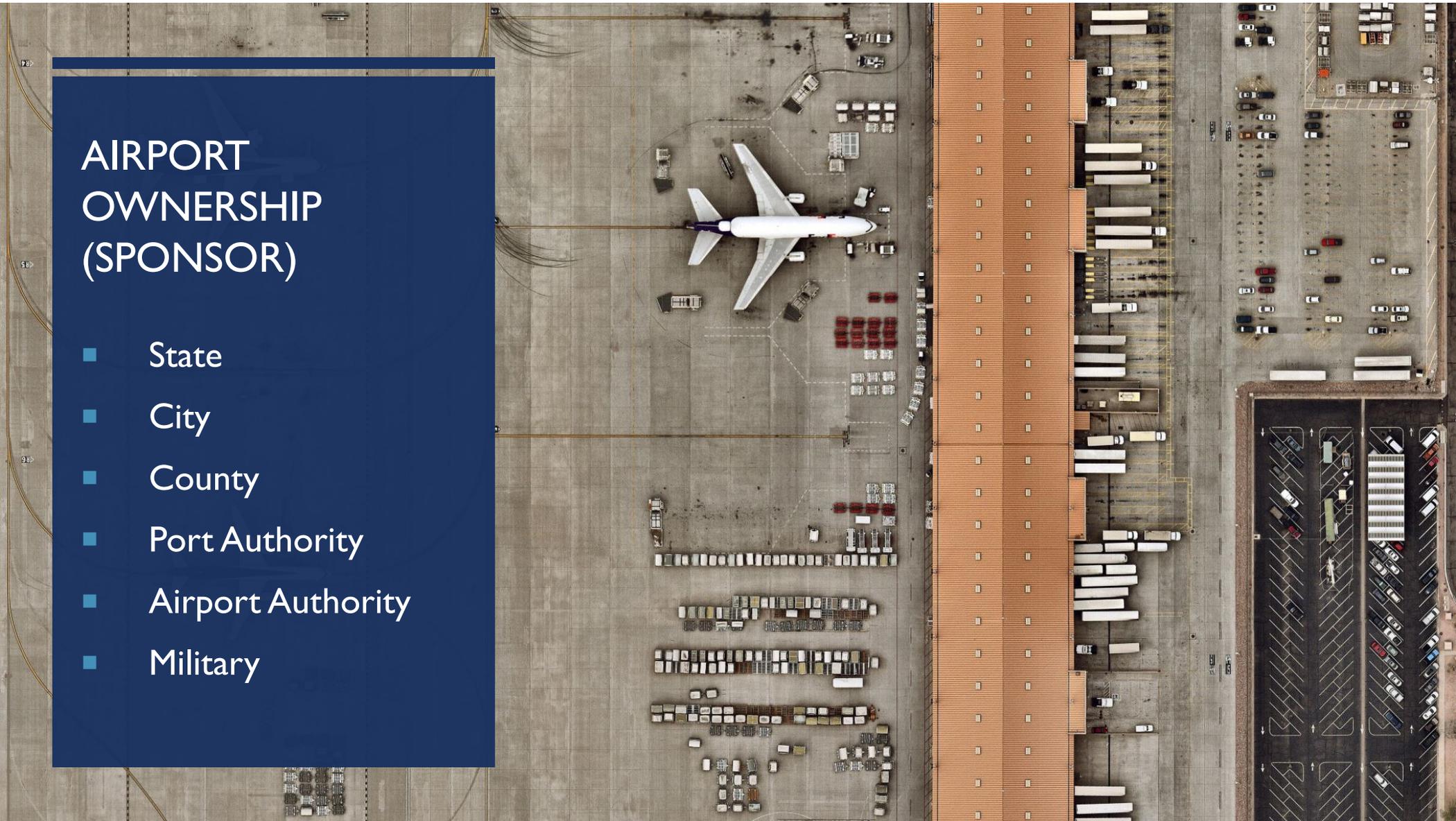

AIRPORT FINANCE & GRANT COMPLIANCE

-
- Donna Watts, CPA, C.M., Finance Director / Auditor, Port of Pasco
 - Kim DeTrolino, Director of Finance and Administration, Port of Moses Lake
 - Andrew Cartica, CPA, Accounting Manager – Capital Services and Grants Accounting, Port of Seattle

