

**HB**

**115/**

**SB**

**92**

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE COMMITTEE, CHAIRMAN  
ADMINISTRATION REGULATION REVIEW COMMITTEE, CHAIRMAN  
JUDICIARY COMMITTEE, VICE-CHAIR

website: <http://www.akrepublicans.org/Anderson.htm>

INTERIM  
716 WEST 4TH AVENUE  
ANCHORAGE AK 99501  
PHONE (907) 269-0265  
FAX (907) 9-0264

SESSION  
STATE CAPITOL  
JUNEAU, AK 99801-1182  
PHONE (907) 465-4039  
1-800-465-4939  
FAX (907) 465-2418

## Representative Tom Anderson

email: [Representative\\_Tom\\_Anderson@legis.state.ak.us](mailto:Representative_Tom_Anderson@legis.state.ak.us)

### MEMORANDUM

Date: February 22, 2005

To: Senator Charlie Huggins, Chair  
Senate Transportation Committee

From: Representative Tom Anderson, Chair  
House Labor & Commerce Committee *T.A.*

Re: HB 115

---

Thank you for scheduling HB 115 for a Committee hearing on Thursday February 24, 2005.

Enclosed for your consideration are:

1. CS HB 115 (TRA)
2. Sponsor Statement
3. Sectional Analysis
4. Fiscal Notes (DOT)
5. Summary of Committee Changes
6. Bill History
7. Backup Material
  - a. Letters of Support
  - b. ADN article dated February 8, 2005
  - c. The Bond Buyer article dated May 30, 2002
  - d. Original version of HB 115

Thank you for your consideration of this legislation and for scheduling the bill pending referral.

# Alaska State Legislature

Interim:  
716 W. 4<sup>th</sup> Ave.  
Anchorage, AK 99501-2133

Phone: (907) 269-0265  
Fax: (907) 269-0264



Session:  
Alaska State Capitol, Rm 408  
Juneau, AK 99801-1182

Phone: (907) 465-4939  
Fax: (907) 465-2418  
Toll Free: (800) 465-4939  
Rep.Tom\_Anderson@legis.state.ak.us

**Representative Tom Anderson**  
District 19 - Anchorage

## Sponsor Statement CS HB 115 TRA

**Title: "An Act relating to charges paid or collected by users or occupants of an airport facility owned or controlled by the state; and providing for an effective date."**

HB 115 provides a mechanism (customer facility charges or "CFCs") to improve airport facilities without the expenditures of state funds. The most common projects to use CFCs funds are car rental facilities. The bill also provides a revenue stream to maintain and operate the facilities, without requiring an increase in the airport operating budget as the cost of maintenance will be paid using the related customer facility maintenance charge.

In 2001, the legislature passed chapter 99 SLA 2001, which authorized the imposition of customer facility charges to fund the construction of improvements on airport properties. CFCs have been imposed by many other airports around the country as a means of funding car rental facility improvements. No state credit is pledged to support the bonds. Dallas-Fort Worth and Denver are two examples out of many where CFC's have been used successfully to build these facilities.

During negotiations with the state over the implementation of the project, issues were identified and set forth in ch. 99 SLA 2001. These issues should be clarified to ensure the bonds can be marketable. Those issues revolve around clarifying the new revenue stream generated by the CFC should not be considered revenue of the state when the bond is a private initiative and ensuring that the bond trustee, not the state, will take custody of the funds.

Because the facility will revert to the state in its entirety at the end of the term, it would also be appropriate to allow the imposition of a customer facility maintenance charge to ensure the facility is well-maintained and kept up appropriately. The charge also avoids any impact on the airport's operating budget as the airport will not be responsible for the maintenance and repair of the facility while under airport car rental company's control.

This bill implements a valuable private market tool to construct improvements to Alaska airports, without the expenditure of public funds. This will improve the amenities provided to the traveling public, both Alaskan and non-Alaskan alike.

