SCOMM
103:11

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* Included in all ITT committee member packets
** A portion of letters included in all ITT committee member packets

D

DRAFT

HOUSE SPECIAL COMMITTEE ON
INTERNATIONAL TRADE AND TOURISM
February 24, 1998
5:04 p.m.

MEMBERS PRESENT

Representative John Cowdery, Chairman
Representative Eldon Mulder
Representative Pete Kott
Representative Gail Phillips
Representative Kim Elton
Representative Reggie Joule

MEMBERS ABSENT

Representative Ramona Barnes

OTHER HOUSE MEMBERS PRESENT

Representative Joe Ryan
Representative Norm Rokeberg

COMMITTEE CALENDAR

* HOUSE BILL NO. 432
"An Act relating to the bond authorization for international airports revenue bonds; and providing for an effective date."

- HEARD AND HELD

(* First public hearing)

PREVIOUS ACTION

<u>BILL: HB 432</u>
SHORT TITLE: AIRPORT REVENUE BONDS
SPONSOR(S): REPRESENTATIVES(S) COWDERY

Jrn-Date	Jrn-Page		Action
02/18/98	2353	(H)	READ THE FIRST TIME - REFERRAL(S)
02/18/98	2353	(H)	ITT, TRANSPORTATION, FINANCE
02/24/98		(H)	ITT AT 5:00 PM BUTROVICH RM 205

WITNESS REGISTER

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to Representative John Cowdery
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POSITION STATEMENT: Testified on HB 432.

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POSITION STATEMENT: Testified on HB 432.

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Telephone: Not Provided

POSITION STATEMENT: Testified on HB 432.

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DUANE HEYMAN, Executive Director
Commonwealth North
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RON LANCE, General Manager
United Airlines
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JOE GRIFFITH, Representative
Anchorage Chamber of Commerce

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to Mayor Rick Mystrom
Municipality of Anchorage
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Telephone: (907) 343-4431
POSITION STATEMENT: Testified in support of HB 432.

ACTION NARRATIVE

TAPE 98-1, SIDE A
Number 0001

CHAIRMAN JOHN COWDERY called the House Special Committee on International Trade and Tourism meeting to order at 5:04 p.m. Members present at the call to order were Representatives Cowdery, Phillips and Elton. Representatives Joule, Kott and Mulder joined the meeting in progress. Representative Barnes was absent.

HB 432 - AIRPORT REVENUE BONDS

Number 0010

CHAIRMAN COWDERY announced the first order of business was HB 432, "An Act relating to the bond authorization for international airports revenue bonds; and providing for an effective date." In his sponsor statement, Chairman Cowdery explained that HB 432 would provide authorization for the state to issue up to $280 million in revenue bonds to pay for improvements to the Anchorage International Airport (AIA). The amount of the bonding authorization may change depending on information received during the committee process. He sponsored HB 432 because he supports the developments and improvements at the Anchorage International

Airport; however, as the committee of first referral, he said it is the committee's job to develop a complete record on the issues involved in this project. He said the committee would try to surface as many questions about the underlying assumptions made to justify this project, although it may not be possible to get all the answers. He said that officials of the Department of Revenue, the Department of Transportation & Public Facilities (DOTPF) and the Anchorage International Airport may have to work hard to justify this project.

Number 0038

CHAIRMAN COWDERY announced the committee was scheduled to meet until 7:00 p.m. and would reconvene at 5:00 p.m. the following evening at which time he would open up the meeting for questions. A follow-up meeting will be held in approximately one week.

Number 0059

MARCO PIGNALBERI, Legislative Assistant to Representative John Cowdery, Alaska State Legislature said this bill amends the statutory bonding limit for the state of Alaska to seek international airport revenue bonds. The current limit is $100,825,000 and this bill would change the limit to $280,000,000. The difference between the old amount and the new amount is $179,175,000, which is the amount of new debt proposed to finance passenger terminal improvements at Anchorage International Airport.

Number 0072

MR. PIGNALBERI continued this increased bonding authority is only one component of the financing for the proposed airport improvements. Another component includes federal highway funds for curbside improvements and a surface transportation access corridor. A third component is federal airport funding for ramp and airside improvements. The bonding cap contained in this bill is $25 million less than a similar bill introduced by the Governor. This bill contemplates an additional $25 million in federal funding; thus, reducing the amount the state needs to borrow. By taking the $25 million off the table, it will not be available to expand the project.

MR. PIGNALBERI said the $179 million in proposed terminal improvements represents the single largest public works project the Department of Transportation & Public Facilities has ever undertaken. The wisdom of taking on such a high amount of debt, and whether the international airport revenue fund (IARF) can afford the debt, remains to be proven in the legislative committee hearing process. Several of the small air carriers have expressed concern that the proposed project is too large. They voted against it, but lost. Still, their concerns may be valid and we owe it to them to make the project no more expensive than is necessary.

Number 0097

MR. PIGNALBERI further stated this bill is also notable for what it does not contain. It differs from the Governor's proposal in that it does not change the statutes to allow for undefined brokerage fees and unspecified obligations to be charged against the IARF. He noted that Chairman Cowdery as the sponsor of HB 432, would be willing to entertain narrow amendments, if necessary, and if the Departments of Revenue and Transportation and Public Facilities can justify any changes.

Number 0112

KURT PARKAN, Deputy Commissioner, Department of Transportation & Public Facilities, expressed his appreciation to Chairman Cowdery for sponsoring HB 432 which the department considers to be an important project for the state of Alaska. The DOTPF has some concerns, however, on some of the elements of HB 432, specifically, the dollar amount.

Number 0128

MR. PARKAN announced that Mort Plumb, Director, Anchorage International Airport, would be discussing the current status of the airport and the need for the development of this project. Leif Selkregg, program management consultant with the firm of RISE, Alaska who helped develop the program and the scope for the project will be testifying, followed by David Eberle, Program Director for Gateway Alaska. Mr. Parkan said that Mr. Eberle is currently the Director of Construction and Operations for the Central Region at the Department of Transportation & Public Facilities. His experience includes projects of this size; he was the project manager for the Bradley Lake Hydroelectric Plant; and project director for the northern intertie. The DOTPF felt fortunate to have someone with Mr. Eberle's experience on board as the project director for this particular project.

MR. PARKAN noted that following Mr. Eberle's testimony, George King of Hudson AIPF will discuss the financial package and why this is the time is now to go forward with this project in terms of interest rates for bonds and other considerations. Mr. Parkan asked Mr. Plumb to present his testimony.

Number 0176

MORT PLUMB, Director, Anchorage International Airport, said as director, he has a responsibility that is vitally important and very humbling, at times. It's a challenge that he takes very seriously and a challenge he has dedicated his total professional efforts, as well as the efforts of the professional airport team, to manage this resource in the best interest of the state. He said the terminal's existing deficiencies and need is substantial and has been carefully documented by a team of experts, along with the airlines in developing reasonable solutions to these problems. The growth of aviation and the aviation-related industries, is huge on a national and global scale. What is being presented to the committee at this hearing is only a small example of the challenges facing airports everywhere - updating outdated facilities and meeting increased need.

Number 0195

MR. PLUMB said the plan being presented is conservative in its planning assessments. It is a phased approach with planning to the year 2015, but building to the year 2005. The plan is fiscally responsible; there are no general funds being used. The plan is a product of a close working relationship with the airlines which resulted in a positive vote for the project. Anchorage International Airport is the entry and exist point for most traveling Alaskans, tourist and business travelers. The airport is woefully out of balance at this time. The terminal facilities are unable to support the growing airside activity. For example, the airport has only 43 percent needed in the baggage claim area, 40 percent in the ticket lobby and inadequate curbside.

Number 0272

MR. PLUMB recognizes the project as significant, but it is a project that must happen. The piecemeal approach to airport needs must be avoided; it's too expensive and valuable ground is being lost each year as the airport falls further behind in meeting the increasing facility needs. The plan being presented is the most cost effective way of keeping Anchorage International Airport as a part of the statewide economy, provide a safe and good quality environment for the traveling public, and to protect the investment of the shareholder's of the state of Alaska.

CHAIRMAN COWDERY thanked Mr. Plumb for his testimony and asked Mr. Argue to present his comments.

Number 0236

CLIFF ARGUE, Staff Vice President of Properties and Facilities, Alaska Airlines; and Chairman, Anchorage/Fairbanks Airlines Airport Affairs Committee, testified offnet from Seattle. He said the Anchorage/Fairbanks Airlines Airport Affairs Committee is comprised of 25 airlines who have signed lease and operating agreements with one or both of the international airports. Last November, the airlines voted in accordance with the agreement each had executed and long standing past practice, to approve the financing and construction of the proposed terminal redevelopment project at Anchorage International Airport with an estimated total cost of $191 million. During the voting process, the DOTPF pledged $26.5 million in federal highway funds to the project, leaving a net total of $164.5 million. The vote also approved the Alaska International Airport System (AIAS) to issue airport revenue bonds in an amount necessary to cover the new net project cost, financing and escalation with the understanding that AIAS would continue to "use its best efforts to obtain alternate sources of funding/financing to reduce airline cost exposure." It is the hope, but not certain at this time, that federal airport improvement funds will also be available to help in this regard.

MR. ARGUE stated, "Based on this approval by the signatory airlines, I appear before you today to speak in favor of HB 432 representing those carriers who voted for the project." Having been involved for nearly 30 years in the planning and development of airport terminal facilities, he said the work to date on the Anchorage project is among the most thorough and professional such effort he has seen. The needs assessment, conceptual solutions and financing plan were carefully developed by an expert team of airport staff and consultants. There was excellent coordination with the airlines at every step in the process.

Number 0271

MR. ARGUE said that his colleagues from a number of other airlines, including Reeve, Lynden, Northwest, United, Delta, Reno, America West, Federal Express and UPS all share his feeling on the quality of the process. The serious deficiencies in the existing Anchorage domestic terminal are well known, both as documented in the studies that Mr. Plumb spoke to earlier, and certainly experienced at one time or another by most people when traveling or meeting someone who is traveling. The plan to remedy these shortcoming between now and the year 2005 is sound and conservative. It will provide the citizens of Alaska and the many visitors from outside a modern, efficient and functional airport terminal serving the largest city and air transportation hub of the state. It will also allow passengers flying out of Anchorage to use the newest technologies to speed their progress through the terminal. The people at Alaska Airlines are especially excited about the opportunities this project presents for offering better customer service as quickly as possible. He urged committee members as they consider this legislation, to give the AIAS the maximum flexibility to issue the bonds necessary for the project all at one time. This is the most cost effective way to proceed rather than try to phase it. These bonds will be backed by airport revenues generated from rates, fees and charges to the airlines and in no way impact the state's general fund. The additional cost to the airlines, when considered on a cost per enplaned ~~in plane~~ passenger basis, is modest. The AIAS proposal is a prudent and reasonable approach to funding much needed improvements to one of the major economic engines of the state.

Number 0295

MR. ARGUE requested the committee's favorable action to allow this project to move ahead in a timely and complete fashion. He thanked the committee for the opportunity to present his comments.

Number 0297

CHAIRMAN COWDERY asked Mr. Argue to explain how the vote approval process works among the members of the Airline/Airport Affairs Committee.

MR. ARGUE said that under the agreement, the DOTPF or the AIAS brings forward a list of capital projects to the carriers. Those projects are reviewed with the airport and then the voting takes place where each airline that is signatory to the agreement votes to either approve or disapprove. In order for a project not to be approved, it requires 66 2/3 percent of the airlines voting to disapprove a project, in which case the project is then eliminated from the DOTPF's capital program that comes forward to the legislature. However, that is only a one-year deferral and the following year, if the DOTPF deems the project is still necessary, it can be brought forward again and presented to the carriers. If the project is voted down a second time, the DOTPF can still bring it forward to the legislature. He explained this is a provision that was negotiated in 1985/1986 when the first agreements were signed; it's been renewed on two occasions and is similar to what's found in the voting procedures at various airports. He noted there are a number of variations on the voting process and this is just one of them.

Number 0321

CHAIRMAN COWDERY asked if there is a time limit once a project is approved by the committee.

MR. ARGUE replied, "In this case, we saw a financing plan that carried out the cost of this project would be spread on the bond debt service, and I don't have that document in front of me, I believe it's probably in about the 20 to 25 year time frame. Normally, most projects that are approved have a life of 25 years. Some equipment is less than that - I believe it's 10 to 15 years."

CHAIRMAN COWDERY next asked Leif Selkregg to come forward to testify.

Number 0337

LEIF SELKREGG, Program Management Consultant to the Anchorage

International Airport and the Department of Transportation & Public Facilities, testified that in September 1996 AIA and the DOTPF assembled a planning team and initiated the planning process to develop the AIA terminal master plan for the planning horizon year 2015. He said this planning effort was supported a carefully developed needs assessment in a phased implementation program strategy. The planning team is comprised of leading national aviation planning consultants including TAMS Consultants for aviation forecasting, Landham (ph) and Brown for terminal master planning, Joe Hirsch (ph) & Associates for space programming, P & D Aviation for retail concession planning, and Hudson AIPF for financial planning. The planning team also includes Alaska based project management and architectural engineering firms who are working in the prime contract role, coordinating the multi-disciplined experts in integrating the plan into the Alaskan environment, RISE Alaska for program management support, McCool, Carlson, Green for architectural engineering and R&M Consultants for civil engineering.

Number 0349

MR. SELKREGG discussed the process utilized to get to this stage. The planning team has worked closely with the airlines and AIA management to develop a partnership approach to the planning process. Based on a series of workshops, meetings and direct input, a preferred terminal master plan has been approved by the AIA management and the airlines to address today's needs and demand to the year 2005, while still maintaining maximum flexibility for terminal development beyond 2005 to 2015. He commented that getting to the preferred terminal master plan for 2005 required that a detailed aviation forecast and needs assessment be prepared. This was followed by the development of 14 separate master plan concepts; those master plan concepts were refined down to 4 and eventually 1 concept with supporting budget, schedule and plan of finance information which was presented to the committee. He noted that throughout the entire process there has been a discipline of internal peer review between the aviation consultants on both the forecasts and the needs assessment work.

Number 0361

MR. SELKREGG said with regards to the aviation forecast, the TAMS aviation forecast for domestic enplanement growth at AIA to the year 2015 is projected to be 3.6 percent. He explained that forecast growth is shown as a straight line forecast, but in reality, it's comprised of peaks, valleys and plateaus. Growth at AIA over the next 10 years is forecast to be 4.8 percent, then slowing as the forecast horizon gets further away and more difficult to predict. Historical activity at AIA for the last seven years shows 4.65 percent growth; the Federal Aviation Administration (FAA) for AIA for the next 10 years is 4.13 percent and the Lee Fisher (ph) forecast which was prepared for AIA in 1993 is consistent with the TAMS forecast. To convert the forecast, enplanements in 1997 were 2,136,000 and predicted to grow to 2.5 million by the year 2000; and 3 million by the end of the year 2005.

Number 0373

MR. SELKREGG said in terms of deficiencies, the domestic south terminal consists of three major sections which vary in age, condition and function. Concourse C was built in the 1950s and was originally designed for small propeller aircraft and has met the end of its useful life. Concourse B, built in the 1960s, was designed for jet aircraft with second level boarding and before the advent of passenger security screening in today's larger aircraft. Concourse A was built in the early 1980s to accommodate a unique mixture of secured and not secured flights. Since Concourse A was built 15 years ago, passenger traffic has increased at AIA by over 60 percent and the standards for security and levels of service have dramatically changed in the aviation sector.

Number 0381

MR. SELKREGG explained that to meet~~s~~ today's needs and today's enplanement activities, AIA has only 43 percent of the baggage claim area required, 40 percent of the ticket lobby area required, and 89 percent of the jet gates required. There is a significant imbalance between the airside capacity, at 80 percent, and the publicside capacity, at 40 percent. He said that because of the unique peaking of activity at AIA in the summer months, the current domestic terminal area is at service levels D and F, which is a rating schedule of A-F. With the imminent demolition of Concourse C, AIA will be at 75 percent capacity on today's space needs and by the year 2000 it will be at 60 percent. He pointed out that a preferred terminal master plan concept has been developed and approved by the airlines. That came as a result of an intense six month planning process directly with the airlines requiring a high degree of involvement from the airlines. An evaluation process was developed that allowed the airlines to refine the preferred concept from the original pool of 14 concepts. Meeting with the airlines on a bi-weekly basis, the airlines input guided the planning team to the final development of the concept and implementation plan for construction of new and renovated components in a controlled roll out, triggered by need.

Number 0346

MR. SELKREGG concluded the concept which has been approved by the airlines increases the capacity for five new jet gates to the north and seven new regional parking positions. This would bring the total number of jet gates to 24 and the regional parking positions to 20. In order to accomplish this program, there has to be cross-utilization between jet positions and regional aircraft positions which requires careful scheduling by the airlines. If the cross-utilization is not gotten with the airlines, additional jet gates will be required. The ticket lobby and baggage claim area has been extended to the west side of the existing terminal, the curbside and road system will be extended to accommodate the new terminal area, there will be a new tour group processing facilities and expanded retail space.

MR. SELKREGG introduced David Eberle who would discuss the schedule and budget components.

Number 0409

DAVE EBERLE, Director, Design and Construction, Central Region, Department of Transportation & Public Facilities, said he had been asked to become the program director for the Gateway Alaska project and the terminal redevelopment project. Presently, he is involved in the environmental assessment process for this project, including public participation and developing schematic designs for the terminal project. The construction of the project will actually take place over a five-year-period to help minimize impact on the airlines as well as the traveling public. The first step will involve the "enabling projects" which are small projects that are required in order to first relocate the regional carriers, as well as Delta Airlines. He explained that Delta Airlines will be temporarily relocated into the international terminal and the regional carriers will be distributed through the existing facility. ~~Once~~ After the enabling projects, Concourse C will be demolished, beginning as early as the beginning of 1999. Immediately following, will be the construction of the replacement Concourse C which could begin as early as the summer of 1999. It will take approximately 2 1/2 years to build that portion of the project. Once that is completed, some of the carriers will be moved into their permanent relocations, others will be on a temporary assignment and then the rehabilitation of the existing concourse will begin in two stages. The west half will be first and will take approximately one year, between the years 2001 and 2002. The east half will then be done between the years 2002 and 2003.

Number 0430

MR. EBERLE referred to a drawing and explained that as parallel activities to the concourse development itself, the road work will be done which consists of widening the access road coming in as well as a new elevated section of the roadway and curbside adjacent to the new Concourse C. Also, a return radius will be completed to facilitate internal circulation within the airport which is presently not good. The parking area within the loop will also be improved. In addition to the roadside, airside improvements including new aprons paralleling the new structures, as well as some remote field stationing sites and overnight parking for aircraft away from the terminal will be undertaken.

Number 0437

MR. EBERLE said that's most of the construction elements and relative timing of those elements. All work will be completed by the end of year 2003; ready for use in the year 2004.

