months of CY 2022 with CFC collections remaining flat to CY 2021 CFC collections thereafter until a full recovery takes hold in late CY 2023. Under this more severe scenario coverage of debt service, inclusive of rolling coverage, would equal 1.38x.

CRAA's 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 both business and leisure activity. Such activity helps to sustain and increase air service over time, which positively impacts rental car activity.

The Stable Outlook reflects the continuing recovery to date in passenger air traffic and its subsequent positive impact on rental car transactions and related CFC revenues.

Key Credit Considerations

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

Credit Positives

- Legal framework provides strong bondholder protection through reserves and autonomy to adjust CFCs.
- Diverse air trade area and healthy economic base affords support to rental car transactions.
- Level debt service requirements, strong MADS coverage, and no additional planned borrowing.

Credit Challenges

- Unknown timing of a sustained recovery in air travel to pre-pandemic levels and the impact such recovery might have on rental car transactions and related CFC collections.
- CMH enplanement activity that has historically been somewhat volatile, largely reflecting air carrier business model shifts and evolving hub strategies.
- Evolving competitive threat of Transportation Network Companies (TNCs).

Rating Sensitivities

▪ Material and sustained growth in rental car transaction days and CFC collections, leading to strengthened debt service coverage.	+
▪ While not currently anticipated, a severe reduction in rental car transaction days, including those caused by yet unknown COVID-19 variants that result in new economic and travel related restrictions.	-

Key Ratios	
Car Rental Activity	
CFCs	
CFC Per Day	$6.50
CY 2021 CFC Collections	$6.3 million
% Δ CY 2020 to CY 2021	32.6%
Transaction Days	
CY 2021 Transaction Days	1,125,885
% Δ CY 2020 to CY 2021	35.1%
Airport Activity	
CY 2021 Enplanements	2,905,442
% Δ CY 2020 to CY 2021	78.4%
Debt Service Requirements	
MADS	$5.7 million
Coverage based on CY 2021 CFC collections and rolling coverage	1.25x
CYE 2021 CFC Surplus Fund Balance	$29.7 million

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+

Detailed reviews of Rating Determinants 1 and 3 can be found in KBRA's report dated March 26, 2021. The following discussion updates ESG Management, and Rating Determinants 2, 4 and 5.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

Environmental Factors

The Authority's leadership considers the environmental sustainability of its operations as part of its comprehensive strategic planning and annual budgeting processes, with specific focus on energy performance and environmental conservation. Management has publicly voiced their commitment to environmental responsibility and leadership within their mission, core values, and strategy communication. CRAA has committed to minimizing the impacts of their operations on the natural environment and surrounding communities by preventing pollution, reducing greenhouse gas emissions and continually improving their environmental programs.

The replacement of petroleum-powered aircraft servicing equipment with lower emission units; the conversion of its diesel-powered shuttle buses to cleaner propane Autogas; its early adoption of high intensity LED runway edge lighting; the installation of a 33-unit solar panel array primarily funded by concessionaires via a collaborative marketing fund; and the 2020 move to source 100% of its energy supply at John Glenn Columbus International Airport from renewable sources through a partnership with AEP Energy, are a few examples of recent climate-related initiatives undertaken by CRAA. Relating specifically to the CONRAC, in 2021 CRAA launched a zero-emission battery-operated bussing operation to serve the facility, making it one of the first such operations in the city of Columbus. Moving forward, as CRAA contemplates the addition of a new terminal, management reports that they will be seeking to design and build a new state-of-the-art facility that is energy efficient.

Social Factors

Management of ESG risks and opportunities that stem from stakeholder preferences can have implications on investment, access to capital, economic growth, and fiscal dynamics. To that end, CRAA management has adopted internal milestones to accomplish established diversity and inclusion goals. The Authority's Business Diversity plan calls for the creation of strategic opportunities for small, minority and women-owned businesses, and is committed to affirmative action in pursuing diversity within its staff at all levels. To drive diversity and inclusion, CRAA participates in a Diversity Apprenticeship Program, and administers a Disadvantaged Business Enterprise (DBE) program to assist with participation in contracting opportunities for businesses owned and controlled by socially and economically disadvantaged individuals, including minorities and women.

