

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2460 SCOMM 103: HOUSE SPEC. COMM. INTL. TRADE & TOURISM, 1997-98

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FAA BENEFIT COST ANALYSIS (BCA)

We have the benefit of the "June 2, 1997 Draft FAA Airport Benefit-Cost Analysis Guidance"

Section 1.4

"FAA has attempted to present this guidance in a manner that covers both theoretical and practical issues...it is impossible to define a mechanistic blueprint for BCA that would cover all possible situations. Competent professional judgment is indispensable for the preparation of a high-quality analysis."

BCA Considers

- "All" costs related to an output or action or project, regardless of who bears the cost
- "All" benefits resulting from the output or action or project, regardless of who realizes the benefits
- The weight of net benefit to the aviation public

Distinctions made by FAA

- *Benefit Cost Analysis* applies to public investments and is searching for monetary and non-monetary gains
- *Financial Analysis* applies to private investments and considers only the net cash impact on the corporation making the investment
- "It is sometimes assumed that financial analysis should be applied to publicly financed airport projects. However, financial analysis is not appropriate because it does not measure full costs and benefits of projects to the aviation public."

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Anchorage International Airport
Passenger Terminal Expansion Program**

Policy Regarding Off-Airport Impacts

- "...rules out consideration in BCA's of employment or output multipliers that purport to measure the secondary effects of government expenditures in measured social benefits and costs"
- FAA does acknowledge the contributions of airports to regional economic objectives but those considerations are separate from the role of a BCA

In the end, a Benefit Cost Analysis is largely about integrity and thoroughness in the process of consideration of the project.

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THE TERMINAL EXPANSION PROGRAM HAS FOLLOWED THE BCA PROCESS SET UP BY FAA

1 (3.1)	Define Project Objectives (and designate the principal objective)	Yes	1. Identify the Need 2. Design reactively to cure deficiencies 3. Design proactively to meet needs assessment 4. Optimize aggregate cost, scheduling and operational impact 5. Optimize funding with Pay As You Go, Grants and Financing Analysis 6. Get to Closure on Program in Timely Way
2 (3.2)	Specify Assumptions (about future airport conditions)	Yes	Needs Assessment for Deficiencies and Growth clearly defined the assumptions about Need and the consequences of inaction The assumptions were fully explained and documented in written and oral reports
3 (3.3)	Identify the Base Case (no investment scenario)	Yes	Included in Needs Assessment Base Case illustrated the continuing deterioration of service levels in the absence of action as well as the accumulating need for a Terminal Project which would become more expensive and disruptive if it were postponed while deficiencies became extreme. The pressure to provide expensive temporary solutions involving wasteful throwaway

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			projects would be driven by deficiencies affecting the public and reducing Alaska's attractiveness as a discretionary destination.
4 (3.4)	Identity and Screen Reasonable Investment Alternatives (to meet objectives)	Yes	Exhaustive Design Scenario Options Technical Affairs Committee Meeting Process One on One Operational Issues Meetings In sum, all reasonable ways of achieving the desired objectives were explored.
5 (3.5)	Determine Appropriate Evaluation Period	Yes	Terminal Project has several periods over which the benefits and costs of the Project should be measured 2001 or 2002 for Concourse C Replacement 2005 for current Passenger Growth Segment 2015 for next Passenger Growth Segment 1997 Recommendation is supportive of several approaches to 2015 while at the same time taking a decisive stand for the best interests of 2005. 25 year Amortization Period selected for Bonds is preferable to the 15 year option which also was presented. This Amortization Period is consistent with useful life of financed facility.

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6 (3.6)	Establish Reasonable Level of Effort Appropriate to Importance, complexity, number of alternatives, availability of information, sensitivity of net benefits to assumptions, and consequences of incorrect decision	Yes	Task 1, Task 2 and Task 3 incremental progress and thoroughness Thorough Review of Needs, Design, Structure and Funding
7 (3.7)	Identify, Quantify and Evaluate Benefits and Costs Value some benefits and costs in dollars Value some benefits and costs in ranges as needed	Yes	Integrated Financial Planning in Needs Assessment and valued alternatives in dollars and "hard to quantify" considerations Integrated Financial Planning in Design, Cost and Sequencing Phase, including a decisive analysis of one step financing vs. two step funding Leadership of Financial Planning in Funding Phase to merge mathematical and subjective factors
8 (3.8)	Measure Impact of Alternatives on Airport Usage (the dynamic interaction between project benefits and level of airport use)	Yes	FAA BCA for a Terminal Building Capacity Project looks for benefits which the AIA Project delivers: reduced passenger and meter /greeter delay; reduced congestion; improved or shortened pedestrian traffic flows; and quicker unloading of baggage. Project Plan delivers these results. In addition, Landside Access is improved (see Section 10.3.9) Project Plan improves landside access.