AIRPORT OWNERSHIP (SPONSOR)

- State
- City
- County
- Port Authority
- Airport Authority
- Military



TYPES OF AIRPORTS

Private

Commercial

General
Aviation

GA Reliever

Military

Non-
controlled
FAA Airports

FUNDING SOURCES

Airport Revenues

Passenger Facility Charges (PFC)

Customer Facility Charges (CFC)

Bonds

State Grants & Loans

Federal Grants & Loans

Private Public Partnerships (P3)

FUNDING SOURCES AIRPORT REVENUES

Aeronautical Revenue

- Hangar Leases
- Aviation Land Leases
- Tie Down Fees
- Fuel Flowage Fees
- Landing Fees
- Airline rates and charges

Non-Aeronautical Revenue

- Land Leases
- Building Leases
- Hotel Leases/Sales
- Concessions Sales
- Parking
- Advertising
- Catering Facilities
- Agriculture Farming
- Solar/Oil/Natural Gas
- Golf Courses
- Sports Venues
- Racetracks

FUNDING SOURCES

PASSENGER FACILITY CHARGES (PFC)

Passenger Facility Charges (PFCs) Collections

- \$1, \$2, \$3, \$4, or \$4.50 per eligible passenger
- Collected by airlines as part of passenger ticket and remitted to airports monthly (Airlines retain \$0.11 per PFC collected to cover admin costs)
- Charged per up to two segments per one way
- Nonrevenue and frequent flyer ticket passengers are not charged a PFC

PFC Monies

- Considered restricted cash
- Held separate from other airport funds
- Held in interest bearing accounts
- Interest earned counts toward total collection authority

Spending the Funds

- Pay-as-you-go basis or
- Leveraged (i.e., PFC backed debt)

Eligibility

- Preserve or enhance capacity, safety, or security
- Reduce noise or mitigate noise impacts
- Enhance competition
- Terminals primary for movement of passengers and baggage in non-revenue production area (gates, bag claim/makeup, and loading bridges) **Excludes** revenue-producing areas (concessions, airline ticketing, parking, rental car facilities, administration, and maintenance)

FUNDING SOURCES CUSTOMER FACILITY CHARGES (CFC)

Customer Facility Charges (CFCs) Collections

- Imposed on rental car transactions
- Collected by car rentals and remitted to airports monthly
- Paid by rental car customers on a set charge per transaction day basis – (rate is charged for each day of the rental contract)

CFC Monies

- Considered restricted cash
- Held separate from other airport funds
- Interest earned becomes part of the CFCs.

Spending the Funds

- Pay-as-you-go basis or
- Leveraged (i.e., CFC backed debt)

Eligibility

- Used to fund costs or debt related to rental car operations

FUNDING SOURCES

BONDS

General
Obligation Bonds

General
Obligation Bonds

Revenue Bonds

Industrial
Development
Bonds (Public
Facilities)

TIF Bonds

Special Facility
Bonds (Backed by
CFC's, PFC's)

FUNDING
SOURCES
WASHINGTON
STATE GRANTS &
LOANS

**CERB
loan/grant
program**

Up to \$5,000,000 grant/loan

Infrastructure and development projects for
Economic Development

Grant money available for studies and master
plans

**CARB
(loan
program)**

Up to \$1.2M at 2% interest

Available fore airports with less than 75,000
annual commercial passenger enplanements

FUNDING SOURCES

FEDERAL GRANTS & LOANS



AIP Entitlements & Discretionary Funding



Small Community Air Service Development Program (SCASDP) Grants



BIL Money

Airport Infrastructure Grants (AIG) Allocated
FAA Contract Tower (FCT) Grants
FAA AIG Sweep Program (ASP) Grants
Airport Terminal Program (ATP) Grants