Governance Factors

The Airport provides information technology infrastructure that collects and stores sensitive data critical to the operation of the airport. The Airport takes steps to secure infrastructure from outside threats; specifically, its Cyber Risk Management program incorporates a four-faculty approach: Assessment, Technology, Social Engineering, and Insurance. Management conducts an annual assessment of their entire cyber program using the NIST Cybersecurity Maturity Model Certification (CMMC) framework utilizing a third-party consultant, and recently collaborated with the National Cybersecurity Information and Security Agency (CISA), a division of the U.S. Department of Homeland Security, to complete a cybersecurity assessment in an effort to identify and mitigate potential risks. CRAA's technology program around cyber security focuses on the best practices being adopted starting with the procurement cycle, and management has enacted significant training and ongoing readiness exercises throughout the year. Further, CRAA maintains cyber risk insurance that covers such items as public response, legal needs, restoration services, and investigation services.

Bankruptcy Assessment

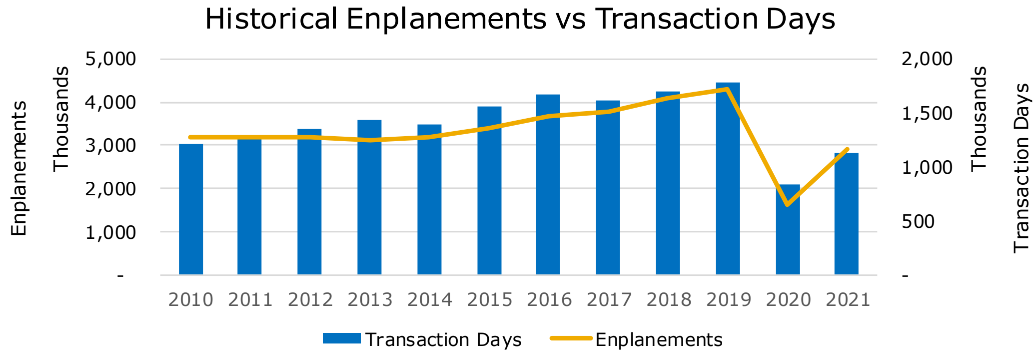
KBRA's view of the Authority's ability to file for Chapter 9 bankruptcy protection under the U.S. Bankruptcy Code, informed by consultation with outside counsel, remains unchanged from our previous review of the credit. KBRA's view of a rental car concessionaire's ability to file for Chapter 11 bankruptcy similarly remains unchanged. Please refer to the March 18, 2020 report for the full bankruptcy assessment and the March 26, 2021 report for KBRA's discussion on Hertz Corporation Bankruptcy Filing.

RD 2 Update: 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, CMH has exhibited positive trends in airport passenger traffic since FY 2014, which tend to lead to positive trends in rental car demand. Enplanements for CY 2021 totaled 2.9 million which represents 67.3% of 2019 pre-pandemic levels and an increase of 78.4% from CY 2020, improvements driven by sustained recovery in passenger air travel. Rental car transaction days were similarly impacted, improving YoY by 35.1% to 1.1 million.

Factors that could potentially depress rental car activity at CMH over the long-term, the pandemic notwithstanding, include increasing competition from TNCs (Uber/Lyft) and peer-to-peer car-sharing platforms (Turo/Getaround). Authority management notes that competition from TNCs during CY 2020 and CY 2021 were more muted than in prior years as car rentals were viewed to be safer than rideshare alternatives. In addition, the rental car industry continues to adapt to changes in the marketplace by implementing strategies to better manage fleet, increase revenues, and develop new business segments.

Figure 1



Source: Columbus Regional Airport Authority

Uncertainty remains given the unpredictable impact of future COVID-19 variants, but KBRA believes CMH remains well-positioned to recover both air traffic and rental car transactions given the strength and diversity of the Columbus MSA. The MSA's favorable mix of commercial and leisure activity spurs demand for air service and, in turn, positively affects enplanement levels and rental car transactions. Once air travel stabilizes, KBRA expects the Authority to be successful in partnering with airlines to reintroduce or expand service on existing routes and potentially add service to new destinations. The prospect for additional service, in KBRA's view, bodes favorably for additional rental car transactions. For information on the Authority's operations and general airport revenue bonds, please see KBRA's Surveillance Report dated January 12, 2021.

A more detailed assessment of this rating determinant can be found in the report dated March 26, 2021.

RD 4 Update: Revenue Analysis

Demand for car rentals at the Airport is largely dependent on the performance of the enplanement trend (Figure 2).