CHAIRMAN COWDERY referred to Concourse C and asked what the total extension would be in feet.

MR. SELKREGG responded about 300 linear feet.

Number 0444

REPRESENTATIVE GAIL PHILLIPS asked what plans had been made for the smaller carriers using Concourse C while it is being rebuilt.

MR. EBERLE said those would be the regional carriers and there are two possible solutions. Delta Airlines will be moved to the international terminal, Alaska Airlines could be shifted, which would allow space for the regional carriers. Or, the regional carriers could actually move into the old Delta Airlines area.

REPRESENTATIVE PHILLIPS assumed the area would have to be secured before construction began.

MR. PLUMB confirmed that would be the two options available. The two gates would need to be secured, as it now an unsecured area.

Number 0454

MR. EBERLE said with respect to project cost, the 1997 estimate prepared by Mr. Selkregg, is $191 million. If that amount is escalated to the midpoint of construction, allowing for inflation, it's about $205 million. The following is a breakdown by feature:

enabling works, approximately $5 million; road and parking portion, about $34 million; terminal C replacement, approximately $84 million; airside improvements, roughly $38 million; and the renovation of the existing terminal is about $43 million, for a total of $205 million. He said the management plan to be used on this project is basically the same approach he used on Bradley Lake in the Anchorage/Fairbanks Intertie, and that is to do the majority of the work through the use of professional consultants with very little support from the in-house staff, itself. The Department of Transportation & Public Facilities is not going to be gearing up to do this project; existing staff will be used but primarily it will be consultant work. The design work for the terminal and all the road improvements will be by consultant, the airside improvements will be split between consultants and in-house staff, using existing staff, and the project management will be a combination of existing staff augmented by consultants. He found this to be a very effective way of managing and it avoids having to gear up an agency, only to layoff people later on. Other elements he would be involved with are the road projects between International Airport Road and the Seward Highway, which will be implemented on an as-needed basis and are part of the Federal Highway Statewide Transportation Improvement Program (STIP) process.

Number 0472

MR. EBERLE stated in terms of funding source and plan of finance for this project, the estimated construction cost is $205 million. When the bond issuance cost and interest during construction are added in, the total cost is $230 million. The anticipated funding sources right now are $204 million in revenue bonds and $26 million in federal highway monies. In addition, the airport is attempting to secure additional funds through the Federal Aviation

Administration (FAA) but that is uncertain at this time.

Number 0481

REPRESENTATIVE PHILLIPS wanted to confirm for the record that the expansion or the work on the pipeline is not part of the project.

MR. EBERLE confirmed that it is not part of the project. He announced that George King was available offnet to discuss the plan of finance.

Number 0485

GEORGE KING, Financial Consultant, HUDSON AIPF, LLC, said he would address certain considerations relating to the financial plan for the project. The first item he would speak to is the purpose of the financial plan and the second is to outline the three key objectives and how those objectives have been met.

Number 0489

MR. KING said the overall purpose of the financial plan is to be sure that funds will be delivered at the proper time and in the proper amount to support the project. In order to accomplish this, three principal objectives were set forth. First, to achieve low cost; second, to do so with low risk; and third, to maintain high flexibility. With respect to the first objective, the financial plan has met this objective in two principal ways. He said first of all we have the benefit of being in the lowest interest rate environment experienced in the last 20-30 years. Secondly, we also have the benefit of favorable federal tax law which allows the airport to issue tax exempt bonds. This is favorable federal tax law policy is in effect in recognition of the importance of airport projects throughout the country to the national transportation system. This is a discretionary authority that Congress has given airports at this time.

Number 0497

MR. KING stated the second objective to achieve low cost with low risk has been met in three ways: 1) All sources of funds of the financial plan are within the control of the airport and the state of Alaska, collectively; 2) the plan has no hypothetical sources of funds on which the project is dependent; and 3) the plan approaches the funding by securing the complete funding up-front so the construction team can bid and construct the project in the most efficient and economical manner.

Number 0509

MR. KING continued the third objection which is to meet the low cost and low risk objectives while maintaining high flexibility is met in two principal ways: 1) Incorporated in the bond resolution is 25 years of flexibility to meet the airport's commitment to "use its best efforts to obtain alternate sources of funding or financing to reduce airline cost exposure." This will be done by imposing a credit mechanism in the bond resolution to reduce on a dollar-for-dollar-basis the debt service on the bonds, using future funds received for the project originally financed by the bonds.

MR. KING said in summary, he is very pleased with the plan of finance in that through a combination of hard work and fortunate circumstances, he feels very confident that a low cost, low risk, high flexibility delivery of funds to the project can be achieved in a timely way.

Number 0522

CHAIRMAN COWDERY thanked Mr. King for his testimony. He referred to the brochure and asked Mr. Selkregg to explain the scope of the additional improvements being proposed in a separate cargo master plan.

MR. SELKREGG responded the master plan for the cargo section is not a part of the terminal master planning process, so he deferred the question to Mr. Plumb who has a separate consulting team working on the cargo master plan.

Number 0532

MR. PLUMB said the cargo master plan is a separate document, but will incorporate those principals which were found in the master plan done by Lee Fisher and also incorporate those which are part of the terminal master plan. Those improvements are yet to be identified, so the costs will have to wait until the improvements have been identified. He indicated that many of the improvements will be programmatic in that as certain facilities are required and triggered by the demand, the timing will correspond to that demand. He said, "We, for example, use, I think, approximately around a million dollars per square foot of taxiway, so depending on how far up we may have to put a taxiway, you could use that as a ballpark figure in gauging." In his opinion, it would be inappropriate to speculate at this time.

CHAIRMAN COWDERY asked if there had always been a separate cargo master plan in the past.

MR. PLUMB responded no.

CHAIRMAN COWDERY inquired about the funding for the cargo master plan.

MR. PLUMB recalled it would come from the advance project design money.

CHAIRMAN COWDERY called on Ross Kinney from Department of Revenue.

Number 0544

ROSS KINNEY, Deputy Commissioner, Treasury Division, Department of Revenue, said his purpose was to answer questions. He noted that George King was the financial advisor for this project, and the Department of Revenue prepared the fiscal notes based on Mr. King's information.

CHAIRMAN COWDERY noted the fiscal note includes three interest rate scenarios and asked which rate was the likely rate if the project was to go forward this year.

MR. KINNEY explained one of the schedules attached to the fiscal note has the current interest rates, as of this week. The second schedule adds 100 basis points, or 1 percent, to each of those rates and was recalculated; and the third schedule adds 200 basis points, or 2 percent to those rates. He stated, "When we sit here and take a look at what's going on in the world today, what's going on in the United States, what's going on with interest rates, we have to be a little bit careful in that we allow enough wriggle room, if you will, to ensure that we are not trying to sell a bill of goods to people that are dealing with the financing of this project. And I'm talking about the airlines in that case. And we don't want to create an expectation that we can't possibly meet. My recommendation to the committee would be take the schedule that takes the current interest rates, adds 200 basis points or 2 percent to those current rates, and use that as a rule of thumb to ensure that everyone's on the same sheet of music and agrees that this project should go forward at that level. That's not to say that based on the current market conditions, that we would issue bonds anywhere close to those rates. It would be more likely somewhere between the rates we see today and the 200 basis points. If this bond issue takes place within the next eight or nine months, hopefully we'll see these rates back off somewhat and we may see some even lower rates. It's really difficult for me to sit here and tell you that we can peg those numbers."

Number 0578

MR. KING agreed with Mr. Kinney's comments and indicated he had some numbers to add for consideration to Chairman Cowdery's question. From 1977 to 1991, municipal market interest rates in the category where the bonds would be issued, were in excess of 7 percent, with a very brief period where it was below. From 1991 to 1993, long-term rates declined from about 7 percent to about 5 percent.

TAPE 1, SIDE B
Number 0001

MR. KING continued that from 1993 to 1994, the rates went back up from 5 percent to 7 percent. And from 1994 to present, rates came back down from 7 percent to 5 percent. So, the rates were above 7 percent from 1977 to 1991 and have been within the range of 7 percent to 5 percent from 1991 to the present.

MR. KINNEY added that in January 1998, the state bond committee issued bonds for the public health facility in Anchorage, authorized by the legislature a year ago, and the true interest cost on that project over a 15-year period was 4.389 percent. He pointed out that debt was issued with credit enhancement, meaning that insurance had been acquired to guarantee a triple A rate.

CHAIRMAN COWDERY asked if the sale of these bonds would have any impact on the bonding capacity for the Fairbanks airport.

MR. KINNEY understands the two airports are combined into one enterprise fund and one of the major considerations in issuing revenue bonds for airport projects, is the coverage available to meet the debt service requirements. In this case, the net revenues of the two airports combined for the international airport system would be looked at to determine what that coverage is, which in turn would have an impact on the capacity to issue debt. In short, it would have an impact on the total amount of debt that could be issued until the coverage is raised.

CHAIRMAN COWDERY acknowledged that Representative Rokeberg was present.

REPRESENTATIVE PHILLIPS asked Mr. Kinney if, in the discussion on the bonding capabilities and the interest on the bonds, had there been any discussion regarding the additional bonding that the legislature is considering for ~~(indisc.) out on the~~ deferred maintenance, ~~bonds.~~

MR. KINNEY said this bonding was entirely separate because the international airports are operated as an enterprise fund and only the revenues from the airport operations are used to pay this debt. It has no bearing on the general fund or its capability to issue debt because the sources of funding are two entirely different things.

REPRESENTATIVE NORM ROKEBERG believed that Mr. Kinney's warning about the 200 basis point increase over the market rates is very conservative. He asked Mr. Kinney to explain the historic relationship between the 30-year long bond and an equivalent credit worthiness of a municipal or tax free bond.

MR. KINNEY replied the differential varies and depends on the bond rating; tripe A, double A or A rated.

REPRESENTATIVE ROKEBERG said to assume it was the same rating as a 30-year treasury bond.

MR. KINNEY believed it would equal somewhere in the neighborhood of 75 to 100 basis points.

MR. KING confirmed that Mr. Kinney's range was correct. He added that 75 basis points to about 120 basis points is the range, and it revolves most closely around 75 - 100 basis points.

REPRESENTATIVE ROKEBERG inquired what the time frame would be for the issuance of the revenue bonds for this project.

MR. KINNEY said with the possibility of interim financing being looked at, but the bond issue would be close to the first of the year, 1999. He directed the committee's attention to the schedules for the fiscal note which indicated the date of delivery of the bonds was October 1, 1998. There will be a need for financing early on and one of the things that may be considered in this project is whether a financing mechanism, called bond anticipation notes, is used in order to secure some interim financing in a small amount up-front to carry the project on or whether "we have to go for the whole ball of wax." He said it is important for the committee to be aware that this project exceeds the normal allowances by the Internal Revenue Service (IRS) for having issued the debt before it is totally committed or spent and a letter may have to be requested from the IRS to allow that to be done in order to meet the arbitrage requirements imposed by the IRS. That will dictate how much interim financing will be necessary and the possibility exists that it may have to be separated into two financings because normally the IRS requires that the proceeds of the bond issues be spent within 36 months unless the IRS has granted special dispensation to carry those proceeds longer.

MR. KINNEY pointed out there are some restrictions on the amount of interest that can be earned on the proceeds, and if the yield on the bonds is exceeded, then the arbitrage calculations would need to be done and the excess proceeds would be rebated to the federal government. He acknowledged there are a number of things that come into play with this project that will dictate where we are, how we go about it, and certainly interest rates will play a large part of that.

REPRESENTATIVE ROKEBERG asked if he was correct that there is a cap on industrial development bonds based on a statewide IRS (indisc. - mumbling) and there's a cap established by the IRS.

MR. KINNEY confirmed that.

REPRESENTATIVE ROKEBERG asked if these revenue bonds would in any way interrupt the industrial development bonds available to be issued in the state of Alaska.

MR. KINNEY responded there is no connection. The competition right now within the state for those bonds lies with the Alaska Industrial Development and Export Authority (AIDEA), Alaska Housing Finance Corporation (AHFC) and the (indisc.) Corporation.

REPRESENTATIVE ROKEBERG asked, "Mr. King, there's been a concern raised about the gross amount of financing -- you mentioned the mechanism but -- if in fact the bond issue was issued without or some $25 million less than has been requested by the Administration, what would the cost and time frame be to go back to the marketplace to go out and ask for additional monies for it - were it to be forthcoming or would it be necessary -- were it necessary?"

MR. KING said from a cost point of view, it's hard to put an exact number on it, but he explained what the components of the cost would be. First, there would be additional transaction costs of needing to do over again what had been done the first time in terms of getting the legal disclosure documents together, printing the official statement, going to market and marketing the bonds, soliciting the purchasers, and closing the transaction. Those transaction costs could be calculated fairly specifically. The second category of cost is the unknown factor of what might happen to interest rates in the interim period. He said his previous examples of rate increases between 1993 to 1994 took place over a 12-month period. That would be the principal source of financial risk.

REPRESENTATIVE COWDERY asked what 100 points would mean in terms of interest costs for this project.

MR. KING said that 150 basis points on $100 million of bonds, which is about half of the project, would over the course of the term of issue cost about $30 million. He offered to calculate 100 basis points on the entire amount and provide that information to the committee at the next meeting.

REPRESENTATIVE COWDERY asked how much money was currently in the international airport revenue fund.

JOHN UNGAR, Controller, Alaska International Airport System, Department of Transportation & Public Facilities, said on June 30, the date of the last audit, there was approximately $75 million in the revenue fund. He pointed out that wasn't idle cash. Under the bond resolutions and operating agreement, they are required to keep about $35 million of that $75 million in reserves. The approximate remaining $35 million is set aside to complete capital projects that have been appropriated in prior years that are in various stages of completion. There was an excess of $5 million over what was required which was returned to the airlines in the following year's landing fee calculation.

CHAIRMAN COWDERY asked how much debt is currently against the international airport revenue fund.

MR. UNGAR said there is about $33 million outstanding of debt.

REPRESENTATIVE KIM ELTON said in terms of revenue bonds, his line of thinking is that the revenue source would pay off the bonds over time. He referred to page 1, lines 12-14, and said this language seems to indicate that if revenues are short, the legislature can appropriate additional funds to pay off the bonds.

MR. KINNEY said that was correct. In the event that the revenues were short, the legislature could, in fact, appropriate funds.

REPRESENTATIVE ELTON asked if that was fairly standard language.

MR. KINNEY said that gives the bondholders a level of comfort that they're assuming less risk than normal and the state derives a benefit as a result of a lower interest rate because of the perception, real or otherwise, so it is standard language to include those kinds of things. Some of the language put into the bill also provides credit enhancement where insurance is bought. The less risk, real or perceived, results in lower interest rates.

REPRESENTATIVE ELTON said, "Cliff Argue who testified from Seattle suggested that in the authorizing legislation we ought to give as much flexibility as possible and I guess one of the questions about flexibility and I think maybe the representative across from me was maybe getting to that, also, is that it seems to me that we're better off if we don't if the additional federal airport dollars are there -- that we're better off giving enough authority for the $204 million rather than $179 million because you don't want to bind the hands too much. I know that there's a bill out there that we're not discussing, but I wonder if the chairman would give us a little bit of latitude to talk about that $25 million and whether or not in the financial markets, given that we don't know whether that additional money is out there, we're going to be able to capture it or corral it, you know, whether or not we ought not to be bonding for -- or giving authority for $204 million rather than $179 million."

MR. KINNEY responded that looking at it from debt side, he believed that (indisc.) scale back the scope of the project for that amount of money and that's obviously one of the things that needs to be looked at. He added that a statement of sources and uses of funds has to be provided for potential investors so it is clear the project is adequately funded and the project will be completed. So if the feeling is there are not adequate funds to meet that, the project will have to be scaled back to the level of funding that can be secured. In conjunction with that, some of the latitude being discussed deals with some of the language in the Governor's bill in that it provides some things that have happened in the financial markets over the last 20 years that's not seen in the statutory language as it exists today. One of the flexibilities he thought Representative Elton was alluding to was simply the fact that interest can be capitalized, credit enhancements can be used, determine whether interest rate payments will be made monthly, quarterly, semi-annually or annually, and depending on how everything fits together will dictate how this package is put together, with the idea in mind to keep the cost down for the airlines. He concluded, "So you saw language, proposed amendments to the existing statute that provided some of those flexibilities and made some of those provisions extremely clear; that this is what we're doing, this is how we're doing it, and that goes along with our effort to try to keep the airlines informed as to what we're doing and what we're proposing. And they fully understand these latitudes and they expect that we, in fact, will take advantage of those that result in savings."

CHAIRMAN COWDERY asked if he was correct in that if, in fact, it is determined that more money is needed a year or two down the road, the door has not been closed to an additional authorization.

MR. KINNEY thought it would be up to the airport management and the Department of Transportation & Public Facilities, but obviously, it would be possible to come back before the legislature and ask for additional authorization to issue additional bonds.

CHAIRMAN COWDERY reerred to the $25 million in FAA monies available for this project, and asked if that $25 million was included in the amount of the bonds, would it be more difficult to convince the FAA there's a need for the money.

MR. KINNEY said he couldn't answer that question.

CHAIRMAN COWDERY said he had reason to believe the FAA would find a reason to not hold up the project ....

MR. KINNEY pointed out that Mr. King had stated part of the bond resolution would include a statement to the effect that in the event additional money was forthcoming, that money would be utilized to retire the debt and in turn lower the fee to the air carriers.

REPRESENTATIVE ELTON asked if the state does bond for the extra $25 million, are there constraints on those funds that aren't in HB 432 or in the Governor's bill?

MR. KINNEY said yes, there are strings attached to this money. First, the original project must be completed before that money can be spent for anything other than what was originally specified. It will probably be set up with a "call feature" that will allow some of the bonds to be called and retired in the event excess monies were available. Or those monies could be applied to debt service before any additional projects would be approved by the legislature or by the airlines affairs group.

CHAIRMAN COWDERY next called on Ron Simpson to present his testimony from Anchorage.

RON SIMPSON, Manager, Airports Division, Federal Aviation Administration, Alaska Region, said his division was responsible for the administration of the airport improvement program (AIP) and provide federal funding for airport and (indisc.) development projects in Alaska. He said based on earlier testimony, it is clear that HB 432 contemplates an additional $25 million in funding from the FAA in support of the Anchorage international development project. He stated, "Let me say first off that we in the FAA strongly support the development proposals at Anchorage International. The airside improvement, the terminal expansion, as well as the access road improvements, we see as vital and important to the long-term needs of the airport." His comments today would be directed on financing and funding options in an attempt to give the committee a perspective as to what is available in the area of airport improvement funding and what the outlook would be.