TIFIA Program

Debt with low interest rate for long-term repayment plans (up to 35 years, some 75 years)
No prepayment penalties

FUNDING SOURCES

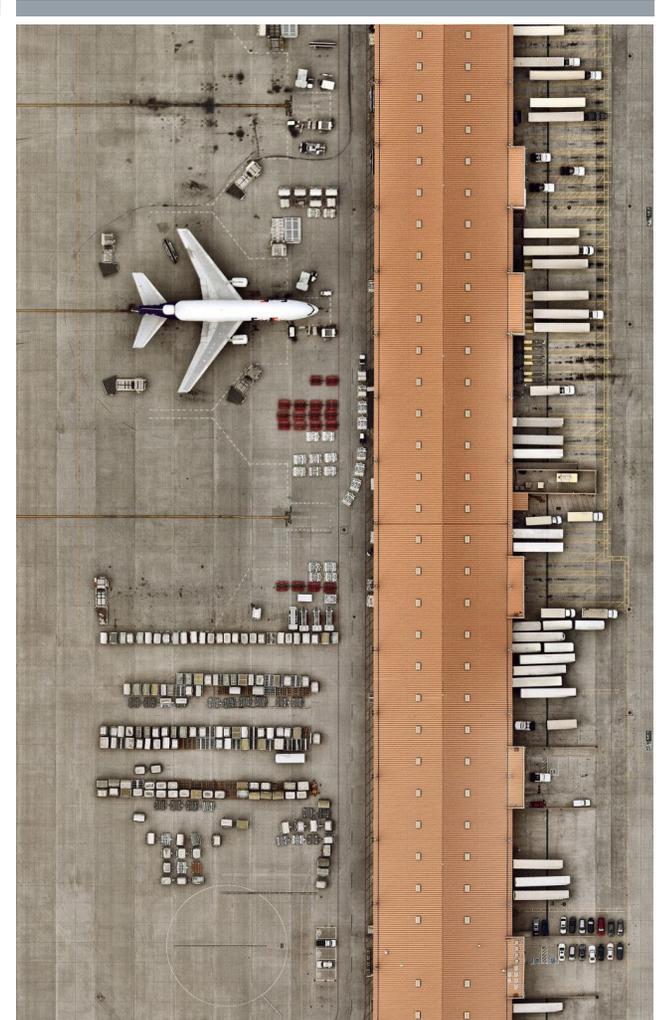
FEDERAL GRANTS & LOANS

FAA AIP & Discretionary Grants

- Cover General Aviation areas that are GA and commercial related can include runways, taxiways, aprons, terminals for smaller airports

Requirements

- Project must be listed in the NPIAS (National Plan of Integrated Airport Systems – 5 year plan)
- Grant Assurances (currently 39 will be 40)
- Follow 2 CFR 200 Requirements



PORT SPONSORED AIRPORTS IN NPIAS

Port	Airport	Amount
Port of Camas-Washougal	Grove Field	\$0
Port of Grays Harbor	Friday Harbor	\$0
Port of Lopez	Lopez Island	\$767,666
Port of Whitman	Port of Whitman Business Air Center	\$848,148
Port of Anacortes	Anacortes	\$861,111
Grant Co Port Dist Nr 7	Grand Coulee Dam	\$911,112
Port of Othello	Othello Municipal	\$1,000,000
Port of Port Townsend	Jefferson County International	\$1,350,000
Port of Ephrata	Ephrata Municipal	\$1,370,556
Port of Benton	Richland	\$1,616,668
Port of Benton	Prosser	\$1,666,666
Port of Grays Harbor	Bowerman	\$3,500,000

