

## 9 FINANCIAL PLAN

### 9.1 Introduction

The previous chapters of the Master Plan evaluated Austin-Bergstrom International Airport's (Airport) existing facilities, projected the future activity levels, identified potential facility needs, evaluated alternatives and recommendations for addressing those facility needs, and identified an implementation plan throughout the 20-year planning period.

Regardless of the identified need for improvements, the ability to fund the capital program will ultimately determine when the project is implemented. Implementing and funding the Master Plan CIP for ABIA will largely be a function of the availability of various funding sources, and ultimately, the ability of the Airport to finance the projects. Due to the conceptual nature of a master plan, implementation of these capital projects should occur only as demand warrants and after further refinement of their costs and plan of finance. The projected capital costs presented herein must be viewed as preliminary, reflecting a master plan level of detail subject to refinement in subsequent implementation steps.

This chapter addresses the availability of various funding sources for the proposed Master Plan Study improvements.

The process for preparing the Financial Plan included the following steps:

- Summarize the Airport's financial structure presenting current accounting practices, the financial operating environment, and key provisions of governing documents.
- Identify future project costs including the Master Plan Study Capital Improvement Program (CIP) and the Airport's 5-year CIP through Phases 1 and 2 of the Master Plan Study. While longer-term CIP projects are presented in this chapter for an overview of potential ultimate development, the forecast financial analysis did not incorporate them primarily because of uncertainty in timing for such projects.
- Identify potential funding sources, including the Federal Aviation Administration's (FAA's) Airport Improvement Program (AIP), Passenger Facility Charges (PFCs), rental car Customer Facility Charges (CFCs), and ABIA funds including both available cash and future airport revenue bond debt.

## **9.2 Financial Structure Overview**

This section discusses the Airport's financial structure, including the cost center structure used for airline rate-setting purposes, the requirements and provisions of the existing bond resolution, and a summary of the airline use and lease agreement between the Airport and the airlines.

### **9.2.1 Department of Aviation and City of Austin Accounting**

The Department of Aviation (DOA) is a department within the City of Austin (COA) and is included as an enterprise fund under the COA's comprehensive annual financial report. Certain accounting, budgeting, financing, treasury, and related functions are performed by the COA's Financial Service Department. Airport System funds are held in separate COA accounts.

ABIA operates as a self-sustaining enterprise fund of the COA without receiving any tax revenue. Funding to finance operating expenses and development is generated by fees and rent paid by airlines, concessions and passengers. In addition, ABIA receives FAA AIP grants. In order to comply with federal regulations and to ensure ABIA is eligible to receive AIP funds, all revenue generated by the Airport is retained by the airport for the capital or operating costs of the airport.

Under Generally Accepted Accounting Principles, the Airport's annual audited financial statement and budget are prepared based on the modified accrual basis. Under this method, ABIA records revenues when earned and expenses at the time liabilities are incurred. The Bond Resolution (described later) prescribes the flow of the Airport's revenues through the trust funds and prioritizes the use of revenues. The COA's and the Airport's Fiscal Year (FY) ends September 30.

### **9.2.2 Legal Environment**

#### **9.2.2.1 Legal Requirements**

Incorporated in 1839, the COA operates under a Council-Manager form of government under its home rule charter. By charter, the COA Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the COA. The DOA is a department with the COA and the operations of the Department are managed by the Executive Director of Aviation who is appointed by the City Manager.

Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Pursuant to a Grant Agreement executed in conjunction with the 2017 ABLE bond issue for refinancing and updating the hotel, the COA has agreed to provide Surplus Airport System Revenues, to the extent they are available, to fund specified shortages into the ABLE Senior Debt Service Reserve Fund if necessary.

The Airport Development Corporation is governed by a board composed of the City Council and has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. Revenue bonds were also issued to construct cargo facilities when the airport opened but all bonds have now been redeemed.

### **9.2.2.2 Federal Grant Assurances**

In addition to State and local legal requirements, the Airport also must fulfill various federal legal obligations because it uses federal grant funds for airport purposes. All airport sponsors that receive federal grants must comply with certain grant assurances, legislation, orders, regulations, and circulars as part of their agreement to access those funds. The federal grant assurances are codified in Title 49, U.S.C. Subtitle VII, as amended. Two of the requirements among these grant assurances pertain to airport revenue use exclusively for airport-related purposes and for maintaining fee structures that make the airport as self-sustaining as possible. The next two subsections further describe these requirements.

