



NEWS RELEASE

KBRA Assigns 'A' Rating to Chicago Midway Airport Senior Lien Airport Revenue Refunding Bonds Series 2024A (AMT) and Series 2024B (Non-AMT); Affirms Rating for Parity Bonds; Withdraws Rating for Second Lien Airport Revenue Bonds

3/7/2024

NEW YORK--(BUSINESS WIRE)-- KBRA assigns a long-term rating of A with a Stable Outlook to the City of Chicago, IL Chicago Midway Airport: Senior Lien Airport Revenue Refunding Bonds, Series 2024A (AMT); and, Senior Lien Airport Revenue Refunding Bonds, Series 2024B (Non-AMT). KBRA additionally affirms the long-term rating of A for parity Senior Lien Airport Revenue Bonds. The Outlook for each obligation is Stable.

Finally, KBRA withdraws the long-term rating of A for the City's Chicago Midway Airport Second Lien Airport Revenue Bonds. This action follows the City's retirement of all remaining legacy First Lien Bonds, closure of the previously existing first lien, and redesignation of outstanding Second Lien Bonds as Senior Lien Bonds under the Amended and Restated Senior Lien Master Indenture of Trust.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- Strong, diverse, expansive air trade area supports O&D activity.
- Ranks as the third busiest airport in its dominant carrier's (Southwest) route system as measured by enplanements and scheduled seat capacity.
- Residual agreements obligate airlines, mainly Southwest, to absorb necessary rate and rental charge increases.

Credit Challenges

- High level of carrier concentration, as Southwest accounts for nearly 90% of enplaned passenger activity.
- Narrow debt service coverage, reflecting an adequate, although strengthened, rate covenant and residual airport use agreement.
- Non-airline revenue performance ranks among the lowest of U.S. commercial airports.

Rating Sensitivities

For Upgrade

- Diversification of the carrier mix with concurrent enplanement growth.
- Successful transformation of terminal concessions, resulting in enhanced non-airline revenue support.

For Downgrade

- Significant reduction in Southwest Airlines operations at Midway.

To access rating and relevant documents, click [here](#).

Methodologies

- **Public Finance: U.S. General Airport Revenue Bond Rating Methodology**
- **ESG Global Rating Methodology**

Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located [here](#).

Information on the meaning of each rating category can be located [here](#).

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at **www.kbra.com**.

About KBRA

Kroll Bond Rating Agency, LLC (KBRA) is a full-service credit rating agency registered with the U.S. Securities and Exchange Commission as an NRSRO. Kroll Bond Rating Agency Europe Limited is registered as a CRA with the European Securities and Markets Authority. Kroll Bond Rating Agency UK Limited is registered as a CRA with the UK Financial Conduct Authority. In addition, KBRA is designated as a designated rating organization by the Ontario Securities Commission for issuers of asset-backed securities to file a short form prospectus or shelf prospectus. KBRA is also recognized by the National Association of Insurance Commissioners as a Credit Rating Provider.

Doc ID: 1003448

Analytical Contacts

Harvey Zachem, Managing Director (Lead Analyst)

+1 646-731-2385

harvey.zachem@kbra.com

Peter Scherer, Senior Director

+1 646-731-2325

peter.scherer@kbra.com

Karen Daly, Senior Managing Director (Rating Committee Chair)

+1 646-731-2347

karen.daly@kbra.com

Business Development Contacts

William Baneky, Managing Director

+1 646-731-2409

william.baneky@kbra.com

James Kissane, Senior Director

+1 646-731-2380

james.kissane@kbra.com

Source: Kroll Bond Rating Agency, LLC