ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2856

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FILE

HOUSE COMMITTEE REPC T

(11)
Date Referred to Committee: February 9, 2005

FURTHER REFERRALS:

Date of Committee Action: 2/14/05

The FINANCE Committee considered: HB 115

HOUSE BILL NO. 115 AIRPORT CUSTOMER FACILITY CHARGES

"An Act relating to charges paid or collected by users or occupants of an airport facility owned or controlled by the state."

Recommends it be replaced with [ ] HCS or [✓] CS for ____________ (TRS.)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_______ [ ] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to ____________Committee
[ ] Letter of Intent____________Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
DOT	#1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
		✓			
	STOLTZE	✓		X	
	CROFT	✓			
	Joule			—	
	Holm			✓	
	Kelly	✓			
	FOSTER	X			
	Weyrauch	X			
Chair:	Meyer	X			
Chair:	Chenault	X			

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

(Revised 6/23/2004 OMB)

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Rep.Tom_Anderson@legis.state.ak.us

Representative Tom Anderson
District 19 - Anchorage

Sponsor Statement
HB 115

Title: "An Act relating to charges paid or collected by users or occupants of an airport facility owned or controlled by the state."

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.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

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

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(Revised 9/23/2004 OMB)

Alaska State Legislature

House of Representatives

Official Business

State Capitol
Juneau, AK 99801-1182

Sectional Analysis for HB 115

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.

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

January 28, 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.

<u>Sectional Analysis:</u>

<u>Section 1</u>. 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.

<u>Section 2</u>. 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.

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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.

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Thank-you in advance for your support.

Sincerely yours,

James Polyetko
General Manager
National Alamo Car Rental
Anchorage International Airport

Donald R. Fonte
Director, Government Relations

The Hertz Corporation
225 Brae 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.

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,

Donald Fonte

Donald R. Fonte

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Breaking News

Houston Consolidated Facility to Open Aug. 7

July 28, 2003

HOUSTON – Mayor Lee P. Brown was among the celebrants at a July 18 ribbon-cutting ceremony for the new $135 million consolidated rental car facility at George Bush Intercontinental Airport (IAH). The facility is scheduled to open to the public Aug. 7.

The facility will centralize the operations of nine on-airport rental operators. A common bus system, using low-emission clean diesel vehicles, will replace the individual operator shuttles. According to the airport, the project will reduce the number of rental shuttle buses from 126 to 23 during peak periods.

The two-level facility sits on a 140-acre site on the east side of John F. Kennedy Blvd. An additional 60 acres are available for future expansion.

"IAH joins the first wave of airports that have decided to tackle the challenges of traffic congestion and reducing emissions," Mayor Brown said. "This facility is also user-friendly and offers superior customer service to Houston's visitors."

The project includes a 30,000-square-foot four-bay bus maintenance facility, along with a 3,500-square-foot tilt wall bus wash and fueling station with a 20,000-gallon underground fuel storage tank.

The Morganti Group Inc. and Champagne-Webber Inc. were the general contractors for the consolidated facility.

Special facility bonds will finance the project over a 25-year term. A $3-per-day customer facility charge will cover the debt service. The customer facility charge is the sole guarantee of the debt service payments.

The consolidated rental car facility is part of the airport's $2.9 billion expansion and renovation plan scheduled for completion by 2005.

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Untangling Snarls in Planning and Negotiating for Consolidated Rental Car Facilities

By: Carol Ward

As more and more airports explore how to free up valuable terminal space and eliminate much of the congestion and smog that plague their roadways, the concept of consolidated rental car facilities has surfaced as among the best solutions. These facilities, usually located on-airport but away from the terminals, achieve both goals, and often have the added benefit of increasing revenues for airports.

Thus far, consolidated rental car facilities are up and running in seven U.S. airports, and at least 13 more have plans on the drawing board. While industry executives say smaller airports will not be able to support a full-fledged facility, consolidating rental car sites can be beneficial to larger airports, the rental companies, and the traveling public.

"In the right circumstances, these projects are a win-win for the airport, the customers and the rental car industry," says Joe Waller, senior consultant for Landrum & Brown. "It will increase the airport's revenues, in many cases improve customer service, provide a very competitive rental car market for the customer, and provide the rental car companies with state-of-the-art facilities that allow them to grow their businesses."

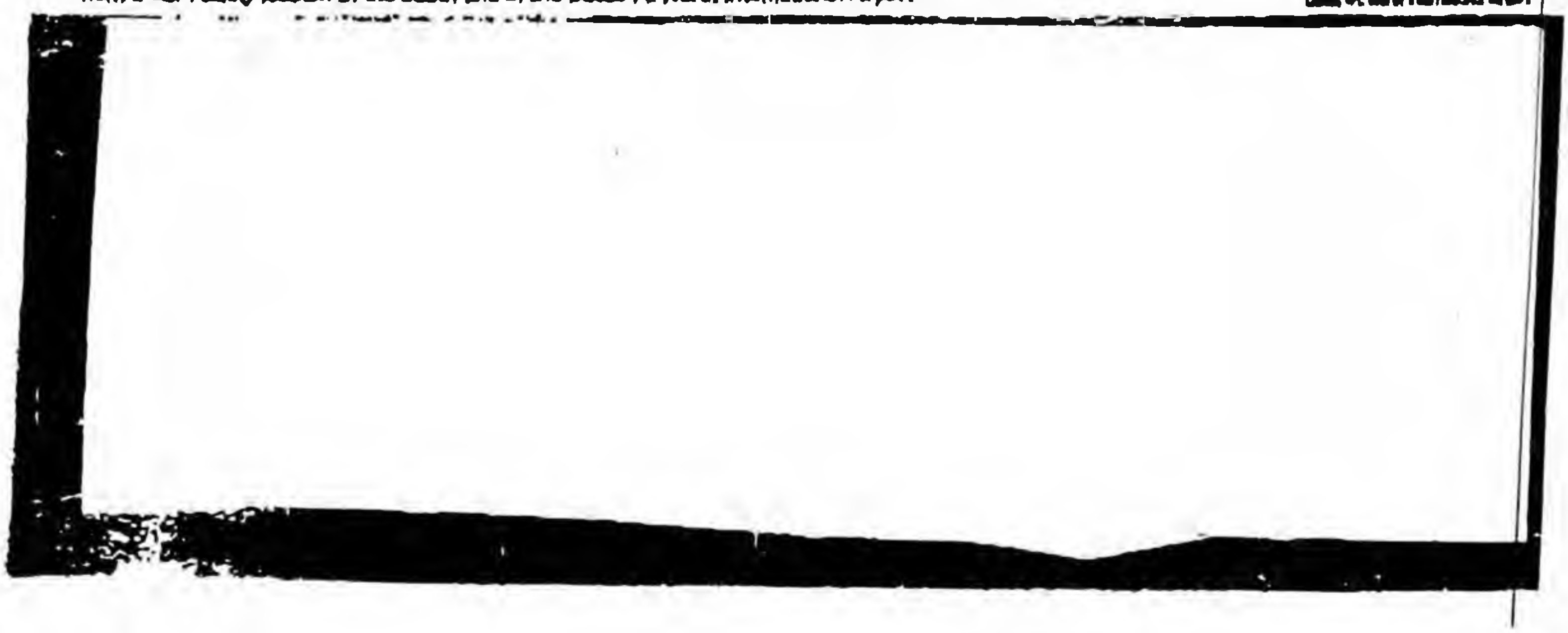
These are all favorable benefits once a facility is up and operating. But, getting to that final phase requires a solid planning and negotiations process, which can be overwhelming for airports accustomed to dealing individually with rental car companies with relatively short five- or ten-year leases. Because of the magnitude of such projects, which typically cost $100 million or more, the airport issues bonds to pay for construction. The length of the lease with the rental car company often, but not always, coincides with the length of the bond. Thus airports are working with 15-25-year leases.

"With the consolidated facilities you're getting into 15 years or more," says Susan Warner-Dooley, managing consultant with John F. Brown Company. "Several airports have built in a provision that gives the airport the right to increase the percentage fee (typically 9-10%) after a set number of years. They look at the top 10 (airport) rental markets and see what they're charging, so to the extent that group is able to increase fees, then it allows for adjustment."

Most airports operating consolidated facilities thus far have had their rental car contract lengths coincide with the length of the bonds. However, Warner-Dooley says it's not a prerequisite. "It's just like for airport bonds, where you don't have to have an airline agreement for as long as

Rent-a-Car Facility located at the South End of the Dallas-Ft. Worth International Airport

Dallas-Ft. Worth International Airport



Ongoing/Completed Consolidated RAC Projects

the bonds," she says. "You previously had to, but not anymore because there is market demand in some of the rental car deals it's not required because of the belief that even if these players go away, new players will come in to service that demand."

Bonds are paid back primarily through customer facility charges, which generally range from $1-$4 per day, depending on the airport, although some are charged on a per-transaction basis.