#### **9.2.2.2.1 Revenue Use**

The grant assurances provide that a public airport will only expend the revenue it generates for its capital or operating costs, the local airport system, or other local facilities owned or operated by the airport owner. These other local facilities must be directly and substantially related to the air transportation of passengers or property. Any use of the revenue that does not conform to the permitted capital or operating costs above may be considered revenue diversion, which is prohibited.

Revenue diversion includes direct or indirect payments exceeding the value of services and facilities provided to the airport, use of the airport revenues for general economic development, marketing, and promotional activities unrelated to airports, and payments in lieu of taxes. In addition, this grant assurance prohibits payments to compensate non-sponsoring governmental bodies for lost tax revenues exceeding stated tax rates.

An airport must conduct annual financial audits to prove its permissible use of airport revenue and to establish compliance with the prohibition on revenue diversion. The statutory penalties for diverting revenue are severe.

### 9.2.2.3 Self-Sufficiency

Airports must maintain a fee and rental structure that makes the airport as financially self-sustaining as possible under the particular circumstances at that airport. The requirement recognizes that individual airports will differ in their ability to be fully self-sustaining, given differences in conditions at each airport. The purpose of the self-sustaining rule is to maintain the utility of the federal investment in the airport.

To conform to this requirement, an airport owner must have undertaken reasonable efforts to maintain a fee and rental structure to sustain itself as much as possible under the circumstances existing at that particular airport. Fees for the use of the airfield generally may not exceed the airport's capital and operating costs of providing the airfield. Aeronautical fees for landside or airfield facilities (e.g., hangars and aviation offices) in non-movement areas may be at a fair market rate but are not required to be higher than a level that reflects the cost of services and facilities.

Rates charged for non-aeronautical use (e.g., concessions) of the airport must be based on fair market value (e.g., lease of land at fair market rent subject to the specific exceptions).

## 9.2.3 Governing Documents

Two primary documents that essentially set the financial framework for the Airport's financial operations are the Bond Ordinance and airline use and lease agreement. These documents describe the Airport's obligations to its bondholders and to the airlines operating at the Airport.

### 9.2.3.1 Bond Resolution

Any capital project costs not paid from federal grants, PFC revenues, and contributions from the Capital Fund are financed by the Airport by issuing Airport System Revenue Bonds. These bonds are limited obligations of the COA paid solely from and secured by Net Revenues generated by the Airport (Gross Revenue minus Operation and Maintenance Expenses) and other funds established by a Bond Ordinance.

Under the Bond Ordinance, the COA pledges to deposit its revenues and to fund its operations and required reserve accounts as established through a defined priority basis.

The COA has pledged that it will at all times fix, charge, impose, and collect rentals, rates, fees, and other charges for the use of the Airport System in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

1. all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any Debt Service or Debt Service Reserve fund or account for Subordinate Obligations, or

2. an amount, together with Other Available Funds, not less than 125% of the Debt Service Reserve Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

### **9.2.3.2 Airline Use and Lease Agreement**

An airline use and lease agreement is a contract between the airport operator and its tenant airlines that establishes the rights, privileges, and obligations for each party and defines how ABIA is to be used by the airlines.

The COA's current Use and Lease Agreements (Agreements) with the signatory airlines have continued on a month-to-month basis since their scheduled expiration date of September 30, 2014. Five of the Signatory Airlines (American, Delta, Southwest, JetBlue, and United) executed an amendment to the Agreements that extends the term through one-year after the date of beneficial occupancy of the Airport's East Terminal Expansion project. This amendment also clarified the landing fee billing process and updates the minimum gate usage requirement (seven departures or 800 seats) for preferential use of a gate per day (up from five daily departures). All-cargo airlines and other passenger airlines at the Airport that are not parties to the Agreements operate pursuant to operating agreements and pay the same rates as the signatory airlines.

#### **9.2.3.2.1 Airport Cost Centers**

The Agreements establish cost centers to which debt service, 25% debt service coverage, amortization of investments from the Capital Fund, O&M expenses, O&M Reserve Account deposits, and other requirements are allocated. Amounts allocated to the airline cost centers provide the basis for calculating rentals, fees, and charges paid by the airlines. Amounts allocable to non-airline cost centers are met by the COA from concessions, parking, rental car, and other non-airline revenues. The Airport's cost centers are further defined in the following sections.