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9 (3.9)	Compare Benefits and Costs of Alternatives Recognize up-front resources vs. long-term value received; include Net Present Value consideration	Yes	Integration of Financial Planning in Design, Cost and Sequencing was explicitly on point in making comparisons Exhaustive review of Design alternatives Direct Evaluation of funding choices including Pay As You Go vs. Financing Costs are presented in 1997 Constant dollars and then are separately translated into escalated dollars using 3% assumption
10 (3.10)	Perform Sensitivity Analysis (measure changes in assumptions)	Yes	Every Phase had intensive Sensitivity Analysis Need Design and Structuring Funding The process was characterized by discussion, suggestions, careful review of assumptions, and the pursuit of informal consensus as a way of assuring that suggestions received proper consideration. This financial report contains several financial models which are designed to illustrate the sensitivity of 2001 vs. 2002 for C completion, for example, or including vs. excluding capitalized interest.

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11 (3.11)	Make Recommendations (concerning the proposed objective)	Yes	The Terminal Expansion Program has had a decision deliverable; this is not a study to go "on the shelf" The Airport – Airline process has a timetable and decision process.
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**Result of FAA Benefit - Cost Analysis is "Decisions"
Result of Decisions is Accountability**

"The Decisions of the Private Sector Deliver Profit and Loss"
"The Decisions of Government Deliver Policy"

Private Sector Profit and Loss DECISIONS	Public Sector Policy DECISIONS
Examples: Fleet Purchasing / Leasing Fleet Makeup Strategy Systems Design and Investments Partnering Decisions	Examples: Budget Priorities Project Choices

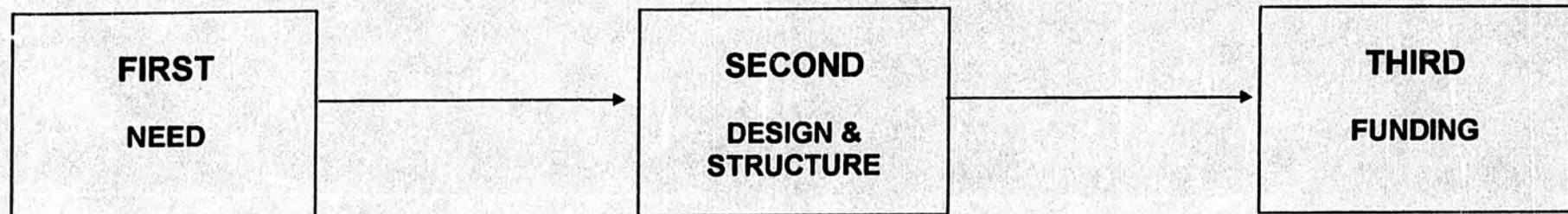
Market ACCOUNTABILITY	Constituency ACCOUNTABILITY
Examples: Price / Earnings Ratios Customer Utilization Decisions and Choices	Examples: Citizens Vote Business Environment – Stay / Move /Grow

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Funding Focus Issue #1 Pay As You Go vs. Financing