Prospect for Change Built Into Contracts

Term length is just one of many issues that come up in the lease negotiations for consolidated rental car facilities. But especially because of the length, airports need to make sure the lease documents can withstand vagaries in the market place.

At Houston Intercontinental (IAH), for example, where a new facility is expected to open year-end 2002, the leases allow for changes throughout the 25-year term. "In that 25 years there are a lot of modifications that can be made as far as reallocating space," says Sally Bradford, senior staff executive to the director and one of the airport's key negotiators. "It was done by a formula, which is different for garage spaces versus space in the customer service area. It is very easy to change numbers of spaces in the garage, but it's more difficult when you have to start moving physical walls in the customer service area."

Changes can also be made at San Francisco International (SFO), where a 25-year lease began on December 30, 1998. "The airport can reevaluate every year, and if the market share (of the carriers) changes in either direction by 5% or more, then we will reallocate the ready-stall space, but only that space, not the office (including counter space), administration or QTA areas," says David Dunn, rental car manager at SFO. Other airports have made similar provisions, allowing for changes in market share and the possible addition of new companies.

Airport executives who have been through the lease negotiation process say there are several other issues to contend with, not least of which is the in-fighting among the rental car companies themselves. As consolidated facilities become more common, it's likely that many car rental groups will approach negotiations with many of the issues ironed out, but those at the forefront weathered some difficult challenges.

Multiple Operators can be Co-mingled

"One of the biggest challenges we had in our negotiations was being the mediator among 10 or 11 competitors, and having to come up with a facility that met everyone's needs, both the largest companies and the smallest companies," says Tracy Thompson, vice president of airport real estate at Dallas-Fort Worth International Airport (DFW).

"You're dealing with companies that are very competitive with each other, and having to come to an agreement on each item, with them negotiating really as one, is in itself a unique experience," says Bradford. Houston, like Dallas, brought the rental car companies in early and allowed them significant input on the design and operation of the facility.

"When we went into this project, we really felt…that it was important to design a facility that the rental car companies had bought in on," says Bradford. "We felt like they were the experts on operational issues for their customers." She adds, however, that consensus among the companies was sometimes difficult to reach. "We kind of sat on the sidelines and let them fight it out," she says.

That is something that may be particularly difficult at Miami International (MIA), where airport executives are in the early design stages for a consolidated rental car facility. The airport has 22 rental car companies signed on for its facility, and plans to accommodate all of them. That compares to an average of 8 to 12 companies at other airports.

"It's not normal," agrees Myra Bustamante, MIA's assistant aviation director for business. "It's going to be a challenge. We have 10 or 11 very small local companies, and we have to balance how to give them enough space to be effective alongside the larger companies. We are trying to figure out how to co-mingle them. There are a lot of challenges coming up because of the number of participants."

The record response at Miami was due in part to the fact that much of the area surrounding the airport has been condemned, and rental car companies are being forced to move elsewhere.

Airports can also choose whether to draft all the contracts the same, or to negotiate individual contracts with each rental car company. At Houston International (IAH), for example, the deal was negotiated with the companies as a group. "They all have exactly the same concession agreement, there is just a different name on it," says Bradford.

At SFO, however, the airport was required to conduct a competitive bid process, with eight companies granted space in the facility. "The highest bidder got to choose their counter location and what level their ready-stalls would be located on," says Dunn. "But the highest bidder only got their percentage of the then-current market share."

Warner-Dooley says the competitive approach has some companies over-bidding to ensure their spot in the facility.

"Sometimes companies on the margin will bid a higher minimum annual guarantee just to get in," she says. "They can't do it too often, but at select airports they will sometimes way overbid, just to make sure they get in."

In general, concessions fees for rental car contracts range from 9-10% of gross revenues.

Common Busing Cuts Congestion

One of the key reasons airports are opting for consolidated rental car facilities is the desire to cut down on congestion and pollution in and around terminal buildings. "A consolidated facility can dramatically reduce the amount of traffic congestion in the terminal core, and that can have a significant impact on environmental conditions at the airport," Waller points out.

Similarly, airport executives say one of the key goals is to control the curbside areas and reduce congestion, and Dunn of SFO says bus traffic is down by about 50%.

Planning for a Consolidated Rental Car Facility

Financing:

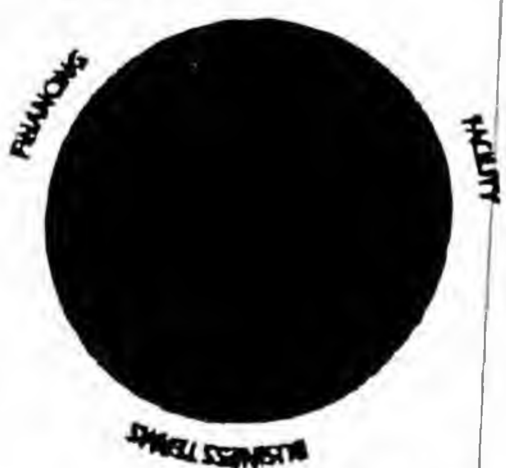
Airport financial plan
Debt capacity
Financing alternatives
Cost recovery methodology
Customer facility charge
Rents/Fees
Preliminary costs for design & planning

Facility:

Airport master plan
Available land
Traffic plan/impact
Curbside congestion issues
Sizing of facility
Competitive considerations
Layout/all locations
Future expansion/relocation
Common busing/or alternative transportation

Business Terms:

Concession and lease negotiations
Definition of gross receipts/percentage fees
Commitment to participate in facility/accommodation of new entrants
Level of participation in planning/design
Space allocation and reallocation Methodology
Operational standards term



Consolidated rental car facilities use common buses, which pick travelers up at the terminals and transport them to the facility site. Also, some facilities are serviced by light rail from the airport terminals.

While congestion and pollution is down at those airports with consolidated facilities, transporting travelers from the terminals to the facility has sometimes been a challenge. Generally speaking, the car rental companies jointly contract out for the bus service, although the airport can choose to handle that chore.

Thus far, most rental car groups have chosen high-end buses which previously were operated primarily by higher-end rental car companies such as Hertz and Avis. One rental car executive complains that common busing doesn't allow for differentiation among the companies.

"A rising tide lifts all boats," he says. "Basically Hertz and Avis, who use high-end buses, insist in keeping the same (high end) type for common busing because they don't want to see the level of service go down. The other guys get to tag along..."

Dunn points out that common busing eliminates the constant stream of buses through the terminal area, which, with company names in bold letters on the side, provides invaluable advertising for the companies.

But a larger problem, at least in terms of customer satisfaction, is that many customers are accustomed to rental car facilities directly in the terminal, and they resent having to travel by bus or train to get their car. For travelers who have chosen to rent with a company not located in the consolidated facility, the frustration can be worse. Those customers must take the bus or train to the consolidated facility, then board a second bus to the company's off-airport location. Airports with a consolidated facility no longer allow any buses from individual rental car companies to offer curbside pickup.

Additionally, signage is crucial, especially in the early days of a new consolidated facility.

A side benefit to the facilities is that airport executives have identified a way to make some additional money from the facilities by providing enhanced customer service. Some feature concessions—most commonly snacks and beverages, newspapers and ATMs.

Dunn says SFO's facility offers all of the above. "Nobody is saying that a retail shop should go in, but there are certain amenities that when you're located away from the terminals you have to think about," he says. And it doesn't hurt the airport to gain another concession deal in the process.

We'd like to hear your opinion about this article. Please direct all correspondence to: Carol Ward at Carol@airportretail.com

Consolidated facilities promise to alleviate airport congestion, allow room for RAC growth, open the door for more competitors, and provide travelers with a simplified rental experience. Three years after its construction, the facility at Dallas/Fort Worth International Airport proves the point and provides valuable lessons.

By Albert Neal

Dallas/Ft. Worth's consolidated facility opened in March 2000. The airport board actively sought input from the car rental industry during the facility's development.

Back to t
olidated F

It was like a sit-down on *The Sopranos* — no one wanted to be there, but they had to or else. Anxious fingers massaged stubbled chins and tousled feathery bangs. Stacked files sat high like dinner plates. One RAC competitor sat across from the other, each with a different agenda. A $162 million project — a consolidated rental car facility — needed to be designed and constructed, but no one could agree on the details. Meanwhile, deadlines hung in the air like meat hooks.

OK, maybe the board meetings for Dallas/Fort Worth International Airport's consolidated rental facility weren't exactly like that, but they came awfully close. Craig Crawford, vice president of airport concessions at Dollar Thrifty Automotive Group Inc., was there so he should know. He describes the initial group of meetings as being more like World War III. Alliances had blurred, and everyone struggled to protect their own best interests.

"There were fights among the car rental companies about allocation, fights with the bond council on coverage requirements, and fights with the airport board over ground rents and infrastructure," Crawford says.