**I urge your support for this bill.**

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK 99801-1182

### Sectional Analysis for CS HB 115 (TRA) BY: Representative Tom Anderson

- Section 1.** The language that was added in ch. 99 SLA 2001 to AS 02.15.090(a) is being moved into a new subsection (h) for clarification purposes.
- Section 2.** This adds a new subsection (h) to AS 09.15.090 which now becomes the operative stand alone section allowing for the collection of customer facility charges ("CFCs). It allows the commissioner of DOT/PF, by contract or order to set the CFC, to require the car rental companies to collect the fee, and to adjust the CFC to meet debt service obligations that might be required or desirable as car rental traffic increases or decreases over time; these are carry-overs of existing law. The new language clarifies that the CFCs will be remitted to the bond trustee and not the state when the state did not issue the bonds. CFCs will still be used to repay the bond or other indebtedness incurred for the project. However, the definition of what types on indebtedness could be paid has been broadened to include debt service, creation of a debt service reserve fund, and to meet any other bond requirements.
- New subsection (i) allows for the imposition of a related customer facility maintenance charge. These differ from CFCs as they are not debt related; they are collected to pay for the maintenance and operation of the facility. Thus, they will cover major repairs, on-going maintenance, utilities and insurance among other expenses. This will prevent the facility from becoming an operational liability to the department while occupied by the RACs in operation; and will ensure that a major repair fund is maintained so that when the state takes sole custody of it in 30 years, there are enough funds to undertake major repairs and allow the facility to be used for its real economic and physical life.
- Section 3.** AS 37.15.410 allows for issuance of revenue bonds for international airport improvements. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.

- Section 4.** AS 37.15.430(a) creates the "International Airports Revenue Fund" into which airport revenues are paid. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.
- Section 5.** AS 37.15.430(c) had been added by the 2001 amendment to clarify that CFCs should be remitted to the bond trustee and not the state. This amendment clarifies that the CFC is not charged to customers, it is collected from them pursuant the order imposed by the commissioner, and further clarifies that the customer facility maintenance charge is remitted directly to a third party rather than the state.
- Section 6.** Establishes an immediate effective date under AS 01.10.070.

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 115(TRA)  
 (H) Publish Date: 2/9/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title Airport Customer Facility Charges RDU Administration & Support  
 Component Commissioner's Office  
 Sponsor (H) Labor & Commerce  
 Requester House Transportation Component No. 530

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: Nona Wilson Phone 465-3904  
 Division: Legislative Liaison, DOT&PF Date/Time 2/7/05 2:38 PM  
 Approved by: Mike Barton Date 2/7/2005  
 Agency: Commissioner, DOT&PF

# CS HB 115 (TRA)

## Committee Changes

House Transportation Committee added an immediate effective date on page 6 line 28, the new Section 6

*Donald R. Foote*  
*Director, Government Relations*

*The Hertz Corporation*  
*225 Erie Boulevard, Park Ridge, NJ 07656*  
*Telephone: (201) 307-2759*

February 1, 2005

Representative Tom Anderson  
State Capitol Room 408  
Juneau, AK 99801-1182

Dear Representative Anderson:

I am writing on behalf of The Hertz Corporation ("Hertz") in support of HB 115. This bill would allow a consolidated rental car facility to be built and operated at the Ted Stevens Anchorage International Airport (the "Airport") with private rather than public funds.

This legislation, together with Ch. 99 SLA 2001, will provide access to the capital markets that will allow significant infrastructure improvements at the Airport without public expenditure.

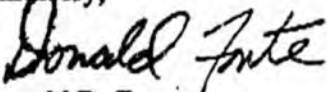
In 2001 the legislature enacted Ch. 99 SLA 2001 to authorize the imposition of customer facility charges that would be used to support capital improvements at the Airport, however under the statute there was ambiguity whether the charges would be treated as the revenue of the State that may be subject to its pre-existing revenue bonds. Such ambiguity will likely hurt the marketability of the bonds, or at a minimum, increase the financing costs due to the inherent risk in such ambiguity.

This bill would clarify that proceeds of the customer facility charges would not be considered revenue of the State when the State does not issue the underlying bonds. No state credit would be pledged in such bond issuance. In addition, HB 115 permits the use of customer facility charges to pay for the maintenance of the consolidated rental car facility as such facility will revert to the State upon repayment of the original construction bonds. These proposed changes would ensure that, among other things, a valuable capital project would be completed and properly maintained at the Airport, at little or no risk to the State.

5  
Hertz believes that HB 115 offers an effective alternative for financing the construction and maintenance of a consolidated rental car facility without burdening the State's treasury.

For the foregoing reasons Hertz respectfully requests that the legislature approve this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Donald R. Fonte". The signature is written in dark ink and is positioned above the printed name.

Donald R. Fonte



*An Independent Alamo Rent-A-Car  
and National Car Rental Licensee*

---

**January 18, 2005**

**Rep. Tom Anderson**

**State Capitol Room 408**

**Juneau, Alaska 99801-1182**

**Dear Rep. Anderson,**

**Sponsor Statement**

This bill should pass to implement a valuable private market tool to construct improvements to Alaska airports, without the expenditure of public funds. This will improve the amenities provided to the traveling public, both Alaskan and non-Alaskan alike.