MR. SIMPSON pointed out that Anchorage International Airport receives funding from primarily two categories: Entitlement funding and discretionary funding. The entitlement funding has been averaging around $5.5 million a year and is based on a national formula that's distributed based on the overall AIP funding levels. It is distributed based on two categories; passenger entitlement, based on the annual number of passengers who use the airport, which averages about $2.6 million annually; and cargo entitlements, based on cargo weigh bills, which averages about $3 million annually. Those funds are pretty much guaranteed to the Anchorage International Airport as long as there is an AIP bill supporting that. The discretionary funding is the second category and is distributed Competitively ~~propensively~~ on a national basis. In FY 95, Anchorage received $2 million in discretionary funds, $2.1 million in FY 96 and $2.3 in FY 97. However, discretionary funds are tentative; there's no guarantee. He emphasized that Anchorage International Airport competes nationally with all other airports in the same category for discretionary funds. These discretionary funds are allocated based on priority as defined by the FAA's national priority system which focuses primarily on safety, security and capacity enhancements. In order to compete effectively for discretionary funds, projects submitted must be high priority projects. With respect to the development plans for Anchorage which include apron work, terminal work and access roads, he said the apron work is a relatively low national priority. The terminal building does not compete at all for discretionary money, but he understands the access road will be primarily funded with federal highway dollars.

MR. SIMPSON said in looking at the strategy for FY 98, the FAA is contemplating about $6.25 million in discretionary requests, he thought the best advantage for securing discretionary dollars would be to approach financing these projects through the development of a letter of intent (LOI). He explained that a letter of intent primarily is a long-term plan for future commitment of AIP funds where the project far exceeds the anticipated entitlement levels, which is the case with Anchorage International Airport. The FAA's policy on letters of intent emphasizes four areas: 1) the projects must meet cost benefit analysis based on FAA methodology and approved forecasts; 2) the projects must significantly enhance the national air transportation system; 3) the projects must be ready projects; in other words, the planning, environmental and design must be completed and a complete funding strategy in place;

and 4) the criteria looked at by the committee in FAA headquarters in approving letters of intent is the nonfederal financial commitment portion of the financial plan demonstrating how the letter of intent would be leveraged from nonfederal sources, such as airport revenue bonding.

MR. SIMPSON continued the FAA is now in the process of working very closely with Anchorage International Airport on the letter of intent package which is due at FAA headquarters on March 1. The letter of intent description includes (indisc.) at approximately $13 million, overnight parking positions for passenger carriers at approximately $6 million, terminal apron reconstruction at approximately $23 million, including the terminal development, expansion, as well as replacing old pavement sections. The runway reconstruction is also included in the letter of intent package, phase II, at approximately $10.4 million. Overall, the letter of intent application amount will be about $48 million, but he cautioned committee members to bear in mind that "in items 1, 2, and 3 about $38 million is what's being contemplated (indisc.) ok including in House Bill 432." The letter of intent **can** ~~**or can't**~~ ***(NOTE: I don't know if he's saying can or can't)*** be used by Anchorage to offset the airport revenue bonding expenditures; however, it very early in the process and we won't know exactly how much federal funds will be available in the way of discretionary dollars for Anchorage International Airport until decisions are made, probably in June or July.

MR. SIMPSON said also from a funding strategy standpoint, he would be remiss if he didn't mention how projects of this magnitude are funded at other major airports throughout the country. He had spoken to the legislature previously about the importance of implementing a passenger facility charge (PFC) program in the state of Alaska. Actually, Anchorage International Airport could be earning anywhere from $5 million to $6 million annually from PFC collections. Basically, PFCs are a $3 per passenger user fee for use of the airport facility and are the most viable way to finance large airport infrastructure development projects. The PFCs provide a reliable stream for funding for long-term planning, especially for terminal building and landside improvements that do not compete well in terms of the FAA national priority system. Also, PFC revenues can be used to pay back debt service.

MR. SIMPSON said in any event, the FAA fully supports the projects at Anchorage International Airport and will do everything possible to maximum the federal funding available to support these projects.

CHAIRMAN COWDERY announced that Representative Mulder had joined the meeting.

REPRESENTATIVE ROKEBERG asked how long Mr. Simpson had been in his current job with the FAA and how long had he been in Alaska.

MR. SIMPSON said he had been in airports program since 1980 and in the Alaska region since 1991.

REPRESENTATIVE ROKEBERG said that Mr. Simpson had indicated that no decisions would be made until June or July and asked if he was referring to decisions made at the FAA level. Also, he inquired if a congressional appropriation was required to fund the money.

MR. SIMPSON said in answer to the first question, the decisions are made at the national level by the airports organization in FAA headquarters; and secondly, the legislative appropriation for the FY 98 program was passed last calendar year and there is funding available at this time. The funding he spoke to specifically in the area of entitlement funding, is available right now for Anchorage International Airport this fiscal year.

REPRESENTATIVE ROKEBERG asked what the scope of those monies would be? Would it be the entire $48 million or would it be when the projects are approved by some trip-wire mechanism that's in the letter of intent?

MR. SIMPSON explained the letter of intent is a long-term plan and along with it is a long-term funding strategy, and the funds for the letter of intent would be paid out over the term of the letter of intent agreement. So, for a project of this magnitude with a debt service over a number of years, the letter of intent federal financial commitment would also be over that term.

REPRESENTATIVE ROKEBERG asked if he was correct in that the money is available now, but it would be paid out over a year so there would not be any other congressional funding of the monies.

MR. SIMPSON clarified the letter of intent would primarily be the request for discretionary funds, which goes through the competitive process. The entitlement fund is a different pot of money. As the long term needs of Anchorage International Ai:port are looked at, it's not the best strategy to tie up entitlement funds throughout the term of a letter of intent if other nonfederal funding can be secured as well. The AIP program is funded through the next two fiscal years, at which time it will take additional action by Congress to either extend or prove continuation of the AIP program.

REPRESENTATIVE ROKEBERG questioned if AIP funding was both entitlement and discretionary funding, but the letter of intent was discretionary funding.

MR. SIMPSON responded that the letter of intent is basically a request for discretionary commitment from the federal government.

REPRESENTATIVE ROKEBERG asked Mr. Simpson to expand on his cautionary comment about tying up entitlement monies.

MR. SIMPSON said the airport does have an option to commit its entitlement fully to the letter of intent during the period of the letter of intent, so when other airport development needs that may develop during the term of the letter of intent agreement are looked at, it's not always the best strategy to tie up the airport's entitlements for the entire length of the letter of intent commitment.

REPRESENTATIVE ROKEBERG asked, "Do you think if we have an LOI commitment for $48 million, it would hurt our chances to get additional funds on an entitlement basis?"

MR. SIMPSON said the line of financial strategy would be to commit a portion of the entitlement funds, but not the entirety. That would certainly show local commitment to the overall letter of intent package.

CHAIRMAN COWDERY thanked Mr. Simpson for his testimony and said the committee may have additional questions later.

MR. SIMPSON acknowledged the funding picture is somewhat complex, but he said the $25 million contemplated by HB 432 is not guaranteed and FAA would have to have a good funding strategy as well as high priority projects to secure that level of funding.

CHAIRMAN COWDERY asked Mano Frey to present his testimony from Anchorage.

MANO FREY, President, Alaska AFL-CIO, testified that his job often requires him to travel outside the state, so he is familiar with a number of airports. He avoids going to Detroit at any cost because it's a terrible facility with not much hope in the near future of making it better. He has, however, been in a number of airports and often thought it would be nice if Anchorage had a facility like that. He said it is time for Concourse C to go, so he is pleased to see that one of the first phases would be to get rid of Concourse C and build a new wing so the traveling public can be better served.

MR. FREY said that Alaska AFL-CIO, especially the construction unions that would be involved in this project, fully support the concept of Gateway Alaska which is much broader than just the funding of the airport improvements. It includes repairs to International Airport Road, widening of C Street, and other improvements. He encouraged cooperation between the legislature and the Administration in order that this plan may go forward and avoid any delays which would result in additional spending. He said this is easily the largest construction project in Anchorage's near term future and stressed the importance of getting the project underway as efficiently as possible.

CHAIRMAN COWDERY stated he believed that everyone seated at the table and the majority of the people support this project. He thanked Mr. Mano for his testimony and asked Mr. Heyman to testify.

DUANE HEYMAN, Executive Director, Commonwealth North, testified from Anchorage that Commonwealth North is a public policy research group with 350 members. On February 10, Commonwealth North passed a resolution in support of revitalizing the Anchorage International Airport. They endorsed the revitalization project as approved by the airlines and have requested the legislature to approve the authorizing legislation. He said there are a number of reasons for Commonwealth North's endorsement and emphasized the impact on Alaska's economy both now and in the future, plus the 11,000 jobs related to the airport.

CHAIRMAN COWDERY noted that he and most of the other legislators had received the letter of endorsement from Commonwealth North. He thanked Mr. Heyman for his testimony and asked Ron Lance to begin his testimony.

RON LANCE, General Manager, United Airlines, testified from Anchorage in support of the project and expressed support for the process of the projects in place. He said it's a very unique opportunity to participate in this project between the airlines and the airports and is satisfied that everyone involved has done their part. After working 12 years at the Anchorage International Airport, he is aware that the airport needs to be fixed. Hopefully, this project will take care of that.

CHAIRMAN COWDERY thanked Ron Lance for his testimony and asked Joe Griffith for his comments.

JOE GRIFFITH, Representative, Anchorage Chamber of Commerce, testified via teleconference from Anchorage. He said the Anchorage Chamber of Commerce had passed a resolution supporting this project.

CHAIRMAN COWDERY noted that the letter from the Anchorage Chamber of Commerce was in committee files and thanked Mr. Griffith for his testimony. He asked Sherman Ernouf to testify next.

SHERMAN ERNOUF, Special Assistant to Mayor Rick Mystrom, testified on behalf of Mayor Mystrom in support of this project.

CHAIRMAN COWDERY inquired if there was anyone else waiting to testify?

TAPE 2, SIDE A
Number 0001

CHAIRMAN COWDERY said the committee would meet again the following evening at 5:00 p.m.

ADJOURNMENT

Number 0013

CHAIRMAN COWDERY adjourned the Special Committee on International Trade and Tourism at 6:35 p.m.

HOUSE SPECIAL COMMITTEE ON
INTERNATIONAL TRADE AND TOURISM
February 25, 1998
5:10 p.m.

DRAFT

MEMBERS PRESENT

Representative John Cowdery, Chairman
Representative Eldon Mulder
Representative Gail Phillips
Representative Joe Ryan
Representative Kim Elton
Representative Reggie Joule

MEMBERS ABSENT

Representative Pete Kott

COMMITTEE CALENDAR

HOUSE BILL NO. 432
"An Act relating to the bond authorization for international airports revenue bonds; and providing for an effective date."

- HEARD AND HELD

(* First public hearing)

PREVIOUS ACTION

<u>BILL: HB 432</u>
SHORT TITLE: AIRPORT REVENUE BONDS
SPONSOR(S): REPRESENTATIVES(S) COWDERY

Jrn-Date	Jrn-Page		Action
02/18/98	2353	(H)	READ THE FIRST TIME - REFERRAL(S)
02/18/98	2353	(H)	ITT, TRANSPORTATION, FINANCE
02/24/98		(H)	ITT AT 5:00 PM BUTROVICH RM 205
02/24/98		(H)	MINUTE(ITT)
02/25/98		(H)	ITT AT 5:00 PM BELTZ ROOM 211

WITNESS REGISTER

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POSITION STATEMENT: Answered questions on HB 432.

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POSITION STATEMENT: Commented on HB 432.

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POSITION STATEMENT: Testified on HB 432.

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POSITION STATEMENT: Testified on HB 432.

ACTION NARRATIVE

TAPE 98-3, SIDE A
Number 0001

CHAIRMAN JOHN COWDERY called the House Special Committee on International Trade and Tourism meeting to order at 5:10 p.m. Members present at the call to order were Representatives Cowdery, Mulder, Phillips, Elton and Joule. Representative Ryan arrived at 5:17 p.m. Representative Kott was absent.

HB 432 - AIRPORT REVENUE BONDS

Number 0033

CHAIRMAN COWDERY said the committee would be considering HB 432, "An Act relating to the bond authorization for international airports revenue bonds; and providing for an effective date." It was the intention of the committee to take public testimony and ask questions of the airport administration. He said that HB 432 would provide authorization for the state to issue up to ~~$280~~ 180 million in revenue bonds to fund improvements at the Anchorage International Airport (AIA). The amount of the bonding authorization may change depending on what the committee learns in the legislative process. Chairman Cowdery said he sponsored HB 432 because he supports development and improvements of the airport, but it is the

MR. SPRAGUE continued, "We agree that the airport is a tremendous economic benefit to the citizens of Anchorage and the entire state. We also agree we should plan and build for the future. We must all keep in mind, however, that the cost of these improvements will ultimately be borne in large measure by the citizens of our state. These costs should be thoroughly and rigorously justified. There are questions surrounding this project. How good are the analysis offered in support of this project? For example, although passenger traffic at Anchorage has increased over the last ten years, it has remained essentially flat since May of 1997. What will continued failure to meet growth projections do to the cost that all of us must bear. There are abundant examples, both within Alaska and across the nation, of how quickly airline passenger traffic levels can change and what happens to business at airports when costs skyrocket due to over-building. Additionally, the Administration's plan proposes to increase airline lease space by 75 percent and concession space by 100 percent but has gathered no commitments for any of this additional space."

MR. SPRAGUE said, "As I mentioned earlier we do believe the concept being presented by the Administration has some merit as a potential long-term master plan. Last June in fact, all participating airlines including United, Delta, Alaska Airlines, Northwest, ERA, PennAir and Northern Air Cargo favored an incremental approach to terminal renovation and expansion. We were on a course to establish priorities and do the most important things first. In July, the airport administration proposed a $33 million incremental approach. However, by October, the number was $191 million; in November, it was reduced to $164.5 million; last month it was $235 million; and now the legislature is finally being asked to authorize bonding for $204 million. Whatever the final cost, this is a major investment. Again, one that merits careful consideration and reasoned discussion among airport users, airport staff, legislators and other community leaders. We all want a modern, efficient airport terminal. The needs of our present facility are readily apparent. C Concourse was built in the early 1950s and renovation studies have been ongoing for at least the last ten years. There are legitimate needs in the main terminal baggage handling areas and ticket lobby areas."

Number 0175

MR. SPRAGUE stressed, "Before rushing forward however, we must develop a sound business plan that prioritizes problem areas and identifies cost effective solutions. We must learn from the experiences of others, also. There are examples around the country of airports that overexpanded; places like San Jose and Denver, where high terminal costs resulted in downturns in airline activity. We must consider this possibility in Anchorage. The Administration has done a good job attracting cargo carriers to Anchorage. These carriers employ many hundreds of Alaskans and there are good prospects for more cargo carriers to come. These carriers, however, will pay a substantial portion of the terminal expansion costs; perhaps as much as 30 to 40 percent for the next 25 years. How will this affect the decisions of potential new cargo carriers, or for that matter, the existing ones."

Number 0188

MR. SPRAGUE concluded, "In closing, we believe the Administration's Terminal Expansion 2005 concept merits serious and careful consideration. We have the expertise right here in Alaska to evaluate and prioritize the legitimate needs at the Anchorage International Airport and to come up with sound, fiscally responsible plans to meet those needs. This is an opportunity that we cannot afford to miss and we should do it right."

Number 0197

REPRESENTATIVE JOE RYAN asked if he was correct in assuming that FedEx and UPS don't do any breakdown of loads or redistribution but they use the Anchorage International Airport for a local fuel stop and for whatever local freight comes into Anchorage.

MR. SPRAGUE said he would defer that question to the airport administration since he is no expert on the plans of FedEx and UPS.

Number 0212

CHAIRMAN COWDERY asked what percentage does ERA contribute to airport revenues.

MR. SPRAGUE replied he didn't have that figure, but the larger airlines - Alaska, United, Delta - contribute in total about 85 percent, so obviously ERA would be in the smaller percentage. He added that ERA does, however, carry a significant portion of the traffic. Often times throughout the year, ERA is the number 2 carrier in terms of the number of passengers boarded at the airport.

CHAIRMAN COWDERY noted that Mr. Sprague's earlier testimony indicated that more carriers voted against this project than for it. He asked how the voting process was set up so the majority doesn't rule.

MR. SPRAGUE said that question would perhaps be more appropriately directed to the airport administration or Mr. Argue who addressed the committee the previous evening. It was his understanding that it takes a two-thirds majority vote to disapprove a project, so in this case even though the majority number did vote to disapprove, it was not a two-thirds majority, therefore, the vote carried to approve the project.

CHAIRMAN COWDERY inquired if this was a common way of doing things in other airports.

MR. SPRAGUE was not aware of how it's done at other airports.

CHAIRMAN COWDERY asked if ERA's landing fees had increased or decreased in the last two or three years.

MR. SPRAGUE said there had been some fluctuation in the landing fees; both increases and decreases, but he wasn't sure exactly what they had been. He added that ERA has been presented with cost estimates that landing fees would certainly increase with this project over the next few years.

Number 0239

REPRESENTATIVE GAIL PHILLIPS asked if it was Mr. Sprague's understanding that several of the carriers voting in the affirmative based their votes on the institution of the passenger facility charge.

MR. SPRAGUE said that was his understanding.

REPRESENTATIVE PHILLIPS asked of the 10 carriers voting to approve the project, how many voted with that stipulation on their vote.

MR. SPRAGUE responded there were multiples, but he didn't have the exact number.

REPRESENTATIVE PHILLIPS asked if those votes were counted as straight "yes" votes.

MR. SPRAGUE responded in the affirmative.

REPRESENTATIVE PHILLIPS asked if this project were to go into place, and several of the carriers that voted for this project decided to cease doing business in Anchorage, what would the impact be on ERA.

MR. SPRAGUE explained the airline operation of ERA only operates within the state of Alaska with Anchorage being the only hub. Therefore, if there were fewer carriers paying for the overall cost of this project, ERA doesn't have a choice of going elsewhere; therefore, ERA would pick up additional costs.

Number 0260

REPRESENTATIVE RYAN asked if ERA paid landing fees and rental fees for the ticket counter and gate space.

MR. SPRAGUE responded affirmatively.

Number 0264

REPRESENTATIVE ELDON MULDER asked Mr. Sprague if he thought the airport needed to be expanded or renovated.

MR. SPRAGUE said, "Yes, we certainly do."

REPRESENTATIVE MULDER inquired if the C Concourse and ticket counter space occupied by ERA was sufficient.

MR. SPRAGUE responded that in terms of sufficient, the available space ERA has on the C Concourse is certainly sufficient; they are not seeking additional space in a renovated C Concourse. However, the other discrepancies with C Concourse in terms of age and condition are well known and ERA would not argue there certainly needs to be some improvements.

REPRESENTATIVE MULDER asked if ERA would be looking for additional ticket counter space if the renovation were to occur.

MR. SPRAGUE respond that ERA would not be seeking any additional space.

Number 0278

REPRESENTATIVE PHILLIPS said, "I'd like to put something on the record. One of my first jobs in Anchorage, quite a few years ago, was working at the ticket counter as a ticket agent for Western Airlines in the basement of C Concourse, so that's been a lot of years."