But the biggest, toughest battles were among the RACs.

"We wanted to know who was going where," says Crawford. "Who had the minimum spaces, what was the minimum that it took to operate versus allocating everything based on market share?"

At times the debates grew so heated that board members had to call timeouts. "Sometimes we simply couldn't agree as rent-a-car sponsors," says Crawford. "We had to be protected against ourselves."

But was it all worth it in the end? Was the consolidated rental facility built to the satisfaction of everyone involved? Are customers pleased with the results?

Three years after opening, DFW's consolidated facility project still provides some valuable lessons that continue to influence plans for future facilities.

the Future of Rental Facilities

Phase One: Strategic Planning

The rental car industry approached authorities at DFW Airport in February 1994 with concerns over space constraints in their airport facilities. The existing layout of the airport had two rent-a-car facilities serving the four terminal buildings. Hertz, Avis, National and Budget had their own counters, but there was no space available to accommodate additional companies. Dollar, Thrifty, Alamo, Enterprise and Advantage were authorized to serve the terminals, but operated off-airport. The airport facilities were 25 years old and inadequate to serve the rental customer volume.

Shuttle buses from the five off-site operations, as well as those located on airport, struggled to provide timely curbside service to car renters. Vehicle congestion had reached intolerable levels. Airline passengers experienced delays, and complaints to airport and rent-a-car personnel abounded. Building a consolidated rental facility was necessary for the expansion, evolution and efficiency of DFW International Airport.

Phase one of the design process developed during a series of monthly consultations. Through workshop-style meetings, planning consultants, architects and representatives from the airport board and car rental industry sat down and mapped out project goals.

"They brought us in very early on in the process," says Robert Bouts, vice president of properties at Cendant Car Rental Group. "They asked us for a lot of input on the location of the consolidated facility, its size, the transportation mode and how to design the facility to best utilize and meet the needs of car renters."

One of the main objectives was to replace the airport's two existing car rental facilities with a single location. The conceptual design contract for this leg of the project was awarded to Lockwood, Andrews & Newman Inc. (LAN) of Dallas. The design would need to accommodate up to 12 car rental tenants.

The design contract was awarded to Corgan Associates Inc. of Dallas. Airport authorities worked closely with the designers and architects to ensure that the new facility met quality and efficiency standards.

"We explored operational concepts ranging from consolidated individual facilities to single-floor and multi-story common structures," says Bob Blankenship, program manager at DFW Airport. "The two-story concept with segregated rentals and returns was demonstrated to be best for customer service. It was simple to understand, and there was no need to use vertical transportation with baggage."

Consultants were hired to conduct studies for the proposed facility. Among others, airport authorities called in Greiner Inc., a ground transportation consultant, to define the project and review possible sites. TranSolutions Inc. was also brought on board to evaluate the proposed common busing operation for the facility. Studies on road conditions and traffic volume were conducted as well.

"The project included a new roadway infrastructure to properly service the proposed site," Blankenship says. "Traffic studies were done to determine the proper capacity of these new roads as well as the impact of the RAC traffic on the existing roadways adjacent to the proposed site."

To reduce curbside traffic congestion, there would be a single, common shuttle service transporting rental customers between the terminal and rental facility. Rent-a-car industry representatives negotiated control of the shuttle system and created a committee to oversee the operation. The committee consisted of several representatives from the rental companies, along with an airport board member. The committee eventually decided that shuttles would pick up rental customers every five minutes.

Before the consolidated facility opened in March 2000, Thrifty had no rental counter on airport at Dallas/Fort Worth. Neither did Dollar, Alamo, Enterprise and Advantage, which all served airport customers from off-airport locations.

Marshall Fein, general counsel of Advantage Rent-A-Car, saw consolidation of the shuttle services as a crucial step. "There were probably about 150 buses run by the nine individual companies," says Fein. "When we went to the consolidated facility, that was reduced to 40 clean diesel, clean emissions vehicles."

One vital aspect of the initial planning phase was to make the facility as convenient for car renters as possible. Customer service was a priority.

Another priority was ensuring that the facility could accommodate inevitable growth spurts and changes in business volume. The design needed to be flexible so that new tenants could move in easily.

"To accommodate future growth, the west end of the building and parking structure can be expanded," says Blankenship. "The rental suites on level one can also be expanded into the courtyard area."

A curtain wall system, located between the common building and the parking structure, is flexible and designed to accommodate growth. The courtyard between the parking structure and the building provides

Project Timeline

February 1994: Car rental industry and Dallas/Ft Worth Airport agree to develop a new consolidated facility to replace split operations.

April 1994: Greiner Inc. (ground transportation study consultant) is directed to define the project and review possible sites.

April 1995: LAN Inc. in Dallas wins a contract to draw up a conceptual design, working with representatives from the four on-airport RACs (Hertz, Avis, National and Budget) and five off-airport RACs (Dollar, Thrifty, Alamo, Enterprise and Advantage).

March 1996: Plans are developed for a two-story facility organized with rentals on level one and returns on level two.

August 1996: Corgan Associates wins a contract for the design phase.

March 1998: GMax construction contract is finalized w Thomas S. Byrne Inc.

April 1998: A $140 million bond sale closes for initial scope of work.

April 24, 1998: Facility construction begins.

November 1998: A second $20 million bond sale closes for additional project elements.

February 2000: Major project components completed.

March 28, 2000: Facility opens to the public.

Major Project Components

Common Rental Building =	130,000 sq. ft.
• Level One Area =	71,000 sq. ft.
• Rental Counter Area =	32,700 sq. ft.
• Level Two Area =	59,000 sq. ft.
• Future Lease Areas =	21,000 sq. ft.
Parking Structure =	1,500,000 sq. ft.
Overflow Surface Parking =	166,000 sq. ft.
Bus Maintenance Facility Site =	6 acres
Bus Purchase =	40 Low-Floor Buses
Common Areas =	46 acres
Initial Service Sites =	74 acres
Expansion Areas =	50 acres

The project's financing featured a $140 million bond sale in 1998 and a $20 million bond sale in 1999. A customer facility charge repays the bonds.

the space for this expansion.

The car rental companies negotiated space allotment in the new rental center, with market share a primary consideration. The facility, however, also gave access to smaller operators and new entrants.

During the monthly meetings, airport officials and consultants distributed detailed progress reports to all involved in the planning stages, says Joe Olivera, executive director at Dollar Thrifty Automotive Group. "They were very informative considering this was new ground and a work in progress at DFW."

Phase Two: Financial Matters

James R. Bruce Jr., current director of aviation at Leo A. Daly, was project manager with Corgan Associates Inc. during phase two of the project. Bruce came aboard in August 1996 with Corgan to help refine and firm up design and construction budgets.

Bruce also defined two major project goals. Customer convenience was made a top priority. Moreover, Bruce was intent on ensuring that the facility design gave no competitive advantage to one operator over another.

For financing, DFW Airport authorities consulted with the Artemis Capital Group, the same company that developed the financing plan for Denver International Airport. Artemis Capital Group was later acquired by RBC Dain Rauscher, which handled the second bond issue.

Robb Madgett, vice president of properties for Hertz at the time, and Aimee Brown, then principal at Artemis Capital, approached the consolidation board and presented a plan that relied on the strength of the car rental business to secure a taxable bond sale.

The bond would finance the facility, and a customer facility charge (CFC) would repay the bond. Car rental customers would be charged $3 per day, which would pay off the debt service for a term of no more than 25 years.

How did the project planners arrive at the CFC amount?

"At the time the airport board agreed to let the project get underway, they had requested a $3 cap based on what we were looking at at the time and what we projected business to be in the future," Madgett says. "That was a comfortable figure that did not concern the industry, just a guideline that the board had set that they didn't want the CFC to exceed." A number of other airports — among them, Sacramento, Denver and Savanna, Ga. — had implemented similar CFCs.

The fee can rise or drop, depending on the number of annual transactions, says Brown. After the 9/11 terrorist attacks, the the board voted to raise the CFC to $4 because of the shrinking revenue.

The DFW rental facility project marked the first time that an airport used customer facility charges to secure financing, Brown adds. "In the past they were used as payments to make the debt service, but there was no other credit behind this financing. So this was the first of its kind and it was solely secured by fees."

Artemis divided the financing stages of the facility into two distinct parts. The initial stage of the financing, which took place April 1998, involved the first bond sale, which went for $140 million. In November 1999, a $20 million bond sale was granted for additional expenses, such as expansion of the parking structure, overflow parking lots, a bus tracking system, additional signage and various tenant improvements.

Artemis based its financing approach on a "pooled revenue concept," in which CFC revenues are pooled as security for a bond issue without credit enhancement. In other words, Crawford explains, the rental car transaction days were pledged behind the debt service. There were no guarantees or financial commitments by the airport or the rental car industry for payment of the debt service.