**Purpose**

This bill provides a mechanism, customer facility charges or "CFCs," to improve airport facilities without the expenditures of state funds. The most common projects that CFCs are used to fund are car rental facilities. The bill will also provide a revenue stream to maintain and operate the facilities, without requiring an increase in the airport operating budget as the cost of maintenance will be paid for by the related customer facility maintenance charge.

**Background**

In 2001, the legislature passed chapter 99 SLA 2001, which authorized the imposition of customer facility charges to fund the construction of improvements on airport properties.

CFCs have been imposed by many other airports in the country as a means of funding car rental facility improvements. A private bond market has developed which is willing to rely solely on the revenue stream provided by CFCs collected from car rental users to issue bonds which are in turn used to construct the project. No state credit is pledged to support the bonds. Dallas-Fort Worth and Denver are two examples out of many where CFC's have been used successfully to build these facilities.

907-243-3138  
fax: 907-243-3103  
Alaska Sales & Services, Inc.  
P.O. Box 203207  
Anchorage, AK 99502

A private industry initiated project, sponsored by the local on airport car rental companies, ("RACs") is in the process of undertaking a similar project at TSAIA airport. Although the project was delayed by the events of 9/11, it is now moving ahead. During negotiations with the state over the implementation of the project, bond counsel identified certain issues with the language set forth by ch. 99 SLA 2001, which they felt should be clarified to ensure that the bonds would be marketable.

Those issues essentially revolve around clarifying that the new revenue stream generated by the CFC would not be considered revenue of the state when the bond is a private initiative and ensuring that the bond trustee, not the state, takes custody of the funds. Without that clarification, bond counsel was concerned that the 2001 language did not adequately clarify that the CFCs were not revenues of the state for the determination of whether they would be subject to pre-existing airport bonds. The definition of what bond related purposes the CFCs could be applied to will also be clarified to include debt reserve funds, and other bond underwriter requirements.

Because the facility will revert to the state in its entirety at the end of the term, it was also decided that it would be appropriate to allow the imposition of a customer facility maintenance charge to ensure that the facility is well-maintained and kept up appropriately. The charge also avoids any impact on the airport's operating budget as the airport will not be responsible for the maintenance and repair of the facility while under RAC control. This authority needs to be set separately from the CFC again for the protection of the bond holders.

#### **Sectional Analysis:**

**Section 1.** The language that was added in ch. 99 SLA 2001 to AS 02.15.090(a) is being moved into a new subsection (h) for clarification purposes.

**Section 2.** This adds a new subsection (h) to AS 09.15.090 which now becomes the operative stand alone section allowing for the collection of customer facility charges ("CFCs). It allows the commissioner of DOT/PF, by contract or order to set the CFC, to require the car rental companies to collect the fee, and to adjust the CFC to meet debt service obligations that might be required or desirable as car rental traffic increases or decreases over time; these are carry-overs of existing law. The new language clarifies that the CFCs will be remitted to the bond trustee and not the state when the state did not issue the bonds. CFCs will still be used to repay the bond or other indebtedness incurred for the project. However, the definition of what types on indebtedness could be paid has been broadened to include debt service, creation of a debt service reserve fund, and to meet any other bond requirements.

New subsection (i) allows for the imposition of a related customer facility maintenance charge. These differ from CFCs as they are not debt related; they are collected to pay for the maintenance and operation of the facility. Thus, they will cover major repairs, on-

going maintenance, utilities and insurance among other expenses. This will prevent the facility from becoming an operational liability to the department while occupied by the RACs in operation; and will ensure that a major repair fund is maintained so that when the state takes sole custody of it in 30 years, there are enough funds to undertake major repairs and allow the facility to be used for its real economic and physical life.

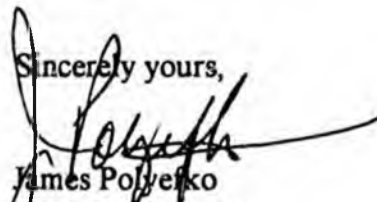
Section 3. AS 37.15.410 allows for issuance of revenue bonds for international airport improvements. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.

Section 4. AS 37.15.430(a) creates the "International Airports Revenue Fund" into which airport revenues are paid. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.

Section 5. AS 37.15.430(c) had been added by the 2001 amendment to clarify that CFCs should be remitted to the bond trustee and not the state. This amendment clarifies that the CFC is not charged to customers, it is collected from them pursuant the order imposed by the commissioner, and further clarifies that the customer facility maintenance charge is remitted directly to a third party rather than the state.

Thank-you in advance for your support.