CHAIRMAN COWDERY asked if there were further questions of Mr. Sprague. There being none, he asked George King if he had any remarks.

Number 0286

GEORGE KING, Airport Financial Consultant and Bond Issue Advisor, Hudson AIPF, said he had presented his testimony at the previous meeting and was available to answer questions. In answer to the question that had been raised at the previous meeting; specifically, what is the impact in dollars of a 100 basis point move, he had looked at that question from two perspectives. First, if the $179 million issue had a 100 basis point move, the total additional interest paid over the life of the transaction would be about $33 million and if the $25 million portion had a 100 basis point move, the additional interest paid over the life of the transaction for just that $25 million portion would be about $4.6 million.

Number 0306

CHAIRMAN COWDERY questioned if, in fact, the 100 basis points came in existence before the bonds were sold, was it Mr. King's opinion, the project would have to be scaled back.

MR. KING said no, actually in the financial model used in calculating the rates and charges estimates that were given to the airlines, they used interest rates at that time which are quite close to the rates which are in effect today with a 100 basis point cushion. So, a 100 basis point move would be about at the same point when the model was run back in October with that assumption. He added, "And if we were able to finance at today's rates, our rates and charges would be lower than the estimates that were in the financial model. When we ran the financial model, we thought it was only fair to include a bit of a cushion in that assumption."

Number 0325

CHAIRMAN COWDERY asked what percentage of the package is for contingencies of that nature?

MR. KING said he didn't have that exact number, but he would be happy to furnish the committee with that information.

CHAIRMAN COWDERY questioned how much of the finance plan would be used to pay the investment brokers, bankers, or bond counselors.

MR. KING responded the cost of issuance, which is the aggregate amount of the investment bankers and lawyers, will be fees that are negotiated by the state bond committee which is the entity that authorizes the actual issuance of the bonds. He presumed those fees would be consistent with the going rates for those services at the time the services are engaged.

Number 0339

CHAIRMAN COWDERY asked if Mr. King had a ballpark estimate of those fees.

MR. KING estimated that for an issue of this size, it would be a little more than 1 percent of the aggregate transaction when all the costs are taken into consideration as a whole. He added that it would be the correct purview of the state bond committee to negotiate those prices with the firms chosen to do the work because there are quality considerations, as well as price considerations that enter into those selections.

Number 0351

CHAIRMAN COWDERY asked how much Mr. King was being paid and does the amount increase or decrease with the size of the project.

MR. KING stated his rate is approximately $145 per hour and his compensation does not increase or decrease with the size of the project. He further stated his job is to give the airport good information so the airport can make good decisions in terms of what to do.

CHAIRMAN COWDERY asked if Mr. King's job came about by the competitive bid process?

MR. KING replied yes, it did. He is a subconsultant to the RISE Alaska team which is headed by Leif Selkregg, and that team was selected in a competitive bid process.

Number 0362

REPRESENTATIVE PHILLIPS remarked that in November the financing plan showed a bonding requirement of $177 million and today it has increased to $204 million. She asked Mr. King to explain the difference in the package.

MR. KING responded the package has not changed. He said, "I think one of the comments I would have is, as I was listening to the testimony before about the reference to the numbers -- some of the numbers given out -- 191, 164, 235, 204, 177 et cetera, is that these numbers are all the same project, they're just taking different definitions. It's sort of like saying apples and oranges and bananas. They're all numbers that relate to the project, but they're all taken in a different context."

REPRESENTATIVE PHILLIPS asked if the committee could use the $177 million figure to work with?

MR. KING asked for the citation from which the $177 million was taken.

REPRESENTATIVE PHILLIPS responded it was from November's plan.

Number 0373

KURT PARKAN, Deputy Commissioner, Department of Transportation & Public Facilities, said he believed Representative Phillips was referring to the bottom of the third column on page 2 of the Plan of Finance dated November 5, 1997, which indicates $176.6 million.

MR. KING explained that number is the result of about six different things. He said, "The total cost of the project in 1997 dollars is and always has been in these numbers that we've been running, $190,800,000 or $191 million if people are rounding. That is the starting point. There is an entry next to that, $26.3 million which represents the federal highway allocation by the state and that gets you to the airport cost of the project in 1997 dollars of $164,500,000. So, those are three numbers which are talked about a lot - the 191, the 26.3 and the 164.5, but they all are consistent and they all are just different ways of expressing the same project."

REPRESENTATIVE PHILLIPS interjected she was trying to arrive at the difference between the $176.6 million which is shown as the needed financing in November versus the $204 million that's shown today.

MR. KING said the $176.6 million shown in November is the end result of starting with the total project cost and making several assumptions about how the actual financing plan would play out. For example, there's an assumption of 24 months of capitalized interest and what that would cost. That 24 months of capitalized interest assumption is based upon the assumed interest rates that were in the financial model back in November. The next line item, the credit construction fund earnings, is a number that's based on a couple of assumptions. First, that a single bond issue would be done, which as he explained in the previous meeting, would require the approval of the Internal Revenue Service to allow for a single bond issue. It's based on the assumption of an interest rate for the construction fund earnings over that five year period and it's based on the assumed drawdown schedule of the funds during that five years because all of those considerations impact the earnings. He further explained the next assumption, line item financing costs including bond insurance is an aggregate number which includes the underwriters compensation, the attorneys' compensation and the predominant number is the cost of the municipal bond insurance policy, which is what would be used to get the triple A rating and the lowest cost in the market.

Number 0427

MR. KING said the important thing about all those assumptions is they add up to the $230 million of total all in costs and there are a number of assumptions he refers to as subtotal subtractions, that yield the $176.6 million. He noted the $176.6 million is basically calculated as an estimate of what the real actual financing would cost if all the described assumptions came into play.

Number 0432

MR. KING continued to explain the $204 million was submitted because when an authorization is done, an outside parameter is set which cannot be exceeded and it's important in that sort of a context to have the outside parameter of what could possibly happen. The outside parameter of what could possibly happen would be if, for example, the IRS said we could not finance as one bond issue and if it had to be broken up into two bond issues, there would not be the construction fund earnings for the period of time which was originally assumed, so the construction fund earnings would drop substantially and the capitalized interest would not necessarily be the same as assumed. Also, the financing costs would increase because there would be two transactions instead of one. He said all of those are examples of how things could change from the estimate of what we could do back in November. He said, "So taking that into consideration and taking into consideration that we're setting an outside limit that we cannot under any circumstances exceed because it is laid out in the legislation, the decision was made to take the total financing costs all in of $230 million and subtract a round number of $26 million representing the highway money from the $230 million to get to the $204 million." He apologized for the technical nature of the description, but the subject itself is somewhat technical.

Number 0456

REPRESENTATIVE MULDER said, "I've got a question in relation to the security of this debt in relation to the fact that you've done the modeling for this plan and it's based upon the assumption that there's going to be a percentage of growth in airport traffic -- I don't know, something maybe in the 5 or 6 percentage range or something like that -- and consequently, there's projection of new gates, new ticketing, new baggage claim, new retail. How secure is this debt in the sense of what happens if the growth slows, stagnants, some of these new gates aren't purchased -- how much flexibility is in this plan, in your modeling?"

MR. KING said first the model uses the assumptions which he was given in areas where he does not generate the assumptions himself. In short, he used the activity levels in terms of the enplanement growth which was generated by the consultants that were hired who specialize in that area. Those consultants are TAMS consultants and Joel Hirsh (ph), both of whom are recognized experts. In addition, those enplanement growth assumptions generated by those experts, were consistent with the enplanement assumptions the Federal Aviation Administration (FAA) has. In answer to the first part of Representative Mulder's question, he used enplanement assumptions given to him, but he was comfortable with the assumptions because they had been developed with a great degree of care by people who were qualified to make those assumptions. To the second part of Representative Mulder's question, he said if the assumptions are correct, the financial model shows that the 2002 rates and charges at Anchorage after the completion of this project would be competitive with the triple AE, which is a national study, averages on a national level for the 1995/1996 rates and charges, which is the most recent national study. If the enplanement numbers were wrong and the charges were higher, he believed there is still a comfortable amount of room to have rates and charges which are higher than the model projects, but still equal to or less than what the national averages will be for similar sized airports in the year 2002.

Number 0492

REPRESENTATIVE MULDER asked if the model was predicated on having all the retail space 100 percent occupied and all the gates 100 percent filled and utilized in order to meet the forecast.

MR. KING said, "No, and in fact that's a very good question because in some earlier considerations internally within the group at the airport, we had talked about that and we ended up using what we consider to be some fairly conservative assumptions that relate to, I think, approximately 80 percent occupancy in the beginning that increases and we have those numbers, I believe they're in the back of one of the gray books -- bear with me one second, I can give that to you -- we assumed that the occupancy in the year 2002 would be 80 percent; 2003 80 percent; 2004 83 percent; 2005 and thereafter 89 percent. And the total vacant square footage that's assumed for the long term, 2005 and thereafter, is 27,000 square feet. There was a lot of discussion about these numbers because you could say that they are conservative or you could say that they're overly conservative, depending on your point of view, but they certainly are conservative numbers and we're not assuming 100 percent occupancy for the model. I would say, however, that when the consultants were designing the facility, they interviewed the airlines that used the airport and had extensive discussions with them about what their space needs would be and the facility was designed in response to the feedback that the consultants got from those discussions. So, again while I don't generate those numbers that go in the model, I do review the information that's given to me and as in the case of the enplanement, I felt comfortable that the numbers were legitimate and were done carefully by people that are experts in that business."

Number 0519

CHAIRMAN COWDERY asked Mr. King to stand by for additional questions later on. He asked Don Harris from Anchorage to present his comments.

Number 0521

DON HARRIS testified via teleconference and said he had been the commissioner of the Department of Transportation & Public Facilities from 1974 - 1979. When he left the administration, the north/south runway at AIA was under construction, the international terminal building was in the design phase and the A Concourse extension had been built. The north/south runways, associated taxiways and the international terminal building were completed with surpluses in cashflow. At that time, the bond debt of the airport was paid down to just under a half million dollars. He believed those were the three most significant capital improvement projects that have taken place at AIA in the last 20 years. He said, "Yet, I was somewhat chagrined and within about four years of time on the international terminal building expansion because at the time we were contemplating it, I'd asked several times for people to look ahead and see what we were faced in technology that might have aircraft bypassing Alaska and the response I got was that they didn't see anything in the future. The airlines, the latest thing they were operating in long range capability, was the SP model of the 747 but within four years they'd repowered the 747s and they were able to overfly Anchorage and Alaska."

Number 0549

MR. HARRIS suggested to the legislature that what's being proposed in this plan is probably excessive and it's been promoted with a considerable amount of hype. It's his understanding that up until July all the carriers were in agreement on the replacement of the C Concourse project. Some of the carriers have indicated to him they had no input beyond that time and now they're faced with the project before the committee. He encouraged the legislature to take some time to thoroughly evaluate how the space is being used in the present terminal complex and other considerations before giving the go ahead.

Number 0578

REPRESENTATIVE PHILLIPS asked Mr. Harris what his opinion was of passenger facility charges.

TAPE 98-3, SIDE B
Number 0001

MR. HARRIS responded it appears to him that perhaps the Anchorage facility either isn't being utilized to the extent that is desirable, or perhaps the charges are too low. With the amount of capital that's been put into the Anchorage airport, he felt it should generate enough fees to take care of the future capital improvement program.

Number 0009

CHAIRMAN COWDERY asked Mr. Harris if he thought there was a need for the project and if so, should it be downsized.

MR. HARRIS responded it's his belief that if a program is agreed to by all the carriers, it's worthy of going ahead with. He added, "But to go into a financing -- I think I heard last night that we had roughly $33 million of current debt -- and to authorize that for another $175 million to go into the kind of a program that's contemplated here, I think that would be a mistake. I think that you should review all of the possibilities and I really believe that you can do a terminal expansion and related improvements with the surpluses, the cashflow, that include the funds that come from the FAA through the Airport Improvement Program (AIP) and the discretionary funds from FAA."

Number 0036

REPRESENTATIVE RYAN shared some of his experiences from time spent working in the aviation industry. He noted the proposal is based on passengers not freight, which is where the revenue is. Inasmuch as the entire proposal is predicated on expansion for passengers, he asked where the revenue was going to come from.

Number 0061

BILL ELANDER, President and Chief Executive Officer, Anchorage Convention and Visitors Bureau (ACVB), testified on behalf of the board of directors of the Anchorage Convention and Visitors Bureau which represents 1360 businesses, most of which are in Southcentral. He said the board of directors had reviewed the airport expansion project and unanimously supported not only the 2005 project, but would like to see consideration given to the 2015 project for future development. He said the ACVB looked at it primarily from the passenger standpoint, and it was somewhat their mistake in belief that it was ultimately the passengers that would pay for the terminal, but now it appears that's not the case. He noted that some carriers are being added while others are dropping out. Reno Air is strong, Southwest Airlines left, TWA is back in, Northwest is coming in on international flights direct from Tokyo, which indicates a very strong growth pattern.

MR. ELANDER said the world is in an age of travel. The deregulation of airlines has given a lot of freedom to airlines to go where the demand is. It is for this purpose, the ACVB believes the expansion is essential; the demand is growing and will continue to be there, so immediate action should be taken to try to bring Anchorage International Airport up to beyond the 40 percent capability it should have for the future. He said that travel is here to stay; it is the largest business in the world today. International travel will begin to again appear into the Anchorage airport for the right reasons; not for refueling, but because passengers will want to get off in Anchorage.

Number 0098

CHAIRMAN COWDERY asked Mr. Elander what his position was on passenger facility charges.

MR. ELANDER said the passenger service charges in Anchorage are probably far less than most airports he has flown into around the country. Airport personnel outside of Alaska he has talked with have indicated that passengers are willing to pay for a proper terminal. It's frustrating for individuals coming into Anchorage to face the congestion of the baggage claim area as it is for outbound passengers in the ticketing area. He maintained that as long as there's competition, there will be good air fares in Anchorage.

CHAIRMAN COWDERY thanked Mr. Elander for his testimony and asked if Mort Plumb was available to comment.

Number 0119

MORT PLUMB, Director, Anchorage International Airport, clarified his statement from the previous meeting regarding an incorrect figure. He said the correct figure is, as a gauge approximately $1 million per 1,000 linear feet of taxiway, not square feet.

Number 0127

REPRESENTATIVE PHILLIPS said it was her understanding the Anchorage International Airport has collected over $14 million in prior years for terminal design and related improvement projects. She asked if that money was taken into consideration to reduce the $204 million bond request. If not, what happened to the money, how much is left and why wasn't it considered?

MR. PLUMB recalled that about $6.1 million was transferred and included in Mr. King's calculation in the model. He asked John Unger to further comment.

Number 0138

JOHN UNGER, System Controller, Anchorage and Fairbanks Airports, said there had been three separate appropriations, adding up to $14.5 million. The first appropriation was for $3 million which was to study C Concourse and determine if it could be repaired, replaced or what other options were available. There was a $4.5 million appropriation for a needs assessment study. A $7.2 million appropriation a couple years ago was based on C Concourse being torn down and included funds to build a warehouse for the building maintenance people so they could begin to vacate C Concourse; it was money to relocate tenants. He said basically out of the $14.5 million, $6.1 million would be available to go on with the construction and design of the terminal, and the $6.1 million has been reduced from the total cost of the bond package.

REPRESENTATIVE PHILLIPS asked if the $14 million wasn't just for terminal design, but it was for general maintenance as well?

MR. UNGER said the first $3 million was to actually start the studies on the existing problems with C Concourse and to make determinations whether it was feasible to repair it and if not, start taking steps to replace it. He knew that part of the money was for studies and part of it was used to tear down a chimney on C Concourse. He suggested that Donn Ketner could better address the scope of those projects.

Number 0158

DONN KETNER, Architect, CCS, explained that he is the project manager for the terminal portion of the terminal redevelopment project. He said the status of the funds are as follows: The original $3 million that was appropriated quite some time ago went into a number of studies to evaluate the structural capacity of Concourse C. A number of dangerous conditions that existed were identified and some of the funds were used for construction to correct some of those conditions, such as the masonry chimney alluded to by Mr. Unger. Also, a program was put together to vacate and demolish Concourse C independent of the terminal expansion program. That was the $7.2 million that was requested, and of that $7.2 million a new 20,000 square foot warehouse and maintenance facility was constructed to move that function out of Concourse C. He explained that administrative offices were in the design process to replace offices and other tenant relocations and at that time, it began apparent through some of the early studies on the terminal expansion program that it would be prudent to hold off on those improvements until such time as they could see where the master plan for the terminal expansion was going.

Number 0179

MR. KETNER said some of those monies remain on the books. He said, "We have also received approval by the Airlines Affairs Committee, (indisc.) million of the original $7.2 million into the terminal expansion program, so that represents part of the $6.1 million that you see in the financial plan." He suggested that a financial statement could be made available to the committee that would identify when the funds were appropriated, what the funds were used for, what funds remain, and the current amount in the terminal expansion program.

UNIDENTIFIED SPEAKER: "I believe the first appropriation came on the books in 1993 or 94."

Number 0193

REPRESENTATIVE MULDER commented that more than $3 million had been spent studying potentials and opportunities and it appears to him that it's Mr. Plumb's task to gain control of the money that is being spent. A lot of money has been spent doing nothing to have eight pieces of paper put before the committee in relation to a work product, which didn't seem to be a very good return on the investment thus far.

MR. PLUMB accepted the challenge.

Number 0206

REPRESENTATIVE PHILLIPS understood the airport system currently holds over $36 million in unencumbered and unspent old capital improvement project funds from prior years. If this is the case, is this cash in the bank, was it collected from the airlines and other airport users and why isn't it being used for this project.

Number 0213

MR. UNGER responded it is true the airport is holding $36 million or $37 million of capital money that's been collected over the years from the airlines for projects that have been appropriated previously. He added, "Both airports went through an extensive review this summer, because this was a big sticking point with the airlines, WE went through project by project, came up with about $5 million or $6 million of money that they felt these projects had either been completed or weren't going to be started and the money was lapsed and basically refunded back to the carriers through this year's landing fees. The remaining $36 million is projects that both airport managers feel are ongoing and that these projects will be completed. The Alaska International Airport System recently adopted a capital project close out policy and basically what it says is that as soon as an appropriation comes on the books, they have five years to complete that project and the money will then be closed out and any project older than five years that for some reason hasn't been completed that the airport managers still feel that they need cash, has to be presented to the commissioner's office for their approval in order to keep that project alive longer than five years."

REPRESENTATIVE PHILLIPS asked if there is $36 million in the bank for ongoing renovation projects in the airport, why wasn't that $36 million applied to the expansion project being worked on now.

MR. UNGER said the reason was because these are totally separate projects and have nothing to do with the terminal expansion.