#### **9.2.3.2.2 Airline Cost Centers**

- Airfield - Runways, taxiways, air navigation aids, and associated land, facilities, and equipment. The Signatory Airlines and all other airlines pay landing fees, calculated according to a residual methodology, to recover the requirements allocated to the cost center after the credit of fuel flowage fee revenues assessed to the fixed base operators at the Airport.
- Terminal Apron - Aircraft parking apron at the terminal building, including apron areas for overnight aircraft parking. The Signatory Airlines and all other airlines pay apron fees calculated to recover the requirements allocated to the cost center over leased parking positions.
- Terminal Building - Airline-leased space and facilities in the terminal. The Signatory Airlines pay terminal building rentals, calculated according to a compensatory methodology, to recover the requirements allocated to the cost center over leased space.

- Terminal Equipment - The Signatory Airlines separately pay terminal equipment fees to allow recovery of the costs of passenger loading bridges, flight information display systems, and baggage handling systems.
- Fuel Facility - Fuel storage and distribution facilities. The Signatory Airlines pay fuel facility fees calculated to meet the capital recovery requirements of the cost center.

### 9.2.3.3 Non-airline Cost Centers

- Terminal Building - All terminal space and facilities not leased to the Signatory Airlines, including unleased airline space, public circulation space, and concession space.
- Automobile Parking - Public and employee automobile parking garages, lots, associated facilities, and equipment.
- Other Non-airline Areas - Rental car, air cargo, and other facilities, buildings, and grounds including utilities, roads, bridges, and other infrastructure.
- PBX/STS/PDS - Telecommunication systems and other shared tenant services.

### 9.2.3.4 Rate Setting Methodology

The Agreements employ a ratemaking methodology that is considered “hybrid” in nature. The COA has generally utilized this methodology since the opening of the Airport in 1999. A summary of the key elements of the Agreement’s airline ratemaking methodology is as follows:

- A “cost center residual” landing fee rate for the Airfield Area using “total” airline landed weight as the divisor. In general, the airlines bear the primary financial risk for the Airfield Area, and all users pay the same landing fee rate at the Airport; however, any airlines that land at the Airport without an agreement are charged a premium of twice the landing fee rate established per the Agreements.
- Terminal rents, aircraft parking fees, and other charges for use of the terminal and aprons are established on a “compensatory” basis. The DOA assumes the primary financial risk for the terminal, aprons, and other non-airfield areas.