Sincerely yours,



James Polyeiko  
General Manager  
National Alamo Car Rental  
Anchorage International Airport



Floyd and Sons  
Inc.  
3730 Spenard  
Road  
Anchorage, AK.  
99517-2676

Telephone:  
907-276-2856

Fax: 907 279-1326

Representative Tom Anderson  
State Capitol  
Room 408  
Juneau, Alaska 99801

Worldwide  
Reservations  
1-800-Thrifty  
**Anchorage Reservations:**  
[anchorage.thrifty.com](http://anchorage.thrifty.com)

Dear Representative Anderson,

The purpose of this letter is to inform you of my support of building a new parking garage for the car rental companies at the Ted Stevens Anchorage International Airport. The car rental companies serving the airport have very little covered parking and have long walks or have to wait for a shuttle bus ride to the terminal when returning their vehicles. All the companies at the airport receive complaints monthly on the existing layout. The complaints are less in the summer months than in the winter months when renters arrive to icy parking lots and snow covered cars.

The proposed rental car parking garage will be built using no state dollars. Our rental car customers will pay a fee to pay for the construction, operation and maintenance of the facility. This garage will give all the traveling public better parking at the airport. When the project is finished the rental cars will be moved out the existing garage so the local traveling public will have more garage parking spaces available for their short term parking needs. The airlines will not be affected by the new garage since the airport is not bonding or increasing its debt load to build the garage.

In Alaska, tourism continues to be one of few growing industries. Anchorage continues to be the year around regional hub of travel. This facility will give all eight rental car companies the ability to service the tourist arriving daily in quick and efficient manner. Our customer complaints regarding outside parking in Alaska in the winter months will vanish. The renters will remember Anchorage and Alaska as an easy and customer friendly place to visit.

My brother Darrell and I have been renting cars here in Anchorage since 1978. We have always provided the best customer service with new clean vehicles. We need this facility so we can raise the standards of service to meet customer expectations. The existing lack of covered parking falls short of customer expectations every time.

So I ask that you support and pass HB 115 24 for the future of tourism in Anchorage and Alaska.

Sincerely,

Craig W. Floyd  
Vice President  
Floyd and Sons Inc. dba  
Thrifty Car Rental Alaska  
Phone 907.276.2855 extension 21  
Fax 907.279.1326

**THE LAW OFFICES OF  
DAN K. COFFEY  
A PROFESSIONAL CORPORATION  
207 EAST NORTHERN LIGHTS BLVD.  
SUITE 200  
ANCHORAGE, ALASKA 99503**

Telephone: (907) 274-3385

Facsimile: (907) 274-4258

Dan K. Coffey  
[dcoffey@coffey-law.net](mailto:dcoffey@coffey-law.net)

W. Sherman Ernouf  
[sernouf@coffey-law.net](mailto:sernouf@coffey-law.net)

February 4, 2005

Representative Tom Anderson  
Alaska Legislature  
State Capitol Room 408  
Juneau, AK 99801-1182

Dear Tom:

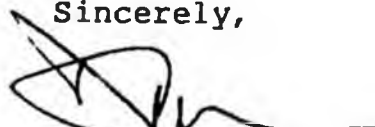
The purpose of this letter is to pledge my support for Bill HB 115 to be considered by the House Transportation Committee on Tuesday, February 8<sup>th</sup>, 2005.

As an RAC member and owner of Dollar Rent-A-Car in Anchorage, I believe that facilitating the use of CFC's to underwrite the bond issuance for the construction on consolidated car rental facilities at TSAIA is imperative to the growth of this industry. Our own customers and clients will take on the financial burden of funding this project and no State dollars will be allocated for the construction, operation, and maintenance of the facility.

In addition, certain weaknesses in the original provisions authorized in 2001 were pointed out by bond counsel as the QTA project at TSAIA was progressing. This Bill will address those weaknesses and I appreciate your representation in fixing this problem.

Thank you for your continued work in improving the services provided to travelers, to and from the State of Alaska.

Sincerely,



Dan K. Coffey

**adn.com**

Anchorage Daily News

Print Page

Close Window

## **Proposal for airport rental-car garage before House**

**SPACE: Project would be paid for with a new fee collected from customers.**

By LARRY PERSILY  
Anchorage Daily News

*(Published: February 8, 2005)*

JUNEAU -- A House committee today will consider legislation needed for a privately built and operated \$41 million rental car parking garage proposed at the Ted Stevens Anchorage International Airport.

The car rental companies operating at the airport have been working four or five years to put together a deal for covered parking for their customers, along with a garage for cleaning and fueling the vehicles on site, said Mort Plumb, airport director.