Figure 2

Monthly Enplanement & Rental Car Activity (2021)						
	Enplanement Activity	**Δ MoM**	**Transaction Days**	**Δ MoM**	**CFC Collected**	**Δ MoM**
January	104,967		49,516		273,293	
February	112,115	6.8%	48,826	-1.4%	266,572	-2.5%
March	199,131	77.6%	72,040	47.5%	399,867	50.0%
April	196,466	-1.3%	79,961	11.0%	439,589	9.9%
May	247,549	26.0%	89,784	12.3%	537,953	22.4%
June	287,719	16.2%	103,982	15.8%	578,942	7.6%
July	317,602	10.4%	114,248	9.9%	621,504	7.4%
August	267,507	-15.8%	120,337	5.3%	660,927	6.3%
September	275,889	3.1%	115,518	-4.0%	654,128	-1.0%
October	300,835	9.0%	128,141	10.9%	705,803	7.9%
November	292,374	-2.8%	111,028	-13.4%	598,546	-15.2%
December	303,288	3.7%	92,504	-16.7%	516,529	-13.7%
Total Year	**2,905,442**		**1,125,885**		**6,253,653**	

With the rollout of various COVID-19 vaccines and increasing demand for air travel, enplanements, gross revenue and transaction days at CMH experienced substantial improvements in 2021, increasing by 78.4%, 80.4% and 35.1% respectively. Enplanements, gross revenue and transaction days, however, are still below 2019 pre-pandemic levels.

Figure 3
Rental Car Gross Revenue vs. Enplanement
CY 2014 - 2021

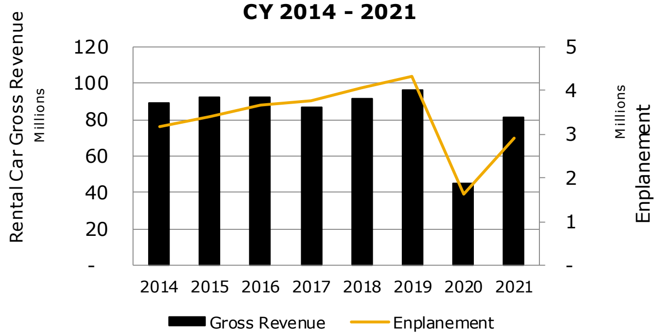
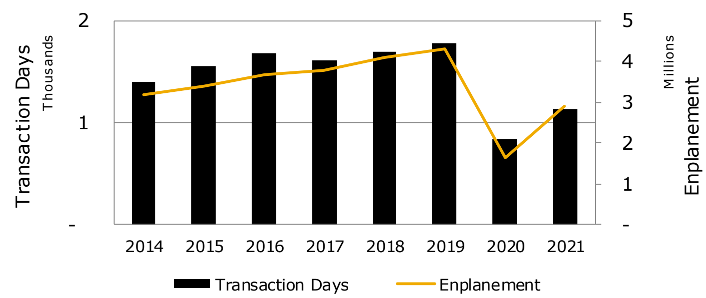


Figure 4
Transaction Days vs. Enplanement
CY 2014 - 2021



Source: Columbus Regional Airport Authority

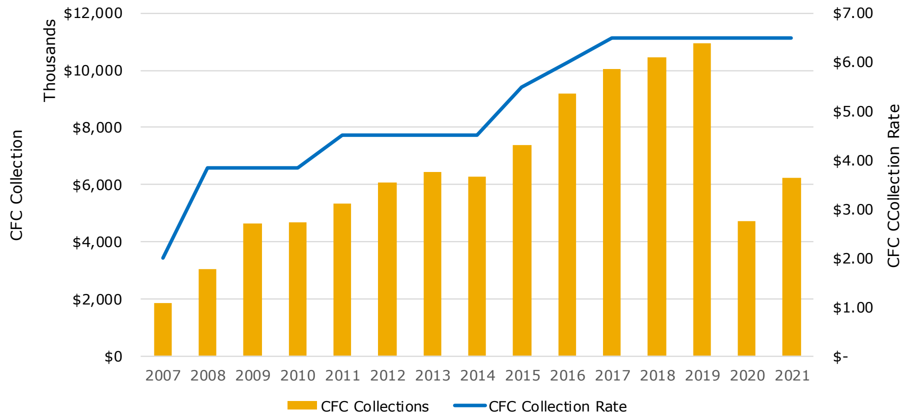
Trend in Pledged Revenues

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 to $6.50 per transaction day, set on January 1, 2017. There are currently no plans for rate adjustments.