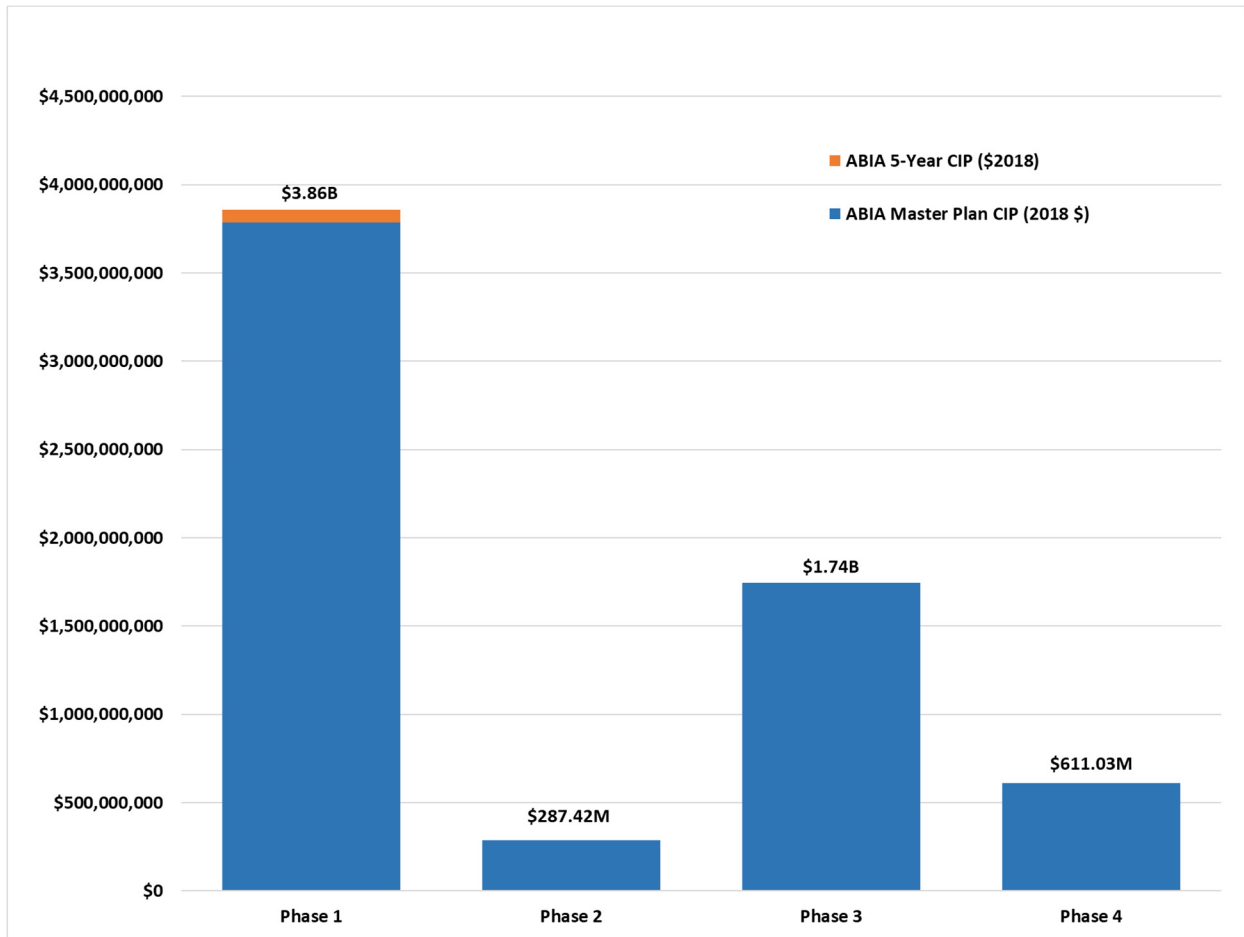
## 9.3 Funding Plan

Based on the Implementation Plan identified in the previous chapter, a proposed funding plan was developed for Phases 1 and 2 of ABIA’s Master Plan Study. In developing the funding plan, the overriding objective was to maximize the use of external resources and minimize the amount of funding from local sources. The Master Plan CIP is to be funded from a combination of the following sources:

- FAA AIP Grants
- Local ABIA Funds (including PFCs, CFCs, ABIA cash, and airport revenue bonds)
- Third-Party Funds

**Exhibit 9.3-1** presents a summary of the estimated construction costs by Phase in 2018 dollars. As shown, after including the Airport’s on-going 5-year CIP projects, total capital costs over the next 20 years is estimated to be approximately \$6.50 billion. Of this total, the Master Plan Study account for approximately \$6.43 billion and the Airport’s 5-year CIP accounts for \$70.9 million.

**Exhibit 9.3-1: ABIA Master Plan Construction Costs by Phase (2018 dollars)**



Notes: Costs are in 2018 dollars and include both ABIA cost and third-party costs. Does not include inflation.

Source: Landrum & Brown

Given the uncertainty of the timing and need for certain projects over the 20-year planning period, for the purposes of this analysis, the remainder of this financial plan focuses on Phases 1 and 2.

**Table 9.3-1** presents the proposed funding plan for the Phases 1 and 2 of capital program (2019 through 2027) in 2018 dollars. As shown, Phases 1 and 2 of the capital program are estimated to be approximately \$4.14 billion through FY 2027, with approximately \$3.9 billion occurring in Phase 1.

**Table 9.3-1: Summary of Phase 1 and 2 Construction Costs – 2018 Dollars (2019-2027)**

<b>COST CENTER</b>	<b>PHASE 1</b>	<b>PHASE 2</b>	<b>TOTAL</b>
Airfield	\$ 519,732,679	\$ 53,154,180	<b>\$ 572,886,859</b>
Terminal	\$ 2,978,751,736	\$ 65,634,228	<b>\$ 3,044,385,964</b>
Other buildings and areas	\$ 177,963,202	\$ 38,106,662	<b>\$ 216,069,863</b>
Parking	\$ 56,825,431	\$ 49,722,900	<b>\$ 106,548,331</b>
Apron	\$ 48,580,889	\$ 0	<b>\$ 48,580,889</b>
Third Party	\$ 75,235,004	\$ 80,798,995	<b>\$ 156,033,999</b>
<b>TOTAL COSTS</b>	<b>\$ 3,857,088,940</b>	<b>\$ 287,416,965</b>	<b>\$ 4,144,505,905</b>