The 1,400-space garage would be privately developed, but ownership would transfer to the state upon completion of construction. Car rental companies would collect a new fee from their customers to cover the construction debt and operating costs.

The fee would be no more than \$4 per day per rental, said former state Rep. Andrew Halcro, president of Avis Alaska.

Car and truck rental customers already pay a 10 percent state tax and an 8 percent municipal tax. Rental agencies also collect about 11 percent on each rental to cover an airport concession fee and other costs.

Project developer Mark Pfeffer said he hopes to start work this summer, with an opening scheduled for summer 2006.

Pfeffer said his real estate company, Venture Development Group, is planning the four-story garage next to the Alaska Railroad station across the street from the airport terminal. At 120,000 square feet, the footprint of the garage would cover the entire area currently leased to rental companies for outdoor parking, plus about 80 public spaces in the overflow parking area behind the airport garage.

"The car rental companies want this garage," Halcro said. "Anchorage is the worst customer-friendly car rental facility in the country."

Rental companies lease about 80 spaces inside the existing public garage, not nearly enough to meet their needs and forcing most customers to walk outside or take a shuttle bus to the outdoor parking area, Halcro said.

He estimated the car rental industry in Anchorage maintains a fleet of more than 5,000 vehicles during the busy summer months.

Customers would walk between the terminal and new garage through an underground tunnel, an extension of the walkway that goes to the railroad station, Pfeffer said.

The new garage would be slightly larger than the public garage across from the terminal, Pfeffer said.

The deal isn't completed, with legal, financial and contract issues to resolve, in addition to needing the legislation, Halcro said. "We do have some hurdles to overcome."

The legislation is needed so that the new fee -- called a customer facility maintenance charge -- could be used to cover the construction bonds for the garage and operations and maintenance at the facility.

Neither the state nor the airport would be responsible for the construction or operating costs, with the fee designated as the sole source of payment for the bond debt and other costs, said Anchorage Republican Rep. Tony Anderson.

Although the new fee would go entirely to pay off the construction debt and operating costs, the airport would earn revenue from lease fees on the land, Plumb said. The rate still needs to be negotiated, he said.

Anderson is chair of the House Labor and Commerce Committee, which introduced House Bill 115 and will hold its first hearing on the measure this afternoon in the Capitol.

"I don't normally support fees," Anderson said, but airport users have complained about having to pick up their rental car outdoors. "This is a good compromise."

The Legislature approved a measure in 2001 allowing collection of a customer fee to pay off the construction debt of such a project, but a change is needed to roll in the operation and maintenance costs with the fee, Anderson said.

In addition to covered parking on all but the top floor, the garage would provide rental counters, a car wash and refueling stations. Bringing the services into the garage would save the rental companies the time and expense of driving their vehicles off site between each rental, Halcro said.

"It would really be a self-contained facility, like at most airports," he said.

The airport in 2000 considered building a car rental facility across Jewell Lake Road at Connors Bog but dropped the idea after public complaints over paving the area. The Connors Bog area has become a popular dog park, and nearby Connors Lake has had nesting loons in summer.

Daily News reporter Larry Persily can be reached at [lpersily@adn.com](mailto:lpersily@adn.com) or in Juneau at 1-907-523-9306.

[Print Page](#)[Close Window](#)

# Baltimore Airport Renovation to Move Forward With Upcoming Sale

By Allison Vekshin

WASHINGTON — After delays forced by last year's terrorist attacks, the massive \$1.8 billion expansion of Baltimore-Washington International Airport is picking up speed as it prepares for a bond sale next week for a new car rental facility.

The Maryland Transportation Authority is planning to issue \$119.6 million in taxable limited obligation revenue bonds on June 4 on behalf of the Maryland Aviation Administration, which operates the airport.

The bond proceeds will finance the construction of a consolidated rental car facility at the airport to serve the eight rental car companies operating there. Hertz Corp. has the largest share of the airport's rental car market at 28%, followed by Avis Rent A Car System, Inc. at about 23%.

The bonds are secured by a \$3 charge that will be assessed to daily car rental transactions originating at the airport, which is located between Washington and Baltimore. Morgan Stanley & Co. is the senior managing underwriter, and Piper Rudnick LLP is legal counsel. MBIA Insurance Corp. is insuring the negotiated deal.

Moody's Investors Service has issued an A3 rating with a stable outlook. Fitch Ratings and Standard & Poor's have not yet issued ratings.

Moody's cited historic demand for car rentals, the administration's rate flexibility, and the ability of the current rental car activity levels to support the debt service without increasing the customer facility charge as factors contributing to the rating.

