

June 5, 2023

Portland International Jetport  
1001 Westbrook Street  
Portland, ME 04102  
Attention: Paul Bradbury, Airport Director

Re: ***US\$14,555,000 Portland International Jetport, General Airport Revenue Refunding Bonds, Series 2023, dated: Date of Delivery, due: July 1, 2032***

Dear Paul Bradbury

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "A-". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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***Moors & Cabot, Inc. Capital Markets Division***

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## Portland International Jetport, Maine; Airport

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# Portland International Jetport, Maine; Airport

## Credit Profile

US\$14.555 mil gen arpt rev rfdg bnds (Portland International Jetport) ser 2023 due 07/01/2032

<i>Long Term Rating</i>	A-/Stable	New
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### Portland, Maine

Portland International Jetport, Maine

Portland (Portland Intl Jetport) arpt

<i>Long Term Rating</i>	A-/Stable	Affirmed
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Portland (Portland Intl Jetport) arpt (BAM) (SECMKT)

<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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## Credit Highlights

- S&P Global Ratings assigned its 'A-' long-term rating to Portland, Maine's approximately \$14.6 million general airport refunding revenue bonds (GARBs), series 2023, issued for Portland International Jetport (PWM).
- At the same time, S&P Global Ratings affirmed its 'A-' underlying rating (SPUR) on Portland's general airport revenue bonds outstanding.
- The outlook is stable.

## Security

The series 2023 bonds and the GARBs outstanding constitute a limited obligation of the city, and are secured and payable from net receipts, revenues, fees, rentals, investment earnings, income and other moneys derived from the ownership and operation of the jetport. Pursuant to the general certificate, revenues exclude passenger facility charges (PFCs), although PFCs might be included as a debt service offset for eligible projects. In addition, the series 2023 bonds will have a debt service reserve account funded at the lesser of 10% of the par amount of the bonds, maximum annual debt service (MADS), or 125% of the average annual debt service in the current or any future fiscal year.

A portion of the series 2023 bonds will be used to refund existing series 2013 GARBs, to fund the series 2023 debt service reserve account, and to pay the costs of issuance. Post-issuance, PWM will have approximately \$87.3 million of GARBs outstanding. PWM's debt is fixed rate, with no variable-rate debt, swaps, or direct-purchase debt outstanding.

## Credit overview

The rating reflects our view of PWM's strong enterprise and financial risk profiles. The rating also reflects a negative holistic analysis adjustment we apply to accurately reflect the overall creditworthiness of PWM, given its comparatively lower enplanement levels and small service area. Our enterprise risk profile considers PWM's historically steady growth in air travel demand prior to the pandemic with some seasonality and modest competition. The jetport's post-pandemic enplanement recovery has trailed other small-hub airports with fiscal year 2022 enplanements recovered to 980,634, or approximately 88.5% of the jetport's fiscal 2019 enplanement peak. On a pro forma basis, management conservatively forecasts flat enplanement growth (981,000 or 88.5% of pre-pandemic levels)

in fiscal 2023 followed by a 6.8% increase to approximately 1.05 million enplanements (or 94.7% of pre-pandemic levels) for fiscal 2024. The rating further reflects PWM's diverse carrier mix and adequate rate setting flexibility.

Our overall very strong financial risk profile incorporates PWM's historically strong financial performance that we expect will be sustained given a general recovery and stabilization in enplanements, supported by no near-term debt plans. During the period of pandemic-induced enplanement declines, PWM demonstrated financial resilience as management took prudent actions to reduce the operating expenditures significantly, while also receiving support from federal operating grants. At the same time, we view its 2023-2027 capital improvement plan (CIP) to be modest, with \$93 million of planned projects, of which 87% will be funded with federal grants or state sources and the remaining portion with pay-as-you-go financing. We expect the jetport's pro forma coverage (S&P Global Ratings-calculated), incorporating the proposed series 2023 bond refinancing, will be maintained between 2x-3x, with debt to net revenues remaining in a range that we consider to be very strong (5x-10x); strong unrestricted days' cash on hand (DCOH) over 400; and strong unrestricted reserves to debt at 20%-50%. Our calculations exclude the use of federal aid given its nonrecurring nature.