"The debt was guaranteed through the insured bond," says Madgett. "The rental car industry and airport had no debt obligation to retire the bond. They were insured to guarantee payment. They [the insurers] accepted the fact that there will always be a car rental industry in DFW and its projected growth made sense."

This approach worked especially well for the car rental industry because no particular rental company had to assume responsibility for the other if one left the market, says Crawford. "If Dollar, for instance, is in the market in Dallas and then chooses to leave, do we pick up our market and take it with us? No. It is simply redistributed among those that are left. There's real security to having it this way."

Facility Cost Overview

• Common Building	$18 Million
• Garage	$20 Million
• Parking Expansion	$ 7 Million
• Service Sites/Finish-Out	$42 Million
• Infrastructure	$35 Million
• Soft Costs (design, testing, inspection, fees)	$40 Million
• **TOTAL**	**$162 Million**
• Company-Funded Enhancements	$6 Million

Moody's, Standard & Poor's and Fitch all gave the bond a "triple-A" rating, making it attractive to potential investors, says Brown. "It was the first time that rating agencies had done such, which permitted the bond to be sold in the public markets."

The favorable bond ratings, coupled with the fact that MBIA had insured the bond, helped lower interest rates significantly. Also instrumental in securing the bond sale was a feasibility study for the facility.

"The feasibility study helped to show historical and current data as well as forecasts for rental car demand at DFW," says Tom Berger, then senior vice president at Arenus. The feasibility study also addressed such concerns as the type of space needed at the facility and initial and future CFC levels.

The car rental industry naturally had misgivings about the CFC. Customers already had to contend with mounting taxes and surcharges. But there seemed to be no viable alternative agreeable to all parties.

The DFW rental facility project marked the first time that an airport used customer facility charges to secure financing.

"We're happy in the sense that we got new facilities," says Olivera. "We needed to provide better service, but deep down inside we're not ecstatic about passing these charges down to our customers. If the airports could find another way to pay for the facilities, we'd be more than happy to try it."

Phase Three: Design and Construction

Phase three of DFW's consolidated rental facility — design and construction — was a race against time that began two years before the groundbreaking ceremony in April 1998 and ended in February 2000, when the facility was ready for RACs to begin their move-in, training and setup.

In August 1996, Corgan began design development for the new facility. Brenda J. Stubel, senior project manager at Corgan, came aboard during phase two of the operation. Corgan was contracted by airport board members to work with them directly, but Corgan had responsibilities to service its clients as well. "We were asked to work with the rental car agencies as if our contracts were directly with each company. We considered them our clients," says Stubel. "That meant we had to define their program needs and apply them to the scope of this project."

Each rental company had a budget. Corgan was responsible for ensuring that RACs followed those budgets closely. RACs could go beyond the scope of the program, but only if they followed the basic design requirements defined by the airport.

"They could provide, out of their own funding, expansion of that program to enhance material selection or even expand the amount of square footage that the program budget was originally based upon," says Stubel.

Although each rental suite is defined through its own corporate signature, Corgan developed a design scheme that gave the service areas a sense of community. Selection of materials, along with common design elements, made this possible. Patterns in the facility's terrazzo floors, for example, were designed not only to create an image, but to create a sense of flow to help direct customers toward the rental counters.

"The curvilinear movement of the patterns in the floor occur all through the

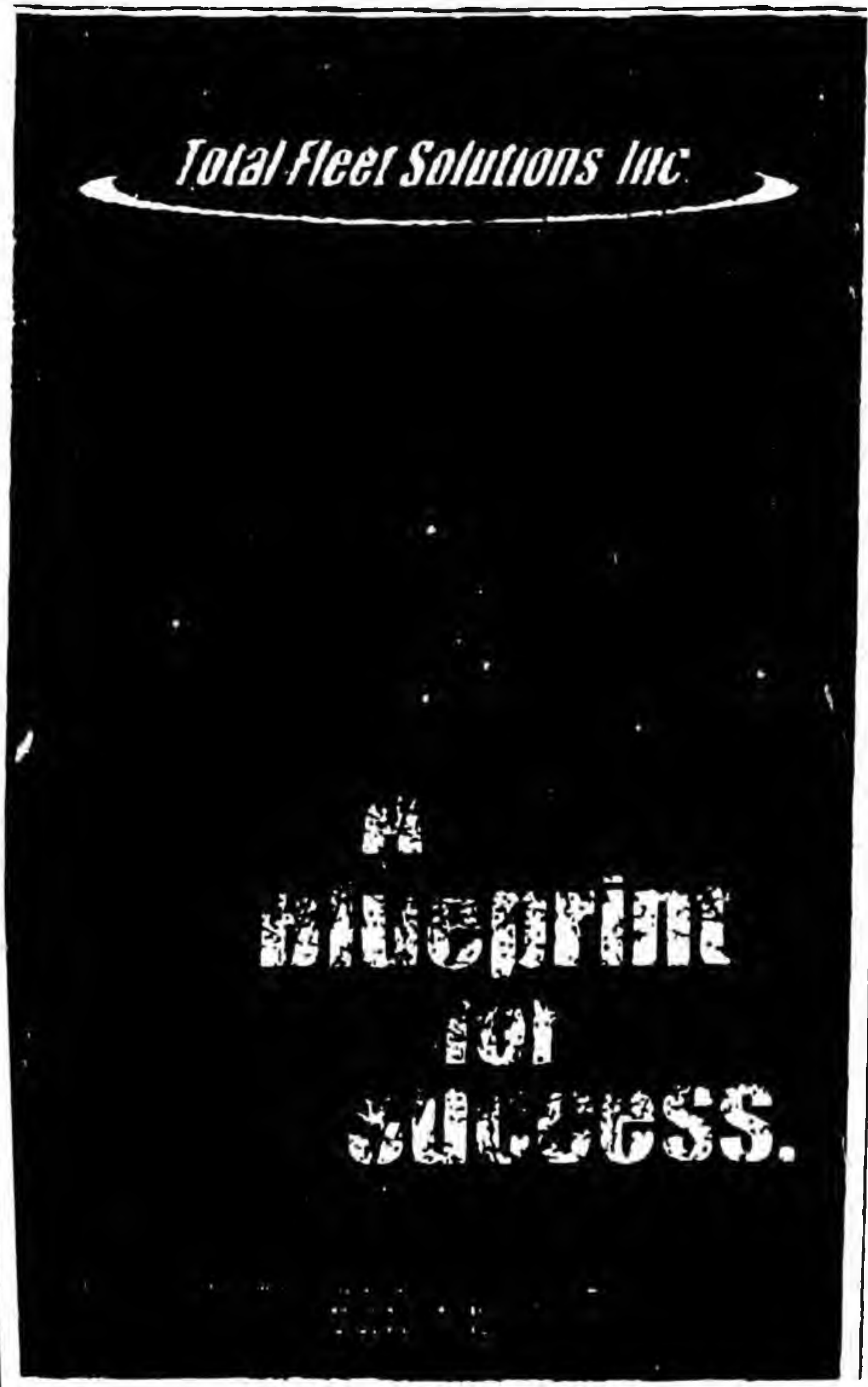
Major Consolidated Rental Car Facility Projects

Complete	Under Construction	Planning Stage	Evaluation Stage
Albuquerque (3/01)	Ft. Lauderdale (12/04)	Atlanta (5/06)	Boston
Cleveland (6/98)	Houston (IAH) (5/03)	Baltimore	Burbank
Dallas/Ft. Worth (3/00)	Tucson (8/02)*	Washington (11/03)	Chicago O'Hare (2008)
Minneapolis (5/00)	Oakland Interim (6/03)	Chicago Midway (7/06)	Cincinnati (2007)
Ontario (1/99)		Ft. Myers (2005)*	Dayton (2009)
Sacramento (9/94)		Kansas City (12/05)	Memphis (2007)
San Francisco (1/99)		Las Vegas (2005)	Nashville
[illegible]		Miami (10/05)	New Orleans (2006)
		Oakland Permanent (7/05)*	Philadelphia
		Phoenix (2005)	Providence
		San Jose (2008)*	Salt Lake City
		Seattle (2004)	San Antonio
		Washington Dulles (2006)	

perimeter and give you a sense of motion," says Stobel. "So when you come into the building it gives you a sense of encouragement to start moving through the space to address the particular RAC that you're seeking." Ceiling patterns and materials reinforce this concept.

Various stages of the facility's design were still in development when construction began. Corgan Associates put together a "guaranteed maximum construction" (GMax) contract to get the project underway. A GMax construction contract comes into play when a contractor is selected before 100% of the construction documents are complete.

"A GMax process gets the contractor on board earlier so that you can take advantage of their expertise," says Bruce. "It's a package of scope documents upon which a contractor defines a budget."



Thomas S. Byrne was the general contractor that defined the budget for construction. Byrne worked with Corgan and the airport board to manage the construction process.