REPRESENTATIVE PHILLIPS asked Mr. Unger to furnish the committee with a list of those projects. She said, "With the scope of the project that you have in front of us today, I can't imagine that there is anything at the airport under the scope of the project that you have presented, that wouldn't be covered.

MR. UNGER said the list would be made available for the committee. He noted that quite a few of the projects are airfield improvements and some are terminal improvement projects.

Number 0245

REPRESENTATIVE RYAN referred to the "Terminal Expansion 2005 Projects" document which indicates that in June 1997, the Administration's preliminary construction costs estimates include over 50 percent contingency which he believed to be excessive. He asked if that was still correct.

MR. KETNER responded there are two contingencies built into the program in the current estimate. One contingency is a 10 percent change order contingency on construction. For new construction there is a 20 percent change order contingency built in to the estimate only for the portions of the terminal that are to be renovated and there is an overall program contingency on the project of 10 percent. So collectively, there is a 20 percent contingency, including change order contingency.

Number 0261

REPRESENTATIVE RYAN, referring to the same document, said the operating agreements with the airlines expire in two years and will need to be renegotiated about the time the project comes on line. He wondered what kind of guarantees that the same agreement or better could be negotiated with the airlines; i.e., letters of intent or signatory agreements?

MR. PLUMB said he believed the answer would be no.

Number 0275

REPRESENTATIVE NORM ROKEBERG said, "A follow up on the -- in terms of the contingency amount, I'd like to get that clarified and perhaps you could provide the committee with your calculations because it's been my experience in the construction industry and business, that you usually are doing contingency in line item budget estimates which actually start compounding. So when you talk about that component of the construction that's new construction having a 10 percent change order there, and then with a separate column, I take it, you'd have a 20 percent change order for the renovation portion. But then you take that all together and then you have 10 percent of that in your project contingency, so somewhere there's a blended rate that comes out there and we'd like to see the calculations."

Number 0288

DAVID EBERLE, Director, Construction & Operation, Central Region, Department of Transportation & Public Facilities, said the 10 percent contingency relative to change orders is really a contingency on the engineer's estimate of the estimated construction costs for a given contract. There's a limit to the accuracies of the engineer's ability to estimate, so on his estimate, he adds 10 percent for that contract, not knowing what the bid is going to come in at. He said that is a reasonable amount to apply to a construction estimate. Above and beyond that, there needs to an overall program contingency to be prudent and go forward with the project. He stated, "You don't want to go into a project with a zero overall program contingency because you may have some unidentified needs that will come up during the actual final development of the plan for the overall program." The other estimates are basically known quantities, either Concourse C, known ramp requirements. That's were the initial 10 percent comes in. To a certain extent there is a compounding of those contingencies, but it's not unusual and it's certainly is prudent to have contingencies in both of those spots. In his opinion, the amount of those contingencies is also a very prudent level, in his experience.

REPRESENTATIVE ROKEBERG appreciated Mr. Eberle's explanation and said the committee would like to review how the calculations were made and to see the impacts of those numbers on the gross project costs. He asked if the plans for this project gone beyond what he called a "block planning architectural stage" and into a (indisc.) preliminary design and engineering stages for cost estimation or how was the cost estimation derived for various parts of the project.

MR. EBERLE responded the cost estimates are basically based on conceptual level plans, square footage and known portions of the project that can be readily identified based on historical costs for things like apron construction, et cetera. He said, "We're not anywhere near final design; we have just started schematic designs which is the preliminary stages of a final design. Until we get well into design, it's going to be difficult to refine those numbers. But anytime you go into a project, you need to go into a project with your eyes open and have adequate funds set aside to take care of the unknowns that might occur. Yes, we might be able to tighten up this number as we get through the final design phase but right now it would be very risky to go in with much less in the way ....

REPRESENTATIVE ROKEBERG commented this project is analogous to a project called the Trans Alaska Gas Pipeline Project which has a floating number of $15 billion and the hope is that that particular project once it gets into preliminary engineering and design and gets through conceptual engineering into more harder drawings, may be able to be reduced to about $12 billion. He said, "I guess I'm very concerned right now that we've reached this point where we have a conceptual design and a block plan in the rendering and we've go some really extraordinary high numbers here. We haven't even reached the stage where even concepts like valuation engineering come into play .... I'm kind of concerned right now that the net gate jetway gate increase in the whole project is perhaps four, maximum five, and that may not be entirely true depending on where the regional carrier parking apron is and the traffic flow in certain areas of the parking apron. There's been one analysis that said we're going to get two new jetways and so it's going to cost us $100 million for a new jetway. Can you respond to that?"

MR. PLUMB said he would ask Mr. Ketner to respond to the details of what the improvements are in the overall project, and added that it's certainly not just the gates; the gates are a very small part of this.

Number 0353

MR. KETNER pointed out the total cost involves airside development, roadside development with an extension of an elevated curbside road as well as surface roads, expanded parking, landscaping, and then a portion of it, of course, is the terminal. He added, "In terms of gate requirements, the way that the gate requirements were determined was by a programmer by the name of Joel Hirsh who took TAMS numbers, did a considerable amount of study on airline schedules and overall enplanement projections and based gate requirements on an average peak hour situation for the summer at Anchorage International. The result of the needs assessment indicated that we, by the year 2005 with roughly three million enplanements, would require an additional five jet positions and seven additional regional parking positions. What we have done in terms of an overall design is to look at how we could, as efficiently as possible, use the apron around the existing terminal building and the new terminal. In an effort to reduce the number of total gates that we had to build, what we have done is relied on a cross-utilization of three jet gate positions to be cross used with regional parking. The schedules that we have on some of the jet carriers that only come in during the night allow that same apron space to be available for regional operations during the day. I think that part of our concern here is that when we look at our overall program, we do in fact increase the structural gate capacity of the terminal by five gates for a total of 24, and we do increase the number of regional parking positions to a total of 20. Now what that means in the future is that if we are able to maintain the cross-utilization of those spaces that we anticipate we can do, that's good but if the schedules of the airlines change with time such that that cross-utilization becomes less, then what that does is drive us to a larger gate requirement." He offered to give the committee a breakdown on the various component of the project and the cost of each component.

CHAIRMAN COWDERY asked Mr. Ketner to submit that in writing for the committee.

Number 0405

REPRESENTATIVE MULDER said he was concerned that the committee was being asked to authorize $204 million approval of a "concept." He asked if this was typical in terms of the way Anchorage International Airport has operated in the past and is it typical of the way other airports have operated.

MR. EBERLE said, "Let me speak to some projects other than airports. My involvement in other major projects of this size and larger, were really projects that the legislature appropriated capital monies for initially to do much of the preliminary engineering and design work to bring it up to a higher level of confidence when the entire project is then scoped and brought back as a total package. In this particular case however, all of these costs are being paid for through airport revenue funds in one form or another and in order to launch into the depth of the design that you would need to go in to (indisc.) number, it's going to take a considerable investment with respect to the design and it's only prudent to address the whole project before one spends millions and millions of dollars trying to refine a design. What we're doing basically here is putting before you the whole program so that you see the whole program and not just piecemealing monies for preliminary design followed by final design without really knowing where this whole thing is headed and what the overall target plan is."

REPRESENTATIVE MULDER said that everyone recognizes there are needs at the Anchorage International Airport and that upgrades and expansions are necessary. However, in his experience, he found it unusual for a concept to be approved as opposed to funding a study or engineering and design, and then bringing back a more concrete assessment of the project. He said, "Right now what you're basically asking us is -- give us the money and trust us and no offense, but in past experience - if the $14.5 million that we authorized in the past is any indication, I don't have a whole lot of confidence." He reiterated his concern with authorizing a concept without having some assurance that the project will not end up costing more than originally projected.

MR. EBERLE replied, "Well, we're into a bit of the chicken and the egg as far as being able to bring monies to the table and develop these things to a full fledged design so that you can refine the numbers. It's not uncommon to bond a project of this nature and George King can certainly speak to that; he's been involved in a lot of airport projects of this nature, and I don't think what we're asking for is unusual from that standpoint. We can certainly come back with refined numbers as we progress into this."

Number 0465

MR. KING said there are two different issues. One is the issue of what is the most economic, efficient, low cost, low risk and flexible approach to doing the funding in order to deliver the money that' needed at the right time and the right amount to do the project. That's a financial planning efficiency question and there are techniques for doing just that, and those techniques have been employed in this financial plan. The separate question is the actual expenditure of the money and the program and project management system that's used in order to make sure that the money is spent efficiency, that the construction bids are done in the most economical way to get the right size of the bid and the right drawdown schedules, making sure that projects are done in the right sequence, et cetera. All of those implementation issues in terms of how to spend money well are a separate question than the questions related to how to raise money well. He felt those should be viewed as two separate questions and as to whether the financial plan approaches the issue of raising the money well, the answer is yes. On the issue of spending the money well, Mr. Eberle was speaking to the approaches that will be used in order to ensure the money is spent well.

Number 0508

REPRESENTATIVE PHILLIPS noted that Chairman Cowdery had requested that airport officials respond in writing to the issues that had been raised. She had two issues to add to the list; i.e., what are the exact plans and proposals for expansion and improvement of the baggage claim system and what are the plans for designated glycol disposal areas and recycling centers for the glycol.

Number 0520

REPRESENTATIVE RYAN asked if passenger facility fee were included in the projections. If so, what are the projected revenues from that fee and the importance of those fees to this project. He asked the response be submitted in writing.

Number 0532

REPRESENTATIVE ROKEBERG noted he was particularly interested in the PERT chart or implementation schedule, which outlines the timing of the various elements of the projected. He was concerned with "what is called out as the design point for what underneath in the year 2000, 2001 and also 2001 and going into 2002, whether it appears as if you're using a fast track method of design on something that's been funded like several years prior to that, and I'm kind of curious about why those design elements are called for at that particular point in time. Additionally, Mr. Chairman, I think this goes with what the Speaker is getting at too, it seems as if we're going to spend $40 million to extend what's called, I believe, the west terminal five feet out (indisc.-mumbling) that includes the entire amount of core and shell costs and finish work and the other conveyance systems and things of that nature. I'm kind of wondering what we're getting into. Also, Mr. Chairman, my final thing is that I'd like to know if in their cost per square foot numbers, what those are for the various components - I'd like to see that. I'd also like to know if they include the finish work elements, not just the -- they should be broken out between and core and shell and the finish work element of the project."

CHAIRMAN COWDERY said he'd like to have the responses in writing before the next meeting. He had several questions he would like to have addressed as well: Are there any firm commitments from the airlines or others to rent the approximate 717,000 square feet being proposed for the new terminal; what about the concessaires; how much will the rent increase per square foot; will the existing tenants be given preference; and how much will be used for executive or other airport offices.

TAPE 98-4, SIDE A
Number 0001

MR. HARRIS advised committee members that Concourse A was built for about $7.5 million without the loading bridges and the international terminal building for about $17 million. He believed the finished product with the fueling stands and loading bridges came to about $23 million total.

ADJOURNMENT

Number 0021

CHAIRMAN COWDERY recessed the House Special Committee on International Trade and Tourism AT 6:48 p.m. to the call of the Chair.

VII

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To Marcs	From Gretchen
Co. Rep Cowdery	Co. Leg. Research
Dept.	Phone # 6607
Fax # 465-2069	Fax #

L. Resch.

HB0321 Chap 24 SLA 83
HB321
4/4/83
Transportation

and Finance
BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

IN THE HOUSE

HOUSE BILL NO. 321
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled:

"An Act making a special appropriation to the Department of Transportation and Public Facilities for improvements and expansion of the terminal at the Anchorage International Airport; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $28,000,000 is appropriated from the international airport construction fund to the Department of Transportation and Public Facilities for code upgrades, remodeling, expansion, and equipping of the domestic terminal at the Anchorage International Airport.

* Sec. 2. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

U RESEARCH

PRESS RELEASE

The Department of Transportation and Public Facilities has awarded the construction contract for the Anchorage International Airport Domestic Terminal Expansion to Hoffman Construction Co. The bid price is $17,844,000 including all contract additives. The apparent low bidder at the time of bid opening claimed an error in bid which was verified by DOT&PF. The bid was rejected as non-responsive.

Hoffman plans to start work in December with renovations to Concourse B — the concourse previously utilized by international flights.

Construction of the expansion to the terminal will begin next spring.

The project will be completed by May, 1985 and includes the following improvements:

* Expansion of the existing terminal 100-feet to the east (both levels). The first level will house additional baggage claim and makeup areas and the mechanical room. The second level will provide additional counter space, snack bar, storage, elevator and gate lobbies.

* Construction of a commuter concourse providing 8 new gates, passenger waiting space, equipment storage, crew lounge area, restroom facilities snack bar, baggage makeup and baggage claim.

* Preliminary engineering and construction to remodel Concourse B (west concourse) to accommodate domestic air carrier operations and provide additional baggage space on the ground floor. A fire suppression system will be installed as well as electrical upgrades and handicapped accessibility.

* Construction of apron utility work required with the terminal remodeling.

While Sheffield was pleased by the bond sale, "I was alarmed by one prospective bidder reporting to the Department of Revenue that its firm was declining to submit a bid because of pending litigation," the Governor said. "When we inquired further, we were told that the lawsuit filed by the House Majority Coalition challenging the authority of our cabinet and other appointees to hold office was the sole reason the firm submitted no bid.

"I find this event to be partial proof of what I had feared -- that is, the lawsuit by the House Majority Coalition is not only costing the taxpayers money, it is also discouraging investors from doing business in the state. Competition for our bonds is important so that we may receive the most favorable rates. This is one reason we sought to persuade the House leadership not to file its suit over the confirmation session of June 8.

"Since that lawsuit has been filed, we will proceed to vigorously defend the state in the hopes that the courts will dispose of this needless litigation quickly, allowing us to devote our full attention to the business of managing state government," Sheffield said.

-30-

4) Research

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NEWS RELEASE

FOR INFORMATION CONTACT: GINGER JOHNSON, INFORMATION OFFICER (907) 465-3900

FOR IMMEDIATE RELEASE

ANCHORAGE INTERNATIONAL AIRPORT RENOVATION
#168

October 21, 1983

Bids have been opened for a major project to renovate Concourse B and provide expanded adjacent facilities at the Anchorage International Airport, Commissioner Dan Casey said today.

The $20 million project including planning and design and related work, is to be completed by mid-summer 1985. The apparent low bidder for the renovation and construction phase is Hoffman Construction Company of Portland, Oregon with a bid of $17.3 million.

Other bidders were: Morrison Knudsen, $18,080,761; Kiewit Construction Co., $18,207,000; Century Construction Co., $18,489,293; Arctic Slope Wright Schuchart, $19,196,163; Ken Brady Construction Co., $19,263,080; and J. B. Warrick Co., $19,309,200.

Casey said the improvements "will significantly upgrade both passenger and carrier accomodations, especially for commuters and intrastate airlines. These are areas of operation that are becoming increasingly important at the airport, and the state is pleased to move forward with improvements to meet this increased activity."

(More)

ANCHORAGE INTERNATIONAL AIRPORT RENOVATION...add one

The concourse formally occupied by international carriers prior to construction of the new international terminal, now will increase the airport's domestic capability. Renovation totaling 111,000 sq. ft. and new construction of 70,000 sq. ft. will include expansion of the main lobby's ticket counters and baggage claim areas, reducing time in the terminal for passengers, increased rest room facilities, a new concourse for commuters and intrastate carriers, and renovation of the east end of the terminal.

"Although this is an area generally removed from view of most travelers, it is an important project for the airport's future capability," Casey said. A model will be on display in the main lobby showing results of the project and other expansions now in the planning stage, he said.

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PRESS RELEASE

The Department of Transportation and Public Facilities has awarded the construction contract for the Anchorage International Airport Domestic Terminal Expansion to Hoffman Construction Co. The bid price is $17,246,000 including all contract additives. The apparent low bidder at the time of bid opening claimed an error in bid which was verified by DOT&PF. The bid was rejected as nonresponsive.

Hoffman plans to start work in December with renovations to Concourse B — the concourse previously utilized by international flights.

Construction of the expansion to the terminal will begin next spring.

The project will be completed by [illegible] 1999 and includes the following improvements:

* Expansion of the existing terminal 110-feet to the south. Both levels. The first level will house additional baggage claim and makeup areas and the mechanical room. The second level will provide additional counter space, snack bar, storage, elevator and gate lobbies.

* Construction of a commuter concourse providing 8 new gates, passenger waiting areas, equipment storage, crew lounge area, restroom facilities, snack bar, baggage makeup and baggage claim.

* Preliminary engineering and construction to remodel Concourse B (east concourse) to accommodate domestic air carrier operations and provide additional baggage space on the ground floor. A fire suppression system will be installed as well as electrical upgrades and handicapped accessibility.

* Construction of apron utility work required with the terminal remodeling.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU
BILL SHEFFIELD
GOVERNOR

NEWS RELEASE

FOR INFORMATION CONTACT
Pete Spivey
Press Secretary
John Greely
Deputy Press Secretary
Office of the Governor
Pouch A, Juneau, AK 99811
Bus. Phone (907) 465-3500

July 25, 1983
No. 83-147
State Sells Anchorage Airport Revenue Bonds

FOR IMMEDIATE RELEASE

JUNEAU--The State of Alaska today sold $28 million worth of revenue bonds for expansion of the Anchorage International Airport at an interest rate of 9.46 percent, Governor Bill Sheffield announced.

"I'm pleased we were able to attract four highly qualified bidders for bonds that will provide a badly needed expansion and renovation of the Anchorage airport," the governor said. "The winning bid is well within our expectations."

The winning bid of 9.46 per cent on the 15-year bonds was submitted by a group of New York investors, Merrill Lynch, White Weld, and Capital Markets Group and Associates. Other bids were submitted by John Nuveen & Co. and Seattle Northwest Securities, Joint Managers, of 9.49 percent; Smith, Barney, Harris & Upham, Inc., of 9.54 percent; and Salomon Brothers of 9.55 percent.

The bond money will be used to provide additional working areas for domestic and local commuter airlines through a 100-foot extension of the airport terminal. Remodeling work also will be done on the west concourse.

MORE

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NEWS RELEASE

FOR INFORMATION CONTACT: GINGER JOHNSON, SPECIAL ASSISTANT (907) 465-3900

FOR IMMEDIATE RELEASE

HOFFMAN CONSTRUCTION TO BUILD AIA PARKING GARAGE

MAY 5, 1986

#341

JUNEAU--Hoffman Construction Company of Anchorage is the apparent low bidder in a project to construct a parking garage at Anchorage International Airport (AIA), Department of Transportation and Public Facilities Commissioner Dick Knapp announced today.

The project calls for construction of a four-level, 1,200 space parking garage and new ground transportation lobby connecting the garage to the domestic terminal. It also includes modifications to the terminal loop road, surface parking improvements, and utility work.

MORE

ADD ONE -- AIA Parking Garage

Hoffman's low bid, along with bids from seven other companies, was opened April 30. Their total bid of $23,276,200 was more than $3 million below the State's estimate of $26,666,212.