PORT SPONSORED AIRPORTS IN NPIAS

Port	Airport	Amount
Port of Shelton	Sanderson Field	\$3,855,000
Port of Bremerton	Bremerton Ntl.	\$4,500,000
Port of Skagit	Skagit Regional	\$4,944,445
Port of Friday Harbor	Friday Harbor	\$5,711,858
Port of Chelan-Douglas	Lake Chelan	\$7,602,743
Port of Port Angeles	William R Fairchild International	\$7,973,337
Port of Walla Walla	Walla Walla Regional	\$8,304,800
Port of Orcas	Orcas Island	\$13,333,334
Port of Moses Lake	Grant County International	\$14,250,000
Port of Bellingham	Bellingham International	\$25,771,926
Port of Pasco	Tri-Cities	\$30,318,889
Port of Seattle	Seattle-Tacoma International	\$174,827,033

GRANT ASSURANCES



Contract between the FAA and the airport



A part of every grant agreement



Last for 20 years or the useful life of the facility (or equipment), land never expires



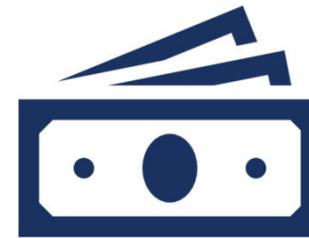
Balance Three competing needs

Airport needs
Public interest
Promoting Social Objectives

GRANT ASSURANCES AIRPORT NEEDS



Grant Assurance 2: Legal Authority To Apply For Grant. The airport has legal authority to apply for the grant.



Grant Assurance 3: Sufficient Project Funding. The airport has sufficient funds available to pay for that portion of the project not covered by the grant.

GRANT ASSURANCES AIRPORT NEEDS



Grant Assurance 11: Have a Pavement Maintenance Plan. For the replacement or reconstruction of pavement at the airport, the airport must assure or certify that it has implemented an effective airport pavement maintenance-management program.



Grant Assurance 19: Operation and Maintenance. The airport will operate the Airport and Facilities in a safe and serviceable condition and operate and maintain a noise compatibility program.

GRANT ASSURANCES AIRPORT NEEDS

Grant Assurance 20: Hazard Removal and Mitigation. The airport will take appropriate action to assure the airport's airspace is adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards to protect instrument and visual operations to the airport (including established minimum flight altitudes).

Grant Assurance 21: Compatible Land Use. The airport and its sponsor shall take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to, or in the immediate vicinity of, the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. **Incompatible:** residential development, schools, hospitals, other public health facilities, and concert halls.

GRANT ASSURANCES AIRPORT NEEDS

Grant Assurance 22: Economic Nondiscrimination. The airport will be available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.

Grant Assurance 23: Exclusive Rights. The airport will not permit an exclusive right to the airport by any person providing, or intending to provide, aeronautical services to the public except in certain situations involving a single FBO on the field. (multiple FBOs, if economical and does not adversely affect first FBO)

Grant Assurance 24: Airport Fees and Rents. The airport shall maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport. No part of the Federal share of an airport grant shall be included in the rate basis in establishing fees, rates, and charges for users of that airport.

GRANT ASSURANCES

AIRPORT NEEDS

Aeronautical Lease Agreements

- Set fees and rates to be as self-sustaining as possible
- May not set rates based on programs paid for with Federal dollars
- Fair and reasonable
- Not unjustly discriminatory
- Transparent
- No Exclusive Use (Unless undue hardship for FBO)
- Should at least cover the costs of providing service. Charge a rate to recover costs to support aviation. Can be less than FMV but strive for FMV.
- Rate Base – Total costs associated with providing airfield facilities and services to aeronautical users (operating costs, noise abatement, environmental cleanup and insurance, cashflow, debt service, cash reserves, ARFF, snow removal, police)

GRANT ASSURANCES AIRPORT NEEDS

Non-Aeronautical Lease Agreements

- Must Charge Fair Market Value (appraisal or market survey)
- Exceptions:
 - Community Purpose and no longer needed by the airport
 - Not for Profit Aviation – civil air patrol, aviation education
 - Transit – projects that access the airport
 - Military aeronautical

