

CREDIT OPINION

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Salina Airport Authority, KS

Update to credit analysis

Summary

The credit profile for [Salina Airport Authority, KS](#) (Aa3) benefits from a moderately sized and growing tax base that is coterminous with the City of Salina and the airport's regional significance as a refueling stop due to its location in the middle of the country and its long runway. Though resident income levels are below average, the cost of living is also low. Industrial and warehousing development remains strong and some of the authority's top customers are expanding. This will provide additional operating revenue that will help the authority maintain a stable financial position.

The financial position improved in fiscal 2023 and fiscal 2024 unaudited results are positive. Upon approval of the city council, the authority can levy 3 mills for operations, which has never been accessed, but the flexibility is a credit strength. Despite some future debt plans, leverage will remain manageable.

Credit strengths

- » Regional significance due to location and long runway
- » Ability to levy an additional 3 mills with city council approval

Credit challenges

- » Reliance on economically sensitive revenues for operations

Rating outlook

We do not assign outlooks to local government issuers with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Significant economic and tax base growth
- » Significant growth in unrestricted fund balance and liquidity

Factors that could lead to a downgrade

- » Contraction in the economy and tax base
- » Decreasing liquidity that puts the authority out of compliance with its policy
- » Significant increase in leverage

Key indicators

Exhibit 1

Salina Airport Authority, KS

Salina Airport Authority, KS	2019	2020	2021	2022	2023
Economy/Tax Base					
Total Full Value (\$000)	\$3,150,409	\$3,292,558	\$3,325,194	\$3,392,139	\$3,705,559
Population	46,998	46,706	46,896	46,734	46,432
Full Value Per Capita	\$67,033	\$70,495	\$70,906	\$72,584	\$79,806
Median Family Income (% of US Median)	91.3%	85.0%	84.1%	83.5%	85.4%
Finances					
Operating Revenue (\$000)	\$4,844	\$5,294	\$5,620	\$5,725	\$6,537
Fund Balance (\$000)	\$1,450	\$3,209	\$6,469	\$2,866	\$3,734
Cash Balance (\$000)	\$655	\$2,256	\$5,304	\$3,588	\$2,739
Fund Balance as a % of Revenues	29.9%	60.6%	115.1%	50.1%	57.1%
Cash Balance as a % of Revenues	13.5%	42.6%	94.4%	62.7%	41.9%
Debt/Pensions					
Net Direct Debt (\$000)	\$22,430	\$23,562	\$25,680	\$24,969	\$38,297
3-Year Average of Moody's ANPL (\$000)	\$2,010	\$2,255	\$2,453	\$2,369	\$2,144
Net Direct Debt / Full Value (%)	0.7%	0.7%	0.8%	0.7%	1.0%
Net Direct Debt / Operating Revenues (x)	4.6x	4.5x	4.6x	4.4x	5.9x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.1%	0.1%	0.1%	0.1%	0.1%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.4x	0.4x	0.4x	0.4x	0.3x

Source: Salina Airport Authority, KS's audited financial statements, Moody's Ratings

Profile

The Salina Airport Authority was created for the purpose of accepting as surplus property portions of the former Schilling Air Force Base, which was closed by the United States Department of Defense in 1965. The authority operates and develops the Salina Regional Airport and the Salina Airport Industrial Center. The authority is coterminous with the City of Salina, the county seat of Saline County. The city is the seventh largest city in Kansas, with an estimated population of 46,000.

Detailed credit considerations

Economy and tax base: new development will continue to drive tax base growth

The authority's tax base is projected to remain stable over the near term due to the City of Salina's commercial, retail and medical importance to north central Kansas. Assessed valuation averaged a 4% annual increase over the past five years and now totals over \$4 billion as of fiscal 2025. Significant residential development (especially multi-family), as well as private investment to construct additional warehouses, will drive future tax base growth. The authority is equipping 80 acres with road and utility infrastructure for future industrial development, 20 acres of which have recently been purchased by Amazon.com, Inc. for a new last-mile facility.

With a 12,300 foot runway and with its central geographic location, the airport sees a variety of aviation use. Daily commercial service to Denver, Chicago and Houston (as of May 2025) is provided by SkyWest Airlines operating as United Express. The airport also serves as an Airport of Embarkation/Debarcation for the Fort Riley Army installation located 60 miles east of Salina. The airport is also available for corporate, air freight and flight training activity. Popular as a mid-continent fuel stop, the authority benefits from a fuel surcharge collected on each gallon of fuel purchased from the authority's tenant and fixed based operator, Avflight Salina, which delivered 2.1 million gallons of fuel in 2023.