"The bid will be awarded the third week in May," said Knapp. "We expect the parking garage to be completed by July, 1987."

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For additional information, call Donn Ketner at 266-1535.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NEWS RELEASE

FOR INFORMATION CONTACT: GINGER JOHNSON, INFORMATION OFFICER (907) 465-3900

FOR IMMEDIATE RELEASE

#462/AIA'S $25 MILLION PARKING GARAGE OPEN TO PUBLIC
JULY 28, 1987

ANCHORAGE--Commissioner Mark Hickey will dedicate Anchorage International Airport's new $25 million parking garage in ceremonies here on Thursday, July 30, and the public is invited to attend.

Thursday's dedication will begin at 10:00 AM at the base of the glass-enclosed escalators on the west side of the new garage. Free parking will be available to persons wishing to attend the dedication.

Included in the multi-million dollar construction package are a four-level, 1200-car parking garage, a ground transportation lobby connecting it to the main terminal, and improved curbside access.

The parking garage, built by Hoffman Construction Company, of Anchorage, is Phase Two of a terminal area construction program for the airport. Phase One, a $26 million project, was completed in summer 1985 and included the addition of a new concourse at the domestic terminal and extensive terminal renovations. Phase Three, scheduled for 1989 and 1990, will include expansion of the ticketing lobby, completion of a second tunnel to the parking garage, and installation of new terminal heating, cooling and electrical systems. Future phases include complete reconstruction of concourse C. All phases are funded with revenues generated by the airport itself.

The parking garage has been under construction for the past year.

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STATE OF ALASKA

OFFICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR

NEWS RELEASE

FOR INFORMATION CONTACT:
Chuck Kleeschulte
Press Secretary
Office of the Governor
Pouch A, Juneau, Alaska 99811

Bus. Phone: (907) 465-3500
Res. Phone: (907) 586-1069

HAMMOND TO DEDICATE ANCHORAGE INTERNATIONAL AIRPORT TERMINAL
6-22-82
#90

FOR IMMEDIATE RELEASE

JUNEAU--Alaska Governor Jay Hammond this coming Monday will help dedicate the recently completed $29 million International Passenger Terminal at Anchorage International Airport.

Hammond, along with Commissioner of Transportation and Public Facilities Bob Ward, and other dignities including Anchorage Mayor Tony Knowles, will be on hand for the formal dedication of the facility. The program is scheduled to start at 9 a.m. on Monday, June 28, in the front area of the terminal, located to the north of the existing passenger terminal.

After the ceremony the international terminal will be open for a public open house from 9 a.m. to 5 p.m. on Monday and again on Tuesday, June 30. Restricted use of the terminal will begin July 1.

"Alaskans interested in their aviation industry are encouraged to take advantage of this opportunity to see the beauty of the new facility. Because of Customs and Immigrations requirements, access to the facility will be restricted once the terminal opens for normal operations," Hammond said.

MORE

"The new terminal is a beautiful addition to the airport and one in which all Alaskans can be proud. It will help insure our important place in international aviation," Hammond said.

The three-story terminal, the second largest construction project in the history of the state's Department of Transportation and Public Facilities, is a steel-frame complex, with associated parking facilities. It contains 287,000 square feet--nearly double the area previously serving overseas carriers.

The addition will permit the renovation of the existing terminal for expanded use by domestic carriers.

Hammond said the project was "something special" on several counts. He said the winning bid for construction of the terminal came in $4 million under estimate. And he added the project was finished well ahead of the originally expected October 1982 completion date. "We are very pleased with the project for a host of reasons," Hammond said.

The terminal, financed by airport revenue funds, includes $23.4 million for the building, $1.6 million for the eight airplane loading bridges and $4 million for the runway parking apron, service vehicle ramp areas and support systems.

The new terminal's eight gates, three more than currently available for international flights, will be operated on a common use (non-assigned) basis for more efficiency, Hammond said. Planning includes the possible gate expansion to 16, so that that many planes could be handled simultaneously.

The facility, Hammond said, will accommodate 2,800 passengers. Improved customs and immigration procedures should allow 350 people to pass through the system hourly.

-more-

Over 1 million international passengers a year now pass through Anchorage International Airport on 10 airlines. The increase has been dramatic since the first international route was begun in 1958.

The current overseas carriers are British Airways, Lufthansa German Airlines, Northwest Orient, Sabena Belgium World Airlines, Korean Airlines, K.L. M. the Royal Dutch Airlines, Air France, S.A.S. Scandinavian Airline System, Japan Airlines, Air China, Varig Brasilian Airlines, and T.M.A. of Lebanon.

The new terminal also includes a large duty-free import store and other concessions.

The contractor for the project was Lease Crutcher Kissee Construction Co. of Anchorage while the architect was McCool-McDonald/ Northwest Design of Anchorage.

* * * * *

NOTE: For additional information contact Ginger Johnson in the state's Department of Transportation and Public Facilities, 465-3900 in Juneau.

FFICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR

FOR INFORMATION CONTACT:
[redacted]
Office of the Governor
Pouch A Juneau, Alaska 99811

OR PHONE: 907-465-3500
Gladys Reckley
Press Secretary

GOVERNOR ANNOUNCES LOW BIDDER FOR ANCHORAGE AIRPORT CONSTRUCTION JOB
APRIL 9, 1980
#71

FOR IMMEDIATE RELEASE

JUNEAU--Gov. Jay Hammond today announced that an Anchorage firm, Lease Crutcher Kissee, is the apparent low bidder on the international satellite terminal at Anchorage International Airport.

The Governor said the $20,802,991 bid was $4 million under the state's estimate for the project. "This is certainly welcome news in these times of inflation and a flat economy," Hammond said. He pointed out that this project is in addition to the $86.7 million in construction projects that are already underway this construction season to help boost the Anchorage economy.

The governor said work on the terminal probably can start as early as 30 days after all bids are evaluated by the Department of Transportation and Public Facilities. An award of the contract is expected to be made in about two weeks.

The international satellite terminal is the second largest project ever undertaken by the Department of Transportation and Public Facilities. The largest was the $23 million east-west runway at Anchorage International Airport.

-more-

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The new terminal will be a three-level steel frame complex of approximately 260,000 square feet with associated parking and access totaling approximately 108,000 square feet.

Other bids were submitted at Tuesday's bid opening by Ken Brady Construction of Anchorage for $21,015,259; Huffman Construction of Anchorage, $21,131,201; and R.C. Hedreen of Seattle, $22,014,491.

-30-

FY 1999 CAPITAL PROJECT REQUEST

PROJECT TITLE: ANC: Terminal 2005 Design/Construction Phase 1

FUNDING:

FEDERAL AIP: $4,800,000

IARF: $28,200,000

TOTAL: $33,000,000

PROJECT DESCRIPTION:

Plan, design and construct stage one of a multi-staged terminal development program to be completed by 2005. The 2005 Terminal Development Plan includes replacement and expansion of C Concourse, renovation and expansion of the main terminal building, expansion of the terminal curbside and landside road and parking system, and expanded aircraft parking aprons. Detailed information about the stage one elements will be provided in a separate mailout and at the July 15 meeting.

PROJECT JUSTIFICATION:

The domestic terminal is significantly undersized to meet the existing and year 2005 needs. Once the old, existing C Concourse is demolished, the domestic terminal will provide only 75% of the total area needed to meet 1996 traffic levels. By the year 2005 the existing terminal will provide only 53% of the required square footage. Primary deficiencies include inadequate sized baggage claim and ticketing areas, curbside, and need for additional gates. Furthermore, the existing C Concourse must be demolished and replaced because of code, maintenance and functional problems.

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REPRESENTATIVE JOHN J. COWDERY

March 5, 1998

Senator Ted Stevens
522 Hart Building
Washington, DC 20510-0201

Dear Senator Stevens,

Thanks for taking the time to address the Alaska Legislature recently. As always, it was a pleasure to hear your views on the issues facing Alaska. I particularly appreciated your insights into the "Iraqi" situation, and Alaska's strategic defense location.

As you are aware, my committee is reviewing the bond proposals for Anchorage International Airport. Passenger Facilities Charges are a potential revenue stream, but, under current rules, would be a considerable burden on the smaller carriers who compromise such an important part of Alaska's air travel network. The Federal Aviation Administration has informed me that a request has been submitted to change current regulations to allow for PFC exemptions for Alaska's smaller carriers, thus mitigating the negative impact on rural communities.

What is your prognosis for completing such a regulation change? Would it be possible for you to encourage the FAA to give expeditious consideration to the proposal? I would appreciate your help.

Thanks for your consideration of this matter.

Yours Truly,

John J. Cowdery

John J. Cowdery, Chairman
International Trade and Tourism Committee

(907) 465-3879 • (907) 465-2069 Fax • State Capitol, Suite 416, Juneau, Alaska 99801
Toll Free (888) 269-3879 • (907) 258-8188 • 700 W. 4th Avenue, Anchorage, Alaska 99501

C

[Code of Federal Regulations]
[Title 14, Volume 3, Parts 140 to 199]
[Revised as of January 1, 1997]
From the U.S. Government Printing Office via GPO Access
[CITE: **14CFR158**]

[Page 158-174]

TITLE 14--AERONAUTICS AND SPACE

PART 158--PASSENGER FACILITY CHARGES (PFC'S)

Subpart A--General

Subpart B--Application and Approval

Subpart C--Collection, Handling, and Remittance of PFC's

Subpart D--Reporting, Recordkeeping and Audits

Subpart E--Termination

Subpart F--Reduction in Airport Improvement Program Apportionments

-Authority: 49 U.S.C. 106(g), 40116-40117, 47111, 47114-47116.

Source: Docket No. 26385, 56 FR 24278, May 29, 1991, unless otherwise noted.

Subpart A--General

Sec. 158.1 Applicability.

This part applies to passenger facility charges (PFC's) as may be approved by the Administrator of the Federal Aviation Administration (FAA) pursuant to section 1113(e) of the Federal Aviation Act of 1958 (49 U.S.C. App. 1513(e)), and imposed by a public agency that controls a commercial service airport. This part also describes the procedures for reducing funds apportioned under section 507(a) of the Airport and Airway Improvement Act of 1982, as amended (49 U.S.C. App. 2206(a)), to a large or medium hub airport that imposes a PFC.

Sec. 158.3 Definitions.

The following definitions apply in this part:

Airport means any area of land or water, including any heliport, that is used or intended to be used for the landing and takeoff of aircraft, and any appurtenant areas that are used or intended to be used for airport buildings or other airport facilities or rights-of-way, together with all airport buildings and facilities located thereon.

[[Page 159]]

Airport capital plan means a capital improvement program that lists airport-related planning, development or noise compatibility projects expected to be accomplished with anticipated available funds.

Airport layout plan (ALP) means a plan showing the existing and proposed airport facilities and boundaries in a form prescribed by the Administrator.

Airport revenue means revenue generated by a public airport (1) through any lease, rent, fee, PFC or other charge collected, directly or indirectly, in connection with any aeronautical activity conducted on an airport that it controls; or (2) In connection with any activity conducted on airport land acquired with Federal financial assistance, or with PFC revenue under this part, or conveyed to such public agency under the provisions of any Federal surplus property program or any provision enacted to authorize the conveyance of Federal property to a public agency for airport purposes.

Air travel ticket means all documents pertaining to a passenger's complete itinerary necessary to transport a passenger by air, including passenger manifests.

Allowable cost means the reasonable and necessary costs of carrying out an approved project including costs incurred prior to and subsequent to the approval to impose a PFC, and making payments for debt service on bonds and other indebtedness incurred to carry out such projects. Allowable costs include only those costs incurred on or after November 5, 1990.

Approved project means a project for which use of PFC revenue has been approved under this part. Specific projects contained in a single or multi-phased project or development described in an airport capital plan may also be approved separately.

Bond financing costs means the costs of financing a bond and includes such costs as those associated with issuance, underwriting discount, original issue discount, capitalized interest, debt service reserve funds, initial credit enhancement costs, and initial trustee and paying agent fees.

Charge effective date means the date on which carriers are obliged to collect a PFC.

Charge expiration date means the date on which carriers are to cease to collect a PFC.

Collecting carrier means an issuing carrier or other carrier collecting a PFC, whether or not such carrier issues the air travel ticket.

Collection means the acceptance of payment of a PFC from a passenger.

Commercial service airport means a public airport (as defined by 49 U.S.C. app. 2202(17)) determined by the Secretary to enplane annually 2,500 or more passengers and to receive scheduled passenger service of aircraft.

Debt service means payments for such items as principal and interest, sinking funds, call premiums, periodic credit enhancement fees, trustee and paying agent fees, coverage, and remarketing fees.

Exclusive long-term lease or use agreement means an exclusive lease or use agreement between a public agency and an air carrier or foreign air carrier with a term of 5 years or more.

FAA Airports office means a regional, district or field office of the Federal Aviation Administration that administers Federal airport-related matters.

Implementation of an approved project means: (1) With respect to construction, issuance to a contractor of notice to proceed or the start of physical construction; (2) with respect to nonconstruction projects other than property acquisition, commencement of work by a contractor or public agency to carry out the statement of work; or (3) with respect to property acquisition projects, commencement of title search, surveying, or appraisal for a significant portion of the property to be acquired.

Issuing carrier means any air carrier or foreign air carrier that issues an air travel ticket or whose imprinted ticket stock is used in issuing such ticket by an agent.

One-way trip means any trip that is not a round trip.

Passenger enplaned means a domestic, territorial or international revenue passenger enplaned in the States in scheduled or nonscheduled service on aircraft in intrastate, interstate, or foreign commerce.

PFC means a passenger facility charge covered by this part imposed by

[[Page 160]]

a public agency on passengers enplaned at a commercial service airport it controls.

Project means airport planning, airport land acquisition or development of a single project, a multi-phased development program, (including but not limited to development described in an airport capital plan) or a new airport for which PFC financing is sought or approved under this part.

Public agency means a State or any agency of one or more States; a municipality or other political subdivision of a State; an authority created by Federal, State or local law; a tax-supported organization; or an Indian tribe or pueblo that controls a commercial service airport.

Round trip means a trip on a complete air travel itinerary which terminates at the origin point.

State means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and Guam.

Unliquidated PFC revenue means revenue received by a public agency from collecting carriers but not yet used on approved projects.

Sec. 158.5 Authority to impose PFC's.

Subject to the provisions of this part, the Administrator may grant authority to a public agency that controls a commercial service airport to impose a PFC of $1.00, $2.00, or $3.00 on passengers enplaned at such an airport. No public agency may impose a PFC under this part unless authorized by the Administrator. No State or political subdivision or agency thereof that is not a public agency may impose a PFC covered by this part.

Sec. 158.7 Exclusivity of authority.

(a) No State or political subdivision or agency thereof may impair the imposition of a PFC, collection of such PFC, or use of PFC revenue by a public agency in accordance with this part.

(b) No contract or agreement between an air carrier or foreign air carrier and a public agency may impair the authority of such public agency to impose a PFC or use the PFC revenue in accordance with this part.

Sec. 158.9 Limitations.

(a) No public agency may impose a PFC on any passenger on any flight to an eligible point on an air carrier that receives essential air service compensation on that route under section 419 of the Federal Aviation Act (49 U.S.C. app. 1389). The Administrator makes available a list of carriers and eligible routes determined by the Department of Transportation for which PFC's may not be imposed under this section.

(b) No public agency may require a foreign airline that does not serve a point or points in the U.S. to collect a PFC from a passenger.

Sec. 158.11 Public agency request not to require collection of PFC's by a class of air carriers or foreign air carriers.

Subject to the requirements of this part, a public agency may request under Sec. 158.25 or Sec. 158.37 that collection of PFC's by any class of air carriers or foreign air carriers not be required if the number of passengers enplaned by the carriers in the class constitutes no more than one percent of the total number of passengers enplaned annually at the airport at which the PFC is imposed.

Sec. 158.13 Use of PFC revenue.

PFC revenue, including any interest earned after such revenue has been remitted to a public agency, may be used only to finance the allowable costs of approved projects at any airport the public agency controls.

(a) Total cost. PFC revenue may be used to pay all or part of the allowable cost of an approved project.

(b) Bond-associated debt service and financing costs. (1) PFC revenue may be used to pay debt service and financing costs incurred on that portion of a bond issued to carry out approved projects.

(2) If bond documents require that PFC revenue be commingled in the general revenue stream of the airport controlled by the public agency and pledged generally for the benefit of

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holders of obligations issued thereunder, PFC revenue is deemed to have been used to pay the costs covered in Sec. 158.13 (b)(1) if--

(i) An amount equal to that portion of the proceeds of the bond issued to carry out approved projects is used to pay allowable costs of such projects; and

(ii) To the extent that the amount of PFC revenue collected in any year exceeds the amount of debt service and financing costs on such bonds during that year, an amount equal to the excess is applied as required by Sec. 158.39.

(c) Combination of PFC revenue and Federal grant funds. A public agency may use a combination of PFC revenue and airport grant funds to accomplish an approved project. Such projects shall be subject to the recordkeeping and auditing requirements set forth in subpart D of this part, in addition to the reporting, recordkeeping and auditing requirements imposed pursuant to the Airport and Airway Improvement Act of 1982 (AAIA).

(d) Non-Federal share. PFC revenue may be used to meet the non-Federal share of the cost of projects funded under the Federal airport grant program.

(e) Approval of project following approval to impose a PFC. The public agency shall not use PFC revenue or interest earned thereon except on an approved project.

Sec. 158.15 Project eligibility.

(a) To be eligible, a project must--

(1) Preserve or enhance safety, security, or capacity of the national air transportation system;

(2) Reduce noise or mitigate noise impacts resulting from an airport; or

(3) Furnish opportunities for enhanced competition between or among air carriers.

(b) Eligible projects are--

(1) Airport development eligible under the AAIA;

(2) Airport planning eligible under the AAIA;

(3) Terminal development as described in 49 U.S.C. App. 2212(b);

(4) Airport noise compatibility planning as described in 49 U.S.C. App. 2103(b);

(5) Noise compatibility measures eligible for Federal assistance under 49 U.S.C. App. 2104(c), without regard to whether the measures have been approved pursuant to 14 CFR part 150; or

(6) Construction of gates and related areas at which passengers are enplaned or deplaned and other areas directly related to the movement of passengers and baggage in air commerce within the boundaries of the airport. These areas do not include restaurants, car rental facilities, automobile parking facilities, or other concessions.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 37127, Aug. 2, 1991]

Subpart B--Application and Approval

Sec. 158.21 General.

This subpart specifies the consultation and application requirements under which a public agency may obtain approval to impose a PFC and use PFC revenue on a project. This subpart also establishes the procedure for the Administrator's review and approval of applications and amendments and establishes requirements for use of excess PFC revenue.

Sec. 158.23 Consultation with air carriers and foreign air carriers.