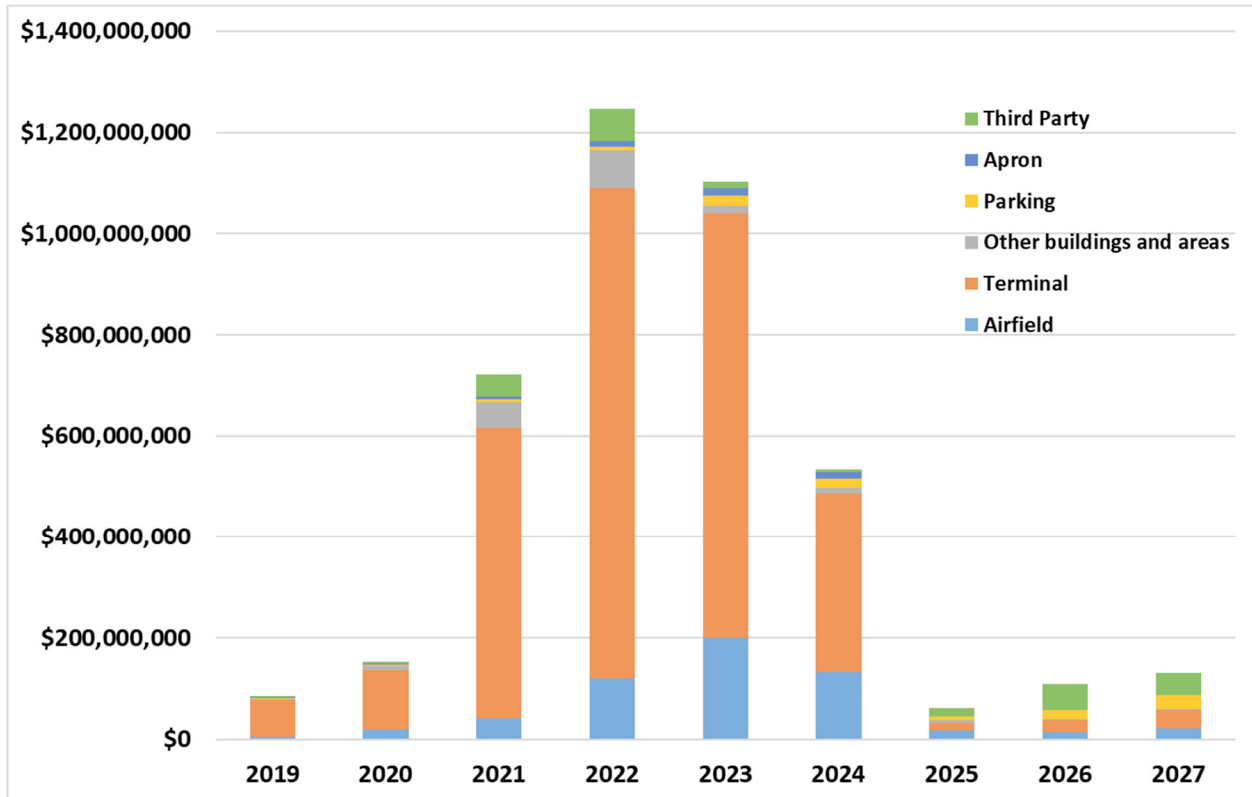
Notes: Costs are in 2018 dollars and include both ABIA cost and third-party costs. Does not include inflation.  
Costs include both Master Plan CIP (\$4.07 billion) and ABIA 5-year CIP (\$70.9 million) projects.

Source: Landrum & Brown



**Exhibit 9.3-2** estimated annual spending for the capital program by cost center for Phases 1 and 2 based on the Implementation Plan presented in the previous chapter. As shown, terminal projects account for a majority of the project costs; accounting for approximately \$3.0 billion.

**Exhibit 9.3-2: Construction Costs by Year – Phases 1 and 2 – (2018 Dollars)**



Notes: Costs are in 2018 dollars and do not include inflation.  
 Costs include both Master Plan CIP (\$4.16 billion) and ABIA 5-year CIP (\$70.9 million) projects.  
 Source: Landrum & Brown

The following sections discuss funding sources available to fund certain portions of the Master Plan CIP. Note that these estimates represent the amount of project costs eligible for federal, PFC and CFC funding. These levels of funding may not be attainable depending on actual federal funding appropriations made each year, competition with other airport funding needs, and prior commitments of PFCs and CFCs.