"About 98% of the work was subcontracted," says James Sims, superintendent for Byrne. "We were the general contractor, but we had about 45 to 60 subcontractors working on-site."

The construction schedule was based on a 22-month design and build process that the general contractor facilitated through fast-track packages.

"On fast track you commonly would release a foundation package early so that they can start digging for the foundation and ordering materials," says Bruce. "Once you've done that you've established the footprint of the building, but you haven't finished designing the building. So you have to have enough forethought to know what you're committing to."

A total of 35 fast-track packages were issued to Thomas S. Byrne.

"The largest obstacle we had was scheduling," says Sims. "And that was because we had to work in 20-plus phases at one time. Our main concern was being able to put a schedule together that was feasible for all the contractors."

From site infrastructure to tenant finish-out, Byrne and a host of subcontractors worked diligently to complete the $162 million facility within the scheduled 22-month period.

"We probably averaged about 52 hours per week," says Sims. "Closer to the end of the project there was more overtime."

The consolidated facility opened to the public on March 26, 2000.

The Industry's Assessment of the Finished Project

Most rental companies agree that DFW's consolidated facility is a success. Generally, customers are satisfied with their service and operations run smoothly. But that doesn't mean the facility design has no pitfalls. Fortunately, some of those have been averted in more recent consolidated facility projects.

"I think Bob Blankenship did a great job at DFW," says Bonta. "But one thing they found out in the process, as they got closer to opening, is that the facility was undersized. You won't get unanimous agreement in the industry on that because if you're a very small company, cap size is a critical issue."

The size issue was remedied with the additional $20 million allocated midway to expand the project.

"The second thing," Bouta adds, "is Dallas has customers picking up the car on one level and returning it on another. On all the projects that we've moved forward on since, that's been eliminated."

Crawford agrees. "From an operation standpoint, the dual levels don't work very well because you can't cross-utilize the space," he says. "Although, from a customer standpoint, the split level is seamless."

"From an operation standpoint, the dual levels don't work very well because you can't cross-utilize the space. Although, from a customer standpoint, the split level is seamless."
— Craig Crawford, DTG

Ready and return stalls on the same floor are more effective, says Bouta. "There are times when you want to devote more of your time to customers picking up cars and others to customers returning cars," he says. "You lose that capability when your returns are on one level and your ready cars are on another."

The horseshoe shape of DFW's terminal also poses difficulties. "Buses aren't set up to work on a horseshoe-shaped curb, they're set up to run on a straight line," says Crawford. "You have to kneel these buses on the curbs all the time, and the wear-and-tear is terrible."

Rental customers have also complained about difficulty in finding the facility because of poor road and highway signage. Some suggest there should be more signs to direct renters to the facility and that the signs should be more specific and larger. The exit to the facility is south of the toll plaza, just before the ticket booths. Rental customers have missed the exit, forcing them to use the toll plaza, which charges a $2 fee.

Still, Bouta and others remain optimistic about consolidated facilities and the future of airport expansion. "There's a place for consolidated facilities and there'll be more of them as capacity returns to the industry," says Bouta. "I don't think they're the be all/end all solution for every single airport, only a phase. And there's definitely going to be something beyond consolidated facilities." ■

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Thrifty Car Rental

Representative Tom Anderson
State Capitol
Room 408
Juneau, Alaska 99801

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 that 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

HB
115

SFIN

FILE

REPORTED OUT

MAR 0 8 2005

SENATE FINANCE COMMITEE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/2/05

FURTHER:

DATE TURNED IN TO OFFICE: 8 March 2005

Finance Committee considered CS FOR HOUSE BILL NO. 115(TRA)

HB 115 AIRPORT CUSTOMER FACILITY CHARGES

"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."

and recommends:

[✓] be replaced with S CS CSHB 115 (FIN)

[ ] adopt previous ____ CS CS Forthcoming (____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ____ Committee

[ ] further referral to ____ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DOTPF	2/7/05			✓	#1

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
[signature]			✓	
[signature]			✓	
[signature]			✓	
[signature]			✓	
COCHAIR: [signature]			✓	
COCHAIR: [signature]	✓			

REPORTED OUT

MAR 0 8 2005

SENATE FINANCE COMMITEE

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):
Title: Airport Customer Facility Charges
Sponsor: (H) Labor & Commerce
Requester: House Transportation

Dept. Affected: DOT&PF
RDU: Administration & Support
Component: Commissioner's Office
Component No. 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include infla' on unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	F ' 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

(Revised 9/23/2004 OMB)

COMMITTEE COPY

Technical Amendment #1

ADOPTED 3/7/0

commissioner of transportation and public facilities under AS 02.15.090(i); and

(2) the proceeds are not, unless otherwise contractually required, revenue of the state securing any indebtedness.

* Sec. 7. AS 43.52.099(1) is amended to read:

(1) "fees and costs" means all charges incurred by the renter before the tax imposed under this chapter except

(A) fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal accident insurance;

(B) parking tickets;

(C) sales or excise taxes;

(D) payment for damages to the vehicle during the rental period; [AND]

(E) concession fees paid to an airport;

<u>**(F) customer facility charges set by the commissioner of transportation and public facilities under AS 02.15.090; and**</u>

<u>**~~(F)~~ customer facility maintenance charges set by the commissioner of transportation and public facilities under AS 02.15.090;**</u> (G)

* Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

SENATE FINANCE COMMITTEE

3 /7 / 2005 COMMITTEE ACTION

Bill Number	HB 115		
Amendment	#1 Technical Amendment		
Motion	to adopt		
Motion by	Wilken		
Objection by	None		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
Tally			
Yea			
Nay			
Absent			
MOTION	Adopted		

Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 8 March 2005 TIME: 9:25 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
SCS CS HB 115 (FIN) 24-LS0300\I
plus 1 amendment - attached

Call if any questions

Thx
Mindy

SENATE CS FOR CS FOR HOUSE BILL NO. 115(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"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."

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

* **Section 1.** AS 02.15.090(a) is amended to read:

(a) In operating an airport or air navigation facility owned or controlled by the state, the department may enter into contracts, leases, and other arrangements covering periods not exceeding 55 years with a person, municipality, or the United States, granting the privilege of using or improving an airport or air navigation facility or a portion of it or space in it for commercial, governmental, or other public purposes, including private plane tie down, or conferring the privilege of supplying goods, commodities, services, or facilities at an airport or air navigation facility. The department may establish the terms and conditions and fix the charges, rentals, and fees for the privileges or services that are reasonable and uniform for the same class of privilege or service. Charges, rentals, or fees authorized by this subsection may be fixed for the international airports by order of the commissioner or by negotiated or competitively offered contract. [HOWEVER, FOR THE PRIVILEGE OF OCCUPYING OR USING A STATE-OWNED FACILITY ON AN AIRPORT, WHICH FACILITY IS OR WILL BE ACQUIRED, CONSTRUCTED, EQUIPPED, INSTALLED, OR IMPROVED WITH THE PROCEEDS OF INDEBTEDNESS, THE PAYMENT OF WHICH IS SECURED SOLELY BY REVENUES FROM CUSTOMER FACILITY CHARGES, THE DEPARTMENT SHALL REQUIRE OCCUPANTS OR USERS OF ALL OR A PORTION OF THE FACILITY TO PAY TO THE DEPARTMENT, OR SHALL REQUIRE PERSONS UNDER CONTRACT TO OCCUPY OR USE ALL OR A PORTION OF THE EXISTING OR PROPOSED FACILITY TO CHARGE THEIR CUSTOMERS, A UNIFORM CUSTOMER FACILITY CHARGE STIPULATED BY THE DEPARTMENT IN AN AMOUNT SUFFICIENT TO PAY THE PRINCIPAL OF, INTEREST ON, AND ANY OTHER COST OF DEBT SERVICE ON THE INDEBTEDNESS.] Notwithstanding AS 37.10.050(a), the fixing of charges, rentals, or fees as permitted under this subsection is not subject to the adoption of regulation provisions of AS 44.62 (Administrative Procedure Act). The terms, conditions, charges, rentals, and fees shall be established with due regard to the property and improvements used and the expense of operation to the state. However, use of state land and buildings by the Alaska Wing, Civil Air Patrol and its squadrons shall be permitted without rental charges. If the department permits space in state-owned or state-controlled airports to be used as lounges for members of the United States armed forces, the Alaska National Guard, the Alaska Naval Militia, or the Alaska State Defense Force, and if the lounges are operated by persons exempt from taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code), rent may not be charged for the use of the space. The department shall provide for public notice and an opportunity to comment before a charge, rental, or fee is fixed by order of the commissioner as permitted under this subsection. The public may not be deprived of its rightful, equal, and uniform use of the airport, air navigation facility, or a portion of them.