Key credit strengths, in our opinion, include PWM's:

- Extremely strong economic fundamentals, reflecting an economically healthy service area, which encompasses the Portland-South Portland metropolitan statistical area, supported by a steady population base, strong economic activity as measured by GDP per capita, and comparatively low unemployment rate relative to the national average;
- Strong financial performance, including estimated pro forma DSC of 2.08x based on the fiscal 2024 budget projections (S&P Global Ratings-calculated), and our near-term expectation that DSC will be maintained between 1.25x and 3.00x given recovered and stabilized activity levels;
- Very strong debt and liabilities capacity with debt to net revenues that we expect will remain between 5x and 10x, and pro forma very strong liquidity and financial flexibility (with 400 to 800 DCOH and between 20% and 50% of debt), respectively, reflective of the jetport's relatively low debt burden and no plans to issue additional debt for its near-term capital needs; and
- Strong management and governance, demonstrating good strategic planning and competency in operating a jetport of this size, along with management's conservative approach to financial and capital planning.

Partially offsetting these strengths, in our view, are PWM's:

- Adequate market position given PWM's comparatively small baseline level of demand (approximately 1.1 million enplanements pre-pandemic) and moderate regional competition, particularly from Boston's Logan International Airport; and
- Exposure to tourism travel as a destination market with moderate seasonality in demand.

### **Environmental, social, and governance**

We analyzed PWM's risks and opportunities related to environmental, social, and governance (ESG) factors relative to its market position, management and governance, and financial performance. In our view, ESG factors are neutral in our credit rating analysis. In our view PWM incorporates climate-transition risks in its capital planning and it has been a sector leader in undertaking carbon-emission-mitigation projects at its airport terminal facility.

## Outlook

The stable outlook incorporates PWM's generally recovered activity levels that we expect will support its strong financial risk profile, with no additional debt needs.

### Downside scenario

We could lower the rating if enplanement trends weaken materially or are unpredictable due to weakening macroeconomic conditions or market position, or if we expect financial metrics (S&P Global Ratings-calculated) will be sustained at weaker levels that are inconsistent with a strong financial risk profile.

### Upside scenario

We could raise the rating if financial metrics improve to levels that we consider consistent with a very strong financial risk profile.

## Credit Opinion

The jetport is owned and operated by the City of Portland and day-to-day operations are managed by its airport director and staff. In our opinion, PWM's service area economics are extremely strong. The jetport operates in a broad, diverse, and growing service area with a total population of 568,000 and per capita GDP is 99% of U.S. levels. PWM's one terminal consists of approximately 300,000 square feet, divided into three levels for passenger processing. The passenger terminal contains 14 passenger gates, nine of which contain passenger-loading bridges and three of which contain regional boarding ramps. Management estimates that current terminal facilities can accommodate up to 1.75 million annual enplanements with limited additional capital improvements required.

The jetport received approximately \$26.4 million in U.S. Department of Transportation operating grants, administered by the Federal Aviation Administration, which can be used to pay debt service, offset revenue losses, provide rate relief to airlines and concessionaires, and for other eligible uses. PWM applied \$1.98 million in federal operating grants in fiscal 2020, \$9.60 million in fiscal 2021, and approximately \$5.90 million in 2022, with the remaining \$8.20 million expected to be used between fiscal years 2023 and 2025. In addition, PWM expects to apply approximately \$51.7 million from the federal Bipartisan Infrastructure Law to funding infrastructure improvements under its 2023-2027 CIP.

S&P Global Ratings believes that the U.S. economy will fall into a shallow recession in 2023, although increased credit tightening stemming from recent events in the banking sector has elevated the likelihood of a hard landing. S&P Global Economics' U.S. GDP growth forecast is 0.7% for 2023 and 1.2% for 2024. The report also expects U.S. GDP will decline by 0.3% from its peak in first-quarter 2023 to its third-quarter trough. We expect the U.S. unemployment rate, at 3.6% in February 2023 and just above its pre-pandemic level, to rise in 2023 and peak at 5.4% in second-quarter 2024 before declining in late 2025. Our lower GDP and inflation forecasts for 2023 and 2024 incorporate the likely outcome of the Federal Reserve's aggressive policy stance to keep interest rates higher until inflation drops toward its 2% target. See "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023, on RatingsDirect.



## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

### Ratings Detail (As Of June 5, 2023)

#### Portland, Maine

Portland International Jetport, Maine

Portland (Portland Intl Jetport) arpt

<i>Long Term Rating</i>	A-/Stable	Affirmed
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Portland (Portland Intl Jetport) arpt

<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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Portland (Portland Intl Jetport) arpt (BAM) (SECMKT)

<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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Portland (Portland Intl Jetport) arpt (BAM) (SECMKT)

<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

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