# Bond Case Briefs

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## Project Runway: Airport Muni Bonds Strut Their Stuff.

Pulling into the big new parking garage at Charlotte Douglas International Airport, I smiled. Parking had always been a pain at the old garage, not to mention during construction (Yes. I fly there a lot). And I was suddenly reminded that, for all the legitimate talk about underfunded public transportation infrastructure, airports are a shining exception.

From 2002 to 2013, based on data provided by the Federal Aviation Administration, passengers at the nation's top 10 busiest airports increased 27%, from 230 million to about 293 million. That's 175,000 more people flying every single day–the entire population of Providence, RI. To keep up with the increased travel, those top 10 airports—Atlanta (Hartsfield), Chicago (O'Hare), Los Angeles, Dallas/Fort Worth, Denver, Charlotte (Douglas), New York (JFK), San Francisco, Las Vegas (McCarran) and Phoenix—are building and refurbishing at a furious pace.

Over the past five years, Los Angeles, Dallas/Fort Worth and Denver went to the bond market for $3.6 billion in new funds. Meanwhile, San Francisco and Orlando have multibillion dollar capital plans, and other airports are following suit. In fact, over the last decade, bond issuance for transportation (which includes airports) has been the second largest non-general purpose debt sold by municipal agencies and authorities, behind only education.

Airports sometime get overshadowed by airline news, and it's been a mostly rocky 15 years for the airlines. Bankruptcies (five, including the two by US Air) and mergers (six, at last count) have narrowed what were the 10 major domestic carriers at the start of the century to just three. But the airports these airlines use are very stable. Of the top-10 airports, seven enjoy double-A ratings on their senior lien bonds by at least one of the three major rating agencies (Moody's, Standard & Poor's, and Fitch). The other airport ratings fall squarely in the single-A investment grade category. Downgrades are rare; there have only been four over the past seven years, and those were modest adjustments.

For municipal bond investors, airports have been an opportunity for above average returns. According to the S&P Municipal Bond Airport Index, which has tracked this sector since 2011, compounded returns as of May 2015 were about 21%, outpacing the general market S&P Municipal Bond Index return of about 17% over the same period.

The bottom line is that no matter what corporate logo is on their wings, planes still need airports to take off and land. For all the negative headlines about fluctuating fuel prices and bankruptcies among airlines, the biggest airports remain relatively unaffected. They are essential public purpose entities; they are robust and they are growing.

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6/18/2015 @ 2:16PM

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