* **Sec. 2.** AS 02.15.090 is amended by adding new subsections to read:

(h) For the privilege of occupying or using a state-owned facility on an airport, which facility is or will be acquired, constructed, equipped, installed, or improved with the proceeds of indebtedness, the payment of which, with approval of the commissioner, is or will be secured solely by proceeds from customer facility charges, the department may require all persons under contract to occupy or use all or a portion of the planned facility, and shall require occupants or users of all or a portion of the facility, to collect from their customers a uniform customer facility charge and remit the proceeds to (1) the department if the state on behalf of the department incurred the indebtedness; or (2) a trustee or another third party bound to use the proceeds for the principal, interest, reserves, and any other applicable requirements of the indebtedness documentation if the state on behalf of the department did not incur the indebtedness. The commissioner shall set the customer facility charge at an amount projected to generate proceeds sufficient to satisfy all requirements established by the indebtedness documentation, including payment of principal and interest on the indebtedness, maintenance of any reserves, and satisfaction of any other requirement of the indebtedness documentation. The commissioner shall periodically adjust the amount of the customer facility charge to reflect changes in the amounts necessary to pay the principal and interest on the indebtedness, to maintain any required reserves, and to satisfy all other requirements established by the indebtedness documentation and to reflect changes in the number of occupants, users, or customers of the facility. The proceeds of the customer facility charge are not revenue of the state securing any other indebtedness. The commissioner may impose charges authorized by this subsection for the international airports by order or by negotiated or competitively offered contract. The department shall provide for public notice and an opportunity to comment before a charge is set by order of the commissioner under this subsection. Notwithstanding AS 37.10.050(a), the setting of charges under this subsection is not subject to the adoption of regulation provisions of AS 44.62 (Administrative Procedure Act).

(i) In addition to requiring collection of a customer facility charge to be applied as described in (h) of this section, the department may require occupants or users of, or persons under contract to occupy or use, all or a portion of a state-owned facility on an airport, which facility is or will be acquired, constructed, equipped, installed, or improved with the proceeds of indebtedness, the payment of which is secured solely by proceeds of a customer facility charge, to collect from their customers a uniform customer facility maintenance charge and to remit the proceeds to (1) the department if the state on behalf of the department incurred the indebtedness; or (2) a trustee or another third party if the state on behalf of the department did not incur the indebtedness. The commissioner shall set the customer facility maintenance charge at an amount projected to generate proceeds sufficient to pay some or all, as determined by the commissioner, of the costs, fees, and expenses required to operate and maintain the facility, including costs of insurance and maintenance of reserves for the facility. The commissioner shall periodically adjust the amount of the customer facility maintenance charge to reflect changes in costs, fees, and expenses to operate and maintain the facility, including costs of insurance and maintenance of reserves for the facility and to reflect changes in the number of occupants, users, or customers of the facility. If the proceeds of the customer facility maintenance charge are remitted to a trustee or another third party as set out in this subsection, the proceeds of the customer facility maintenance charge are not, unless otherwise contractually required, revenue of the state securing any indebtedness. The commissioner may impose charges authorized by this subsection for the international airports by order or by negotiated or competitively offered contract. The department shall provide for public notice and an opportunity to comment before a charge is set by order of the commissioner under this subsection. Notwithstanding AS 37.10.050(a), the setting of charges under this subsection is not subject to the adoption of regulation provisions of AS 44.62 (Administrative Procedure Act).

* **Sec. 3.** AS 37.15.410 is amended to read:

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in a total principal sum not to exceed $524,500,000 is authorized to acquire, equip, construct, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenue derived by the state from the ownership, lease, use, and operation of the airports, and of all the facilities of them, and out of any other money that may be appropriated for the purpose, excepting only proceeds of any customer facility charge**, and unless otherwise contractually required any customer facility maintenance charge,** set by the commissioner of transportation and public facilities under AS 02.15.090.

* Sec. 4. AS 37.15.430(a) is amended to read:

(a) There is established an enterprise fund known as the "International Airports Revenue Fund," into which shall be paid all revenue, fees, charges, and rentals derived by the state from the ownership, lease, use, and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them, excepting only proceeds of any customer facility charge**, and unless otherwise contractually required any customer facility maintenance charge,** set by the commissioner of transportation and public facilities under AS 02.15.090. The revenue, charges, fees, and rentals may not include the proceeds of any state tax or license. The money in the revenue fund may only be used for the purpose of

(1) paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide money to acquire, equip, construct, and install additions and improvements to, and extensions of and facilities for, the airports, and to be payable out of the revenue fund;

(2) paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them;

(3) paying the costs of renewals, replacements, and extraordinary repairs to the airports and all of the improvements and facilities of them;

(4) redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports;

(5) providing money to acquire, construct, and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities; and

(6) providing money to pay any and all other costs relating to the

ownership, use, and operation of the airports.

* Sec. 5. AS 37.15.430(c) is amended to read:

(c) For proceeds of a customer facility charge set by the commissioner of transportation and public facilities under AS 02.15.090 but required to be **collected from** [CHARGED TO] customers by occupants or users of**, or persons under contract to occupy or use, all or a portion of** a facility **that is or will be** acquired, constructed, equipped, installed, or improved **for state ownership** with the proceeds of indebtedness incurred [BY A PERSON] other than **by** the state **on behalf of the Department of Transportation and Public Facilities** [TO ACQUIRE, CONSTRUCT, EQUIP, INSTALL, OR IMPROVE THE FACILITY FOR STATE OWNERSHIP],

(1) the Department of Transportation and Public Facilities shall by regulation or contract require that the proceeds of the customer facility charge be remitted directly to a [BOND] trustee **or another third party** designated to receive **the** [SUCH] proceeds and to **use the proceeds as provided under AS 02.15.090(h)** [PAY THE PRINCIPAL OF OR INTEREST ON, AND ANY OTHER COST OF DEBT SERVICES ON, THE INDEBTEDNESS]; and

(2) **the** [SUCH] proceeds **are** [MAY] not [BE CONSIDERED A] revenue of the state **securing any indebtedness other than the indebtedness described in AS 02.15.090(h)**.

* Sec. 6. AS 37.15.430(d) is amended by adding a new subsection to read:

(d) For proceeds of a customer facility maintenance charge set by the commissioner of transportation and public facilities under AS 02.15.090 but required to be collected from customers by occupants or users of, or persons under contract to occupy or use, all or a portion of a facility that is or will be acquired, constructed, equipped, installed, or improved with proceeds of indebtedness incurred other than by the state on behalf of the Department of Transportation and Public Facilities,

(1) the Department of Transportation and Public Facilities shall by regulation or contract require that the proceeds of the customer facility maintenance charge be remitted directly to a trustee or another third party designated to receive the proceeds and to pay some or all of the costs, fees, and expenses as determined by the

commissioner of transportation and public facilities under AS 02.15.090(i); and

(2) the proceeds are not, unless otherwise contractually required, revenue of the state securing any indebtedness.

* **Sec. 7.** AS 43.52.099(1) is amended to read:

(1) "fees and costs" means all charges incurred by the renter before the tax imposed under this chapter except

(A) fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal accident insurance;

(B) parking tickets;

(C) sales or excise taxes;

(D) payment for damages to the vehicle during the rental period; [AND]

(E) concession fees paid to an airport;

(F) customer facility charges set by the commissioner of transportation and public facilities under AS 02.15.090; and

(G) customer facility maintenance charges set by the commissioner of transportation and public facilities under AS 02.15.090; Amend. #1

* **Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

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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.

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Report Type	Date	Title
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
State: Maryland (State of)
City/Town:
County:

Watchlist Status: No
Date:
Direction:
Ticker(s): MDSTRN
CUSIP(s): 574202, 574299, 574300

Current Rating List

7 records

Security	Sale Date	Sale Amt	Underlying	Enhanced	Insured	Watchlist	Watch Date
Taxable 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 $3.00 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 Revenues. 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 Ba1, represents about 23% of the airport's operations. ANC rental corporation (ANC), rated BA3, 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 shares 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 1996 - 2001: 9.1%

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

Minimum Projected CRCF Debt Service Coverage: 1.30x (in FY 2003)

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Representative Tom Anderson
State Capitol
Room 408
Juneau, Alaska 99801

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 retu ing their vehicles. All the companies at the airport receive complaints monthly on the existing layout. The complaints are less in the summer months that 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
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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 8th, 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

Baltimore Airport Renovation to Move Forward With Upcoming Sale

By Alison 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."

> "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.

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 airport, 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 McGuire 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. □

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 teams were named, the Twins were on the list of possible teams to be contracted, according to many sports writers who cited league sources.

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 enabling 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-

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. Tom 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 or in Juneau at 1-907-523-9306.

Print Page | Close Window

Alamo | National

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

January 28, 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.

<u>Purpose</u>

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.

<u>Background</u>

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.

<u>Sectional Analysis:</u>

<u>Section 1</u>. 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.

<u>Section 2</u>. 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 Polyenko
General Manager
National Alamo Car Rental
Anchorage International Airport

Donald R. Fonte
Director, Government Relations

The Hertz Corporation
225 Brae 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.