### 9.3.1 FAA AIP Grants

Federal participation in funding airport capital projects is through the AIP as reauthorized under the FAA Modernization and Reform Act of 2012. The FAA provides federal grants in the form of entitlement grants (based on annual enplaned passenger levels), discretionary grants, and letter-of-intent (LOI) grants. The FAA distributes AIP funds each year based on the appropriation received from Congress. If Congress authorizes AIP at a level above \$3.2 billion, the current legislation provides eligible “Primary” airports with entitlement funds that are calculated based on ABIA’s number of annual enplaned passengers and cargo operations.

The FAA allocates funds from the FAA to the nation’s airports based on various eligibility criteria. Allocation is tied to a priority system used to rank each request and determine which projects will occur during any given federal fiscal year. The priority system employed by the FAA has different criteria for different projects. Generally, projects that enhance the safety of aircraft operations and those that enhance capacity in the system are higher priority projects. The priority system also ranks projects based on the airport size and the number of aircraft and aircraft operations at the facility.

Each FAA region distributes discretionary and LOI grants based on availability and project priorities. Generally, the FAA makes discretionary grants immediately available to fund project costs, while LOI grants are distributed to ABIA over a set schedule of years at defined annual funding levels.

FAA Order 5100.38D, *Airport Improvement Program Handbook*, provides guidance on issues of eligibility. In general, only those projects related to non-revenue producing items, such as land acquisition, airfield construction, certain public areas of the terminal area building, and safety/security projects are eligible for FAA AIP funding.

For ABIA, the FAA AIP Program typically funds 75 percent of eligible projects at the Airport. In FY 2017, ABIA received more than \$2.6 million in FAA AIP Entitlement grants. This amount is based on enplaned passenger levels at the Airport and the number of cargo operations. Including discretionary grants of \$12.3 million, the Airport received a total of approximately \$14.9 million of total FAA AIP grant funding in FY 2017. For the forecast financial analysis, the assumption used in analysis was that the Airport would continue to receive FAA AIP Entitlement grants based on the FAA’s current formula. Additionally, based on a review of historical data, the assumption during analysis was that the Airport would receive about \$3.9 million of FAA AIP Discretionary grants per year.

As a result, the funding plan assumes a total of approximately \$64 million of FAA AIP grants for airfield projects through Phases 1 and 2 of the Master Plan CIP (FY 2019 through FY 2027). Given that future FAA AIP grant funding is based on factors as described above, the Airport could potentially receive less funding than assumed for this analysis. If future FAA AIP funding were not available at assumed levels, the Airport would likely have to defer projects, reduce scope, evaluate the use of other funding sources, or pursue a combination of these strategies.

## 9.3.2 Local ABIA Funds

Local ABIA funds generally include PFCs, CFCs, internally generated cash from ABIA financial operations, and the issuance of airport revenue bonds. These local sources will be a primary funding instrument for the Airport's Master Plan CIP.

### 9.3.2.1 Passenger Facility Charges

The COA currently has approval from the FAA to impose Passenger Facility Charges (PFCs) per eligible enplaned passenger at \$4.50 for a total cumulative amount of \$831,089,379. Through June 2018, cumulative PFC revenue collected, including investment earnings, totaled \$362,177,466. ABIA collected approximately \$30 million in PFC revenues in FY 2018. Annual PFC revenues are projected to increase to approximately \$43.8 million by FY 2027 as the number of enplaned passengers at the Airport is projected to increase.

Historically, the COA has applied PFCs toward project costs on a pay-as-you-go basis and has also set aside and applied PFCs toward the following year's PFC-eligible Airport System Revenue Bond debt service, up to the maximum eligible amount. The COA intends to continue such application of PFC revenues in accordance with the covenant of the COA contained in the Bond Ordinance. The COA anticipates using between \$21.0 million and \$22.7 million of PFCs each Fiscal Year between FY 2019 and FY 2025, to pay a portion of the debt service on its existing Revenue Bonds. Starting in FY 2026, the amount of PFCs used to pay for a portion of the existing Revenue Bond debt service decreases to \$16.2 billion, and again to \$15.3 billion in FY 2027, which will allow additional PFCs to be used to pay future debt service on the Master Plan CIP projects.

Going forward, it is assumed all excess PFCs not currently used to pay for pay-as-you-go projects or existing debt service will be used to pay a portion of the debt service on ABIA's future bonds required to fund the Master Plan CIP. As a result, once the Airport's Series 2005 bonds are retired in 2026, approximately \$25 to \$30 million of PFC revenue is forecast to be available annually to help pay for new eligible debt service starting in FY 2023-24.