Non-Aeronautical Lease Agreements

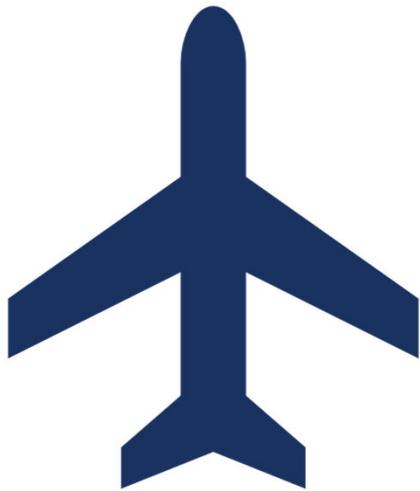
Determining Lease Rates

- Appraisals
- Market analysis at least every 5 years
- Historical rates
- Actual costs of the facilities (operating + debt)
- Open market solicitations (concessions, fbo)

Escalating Clause – FAA requires airports to use escalators after 5 years

- Short-term lease and adjust rate at the end of the lease
- Graduated lease – cpi or fixed escalation at specific time intervals
- Revaluation lease – conduct an appraisal at the end of a specific period
- Concession/percentage lease – percentage of sales, MAG

GRANT ASSURANCES AIRPORT NEEDS



- **Grant Assurance 25: Airport Revenues.** With limited exceptions, all revenues generated by the airport, and any local taxes on aviation fuel, must be spent on the airport; the local airport system; or other local facilities which are owned or operated by the airport. In other words, funds generated on the airport cannot be diverted off the airport by the airport's sponsor.
- FAA mandates that airports be as “self-sufficient” as possible
- **Airport and Airway Improvement Act of 1982**
 - “All revenues generated by the airport, if it is a public airport, will be expended for the capital or operating costs of the airport”

GRANT ASSURANCES AIRPORT NEEDS

Revenue Diversion

Using airport revenue for non-airport uses other than operating/capital costs

- Municipal economic development
- Marketing/advertising unrelated to the airport
- Direct subsidy to air carriers other than advertising for new service
- Payments to compensate for lost tax revenues exceeding stated tax rates
- Free rent or discounted rent (Sponsor or any Tenant)
- Paying unreasonable fees for service
 - Port Administrative Fees
 - City/County Services (ARFF, police, permitting)
 - Using airport money to pay for port operating & capital expenses
 - Using airport employees to do port work without compensating the airport

GRANT
ASSURANCES
AIRPORT NEEDS

Revenue Diversion

Federal Register Vol 64. No. 30

- The Secretary is authorized to recover civil penalties in the amount of three times the unlawfully diverted airport revenue.
- Can have a 6-year lookback to payback the sponsor for operating and capital costs contributed to the Airport, any more than that is revenue diversion.
- If the airport cannot pay back the amount in 6 years they can set up a predetermined loan at no more interest than the sponsor is making in their current investments.

GRANT ASSURANCES AIRPORT NEEDS

Grant Assurance 38: Hangar Construction. If the airport and a person who owns an aircraft agree that a hangar is to be constructed at the airport for the aircraft at the aircraft owner's expense, the airport will grant to the aircraft owner for the hangar a long-term lease that is subject to such terms and conditions on the hangar as the airport owner or operator may impose.

Grant Assurance 39: Competitive Access. Med/Large Hub. Must provide access to airlines, if space is unavailable must notify DOT and explain why and how long to correct.

GRANT ASSURANCES PUBLIC INTEREST



Grant Assurance 5: No Deprivation of Airport Rights. The airport will not take or permit any action which would operate to deprive the airport of any of the rights and powers necessary to comply with the terms of the grant.



Grant Assurance 7: Consider Community Interest. The airport has given fair consideration to the interest of communities in or near where the project may be located. This includes holding public hearings and accepting public comments.

GRANT ASSURANCES PUBLIC INTEREST

Grant Assurance 8: Consult With Affected Parties. The airport has undertaken reasonable consultations with affected parties using the airport at which project is proposed. This would include consultation with neighboring business owners and homeowners regarding the environmental, noise and traffic impacts of the airport's proposed project.

Grant Assurance 9: Hold Public Hearings. Public hearings for projects involving the location of an airport, an airport runway, or a major runway extension and has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and if requested by the FAA, to submit a copy of the transcript of such hearings to the FAA.