(a) Notice by public agency. Prior to submitting an application to the FAA for authority to impose a PFC under Sec. 158.25(b) and for project approval under Sec. 158.25(c), a public agency shall provide written notice to all air carriers and foreign air carriers operating at the airport except those air carriers that the public agency may choose to request not to collect PFC's as provided by Sec. 158.11. The notice shall include--

(1) Descriptions of projects being considered for funding by PFC's;

(2) The PFC level, the proposed charge effective date, the estimated

charge expiration date and the estimated total PFC revenue;
(3) For a request by a public agency that any class or classes of carriers not be required to collect the PFC--
(i) The designation of each such class,

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(ii) The names of the carriers belonging to each such class, to the extent the names are known,
(iii) The estimated number of passengers enplaned annually by each such class, and
(iv) The public agency's reasons for requesting that carriers in each such class not be required to collect the PFC; and
(4) Except as provided in Sec. 158.25(c)(2), the date and location of a meeting at which the public agency will present such projects to air carriers and foreign air carriers operating at the airport.
(b) Meeting. The meeting required by paragraph (a)(4) of this section shall be held no sooner than 30 days nor later than 45 days after issuance of the written notice required by paragraph (a) of this section. At or before the meeting, the public agency shall provide air carriers and foreign air carriers with--
(1) A description of projects;
(2) An explanation of the need for the projects; and
(3) A detailed financial plan for the projects, including--
(i) The estimated allowable project costs allocated to major project elements;
(ii) The anticipated total amount of PFC revenue that will be used to finance the projects; and
(iii) The source and amount of other funds, if any, needed to finance the projects.
(c) Requirements of air carriers and foreign air carriers. (1) Within 30 days following issuance of the notice required by paragraph (a) of this section, each carrier must provide the public agency with a written acknowledgement that it received the notice.
(2) Within 30 days following the meeting, each carrier must provide the public agency with a written certification of its agreement or disagreement with the proposed project. A certification of disagreement shall contain the reasons for such disagreement. The absence of such reasons shall void a certification of disagreement.
(3) If a carrier fails to provide the public agency with timely acknowledgement of the notice or timely certification of agreement or disagreement with the proposed project, the carrier is considered to have certified its agreement.

Sec. 158.25 Applications.

(a) General. This section specifies the information to be submitted by a public agency when applying for the authority to impose a PFC and for the authority to use PFC revenue on a project. A public agency may apply for the authority to impose a PFC at any commercial service airport it controls to finance airport-related projects to be carried out at that airport or at any existing or proposed airport which the public agency controls. A public agency may apply for the authority to impose a PFC in advance of or concurrent with an application to use PFC revenue. Applications shall be submitted in a manner and form prescribed by the Administrator and shall include the information required under paragraphs (b) or (c), or both, of this section.
(b) Application for authority to impose a PFC. This paragraph sets forth the information to be submitted by all public agencies seeking authority to impose a PFC. A separate application shall be submitted for each airport at which a PFC is to be imposed. The application shall be signed by an authorized official of the public agency, and, unless otherwise authorized by the Administrator, must include the following:
(1) The name and address of the public agency.
(2) The name and telephone number of the official submitting the

application on behalf of the public agency.
(3) The official name of the airport at which the PFC is to be imposed.
(4) The official name of the airport at which a project is proposed.
(5) A copy of the airport capital plan or other documentation of planned improvements for each airport at which a PFC financed project is proposed.
(6) A description of each project proposed.
(7) The project justification, including the extent to which the project achieves one or more of the objectives set forth in Sec. 158.15(a). In its justification for any project for terminal development, including gates and related areas, the public agency shall discuss

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any existing conditions that limit competition between and among air carriers and foreign air carriers at the airport, any initiatives it proposes to foster opportunities for enhanced competition between and among such carriers, and the expected results of such initiatives.
(8) The charge to be imposed on each enplaned passenger.
(9) The proposed charge effective date.
(10) The estimated charge expiration date.
(11) A summary of consultation with air carriers and foreign air carriers operating at the airport, including--
(i) A list of such carriers and those notified;
(ii) A list of carriers that acknowledged receipt of the notice provided Sec. 158.23(a);
(iii) Lists of carriers that certified agreement and that certified disagreement with the project; and
(iv) A summary of substantive comments by carriers contained in any certifications of disagreement with the project, and the public agency's reasons for proceeding.
(12) If the public agency is also filing a request under Sec. 158.11--
(i) The request;
(ii) A copy of the information provided to the carriers under Sec. 158.23(a)(3);
(iii) A copy of the carriers' comments with respect to such information;
(iv) A list of any class or classes of carriers that would not be required to collect a PFC if the request is approved; and
(v) The public agency's reasons for submitting the request in the face of any opposing comments.
(13) A copy of information regarding the financing of the project presented to the carriers and foreign air carriers under Sec. 158.23 of this part and as revised during consultation.
(14) For an application not accompanied by a concurrent application for authority to use PFC revenue:
(i) A description of any alternative methods being considered by the public agency to accomplish the objectives of the project;
(ii) A description of alternative uses of the PFC revenue to ensure such revenue will be used only on eligible projects in the event the proposed project is not approved;
(iii) A timetable with projected dates for completion of project formulation activities and submission of an application to use PFC revenue; and
(iv) A projected date of project implementation and completion.
(15) A signed statement certifying that the public agency will comply with the assurances set forth in Appendix A to this part.
(16) Such additional information as the Administrator may require.
(c) Application for authority to use PFC revenue. A public agency may use PFC revenue only for projects approved under this paragraph. This paragraph sets forth the information that a public agency shall submit, unless otherwise authorized by the Administrator, when applying

for the authority to use PFC revenue to finance specific projects.
    (1) An application submitted concurrently with an application for the authority to impose a PFC, must include:
    (i) The information required under paragraphs (b) (1) through (13) of this section;
    (ii) A signed certification that--
    (A) For projects required to be shown on an ALP, the ALP depicting the project has been approved by the FAA and the date of such approval;
    (B) All environmental reviews required by the National Environmental Policy Act (NEPA) of 1969 have been completed and a copy of the final FAA environmental determination with respect to the project has been approved, and the date of such approval, if such determination is required; and
    (C) The final FAA airspace determination with respect to the project has been completed, and the date of such determination, if an airspace study is required.
    (iii) The estimated project implementation date, schedule and completion date; and
    (iv) The information required by Sec. 158.25(b)(15) and (16).
    (2) An application where the authority to impose a PFC has previously been approved--
    (i) Shall be preceded by further consultation with air carriers and foreign air carriers as set forth under Sec. 158.23 of

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this part, except that the meeting required under Sec. 158.23(a)(4) is optional; and
    (ii) Shall include, in addition to a summary of further consultation conducted under paragraph (c)(2)(i) of this section, the following, updated and revised where appropriate--
    (A) The information required by paragraphs (b) (1), (2), (4), (5), (6), (7), (10) and (13) of this section;
    (B) The information required by paragraph (c)(1)(ii) of this section; and
    (C) The information required by paragraphs (b) (15) and (16) of this section.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 37127, Aug. 2, 1991]

Sec. 158.27 Review of applications.

    (a) General. This section describes the process for review of all applications filed under Sec. 158.25 of this part.
    (b) Determination of completeness. Within 30 days after receipt of an application by the FAA Airports office, the Administrator determines whether the application substantially complies with the requirements of Sec. 158.25.
    (c) Process for substantially complete application. If the Administrator determines the application is substantially complete, the following procedures apply:
    (1) The Administrator advises the public agency by letter that its application is substantially complete.
    (2) The Administrator publishes a notice in the Federal Register advising that the Administrator intends to rule on the application and inviting public comment, as set forth in paragraph (e) of this section. A copy of the notice is also provided to the public agency.
    (3) The public agency--
    (i) Shall make available for inspection, upon request, a copy of the application, notice, and other documents germane to the application, and
    (ii) May publish the notice in a newspaper of general circulation in the area where the airport covered by the application is located.
    (4) Following review of the application and public comments, the Administrator issues a final decision approving or disapproving the application, in whole or in part, no later than 120 days after the

application was received by the FAA Airports office.

(d) Process for applications not substantially complete. If the Administrator determines an application is not substantially complete, the following procedures apply:

(1) The Administrator notifies the public agency in writing that its application is not substantially complete. The notification will list the information required to complete the application.

(2) Within 15 days after the Administrator sends such notification, the public agency shall advise the Administrator in writing whether it intends to supplement its application.

(3) If the public agency declines to supplement the application, the Administrator follows the procedures for review of an application set forth in paragraph (c) of this section and issues a final decision approving or disapproving the application, in whole or in part, no later than 120 days after the application was received by the FAA Airports office.

(4) If the public agency supplements its application, the original application is deemed to be withdrawn for purposes of applying the statutory deadline for the Administrator's decision. Upon receipt of the supplement, the Administrator issues a final decision approving or disapproving the supplemented application, in whole or in part, no later than 120 days after the supplement was received by the FAA Airports office.

(e) The Federal Register notice. The Federal Register notice includes the following information:

(1) The name of the public agency and the airport at which the PFC is to be imposed;

(2) A brief description of the PFC project, the level of the proposed PFC, the proposed charge effective date, the proposed charge expiration date and the total estimated PFC revenue;

(3) The address and telephone number of the FAA Airports office at which the application may be inspected;

(4) The Administrator's determination on whether the application is substantially complete and any information required to complete the application; and

(5) The due dates for any public comments.

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(f) Public comments. (1) Interested persons may file comments on the application within 30 days after publication of the Administrator's notice in the Federal Register.

(2) Three copies of these comments shall be submitted to the FAA Airports office identified in the Federal Register notice.

(3) Commenters shall also provide one copy of their comments to the public agency.

(4) Comments from air carriers and foreign air carriers may be in the same form as provided to the public agency under Sec. 158.23.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 30867, July 8, 1991]

Sec. 158.29 The Administrator's decision.

(a) Authority to impose a PFC. (1) An application to impose a PFC will be approved in whole or in part only after a determination that--

(i) The amount and duration of the PFC will not result in revenue that exceeds amounts necessary to finance the project;

(ii) The project will achieve the objectives set forth in Sec. 158.15(a);

(iii) The project meets the criteria set forth in Sec. 158.15(b);

(iv) The collection process, including any request by the public agency not to require a class of carriers to collect PFC's, is reasonable, not arbitrary, nondiscriminatory, and otherwise in compliance with the law;

(v) The public agency has not been found to be in violation of section 9304(e) or section 9307 of the Airport Noise and Capacity Act of 1990; and

(vi) If the public agency has not applied for authority to use PFC revenue, a finding that there are alternative uses of the PFC revenue to ensure that such revenue will be used on approved projects.

(2) The Administrator notifies the public agency in writing of the decision on the application. The notification will list the projects and alternative uses that may qualify for PFC financing under Sec. 158.15, PFC level, total approved PFC revenue, duration of authority to impose and earliest permissible charge effective date.

(b) Authority to use PFC revenue on an approved project. (1) An application for authority to use PFC revenue will be approved in whole or in part only after a determination that--

(i) The amount and duration of the PFC will not result in revenue that exceeds amounts necessary to finance the project;

(ii) The project will achieve the objectives set forth in Sec. 158.15(a);

(iii) The project meets the criteria set forth in Sec. 158.15(b); and

(iv) All applicable requirements pertaining to the ALP for the airport, airspace studies for the project, and the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. 4321 have been satisfied.

(2) The Administrator notifies the public agency in writing of the decision on the application. The notification will list the approved projects, PFC level, total approved PFC revenue, and any limit on the duration of authority to impose a PFC as prescribed under Sec. 158.33.

(3) Approval to use PFC revenue to finance a project shall be construed as approval of that project.

(c) Disapproval of application. (1) If an application is disapproved, the Administrator notifies the public agency in writing of the decision and the reasons for the disapproval.

(2) A public agency reapplying for approval to impose or use a PFC shall comply with Secs. 158.23 and 158.25 of this part.

(d) The Administrator publishes a monthly notice of PFC approvals and disapprovals in the Federal Register.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 30867, July 8, 1991]

Sec. 158.31 Duration of authority to impose a PFC after project implementation.

A public agency that has begun implementation of a project approved under Sec. 158.29 is authorized to impose a PFC until--

(a) The charge expiration date is reached;

(b) The total PFC revenue collected plus interest thereon will equal the allowable cost of the approved project;

(c) The authority to collect the PFC is terminated by the Administrator under subpart E of this part; or

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(d) The public agency is determined by the Administrator to be in violation of section 9304(e) or 9307 of the Airport Noise and Capacity Act of 1990 (Pub. L. 101-508, Title IX, Subtitle D), and the authority to collect the PFC is terminated under that statute's implementing regulations under this title.

Sec. 158.33 Duration of authority to impose a PFC before project implementation.

(a) A public agency shall not impose a PFC beyond the lesser of the following--

(1) 2 years after approval to use PFC revenue on an approved project if the project has not been implemented, or

(2) 5 years after the charge effective date if an approved project is not implemented.

(b) If, in the Administrator's judgment, the public agency has not made sufficient progress toward implementation of an approved project within the times specified in paragraph (a) of this section, the Administrator begins termination proceedings under subpart E of this part.

(c) The authority to impose a PFC following approval shall automatically expire without further action by the Administrator on the following dates:

(1) 3 years after the charge effective date unless--

(i) The public agency has filed an application for approval to use PFC revenue for an eligible project that is pending before the FAA;

(ii) An application to use PFC revenue has been approved; or

(iii) A request for extension (not to exceed 2 years) to submit an application for project approval, under Sec. 158.35, has been granted; or

(2) 5 years after the charge effective date unless the public agency has obtained project approval.

(d) If the authority to impose a PFC expires under paragraph (c) of this section, the public agency must provide the FAA with a list of the air carriers and foreign air carriers operating at the airport and all other collecting carriers that have remitted PFC revenue to the public agency in the preceding 12 months. The FAA notifies each of the listed carriers to terminate PFC collection no later than 30 days after the date of notification by the FAA.

(e) Restriction on reauthorization to impose a PFC. Whenever the authority to impose a PFC has expired or been terminated under this section, the Administrator will not grant new approval to impose a PFC in advance of implementation of an approved project.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 37127, Aug. 2, 1991]

Sec. 158.35 Extension of time to submit application to use PFC revenue.

(a) A public agency may request an extension of time to submit an application to use PFC revenue after approval of an application to impose PFC's. At least 30 days prior to submitting such request, the public agency shall publish notice of its intention to request an extension in a local newspaper of general circulation and shall request comments. The notice shall include progress on the project, a revised schedule for obtaining project approval and reasons for the delay in submitting the application.

(b) The request shall be submitted at least 120 days prior to the charge expiration date and, unless otherwise authorized by the Administrator, shall be accompanied by the following:

(1) A description of progress on the project application to date.

(2) A revised schedule for submitting the application.

(3) An explanation of the reasons for delay in submitting the application.

(4) A summary financial report depicting the total amount of PFC revenue collected plus interest, the projected amount to be collected during the period of the requested extension, and any public agency funds used on the project for which reimbursement may be sought.

(5) A summary of any further consultation with air carriers and foreign air carriers operating at the airport.

(6) A summary of comments received in response to the local notice.

(c) The Administrator reviews the request for extension and accompanying information, to determine whether--

(1) The public agency has shown good cause for the delay in applying for project approval;

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(2) The revised schedule is satisfactory; and

(3) Further collection will not result in excessive accumulation of PFC revenue.

(d) The Administrator, upon determining that the agency has shown good cause for the delay and that other elements of the request are satisfactory, grants the request for extension to the public agency. The Administrator advises the public agency in writing not more than 90 days after receipt of the request. The duration of the extension shall be as specified in Sec. 158.33 of this part.

Sec. 158.37 Amendment of approved PFC.

(a) A public agency may, without consultation or approval by the Administrator, institute a decrease in the level of PFC to be collected from each passenger, institute a decrease in the total PFC revenue, or an increase in the total approved PFC revenue of 15 percent or less. The public agency shall notify the collecting carriers and the FAA in writing of these changes. Any new charge will be effective on the first day of a month which is at least 60 days from the time the public agency notifies the carriers.

(b) Subject to paragraph (b)(1) or (b)(2) of this section, an approved PFC may be amended to increase the level of PFC to be collected from each passenger, increase the total approved PFC revenue by more than 15 percent, materially alter the scope of an approved project, establish a new class of carriers under Sec. 158.11 or amend any such class previously approved. The public agency must submit to the Administrator a notification of any proposal to institute such an amendment. Such notification shall include written evidence of further consultation with and agreement or disagreement by the air carriers and foreign air carriers operating at the airport, justification for the amendment, and such other information as may be requested by the Administrator.

(1) In the event of no carrier disagreement with a change proposed under paragraph (b) of this section, the public agency may institute the proposed amendment unless, within 30 days after providing the notification required under that paragraph, it is notified otherwise by the Administrator. The public agency shall notify the carriers of the effective date of any change to the approved PFC resulting from the amendment, subject to the limitation that the effective date of any new charge shall be no earlier than the first day of a month which is at least 60 days from the time the public agency notifies the carriers.

(2) In the event of any carrier disagreement with a change proposed under paragraph (b) of this section, the public agency shall submit a request to the Administrator that the proposed amendment be approved. In addition to the notification and written evidence required under that paragraph, the public agency shall submit the reasons presented by the carriers for disagreeing with the proposed amendment, its reasons for requesting the amendment in the face of such disagreement, and such other information as may be requested by the Administrator. The Administrator reviews and approves or disapproves the amendment within 120 days of receipt of the request following such consultation, public notice and opportunity for comment as the Administrator may deem appropriate. If the amendment is approved, the Administrator advises the public agency and notification to the carriers will be as provided under paragraph (b)(1) of this section.

Sec. 158.39 Use of excess PFC revenue.

(a) If the amount of PFC revenue remitted to the public agency, plus interest, exceeds allowable costs of the project, excess funds shall be used for approved projects or retirement of outstanding PFC-financed bonds.

(b) For bond-financed projects, any excess PFC revenue collected under debt servicing requirements shall be retained by the public agency and used for approved projects or retirement of outstanding PFC-financed bonds.

(c) When the authority to impose a PFC has expired or has been terminated, accumulated PFC revenue shall be used for approved projects or retirement of outstanding PFC-financed bonds.

(d) Within 30 days after the authority to impose a PFC has expired or has

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been terminated, the public agency shall present a plan to the appropriate FAA Airports office to begin using accumulated PFC revenue. The plan shall include a timetable for the submission of any necessary application under Sec. 158.25(c) of this part. If the public agency fails to submit such a plan or if the plan is not acceptable to the Administrator, the Administrator offsets Federal airport grant program apportioned funds.

Subpart C--Collection, Handling, and Remittance of PFC's

Sec. 158.41 General.

This subpart contains the requirements for notification, collection, handling and remittance of PFC's.

Sec. 158.43 Public agency notification to collect PFC's.

(a) Following approval of an application to impose a PFC under subpart B of this part, the public agency shall notify the air carriers and foreign air carriers required to collect PFC's at its airport of the Administrator's approval. Each notified carrier shall notify its agents, including other issuing carriers, of the collection requirement.