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,

Donald Fonte

Donald R. Fonte

SENATE COMMITTEE REPORT

DATE: 2/28/05

FURTHER: Finance

DATE TURNED IN TO OFFICE: 3/1/05

Transportation Committee considered CS FOR HOUSE BILL NO. 115(TRA)

HB 115 AIRPORT CUSTOMER FACILITY CHARGES

"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."

and recommends:

[✓] be replaced with S CS CS HB115 (TRA)

[ ] adopt previous ______ CS ______ (______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ______ Committee

[ ] further referral to ______ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[✓] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DOT	2/7/05			✓	1

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Sen. French	X			
Sen Kookesh	X			
Sen. Therriault			✓	
Sen. Cowdery	✓			
CHAIR: Sen. Huggins			✓	

HFIN

FILE

HOUSE COMMITTEE REPC T

(11)
Date Referred to Committee: February 9, 2005 **FURTHER REFERRALS:**

Date of Committee Action: 4-5-05

The FINANCE Committee considered: **HB 119**

HOUSE BILL NO. 119 **AK REGIONAL ECONOMIC ASSISTANCE PROGRAM**

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

Recommends it be replaced with [ ] HCS *or* [✓] CS for HB 119 (71''))
***For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*_______ [ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to ___________Committee
[ ] Letter of Intent___________Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES** *Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HFC		✓		
HFC		✓		

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Hawker			✓	
	Holm			✓	
Bruce Weyhrauch	Weyhrauch	✓			
	Croft			✓	
	Stoltze			✓	
	Joule	X			
Carl E. Moses	MOSES	X			
	Kelly			X	
	Foster	X			
Chair:	Meyer	✓			
Chair:	Chenault	✓			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 119
() Publish Date:

Revision Date/Time (Note if correction):
Title: AK Regional Economic Assistance Pr(
Sponsor: House Community and Regional Affairs
Requester:

Dept. Affected: Commerce
RDU: AIDEA (125)
Component: AK Industrial Dev & Expt Authority
Component No. 1234

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	650.0	650.0	650.0	650.0	650.0	650.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	650.0	650.0	650.0	650.0	650.0	650.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1102 Aidea Receipts	650.0	650.0	650.0	650.0	650.0	650.0
TOTAL	650.0	650.0	650.0	650.0	650.0	650.0

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)*

This legislation extends the Alaska Regional Economic Development Organizatins (ARDORs) through June 30, 2013. ARDORS are not subject to AS 08.03.020, therefore, funding is not extended one year following the terminiation date, in order to allow ARDORS to conclude their affairs.

Prepared by: House Finance Committee
Phone 465-4945
Division:
Date/Time 4/4/05 11:09 AM
Approved by: Representative Meyer
Representative Chenault
Date 4/4/2005

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 119
() Publish Date:

Revision Date/Time (Note if correction):
Title: AK Regional Economic Assistance Pr
Sponsor: House Community and Regional Affairs
Requester:

Dept. Affected: Commerce
RDU: Comm Assist & Ec Dev (405)
Component: Community Advocacy
Component No. 2703

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	30.0	30.0	30.0	30.0	30.0	30.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620.0	620.0	620.0	620.0	620.0	620.0
Miscellaneous						
TOTAL OPERATING	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 (I/A Receipts from AIDEA)	650.0	650.0	650.0	650.0	650.0	650.0
TOTAL	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**

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	0.50	0.50	0.50	0.50	0.50	0.50
Part-time						
Temporary						

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

This legislation extends the Alaska Regional Economic Development Organizatins (ARDORs) through June 30, 2013. ARDORS are not subject to AS 08.03.020, therefore, funding is not extended one year following the termination date in order for ARDORs to conclude their affairs.

Prepared by: House Finance Committee
Division:
Phone:
Date/Time: 4/1/05 10:47 AM

Approved by: Representative Kevin Meyer
Representative Mike Chenault
Date: 4/1/2005

(Revised 0?/3?/04 OMB)

adopted 4-5-05

24-LS0442\G.1
Bullock
3/29/05

AMENDMENT 1

OFFERED IN THE HOUSE BY REPRESENTATIVE WEYHRAUCH
TO: HB 119

Page 1, line 6:
Delete "2013"
Insert "2010"

Alaska State Legislature

Rep. Gabrielle LeDoux
Rep. Pete Kott
Rep. Mark Neuman
Rep. Sharon Cissna
Rep. Woodie Salmon

State Capitol, Room 124
Juneau, AK 99801-1182
Co-Chairs
Rep Kurt Olson
(907) 465-2693 FAX 465-3835
Rep. Bill Thomas
(907) 465-3732 FAX 465-2652

COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Date: 2-10-05

To: Representative Meyer, Co-Chair House Finance Committee

From: Representative Thomas, Co-Chair House C&RA
Representative Olson, Co-Chair House C&RA

Re: Sponsor Statement for HB 119 An act extending the termination date of the Alaska regional economic assistance program, and providing for an effective date.

The Alaska Regional Development Organizations (ARDOR's) were created in 1988 by the Alaska Legislature. ARDOR's are non-profit organizations comprised of local volunteers working together to promote economic development in their regions. The advantages of having a program like this working on the regional level are that the ARDOR's are able to coordinate with other economic development activities and collect and distribute economic information within their regions. In addition, ARDOR's serve as a liaison between the region and the state and federal governments.

Today, there are 11 ARDOR's assisting 11 regions in the state. Each ARDOR has a board whose members are appointed by various organizations within the region. It is the responsibility of the board to ensure that an annual work plan is executed.

Each ARDOR's grant is approximately $50,000. This money is not earmarked for a specific use. Rather, the ARDOR's are free to use the money where they need it most. This allows them to be more flexible and efficient in achieving their goals. To date, this funding formula has been especially effective resulting in substantial economic growth throughout the state.

The ARDOR's program has repeatedly presented itself to the Alaska State Legislature and has repeatedly proven itself a worthy investment of the state's resources. Further, in order to continue the achievements of the ARDOR's program, it is necessary that the program be able to count on a certain level of funding in the future. It is for these reasons that HB 119 extends the sunset date for the program to 2013 allowing for eight more years of growth of this valuable program. I strongly urge your support of HB 119.

FISCAL NOTE ANALYSIS
LEGISLATIVE FINANCE DIVISION
February 7, 2005

Fiscal Note #:	**None given**
Bill Version:	**SB 77/HB 119**
Publish Date:	**2/4/05**
Department:	**Commerce, Community and Economic Development**
Appropriation:	**Community Assistance & Economic Development**
Allocation:	**Community Advocacy**

ISSUES OF CONCERN

Fund Source:

The requested $650,000 in business license receipts funding is not available This fiscal note exacerbates an existing shortfall of FY06 business license receipts. The Governor's budget overspends business license receipts by more than $400,000—appropriating another $650,000 brings this shortfall to more than $1 million.

Legislative Fiscal Analyst Recommendation: **The Department stated that a capital budget amendment may be submitted replacing $800,000 of business license receipts with another funding source. Even if this occurs, there will still be a $250,000shortage of business license receipts.**

ARDORS Funding History. Funding for the ARDORS program has traditionally been transferred from AIDEA's budget to Community Advocacy (where it is budgeted as I/A Receipts). Because the ARDORS program is sunsetting at the end of FY05, the Governor correctly decremented I/A Receipts from Community Advocacy's budget. The Governor, however, did not remove ARDOR funding from AIDEA's budget—effectively giving AIDEA an increment of $650,000.

Although AIDEA was apparently unaware of the "extra money" and could provide continued funding for ARDORS, they recently stated their plans to use this $650,000 to focus on Alaska export initiatives and expenditures as follows:

- $400,000 for international trade initiatives to increase Alaska exports, to be conducted in conjunction with efforts by the Governor's office;
- $200,000 for an economic development conference with a specific emphasis on natural resource export development;
- $50,000 to survey Alaskan businesses to help determine the business community's current understanding of AIDEA financing programs and assist AIDEA in developing additional export programs.

Legislative Fiscal Analyst Recommendation: **If AIDEA funds are not used in the fiscal note, AIDEA should submit a budget amendment showing a decrement of $650,000 and an increment should be submitted for the new spending plan.**

Legislative Fiscal Analyst Comment: Although business license receipts are in the "other fund" category, unspent funding lapses into the general fund—therefore, spending business license receipts effectively spends general funds.

Headquarters:
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Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515
www.alaskachamber.com

ALASKA ★STATE★ CHAMBER OF COMMERCE

Regional Office:
601 W. 5th Ave., Suite 700
Anchorage, Alaska 99501
(907) 278-2722 FAX 278-6643

February 07, 2005

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
House Community and Regional Affairs Committee
State Capitol, Room 110
Juneau, AK 99801-1182

The Honorable Co-Chairmen and Members of the House

The Alaska State Chamber of Commerce supports your efforts to extend the termination date of the Alaska Regional Development Organizations (ARDOR) program. The State Chamber firmly believes in this cooperative regional economic development model. It has been a successful program having provided an arena where regions can work on issues of common interest.