### 9.3.2.2 Rental Car Customer Facility Charges

The Airport's CONRAC garage opened in September 2015 and provides 3,200 rental car spaces and 900 public parking spaces on five-levels. The consolidated rental car garage was financed with the proceeds of the 2013 Special Facilities Bonds payable primarily from CFCs, as well as parking garage rental fees and concession fees. All Airport rental car customers are currently assessed at a rate of \$5.95 per rental car transaction-day that is remitted by the rental car companies on a monthly basis. The Airport generated over \$15 million in CFC revenues in FY 2017. Under the Bond Ordinances, the 2013 Rental Car Special Facility Bonds are not Revenue Bonds secured by the Net Revenues of the Airport System and CFC revenues are not included in Gross Revenues.

During Phases 1 and 2 of the Master Plan CIP, no additional rental car facilities are planned. As such, additional CFC funds for rental car facilities are not foreseen during the first 10 years.

### **9.3.2.3 ABIA Capital Fund**

The Airport has historically used its internal cash from the operation of the airport system to fund certain projects in the CIP. Per the Bond Ordinance, any revenues remaining in the Revenue Fund to the Capital Fund, after all obligations have been satisfied, are available for use by the Airport for any lawful airport system purpose, including:

- To pay for any capital expenditures, to pay costs of replacing any depreciable property or equipment of the Airport System,
- To make any major or extraordinary repairs, replacements or renewals of the Airport System
- To acquire land or any interest in such land, and, at the COA's discretion, and
- To be designated as Other Available Funds to be transferred to the Revenue Fund.

For the financial forecast analysis, surplus cash in the Capital Fund is assumed to not be used to fund the Master Plan CIP projects.

### **9.3.2.4 General Airport Revenue Bonds**

Any additional local funding beyond what can be funded from PFCs, CFS, and the Airport's Capital Fund would require the issuance of General Airport Revenue Bonds (GARBs). Depending on the exact timing and magnitude of future capital expenditures, it will be necessary to issue future debt to fund the Master Plan CIP, particularly the planned terminal development at the Airport.

Currently, the Airport has six series of Revenue Bonds outstanding, including:

- The 2005 Refunding Bonds refunded certain of the 1995A Bonds issued to fund construction of the Airport.
- The 2013 Bonds were issued to fund various Airport improvements.
- The 2013A Refunding Bonds refunded the 2003 Refunding Bonds, which in turn refunded certain of the 1995A Bonds issued to fund construction of the Airport.
- The 2014 Bonds were issued to fund various Airport improvements, including the Terminal East Infill project and certain construction and design costs for the Terminal and Apron Expansion Project and design costs of the new six-level parking garage.
- The 2017A bonds were issued to fund the new six-level parking garage.
- The 2017B Bonds were issued to fund the Terminal and Apron Expansion Project, which included a widening and extension of the concourse and enlargement of the adjacent aircraft parking apron.

Due to significant cash flow needs during the construction process, a significant portion of the terminal related projects will be funded with proceeds of future GARBs. Based on the project costs and spending plan presented in the Implementation Plan, approximately \$4.4 billion of project costs could be required to be funded from GARBs through FY 2027.

### 9.3.2.5 Third-Party Funds

Third-party funding may also be available for certain revenue-producing facilities at the Airport, including ABIA tenants such as fixed base operators (FBOs), hangar operators, aircraft maintenance operators, and/or cargo operators as demand warrants. While private funding comes in many different forms, a typical approach is for private parties to fund and construct the development of FBO facilities, cargo buildings, and maintenance hangars at an airport and pay ground rents to the Airport. FBOs, maintenance facilities, cargo facilities, and hangars for aircraft typically are built as market demand warrants. As presented earlier in Table 9.3-1, approximately \$187.4 million of the Master Plan CIP is anticipated to be funded through third-party or other sources, as demand for such projects is required.

A growing trend in the airport industry, especially at large hub airports, is Public-Private Partnerships (P3s). In general, P3s are arrangements whereby some of the services that historically have been the responsibility of the public sector is now provided by the private sector. These are typically longer-term arrangements with an agreement on shared objectives for the delivery of public infrastructure including terminal buildings and parking facilities.

With airports being critical infrastructure assets within the U.S. transportation network, use of the private sector in developing, funding, and/or operating various airport assets may provide critically needed improvements outside of airport financial means to provide. P3 arrangement models come in various forms and generally include service contracts, management contracts, developer financing/operation, and long-term lease or sale.