(b) The notification shall be in writing and contain at a minimum the following information:

(1) The level of PFC to be imposed.

(2) The total revenue to be collected.

(3) The charge effective date which will be the first day of a month which is at least 60 days from the date the public agency notifies the carriers of approval to impose the PFC.

(4) The proposed charge expiration date.

(5) A copy of the Administrator's notice of approval.

(6) The address where remittances and reports are to be filed by carriers.

(c) The public agency shall notify carriers required to collect PFC's at its airport of changes in the charge expiration date. Each notified carrier shall notify its agents, including other issuing carriers, of such changes.

(d) The public agency shall provide a copy of the notification to the appropriate FAA Airports office.

Sec. 158.45 Collection of PFC's on tickets issued in the U.S.

(a) On and after the charge effective date, tickets issued in the U.S. shall include the required PFC except as provided in paragraphs (c) and (d) of this section.

(1) Issuing carriers shall be responsible for all funds from time of collection to remittance.

(2) The appropriate charge is the PFC in effect at the time the ticket is issued.

(3) Issuing carriers and their agents shall collect the PFC's based upon the itinerary at the time of issuance. Any changes in itinerary that are initiated by a passenger that require an adjustment to the amount paid by the passenger are subject to collection or refund of the PFC as appropriate.

(b) Issuing carriers and their agents shall note as a separate item on each air travel ticket upon which a PFC is shown, the total amount of PFC's paid by the passenger and the airports for which the PFC's are collected.

(c) For each one-way trip shown on the complete itinerary of an air travel ticket, issuing air carriers and their agents shall collect a PFC from a passenger only for the first two airports where PFC's are imposed. For each round trip, a PFC shall be collected only for enplanements at the first two enplaning airports and the last two enplaning airports where PFC's are imposed.

(d) Issuing carriers and their agents shall not collect PFC's from a passenger on any flight to an eligible point on an air carrier that receives essential air service compensation on that route under section 419 of the Federal Aviation Act (49 U.S.C. App. 1389).

(e) Collected PFC's shall be distributed as noted on the air travel ticket.

(f) Issuing carriers and their agents shall stop collecting the PFC's on the charge expiration date stated in a notice from the public agency, or as required by the Administrator.

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Sec. 158.47 Collection of PFC's on tickets issued outside the U.S.

(a) With respect to tickets issued outside the U.S., an air carrier or foreign air carrier may follow the requirements of either Sec. 158.45 of this part or this section.

(b) Notwithstanding any other provisions of this part, no foreign airline is required to collect a PFC on air travel tickets issued on its own ticket stock unless it serves a point or points in the U.S.

(c) If an air carrier or foreign air carrier elects not to comply with Sec. 158.45 for tickets issued outside the U.S.--

(1) The carrier is required to collect PFC's on such tickets only for the public agency controlling the last airport at which the passenger is enplaned prior to departure from the U.S.

(2) The carrier may collect the PFC either at the time the ticket is issued or at the time the passenger is last enplaned prior to departure from the U.S. The carrier may vary the method of collection among its flights.

(3) The carrier shall provide a written record to the passenger that a PFC has been collected. Such a record shall appear on or with the air travel ticket and shall include the same information as required by Sec. 158.45(b), but need not be preprinted on the ticket stock.

(4) The carrier shall collect the PFC based upon the itinerary at the time of issuance. Any changes in itinerary that are initiated by a passenger and that require an adjustment of the amount paid by the passenger are subject to collection or refund of the PFC as appropriate.

(d) With respect to a flight on which the air carrier or foreign air carrier chooses to collect the PFC at the time the air travel ticket is issued--

(1) The carrier and its agents shall collect the required PFC on tickets issued on or after the charge effective date.

(2) The carrier is not required to collect PFC's at the time of enplanement for tickets sold by other air carriers or foreign air carriers or their agents.

(e) With respect to a flight on which the air carrier or foreign air carrier chooses to collect the PFC at the time of enplanement, the carrier shall examine the air travel ticket of each passenger enplaning at the airport on and after the charge effective date and shall collect the PFC from any passenger whose air travel ticket does not include a written record indicating that the PFC was collected at the time of issuance.

(f) Collected PFC's shall be distributed as noted on the written record provided to the passenger.

(g) Collecting carriers shall be responsible for all funds from time of collection to remittance.

(h) Collecting carriers and their agents shall stop collecting the PFC on the charge expiration date stated in a notice from the public agency, or as required by the Administrator.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 37127, Aug. 2, 1991]

Sec. 158.49 Handling of PFC's.

(a) Collecting carriers shall establish and maintain a financial management system to account for PFC's in accordance with the Department of Transportation's Uniform System of Accounts and Reports (14 CFR part 241). For carriers not subject to 14 CFR part 241, such carriers shall establish and maintain an accounts payable system to handle PFC revenue with subaccounts for each public agency to which such carrier remits PFC revenue.

(b) PFC revenue must be accounted for separately by collecting carriers, but the revenue may be commingled with the carrier's other sources of revenue. The PFC revenue is to be regarded as trust funds held by collecting carriers as agents, for the beneficial interest of the public agencies imposing PFC's. All PFC revenue collected and held by the carriers are property in which the carriers hold only a possessory interest and not an equitable interest.

(c) Each collecting carrier shall be required to disclose the existence and amount of funds regarded as trust funds in financial statements.

Sec. 158.51 Remittance of PFC's.

Passenger facility charges collected by carriers shall be remitted to the public agency on a monthly basis. PFC revenue recorded in the accounting system of the carrier, as set forth in Sec. 158.49 of this part, shall be remitted to

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the public agency no later than the last day of the following calendar month (or if that date falls on a weekend or holiday, the first business day thereafter).

Sec. 158.53 Collection compensation.

As compensation for collecting, handling and remitting the PFC revenue, the collecting air carrier shall be entitled to:

(a) Retain $0.12 of each PFC remitted on or before June 28, 1994. Thereafter, air carriers shall be entitled to $0.08 of each PFC remitted; and

(b) Any interest or other investment return earned on PFC revenue between the time of collection and remittance to the public agency.

[Doc. No. 26385, 56 FR 24278, May 29, 1991; 56 FR 37127, Aug. 2, 1991]

Subpart D--Reporting, Recordkeeping and Audits

Sec. 158.61 General.

This subpart contains the requirements for reporting, recordkeeping and auditing of accounts maintained by collecting carriers and by public agencies.

Sec. 158.63 Reporting requirements: Public agency.

(a) The public agency shall provide quarterly reports to carriers collecting PFC's for the public agency with a copy to the appropriate FAA Airports office. The quarterly report shall include PFC revenue received from collecting carriers, interest earned, and expenditures for the quarter; cumulative PFC revenue received, interest earned, expenditures, and the amount committed for use on currently approved projects, including the quarter; and the current project schedule.

(b) The report shall be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

(c) For airports enplaning 0.25 percent or more of the total annual enplanements in the U.S. for the prior calendar year as determined by the Administrator, the public agency must provide the FAA, by August 1 of each year, an estimate of PFC revenue to be collected for each such airport in the ensuing fiscal year.

Sec. 158.65 Reporting requirement: Collecting carrier.

Each carrier collecting PFC's for a public agency shall file quarterly reports to the public agency unless otherwise agreed by the collecting carrier and public agency, providing an accounting of funds collected and funds remitted.

(a) Unless otherwise agreed by the collecting carrier and public agency, reports shall state the collecting carrier and airport involved, the total PFC revenue collected, the total amount of PFC revenue refunded to passengers, and the amount of collected revenue withheld by the collecting carrier for reimbursement of expenses in accordance with Sec. 158.53 of this part. The report shall include the dates and amounts of each remittance for the quarter.

(b) The report shall be filed on or before the last day of the calendar month following the calendar quarter or other period agreed by the collecting carrier and public agency for which funds were collected.

Sec. 158.67 Recordkeeping and auditing: Public agency.

(a) Each public agency shall keep any unliquidated PFC revenue remitted to it by collecting carriers on deposit in an interest bearing account or in other interest bearing instruments used by the public agency's airport capital fund. Interest earned on such PFC revenue shall be used, in addition to the principal, to pay the allowable costs of PFC-funded projects. PFC revenue may only be commingled with other public agency airport capital funds in deposits or interest bearing instruments.

(b) Each public agency shall establish and maintain for each approved application a separate accounting record. The accounting record shall identify the PFC revenue received from the collecting carriers, interest earned on such revenue, the amounts used on each project, and the amount reserved for currently approved projects.

(c) At least annually during the period the PFC is collected, held or used,

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each public agency shall provide for an audit of its PFC account. The audit shall be performed by an accredited independent public accountant and may be of limited scope. The accountant shall express an opinion of the fairness and reasonableness of the public agency's procedures for receiving, holding, and using PFC revenue. The accountant shall also express an opinion on whether the quarterly report required under Sec. 158.63 fairly represents the net transactions within the PFC account. The audit may be--

(1) Performed specifically for the PFC account; or

(2) Conducted as part of an audit under the Single Agency Audit Act of 1983 (31 U.S.C. 7501-7) provided that the PFC is specifically addressed by the auditor.

(3) Upon request, a copy of the audit shall be provided to each collecting carrier that remitted PFC revenue to the public agency in the period covered by the audit and to the Administrator.

Sec. 158.69 Recordkeeping and auditing: Collecting carriers.

(a) Collecting carriers shall establish and maintain for each public agency for which they collect a PFC an accounting record of PFC revenue collected, remitted, refunded and compensation retained under Sec. 158.53(a) of this part. The accounting record shall identify the airport at which the passengers were enplaned.

(b) Each collecting carrier that collects more than 50,000 PFC's annually shall provide for an audit at least annually of its PFC account.

(1) The audit shall be performed by an accredited independent public accountant and may be of limited scope. The accountant shall express an opinion on the fairness and reasonableness of the carrier's procedures for collecting, holding, and dispersing PFC revenue. The opinion shall also address whether the quarterly reports required under Sec. 158.65 fairly represent the net transactions in the PFC account.

(2) For the purposes of an audit under this section, collection is defined as the point when agents or other intermediaries remit PFC revenue to the carrier.

(3) Upon request, a copy of the audit shall be provided to each public agency for which a PFC is collected.

Sec. 158.71 Federal oversight.

(a) The Administrator may periodically audit and/or review the use of PFC revenue by a public agency. The purpose of the audit or review is to ensure that the public agency is in compliance with the requirements of this part and section 1113(e) of the Federal Aviation Act.

(b) The Administrator may periodically audit and/or review the collection and remittance by the collecting carriers of PFC revenue. The purpose of the audit or review is to ensure collecting carriers are in compliance with the requirements of this part and section 1113(e) of the Federal Aviation Act.

(c) Public agencies and carriers shall allow any authorized representative of the Administrator, the Secretary of Transportation, or the Comptroller General of the U.S., access to any of its books, documents, papers, and records pertinent to PFC's

Subpart E--Termination

Sec. 158.81 General.

This subpart contains the procedures for termination of PFC's or loss of Federal airport grant funds for violations of this part or section 1113(e) of the Federal Aviation Act. This subpart does not address the circumstances under which authority to collect PFC's may be terminated for violations of the Airport Noise and Capacity Act of 1990.

Sec. 158.83 Informal resolution.

The Administrator shall undertake informal resolution with the public agency or any other affected party if, after review under Sec. 158.71, the Administrator cannot determine that PFC revenue is being used for the approved projects in accordance with the terms of the Administrator's approval to impose a PFC for those projects or with section 1113(e) of the Federal Aviation Act.

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Sec. 158.85 Termination of authority to impose PFC's.

(a) The FAA begins proceedings to terminate the public agency's authority to impose a PFC only if the Administrator determines that informal resolution is not successful.

(b) The Administrator publishes a notice of proposed termination in the Federal Register and supplies a copy to the public agency. This notice will state the scope of the proposed termination, the basis for the proposed action and the date for filing written comments or objections by all interested parties. This notice will also identify any corrective actions the public agency can take to avoid further proceedings. The due date for comments and corrective action shall be no less than 60 days after publication of the notice.

(c) If corrective action has not been taken as prescribed by the Administrator, the FAA holds a public hearing, and notice is given to the public agency and published in the Federal Register at least 30 days prior to the hearing. The hearing will be in a form determined by the Administrator to be appropriate to the circumstances and to the matters in dispute.

(d) The Administrator publishes the final decision in the Federal Register. Where appropriate, the Administrator may prescribe corrective action, including any corrective action the public agency may yet take. A copy of the notice is also provided to the public agency.

(e) Within 10 days of the date of publication of the notice of the Administrator's decision, the public agency shall--

(1) Advise the FAA in writing that it will complete any corrective action prescribed in the decision within 30 days; or

(2) Provide the FAA with a listing of the air carriers and foreign air carriers operating at the airport and all other issuing carriers that have remitted PFC revenue to the public agency in the preceding 12 months.

(f) When the Administrator's decision does not provide for corrective action or the public agency fails to complete such action, the FAA provides a copy of the Federal Register notice to each air carrier and foreign air carrier identified in paragraph (e) of this section. Such carriers are responsible for terminating or modifying PFC collection no later than 30 days after the date of notification by the FAA.

Sec. 158.87 Loss of federal airport grant funds.

(a) If the Administrator determines that revenue derived from a PFC is excessive or is not being used as approved, the Administrator may reduce the amount of funds otherwise payable to the public agency under section 507 of the AAIA of 1982, 49 U.S.C. App. 2206. Such a reduction may be made as a corrective action under Sec. 158.83 or Sec. 158.85 of this part.

(b) The amount of the reduction under paragraph (a) of this section shall equal the excess collected, or the amount not used in accordance with this part.

(c) A reduction under paragraph (a) of this section shall not constitute a withholding of approval of a grant application or the payment of funds under an approved grant within the meaning of 49 U.S.C. App. 2218.

Subpart F--Reduction in Airport Improvement Program Apportionment

Sec. 158.91 General.

This subpart describes the required reduction in funds apportioned to a large or medium hub airport that imposes a PFC.

Sec. 158.93 Public agencies subject to reduction.

The funds apportioned under section 507(a)(1) of the Airport and Airway Improvement Act of 1982 to a public agency for a specific primary commercial service airport that it controls are reduced if--

(a) Such airport enplanes 0.25 percent or more of the total annual enplanements in the U.S., and

(b) The public agency imposes a PFC at such airport.

Sec. 158.95 Implementation of reduction.

(a) A reduction in apportioned funds will be applied beginning in the fiscal

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year immediately following the Administrator's approval of authority to impose a PFC and will be applied in each succeeding fiscal year in which the public agency imposes a PFC.

(b) The reduction in apportioned funds is calculated at the beginning of each fiscal year and shall be an amount equal to 50 percent of the PFC revenue forecast for the fiscal year, except that the maximum reduction in a fiscal year shall not exceed 50 percent of the funds that would otherwise be apportioned to the public agency based on passengers enplaning at the airport.

(c) If the projection of PFC revenue in a fiscal year is inaccurate, the reduction in apportioned funds may be increased or decreased in the following fiscal year, except that any further reduction shall not cause the total reduction to exceed 50 percent of such apportioned amount as would otherwise be apportioned in any fiscal year.

Appendix A to Part 158--Assurances

A. General.

1. These assurances shall be complied with in the conduct of a project funded with passenger facility charge (PFC) revenue.

2. These assurances are required to be submitted as part of the application for approval of authority to impose a PFC under the provisions of the Aviation Safety and Capacity Expansion Act of 1990.

3. Upon approval by the Administrator of an application, the public agency is responsible for compliance with these assurances.

B. Public agency certification. The public agency hereby assures and certifies, with respect to this project that:

1. Responsibility and authority of the public agency. It has legal authority to impose a PFC and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the public agency's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public agency to act in connection with the application.

2. Compliance with regulation. It will comply with all provisions of 14 CFR part 158.

3. Compliance with state and local laws and regulations. It has complied, or will comply, with all applicable State and local laws and regulations.

4. Environmental, airspace and airport layout plan requirements. It will not use PFC revenue on a project until the FAA has notified the public agency that--

(a) Any actions required under the National Environmental Policy Act of 1969 have been completed;

(b) The appropriate airspace finding has been made; and

(c) The FAA Airport Layout Plan with respect to the project has been approved.

5. Nonexclusivity of contractual agreements. It will not enter into an exclusive long-term lease or use agreement with an air carrier or foreign air carrier for projects funded by PFC revenue. Such leases or use agreements will not preclude the public agency from funding, developing, or assigning new capacity at the airport with PFC revenue.

6. Carryover provisions. It will not enter into any lease or use agreement with any air carrier or foreign air carrier for any facility financed in whole or in part with revenue derived from a passenger facility charge if such agreement for such facility contains a carryover provision regarding a renewal option which, upon expiration of the original lease, would operate to automatically extend the term of such agreement with such carrier in preference to any potentially competing

air carrier or foreign air carrier seeking to negotiate a lease or use agreement for such facilities.

7. Competitive access. It agrees that any lease or use agreements between the public agency and any air carrier or foreign air carrier for any facility financed in whole or in part with revenue derived from a passenger facility charge will contain a provision that permits the public agency to terminate the lease or use agreement if--

(a) The air carrier or foreign air carrier has an exclusive lease or use agreement for existing facilities at such airport; and

(b) Any portion of its existing exclusive use facilities is not fully utilized and is not made available for use by potentially competing air carriers or foreign air carriers.

8. Rates, fees and charges.

(a) It will not treat PFC revenue as airport revenue for the purpose of establishing a rate, fee or charge pursuant to a contract with an air carrier or foreign air carrier.

(b) It will not include in its rate base by means of depreciation, amortization, or any other method, that portion of the capital costs of a project paid for by PFC revenue for the purpose of establishing a rate, fee or charge pursuant to a contract with an air carrier or foreign air carrier.

(c) Notwithstanding the limitation provided in subparagraph (b), with respect to a project for terminal development, gates and related areas, or a facility occupied or used by one or more air carriers or foreign air carriers on an exclusive or preferential basis, the rates, fees, and charges payable by such carriers that use such facilities will be no

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less than the rates, fees, and charges paid by such carriers using similar facilities at the airport that were not financed by PFC revenue.

9. Standards and specifications. It will carry out the project in accordance with FAA airport design, construction and equipment standards and specifications contained in advisory circulars current on the date of project approval.

10. Recordkeeping and Audit. It will maintain an accounting record for audit purposes for a period of 3 years after completion of the project. All records will satisfy the requirements of 14 CFR part 158 and will contain documentary evidence for all items of project costs.

11. Reports. It will submit reports in accordance with the requirements of 14 CFR part 158, subpart D, and as the Administrator may reasonably request.

12. Airport Noise and Capacity Act of 1990. It understands sections 9304 and 9307 of the Airport Noise and Capacity Act of 1990 require the authority to impose a PFC be terminated if the Administrator determines the public agency has failed to comply with that act or with the implementing regulations promulgated thereunder.