"With an A3 rating, we feel it's a good credit," said Maria Matesanz, an analyst for Moody's.

Airports initially were reluctant to enter the market following the terrorist attacks, said Matesanz, who sees this trend gradually reversing itself.

"We've seen more issuance in the last couple of months, indicating there is more comfort by investors and by issuers to enter the market," she said. "As traffic and revenues have come back, there has been more of a sense of resiliency in the sector."

The terrorist attacks haven't delayed

the airport's financing plans by much, according to Fred Rappe, director of finance at the Maryland Department of Transportation.

"We're pretty much on schedule where we were hoping to be at this time," he said. The entire project is scheduled to be completed in 2006.

In August 2000, state transportation officials announced plans to issue \$1 billion in tax-exempt bonds to finance the project, and construction began in April last year. But the sales were delayed after Sept. 11, when airport officials hesitated to go to market, instead choosing to evaluate the impact of the attacks.

The authority last went to market in February with \$264

million in tax-exempt revenue bonds to pay for an airport parking garage.

In addition, the Maryland Economic Development Corp. expects to sell about \$200 million in tax-exempt revenue bonds later this year to finance the construction of a concourse at the air-

port, according to Hans F. Mayer, the agency's executive director. The deal, which is still in the structuring stage, will be backed primarily by lease revenues, Mayer said. An underwriter has not yet been selected and McGwire Woods LLP will serve as legal counsel, he added.

The state-operated airport's projects are financed by a transportation trust fund dedicated to supporting the transportation department. Sources of the fund include motor fuel taxes, motor vehicle excise taxes, motor vehicle fees, and federal aid.

In February, Maryland Gov. Parris N. Glendening announced that 2001 was the eighth consecutive record year for travelers using the airport, with 20.4 million people passing through the airport last year. This was a 3.9% increase from passenger traffic in 2000, when 19.6 million travelers used the airport.

The overall expansion and improvement plan includes the addition of 12,000 covered parking spaces, new concourses and pedestrian bridges, moving sidewalks, and a monorail-style people mover system connecting the airport, parking garages, and the Amtrak station, which also serves Maryland Rail Commuter trains. □

**"We've seen more issuance in the last couple of months, indicating there is more comfort by investors and by issuers to enter the (airport debt) market," says Moody's Maria Matesanz.**

## Latest Agreement to Save Twins Would Keep Team in Metrodome for Another Year

Continued from page 1  
with the 2003 season.

Many stadium advocates attribute the Twins' continued existence to the lawsuit filed last year after the league's contraction plans were announced. Though no terms were named, the Twins were on the list of possible teams to be contracted, according to many sports writers

who called the team's existence

team to make good on its current one-year lease extension and won. The commission's lawsuit also contends that the league's contraction plans illegally prevented the commission from negotiating a long-term lease with the team.

The extra year the tentative agreement buys is considered essential to securing a final stadium financing scheme and enacting legislation to replace what

package approved by lawmakers and signed by Gov. Jesse Ventura last week. Lawmakers won't return to work until January.

Under that stadium plan, the team would make an up-front payment of \$120 million that would be invested by the state. Minnesota in turn would sell taxable bonds to pay for a \$330 million ballpark. Investment earnings would cov-

must be held on any new taxes.

Minneapolis officials believe the legislation favors St. Paul because it precludes Hennepin County, which includes Minneapolis, from participating in the financing. Minneapolis wants to spread out the burden of the stadium on a county-wide level.

"Minneapolis now has the burden of paying for about 85% of the Target Cen-



search by  ?  
 for

user name   
 password

Select a Business Line

SEARCH

- Home
- Quick Search
- Products & Services
- About Us
- Contact Us
- Help
- Feedback

SEARCH RESULTS > MUNICIPAL FINANCE > ISSUER SUMMARY

## Maryland Transportation Authority

### Research Links

Report Type	Date	Title	5 records
-- New Issue	23 MAY 2002	MOODY'S ASSIGNS A3 RATING TO MARYLAND TRANSPORTATION AUTHORITY RENTAL CAR FACILITY REVENUE BONDS, SERIES 2002	
-- New Issue	5 FEB 2002	MOODY'S ASSIGNS A2 RATING TO MARYLAND TRANSPORTATION AUTHORITY'S AIRPORT PARKING REVENUE BONDS	
-- New Issue	27 APR 1998	Maryland Transportation Authority	
-- Update	26 MAY 1993	Transp. Facility Project Revenue Bonds, '85	
-- New Issue	12 AUG 1992	Transportation Facility Revenue Refunding Bonds, Series 1992	

You have access to 0 of 5 available records. To increase your access please contact a Moody's representative.