The Airport has not included use of any P3 arrangements for any of the projects on the Master Plan CIP; however, in efforts to continually seek competitive efficiencies and increase financial flexibility, P3s may be explored as an option in the future.

## 9.4 Summary

Implementing and funding the Master Plan CIP for ABIA will largely be a function of federal, third party, and ABIA local funding sources (PFCs, CFCs, and ABIA Capital Funds) available at the time of specific project implementation. Due to the conceptual nature of a master plan, implementation of most of these capital projects should occur only after further refinement of their costs and timing.

The financial feasibility of the Master Plan CIP is based on several factors; most notable is the level of external funding sources the Airport is able to secure to fund the various CIP projects. While the previous sections identified the eligibility levels available for certain CIP projects from the FAA, PFCs, and other potential sources, there is no guarantee that these funds will be made available in any given year, or if they are, that they will be funded at the full eligibility levels.

As indicated in the previous sections, given the size and scope of the Airport's Master Plan CIP, the Airport will need to issue long-term debt to fully implement the projects, particularly over the next five to ten years. Given forecast funding needs, there are a number of approaches that the Airport can use to undertake CIP projects and ensure their financial feasibility which are included in the following subsections.

### **9.4.1 Defer or Delay Capital Project Cost Expenditures**

The actual implementation schedule for certain capital projects identified in the Master Plan will be defined by development triggers and demand growth rather than by specific years. In the event certain funding sources are not available or that financial feasibility cannot be achieved when a project is needed, the Airport may need to defer certain projects until appropriate funding sources can be obtained.

In addition, rather than deferring whole projects, in some cases, projects can be completed in smaller phases over several years to help increase the participation from other funding sources and spread out local funding requirements. Constant monitoring and updating of the Airport's capital needs and available funding sources will be critical to successful implementation of the Master Plan CIP.

### **9.4.2 Seek FAA Discretionary Grant Funds**

As discussed previously, based on the Airport's annual FAA entitlement grant collections and the estimated level of eligible project costs, the Airport will likely need additional discretionary funding from the FAA to fund all its AIP eligible project costs. If these additional FAA discretionary funds are not successfully secured, the Airport will need to either defer projects, reduce scope, evaluate the use of other funding sources, or pursue a combination of these strategies.

### **9.4.3 Prioritize Third-party Tenant Projects**

As identified in the Master Plan CIP, certain projects, primarily to support categories of general aviation, cargo, and maintenance tenants, are forecast to require some form of third-party funding participation. These are demand-driven projects that should only be undertaken when demand warrants and the project can be as self-supporting as possible.

Ideally, these projects could generate additional net revenues that could help the Airport's financial operation. As such, it will be important for the Airport to thoroughly review each third-party tenant project to ensure it will be supported by anticipated demand and generate sufficient cash flow for the Airport.

#### **9.4.4 Issue Airport Bonds**

As discussed earlier, to fund a significant portion of large capital projects, airports typically issue long-term debt to help defray upfront expenditures and mitigate the impacts to its available cash balances. In addition, special facility debt can be issued for certain revenue-producing projects that are secured by a pledge of the revenues to be produced by the proposed facility.

While issuing long-term debt can be an effective approach for implementing certain projects and minimizing up-front cash expenditures, it is important to ensure that the Airport's expected net revenues not only pay for the expected annual debt service, but also generate at least the required minimum debt service coverage ratio of 1.25X.

#### **9.4.5 Evaluate P3 Arrangements**

With airports being critical infrastructure assets within the U.S. transportation network, private sector participation in developing, funding, and/or operating various airport assets is a growing trend. The Airport should explore potential P3 opportunities when the need for capital development becomes a higher priority than financial viability under traditional methods. There are tradeoffs with entering into a P3 approach and significant variation in the structure of these business arrangements. Therefore, the Airport should evaluate each opportunity closely to ensure it meets its goals and objectives.

### **9.5 Assumptions**

Note that any changes to the assumptions contained herein, especially those related to forecasts of enplaned passengers, could materially impact the financial viability of the Master Plan CIP for the Airport. While ABIA staff and the consulting team believe the approach and assumptions used are reasonable, achievement of forecast results described in this analysis are dependent on future events, the outcome of which could differ materially from the assumptions presented herein. Also, as previously mentioned, due to the conceptual nature of a master plan, implementation of these capital projects should occur only after further refinement of their costs. As a result, the project capital costs developed herein must be viewed as preliminary, reflecting a master plan level of detail subject to refinement in subsequent implementation steps.

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