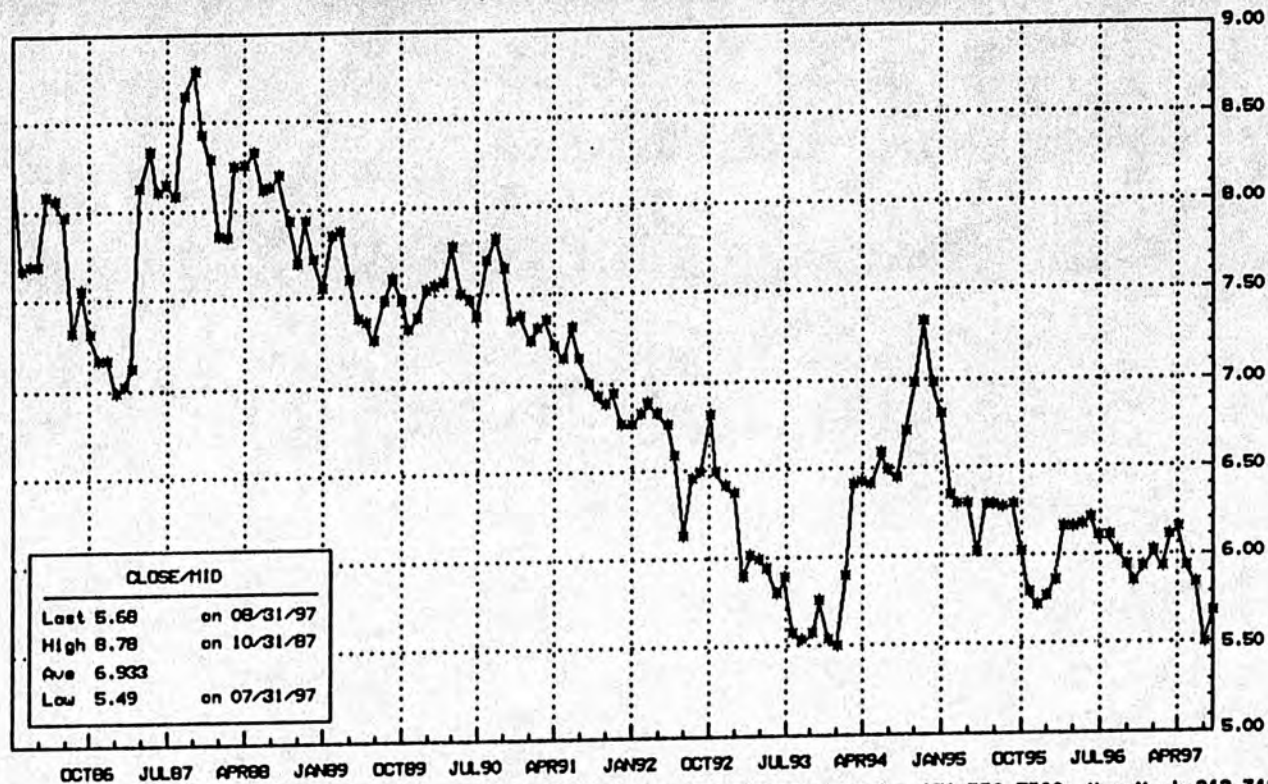


- PAY AS YOU GO VS. FINANCING

1. Relative Value of Tax-Exempt Financing vs. Private Sector Funding from Airline Credit Sources (Spread between Municipals and Treasuries)
2. Implications of Airline Operating Agreement Amortization Provisions

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YIELD GRAPH for BOND BUYER 25 REV YLD
RANGE 1/31/86 TO 8/31/97 PERIOD W (D-W-M-Q-Y)



OCT86 JUL87 APR88 JAN89 OCT89 JUL90 APR91 JAN92 OCT92 JUL93 APR94 JAN95 OCT95 JUL96 APR97
 Bloomberg-all rights reserved. Frankfurt:69-920410 Hong Kong:2-521-3000 London:171-330-7500 New York:212-318-2000
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YIELD GRAPH for TREAS CONS MATR 30 YEAR
RANGE 2/28/77 TO 8/31/97 PERIOD M (D-W-M-Q-Y)



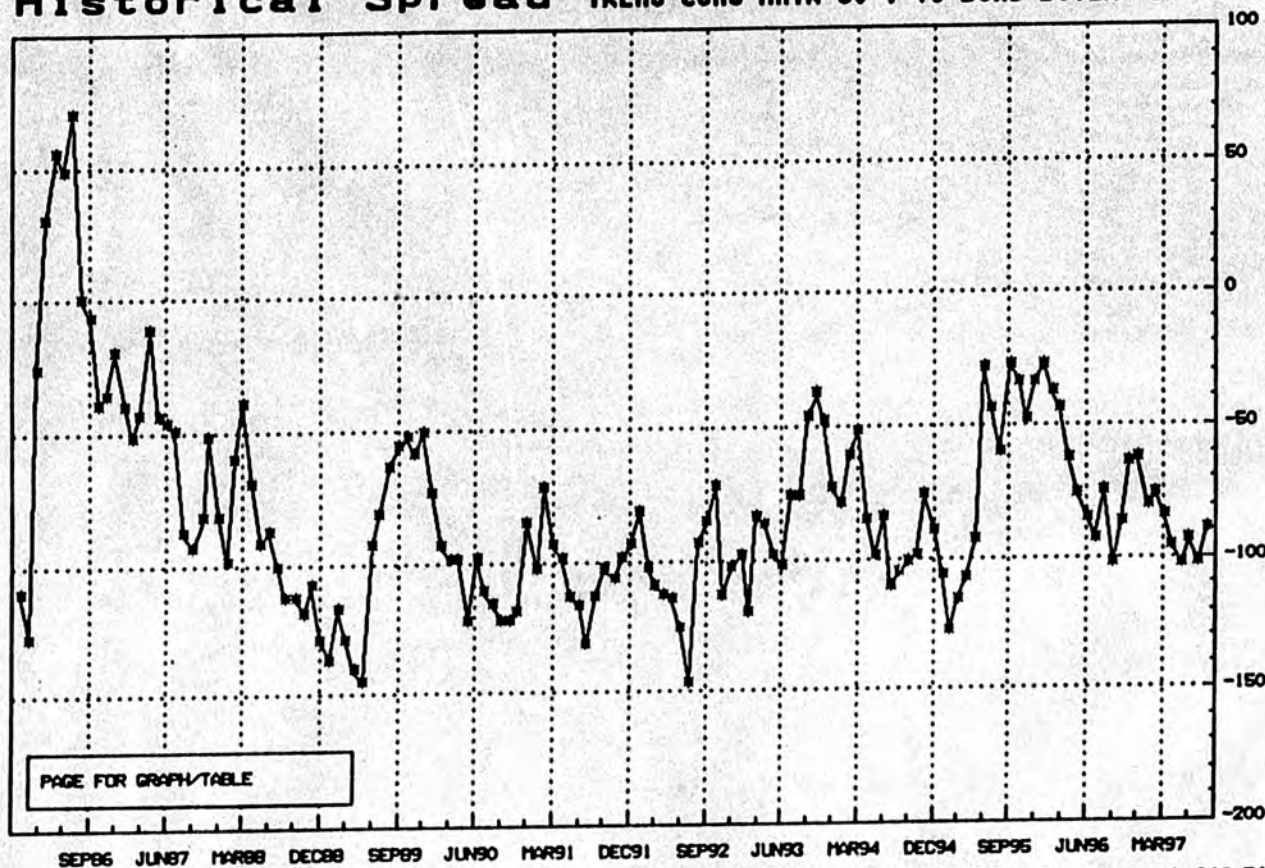
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Historical Spread TREAS CONS MATR 30 Y vs BOND BUYER 25 REV Y