The authority owns 1.2 million square feet of hanger space, manufacturing, warehousing and office space, and is home to over 125 businesses and organizations. Currently, the authority's facilities are 94% leased when accounting for leases that exceed one year. The five largest tenants accounted for 49.2% of operating revenue in 2023. Several of the top customers are expending, including Avflight.

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The airport has a partnership with Kansas State University-Salina, which is also expanding. The university offers degrees in professional flight training, airframe and power plant maintenance, airport management, and avionics.

Financial operations and reserves: finances will remain stable

Financial reserves will remain around current levels based on positive unaudited fiscal 2024 results. The authority receives over half of its revenue (excluding ad valorem taxes that pay debt service) from a stable revenue source, multiyear leases, but the remaining operating revenue is economically sensitive because it comes from fees from aircraft landing, a fuel surcharge on each gallon of fuel provided to aircraft, and events that the airport holds annually. Additionally, the airport receives \$200,000 annually from the United States Airforce for serving as a forward operating location (FOL) for military aviation units.

Fiscal 2023 was another positive year. Operating revenue increased just under 5% and expenses were largely flat. The authority remains in compliance with its formal policy to maintain unrestricted cash of \$1.8 million. Fiscal 2024 unaudited results reflect another surplus of about \$200,000 and an improvement in unrestricted cash to about \$2.3 million. The fiscal 2025 budget is balanced.

The authority can levy up to three mills for operations, subject to approval of Salina's city council. Management has never utilized the levy and currently has no plans to do so. While the limit does not apply to the authority's ability to levy unlimited taxes for the repayment of its general obligation debt, it provides revenue raising flexibility if needed.

The authority continues to levy 1 mill for grants due to the achievement of 10,000 enplanements annually. The milestone altered the airport's designation to that of a "primary" airport by the FAA and made the airport eligible for \$1 million in FAA grants. The revenue generated by the 1 mill relieves pressure on airport operations to match grant proceeds.

Debt and pensions: leverage will remain manageable

The debt burden will remain manageable because of modest tax base growth and limited future debt plans over the next five years. Post-issuance of the Series 2025-1 and 2025-2 notes, the debt burden will be 1% of fiscal 2025 full value. The authority will issue long-term debt next year to take out about \$3 million of the Series 2025-1 and 2025-2 notes; the city will take out the remaining \$6 million. In addition, the authority will issue \$5 million in long-term debt to take out the Series 2023-1 notes issued for underground fuel storage tanks. All of the temporary notes are included in the debt burden so the take-outs will not increase the debt burden.

Legal security

The bonds are general obligations of the authority and are payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable tangible property, real and personal, within the territorial limits of the authority, which is coterminous with the City of Salina.

Debt structure

All debt is fixed rate and matures in 2043.

Debt-related derivatives

The authority is not subject to any swaps or other debt-related derivatives.

Pensions and OPEB

The authority participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan. Moody's three-year average adjusted net pension liability (ANPL) for the authority is \$2.1 million or 0.1% of full value. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the authority's reported pension information, but to improve comparability with other rated entities. We determined the authority's share of liability for the cost-sharing plans administered under KPERS in proportion to its contributions to the plan.

ESG considerations

Environmental

The local government sector generally has low exposure to environmental risks. According to data from Moody's ESG Solutions, the district has high exposure to water stress, medium exposure to heat stress and wildfires, and low exposure to floods.

Social

Resident income levels are slightly below average with a median family income equal to about 85% of the US median; however, this is mitigated by a below average cost of living with median home values equal to 54% of the US median. Population has been relatively stable due to the city's status as a commercial hub for north central Kansas.

Governance

By statute, the Salina City Commission appoints a five-member authority board of directors. The authority approves its own budget (subject to city consent for any General Purpose Operations levy) and is responsible for repaying its own debt. The mill levy for debt service is set by the authority's board and is not subject to oversight or approval requirements by any other entity. The board appoints the executive director who is the chief executive officer of the authority. The authority practices good governance by operating lean to keep the overall tax rate down, and to rely on operating revenue to fund operations so as not to require the need for the additional three mill levy for operations.

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