Prior to the COVID-19 pandemic, CFC revenues increased year-over-year, from $3 million in FY 2008 (the first full year of collection) to $10.9 million in FY 2019. As of FY 2021, CFC revenues have increased YoY by 32.6% to $6.3 million, which represents 57% of CFC revenues in FY 2019. CFC revenue is projected to increase by 32.2% to $8.2 million in FY 2022 as restrictions ease and vaccine distribution continues.

Figure 5

Historical CFC Collections



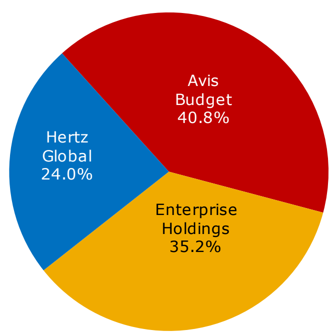
Source: Columbus Regional Airport Authority

Revenue Concentration

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. (Figure 6).

Figure 6

CMH Rental Car Holding Companies Market Share by Revenue CY 2021



Source: Columbus Regional Airport Authority

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

Figure 7

2020 Rental Car Performance			
Brand	**Gross Revenue (000s)**	**Revenue Share**	**Market Share**
Hertz	$7,247	16.0%	16%
Dollar	$3,239	7.2%	
Thrifty	$2,743	6.1%	13%
Enterprise	$7,196	15.9%	16%
National	$8,623	19.1%	
Alamo	$3,604	8.0%	27%
Avis	$6,859	15.2%	
Budget	$5,734	12.7%	28%

Source: Columbus Regional Airport Authority

Figure 8

2021 Rental Car Performance			
Brand	**Gross Revenue (000s)**	**Revenue Share**	**Market Share**
Hertz	$14,890	18.2%	18%
Dollar	$1,753	2.1%	
Thrifty	$2,916	3.6%	6%
Enterprise	$10,583	13.0%	13%
National	$13,218	16.2%	
Alamo	$4,953	6.1%	22%
Avis	$17,796	21.8%	
Budget	$15,507	19.0%	41%

RD 5 Update: Coverage and Bond Structure

The Bonds were issued in a fixed rate mode, with level annual debt service of approximately $5.7 million beginning in CY 2021. CY 2021 CFC revenues ($6.3 million) plus interest earned on deposits in the CFC Debt Service Reserve Fund ($242 thousand) and Surplus Fund withdrawal of $615 thousand, covered FY 2021 debt service by 1.25x. The Rate Covenant allows for rolling coverage and can be satisfied with a transfer to the CFC Revenue Fund from the CFC Surplus Fund in an amount limited to the lesser of the actual amount transferred or 25% of annual debt service coverage. After a portion of CFCs were used on a pay-go basis for remaining CONRAC costs in CY 2021 ($26.8 million) and CY 2022 ($4.8 million), the CFC Surplus Fund totaled $29.7 million in CYE 2021 and is projected to total approximately $23.1 million in CYE 2022.

KBRA reviewed CRAA's projection modeling CY 2022 recovery in CFCs and find it to be reasonable given recent enplanement and rental car activity at CMH. CFCs are projected to increase by 32.2%, to $8.3 million, roughly 75% of the CY 2019 level. Excluding the 25% of CFC Surplus Funds eligible for inclusion, coverage of debt service ($5.7 million) would equal 1.45x; the inclusion of rolling coverage (approximately $1.4 million) increases the cushion to 1.70x.

In addition to the Authority provided projection, KBRA also considered a scenario where COVID-19 variant related declines in CFC collections continued for the first three-months of CY 2022 at an average rate of 15%. Thereafter, CFC collections would remain flat to CY 2021 CFC collections, until a recovery in CFC collections relative to CY 2019 begins in late 2023. Under this stress, coverage of debt service would equal 1.13x with the inclusion of rolling coverage (approximately $1.4 million) increasing the cushion to 1.38x. KBRA believes that demand for travel, including rental cars, is likely to exceed what has been contemplated as part of its stress case, even though virus variants may emerge as pandemic transitions to an endemic state.