

# THE BOND BUYER

## Cleveland airport officials eye \$35 million of bonds for projects

By

**Nora Colomer**

Published

**May 03, 2018, 5:25pm EDT**

Cleveland Hopkins Airport plans to issue about \$35 million in airport revenue bonds later this year to finance short-term capital improvements.

The airport's high per-passenger rates – some of the highest in the U.S. – and high leverage are credit constraints it faces going forward, according to Moody's Investors Service. The airport has \$649 million in outstanding bonds with about 17% structured as variable-rate debt.

"Debt levels remain are high and could limit financial flexibility," the rating agency noted in a report, adding that failure to grow non-airline revenue or reduce operating expenses could result in increased cost-per-enplanement.

A spokesperson for the airport said that no rating impact is anticipated from the issuance of new bonds.

Moody's rates the airport revenue bonds Baa1. S&P Global Ratings rates the bonds A-minus and Fitch Ratings rates them BBB-plus. All three assign stable outlooks.

According to Moody's cost per enplanement for 2016 was \$20.35 and is estimated to be \$19.92 for fiscal 2017, an improvement from \$21.56 in 2014, but still above the airport sector median of \$8.42.

"We're not in a position where we can increase airline fees," said Airport Director Robert Kennedy.

Moody's said that increases in parking rates and expected increases in fees charged to transportation network companies like Lyft and Uber should help bolster total revenues and keep pace with the escalating annual debt service costs.

On May 1, airport increased parking rates by \$2 with the exception of valet parking. The new parking rates range from \$11 to \$20 a day depending on the lot location, and curbside valet will stay at \$25.

The airport is also considering a proposal to increase the per-trip fee for TNCs and taxis that serve the airport. Currently, these companies pay \$4 for each drop-off or pick-up at the airport. It's not clear how much the fee would increase under the airport's proposal.

The airport plans to spend roughly \$4.5 million of bond proceeds a new master plan to see how to better use space at the land-locked, 2,000-acre airfield. The plan would look at changes in the airfield, the terminal and the use of the air space above the airport. The airport last updated its master plan in 2012.

Work on the master plan will get started late this year and will take up to two years to complete, the spokesperson said.

In addition to the master plan, other projects include boiler replacement, cooling chiller replacement, airfield sanitary sewer system relocation and future baggage system expansion.

The airport finalized a new airline agreement on Jan. 1, 2017, that allows it to adjust terminal rents and landing fees to recover annual debt service and operating costs. The agreement has a five-year term, with two two-year options to extend.

Enplanements were up 8.5% in fiscal 2017 compared to 2016, and are up 11.5% through the first quarter of 2018, according to a Moody's Investors Report. Recent growth represents a recovery following a significant 16.1% decline in 2014, when United pulled its hub from Cleveland.

The reversal is largely due to the entrance of new air carriers Frontier, Spirit and JetBlue, adding routes and lowering average ticket prices. The airport expects continued enplanement growth in 2018 with the new transatlantic service from WOW Air and Icelandair starting in 2018.