Grant Assurance 10: Make Plans Available to the Public.

The airport must make a copy of the proposed amendment to the airport layout plan depicting the project and a copy of any airport master plan in which the project is described or depicted available to the public.

Grant Assurance 13: Project Accounting. The airport shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the FAA grant, the total cost of the project in connection with which the grant and the amount or nature of that portion of the cost of the project supplied by other sources and such other financial records pertinent to the project.

GRANT
ASSURANCES
PUBLIC INTEREST

GRANT ASSURANCES PUBLIC INTEREST

Grant Assurance 15: Preference for Veterans. The airport shall include in all contracts a preference for Vietnam era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns owned and controlled by disabled veterans.

Grant Assurance 27: Use by Government Aircraft. The airport will be available for landing and takeoff of aircraft of the United States for use by Government aircraft in common with other aircraft at all times without charge as long as it is under a certain amount of landings per year.

GRANT ASSURANCES SOCIAL OBJECTIVES

Grant Assurance 30: Civil Rights. The airport will promptly take any measures necessary to ensure that no person in the United States shall, on the grounds of race, color, and national origin, English proficiency, creed, sex, age or disability be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in any program and activity conducted with, or benefiting from, funds received from this Grant.

Grant Assurance 36: Access By Intercity Buses. The airport will permit intercity buses or other modes of transportation to have access to the airport when practicable.

Grant Assurance 37: Disadvantaged Business Enterprises. The airport shall not discriminate on the basis of race, color, national origin, or sex, in the award and performance of any department of transportation related contract or in the award and performance of any concession activity.

GRANT ASSURANCES GRANT PROJECT

Grant Assurance 6: Follow Local Rules, Regulations and Laws. The airport's project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport. This includes CEQA for California projects.

Grant Assurance 12: Terminal Safety for Passengers. For projects which include terminal development at a public use airport, the Airport must provide necessary safety equipment for passengers enplaning and deplaning.

Grant Assurance 13: Project Accounting. The airport shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the FAA grant, the total cost of the project in connection with which the grant and the amount or nature of that portion of the cost of the project supplied by other sources and such other financial records pertinent to the project.

GRANT ASSURANCES

GRANT PROJECT

Grant Assurance 14: Pay Workers No Less Than Minimum Wage. The airport shall include in all contracts the requirement that workers be paid no less than minimum wage. Higher Davis-Bacon or State prevailing wage.

Grant Assurance 16: Must Follow Project Plans Approved by FAA. The airport will follow the project subject to plans, specifications, and schedules approved by the FAA.

Grant Assurance 17: Construction Supervision. The airport will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the FAA.

GRANT ASSURANCES GRANT PROJECT

Grant Assurance 18: Project Planning. In carrying out planning projects, the airport will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved by the FAA. The airport will provide periodic reports on the project to the FAA as required.

Grant Assurance 26: Report and Inspections. The airport shall submit to the FAA the required annual or special financial and operations reports as required.

Grant Assurance 32: Engineering and Design Services. If any phase of an airport's project has received Federal funds, it will award each contract, or sub-contract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping or related services based on the qualifications of the party and at compensation which is determined to be fair and reasonable based on the scope, complexity and professional nature and estimated value of the contract.

GRANT ASSURANCES LAND



Grant Assurance 4: Good Title. The airport's sponsor holds good title to the airport property.



Grant Assurance 28: Land for Federal Facilities. The airport will furnish to the FAA, without cost to the Federal Government, any land necessary for use in connection with any air traffic control, navigation, weather-reporting, communication, or air traffic control activities, that the FAA considers necessary or desirable.



Grant Assurance 31: Disposal of Land. Any land purchased under a grant for airport noise compatibility purposes, including land serving as a noise buffer will be disposed when it is no longer needed at fair market value and at the earliest practicable time. After the sale of that property the airport will pay back to the FAA the sale proceeds proportionate to the FAA grant funds used at the purchase.