### Issuer Details

Sector:	State, Airport, Toll Roads	Watchlist Status:	No
State:	Maryland (State of)	Date:	
City/Town:		Direction:	
County:		Ticker(s):	MDSTRN
		CUSIP(s):	574202, 574299, 574300

### Current Rating List

Security	Sale Date	Sale Amt	Underlying	Enhanced	Insured	Watchlist	Watch Date	7 records
Ticcable Limited Obligation Revenue Bonds, Series 2002 (Baltimore/Washington International Airport Consolidated Rental Car Facility) Revenue	4 JUN 2002	119.60	A3			No		
Airport Parking Revenue Bonds, Series 2002A and B Revenue	12 FEB 2002	264.08	A2		Aaa	No		



Moody's Investors Service

Global Credit Research

New Issue

23 MAY 2002

New Issue: Maryland Transportation Authority

**MOODY'S ASSIGNS A3 RATING TO MARYLAND TRANSPORTATION AUTHORITY RENTAL CAR FACILITY REVENUE BONDS, SERIES 2002**
**\$120 Million Debt Affected**

 Airport  
 MD

**Moody's Rating**

ISSUE	RATING
Taxable Limited Obligation Revenue Bonds, Series 2002 (Baltimore/Washington International Airport Consolidated Rental Car Facility)	A3

**Sale Amount** \$119,600,000

**Expected Sale Date** 06/04/02

**Rating Description** Rental Car Facility Revenue Bonds

**Opinion**

NEW YORK, May 23, 2002 – Moody's assigns an A3 underlying rating and stable outlook to the \$120 million Maryland Transportation Authority (MTA) Taxable Limited Obligation Revenue Bonds, Baltimore/Washington International Airport (Consolidated Rental Car Facility) Series 2002. The bonds are limited obligations secured solely by a charge that will be assessed to daily car rental transactions originating from the airport. The medium-grade underlying rating reflects the narrow revenue stream offset by favorable demand for rental car services at the airport and legal provisions that provide adequate bondholder support. The bond proceeds will finance construction of a consolidated rental car facility at Baltimore/Washington International Airport (BWI) to serve the eight major rental car companies operating at the airport.

The bonds are issued by the MTA on behalf of the Maryland Aviation Administration (MAA) which operates BWI. MTA has entered into lease with MAA, which obligates MAA to remit the customer facility charge (CFC) to MTA for the repayment of the bonds.

**NARROW REVENUE STREAM OFFSET BY RATE FLEXIBILITY AND STRONG DEMAND; --LEVEL DEBT SERVICE COVERED BY EXISTING RATES AND NO GROWTH IN ACTIVITY**

In Moody's opinion, historic demand for car rentals, the MAA's rate flexibility, and the ability of the current (i.e. post September 11th) rental car activity levels to support the debt service without increasing the CFC are key elements of the rating. The bonds are being issued to construct a consolidated rental car facility to replace the separate facilities currently operated by rental car companies at the airport. The bonds are secured by a per day CFC assessed to car renters. Thus, the revenues are dependent upon the number and

length of rental car contracts.

The imposition of the \$3.01 per day CFC began in March 2001, and revenue collections to date have been deposited in the Facility Improvement Fund, primarily to cover the acquisition of buses that will be used to transport customers to the new facility. The MAA will try to limit fluctuation in the CFC charge and expects to continue to charge \$3.00 through the forecast period. This charge represents less than 10% of the average daily rental rate, which has remained constant, adjusted for inflation, over the last five year. The rate is not limited, which is a key element of the A3 rating. However, the MAA has the flexibility pursuant to concession agreements, to assess additional rent rather than higher CFCs, and such rent would be included in Pledged Revenue. Even with a conservative assumption of no growth in the current levels of car rental activity, which reflect a moderate decline since September 11, the CFC is estimated to remain constant and satisfy the 1.25x rate covenant.

#### **CAR RENTAL TRENDS SHOW POSITIVE GROWTH; SHOULD RECOVER TO PRE-SEPTEMBER 11 LEVELS IN 2003**

Moody's views the rental car trends at the airport as a positive factor. Transaction days have grown an average of 9.1% since 1996, consistent with enplanement growth at the airport. In particular rental car rentals have increased approximately 2% in calendar year 2001, including the effects of September 11, while enplaned passengers increased approximately 4%. In the months since September 2001, the decline in car rental activity has also been consistent with the decreases in enplaned passengers, at an average of approximately 8%.