We have first hand knowledge of the power of regional collaboration and cooperation on issues facing our state. ARDOR's are able to provide greater local expertise in service delivery and project implementation with more efficiency and with less administrative burden than state agencies. An example of this is the Southwest Alaska Municipal Conferences successful handling of the Steller Sea Lion mitigation funds that put almost 30 million dollars into the Southwest Alaska regional economy.

We support the passage of HB 119, which extends the sunset clause to 2013 on the ARDOR program. The Board of Directors urges you to support the continuation of the ARDOR program and the positive work that has come from the regional ARDOR'S. For your reference, I have attached the position statement regarding our support for the continuation of the ARDOR program.

Your careful attention and thoughtful consideration of this request for support is genuinely appreciated.

Yours in economic prosperity,

Wayne A. Stevens
President

Alaska State Chamber of Commerce
2005 Position
Reauthorization of the Alaska Regional Development Organizations (ARDOR) Program

The Alaska State Chamber of Commerce supports the reauthorization and funding of the Alaska Regional Development Organization Program to engage in economic development planning, strategizing and implementation through effective public and private sector collaboration on local, regional, and state levels.

FISCAL NOTE

Replaced

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:	1
Bill Version:	HB 119
(H) Publish Date.	2/9/05

Revision Date/Time (Note if correction):

Title	AK Regional Economic Assistance Program	Dept. Affected:	Commerce
		RDU	Comm Assist & Ec Dev (405)
		Component	Community Advocacy
Sponsor	Community and Regional Affairs		
Requester	House Community and Regional Affairs	Component No.	2703

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	30.0	30.0	30.0	30.0	30.0	30.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620.0	620.0	620.0	620.0	620.0	620.0
Miscellaneous						
TOTAL OPERATING	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1175 Business License Receipts	650.0	650.0	650.0	650.0	650.0	650.0
TOTAL	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**	**650.0**

Estimate of any current year (FY2005) cost: 650.0

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

POSITIONS

Full-time	0.50	0.50	0.50	0.50	0.50	0.50
Part-time						
Temporary						

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

This legislation extends the Alaska Regional Economic Development Organizations (ARDORs) through June 30, 2013. ARDORS are not subject to AS 08.03.020, therefore funding is not extended one year following the termination date allowing ARDORs to conclude their affairs.

Prepared by:	Michael Black, Director	Phone	907.269.4580
Division	Community Advocacy	Date/Time	2/4/05 6:05 PM
Approved by:	Edgar Blatchford, Commissioner	Date	2/4/2005
Agency	Commerce, Community & Economic Development		

(Revised 12/20/03 OMB)

SFIN
FILE

REPORTED OUT
MAY 2 2005
SENATE FINANCE COMMITEE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/05

FURTHER:

DATE TURNED IN TO OFFICE: 3 May 2005

Finance Committee considered CS FOR HOUSE BILL NO. 119(FIN)

HB 119 AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

and recommends:

[✓] be replaced with S CS CS HB 119 (FIN)

[ ] adopt previous ______ CS ______ (______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ______ Committee

[ ] further referral to ______ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[✓] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
	f/ns forthcoming				
	2				

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
[signature]	✓			
[signature]			✓	
[signature]	✓			
COCHAIR: Gary Wilken			✓	
COCHAIR: Lyda Green	✓			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SCS CSHB119(FIN)
() Publish Date:

Revision Date/Time (Note if correction):
Title: AK Regional Economic Assistance Program
Sponsor: Community and Regional Affairs
Requester: Senate Finance

Dept. Affected: Commerce
RDU: AIDEA (125)
Component: AIDEA
Component No. 1234

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	650.0	650.0	650.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	**650.0**	**650.0**	**650.0**			
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1102 AIDEA Receipts	650.0	650.0	650.0			
TOTAL	**650.0**	**650.0**	**650.0**			

Estimate of any current year (FY2005) cost: 650.0

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

POSITIONS

POSITIONS	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Full-time						
Part-time						
Temporary						

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

This legislation extends the Alaska Regional Economic Development Organizations (ARDORS) through June 30, 2008. Funds are to be transferred to the Division of Community Advocacy to fulfill the purposes of the ARDOR program under AS 44.33.895. ARDORS are not subject to AS 08.03.020, therefore, funding is not extended one year following the termination date, in order to allow ARDORS to conclude their affairs

Prepared by: Sara Fishergoad, Financial Anlyst | Phone: 907-269-9623
Division: Alaska Industrial Development & Export Authority | Date/Time: 5/4/05 4:05 PM
Approved by: Edgar Blatchford, Commissioner | Date: 5/4/2005
Agency: Commerce, Community & Economic Development

(Revised 9/23/2004 OMB)

REPORTED OUT
MAY 2 2005
SENATE FINANCE COMMITEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SCS CSHB 119(FIN)
() Publish Date:

Revision Date/Time (Note if correction): 5/04/2005
Title: AK Regional Economic Assistance Program
Sponsor: Community and Regional Affairs
Requester: Senate Finance

Dept. Affected: Commerce
RDU: Comm Assist & Ec Dev (405)
Component: Community Advocacy
Component No: 2703

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	30.0	30.0	30.0			
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620.0	620.0	620.0			
Miscellaneous						
TOTAL OPERATING	650.0	650.0	650.0			
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 I/A Receipts from AIDEA	650.0	650.0	650.0			
TOTAL	650.0	650.0	650.0			

Estimate of any current year (FY2005) cost: 650.0

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)*

This legislation extends the Alaska Regional Economic Development Organizations (ARDORs) through June 30, 2008. ARDORS are not subject to AS 08.03.020, therefore funding is not extended one year following the termination date allowing ARDORs to conclude their affairs.

Prepared by: Michael Black, Director
Division: Community Advocacy
Phone: 907 269 4580
Date/Time: 5/4/05 10:12 AM

Approved by: Edgar Blatchford, Commissioner
Agency: Commerce, Community & Economic Development
Date: 5/4/2005

(Revised 12/2003 OMB)

Replaced

REPORTED OUT
MAY 2 2005
SENATE FINANCE COMMITEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SCS CSHB 119(FIN)
() Publish Date:

Revision Date/Time (Note if correction):
Title: AK Regional Economic Assistance Program
Sponsor: Community and Regional Affairs
Requester: Senate Finance

Dept. Affected: Commerce
RDU: Comm Assist & Ec Dev (405)
Component: Community Advocacy
Component No. 2703

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	30.0	30.0	30.0			
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620 0	620.0	620.0			
Miscellaneous						
TOTAL OPERATING	650.0	650.0	650.0			
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1102 AIDEA Receipts	650.0	650.0	650.0			
TOTAL	650.0	650.0	650.0			

Estimate of any current year (FY2005) cost: 650.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	0.50	0.50	0.50			
Part-time						
Temporary						

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

This legislation extends the Alaska Regional Economic Development Organizations (ARDORs) through June 30, 2008. ARDORS are not subject to AS 08.03.020, therefore funding is not extended one year following the termination date allowing ARDORs to conclude their affairs

Prepared by: Michael Black, Director
Division: Community Advocacy
Phone: 907.269 4580
Date/Time: 5/3/05 2:26 PM
Approved by: Edgar Blatchford, Commissioner
Agency: Commerce, Community & Economic Development
Date: 5/3/2005

(Revised 12/2003 OMB)

SENATE FINANCE COMMITTEE
5/12/2005 COMMITTEE ACTION

Bill Number	HB 119		
Amendment	#1		
Motion	adopt		
Motion by	Wilken		
Objection by	none.		
Removed			
Second Objection by			
Committee Member	Y	*Vote*	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
Tally			
Yea			
Nay			
Absent			
MOTION	Pass		

conceptual:
3-year sunset date
rather than - 5 year

24-LS0442\F

CS FOR HOUSE BILL NO. 119(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/6/05
Referred: Rules

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska enacted in sec. 2, ch. 43, SLA 2000, as amended by sec. 1, ch. 110, SLA 2003, is amended to read:

Sec. 2. AS 44.33.895 is repealed July 1, 2010 [2005].

Three-year sunset date

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

24-LS0442\Y

SENATE CS FOR CS FOR HOUSE BILL NO. 119(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): **HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

A BILL

FOR AN ACT ENTITLED

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska enacted in sec. 2, ch. 43, SLA 2000, as amended by sec. 1, ch. 110, SLA 2003, is amended to read:

Sec. 2. AS 44.33.895 is repealed July 1, <u>2008</u> [2005].

Amendment #1

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 2 May 2005 TIME: 3:55pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
SCS CS HB 119 (FIN) 24-LS0442\F
Plus 1 amendment - attached

Thx
Mindy