Eight rental car companies will occupy the facility, which will be constructed to accommodate expansion. Hertz Corporation, whose senior unsecured bonds are rated Baa2, has the largest share of the airport's rental car market at 28%. Avis, rated Baa1, represents about 23% of the airport's operations. ANC rental corporation (ANC), rated Baa3, operates National and Alamo, representing approximately 13.5% and 10% of the airport's operations, respectively.

Recent weakness in the US car rental business, evidenced by ANC's bankruptcy filing, is considered in the rating assignment, but is not expected to impair the ability to service the debt. While the rental car companies are the collecting agents for the CFC, remittances will occur monthly and will be supported by performance bonds covering four months of collection. Furthermore, in the case of ANC, the US Bankruptcy Court has ordered that the CFC collected at BWI is the property of MAA and that MAA has a perfected first priority lien on the CFC collections at all times.

The rental car companies are financing and developing their own service areas, therefore increasing their commitment to the BWI market. Moody's expects that the executed concession agreements with the rental car companies have adequate flexibility to accommodate individual rental car companies' growth strategies.

#### **RENTAL CAR OPERATIONS SUPPORTED BY STRONG REGIONAL ECONOMY**

In Moody's opinion, the strong regional economy served by the airport is a key element in the rating assignment. Demand for rental car transactions is dependent on a number of variables, but regional economic activity represents a key factor. BWI represents a strong O&D market and primarily provides air service to the Baltimore MSA. Approximately 15% of the total passengers connect through BWI. The airport also serves a broader secondary air service area with Ronald Reagan Washington National Airport and Dulles International Airport. Moody's does not expect the competition of National and Dulles to threaten the demand for car rentals at BWI to an extent that would threaten security for the bonds. The secondary air service area includes portions of the Washington MSA. The overall service area demonstrates an increasingly diverse employment base with close proximity to the national capital as well as an attractive tourist destination. Thus, the area economy provides a strong base for airport, and thus car rental, operations.

#### **BONDS HAVE ADEQUATE LEGAL PROTECTIONS; NO RECOURSE TO AIRPORT OR RENTAL COMPANIES**

In Moody's opinion, the bonds have adequate legal protections to provide for repayment. The Trust Agreement includes a rate covenant requiring that CFCs be set to provide for 1.25 times debt service coverage. A portion of the coverage will, however, be provided through a debt service coverage fund equal to 15% of maximum annual debt service that will be funded with the bond proceeds. The \$3.00 CFC is sufficient to provide 1.10 times revenue coverage at 2000 car rental activity levels. In addition, a debt service

reserve fund of maximum annual debt service will likely be provided through a surety policy with the bond insurer. The car rental companies will operate the facility; thus the CFC is required to cover only debt service and limited administrative costs. The Trust Agreement includes provisions for build up of a facility improvement fund.

All eight rental car companies have executed the agreements but they do not provide corporate guarantees of the bonds. Their obligation is limited to the collection and monthly remittance of the CFC revenues, and there is no security (such as a letter of credit) associated with that collection. In Moody's opinion, since the MAA has imposed the \$3.00 charge since March 1, 2001, there is minimal risk associated with timely construction of the facility. Moreover, the facility has a typical construction term and is not complex, mitigating the risk of cost overruns and potential need for completion bonds.

#### Outlook

The outlook for the underlying rating is stable, based on the strong service area supporting the rental car operations and the absence of significant construction-related risks. The outlook also reflects the expectation that the bonds can be serviced within the "no growth" scenario which keeps transaction days constant at FY 2000 levels.

#### KEY STATISTICS

Type of Airport: O&D

CY 2001 O&D Enplanements: 7,998,840

O&D/Total Enplanement: 85%

Expected Customer Facility Charge per Transaction Day: \$3.00

Average Annual Growth in Rental Car Transaction Days 1998 - 2001: 8.1%

Projected Average Annual Growth in Rental Car Transaction Days: 3.7%

Minimum Projected CRCF Debt Service Coverage: 1.30x (In FY 2009)

#### Analysts

Kevin Carney  
Analyst  
Public Finance Group  
Moody's Investors Service

(212) 553-0334

~~Analyst~~

Timothy Blake  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

Ranee Boicourt  
Director  
Public Finance Group  
Moody's Investors Service

#### Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1825

ALL INFORMATION CONTAINED HEREIN IS COPYRIGHTED IN THE NAME OF MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"), AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPAKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information. The credit ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling. Pursuant to Section 17(b) of the Securities Act of 1933, MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay MOODY'S for the appraisal and rating services rendered by it fees ranging from \$1,000 to \$1,500,000.