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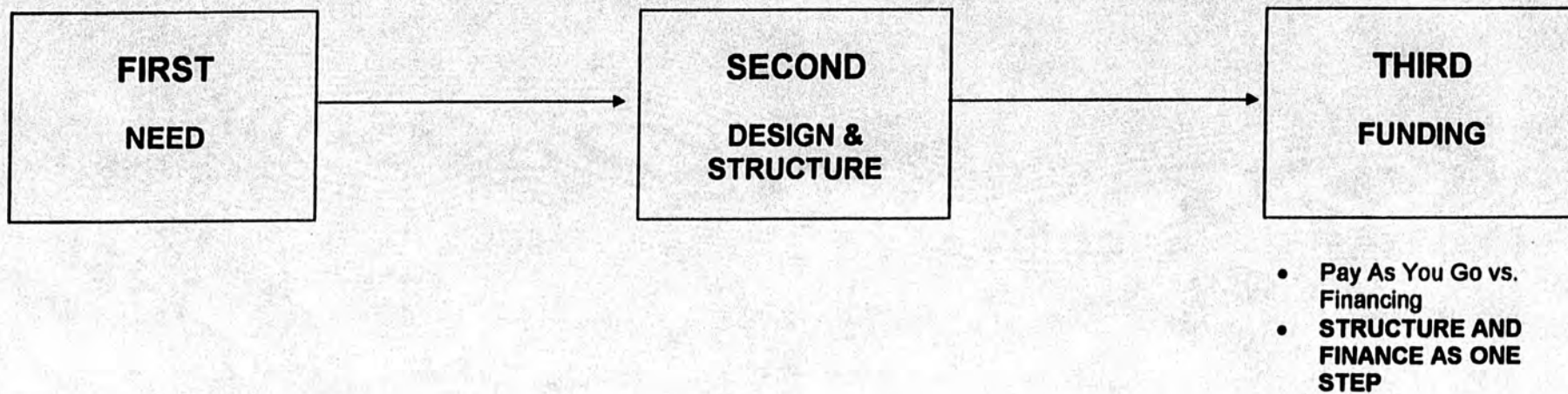
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Funding Focus Issue #2

Structuring and Funding Should Be Done in One Step



The Terminal Project Should Be Structured and Financed as One Step

First, it should be recognized that the Project and the Financing go hand in hand. A long and drawn-out Project will require multiple financing components to support it. A concise and condensed Project implementation will support a single financing effort or at least a single large financing with smaller completion financings as needed.

The discussion below will focus on the major risk factors which are created when a bond financing is divided. In addition, however, it should be noted that:

- Bringing the Terminal on line in a concise time period allows additional concession revenues to begin sooner, which benefits airlines under the residual agreement.
- An accelerated project implementation schedule assists the airlines in avoiding disruption to their businesses.
- The Public Nature of AIA and the business needs of the airlines argue for a minimum disruption period.
- Construction Costs and Sequencing are better controlled if the Project has momentum and final completion is the central objective.

Cost and Risk Considerations of One or Two Bond Issues

There would be duplication of costs which would require double-payment if two bond issues were utilized. Some examples would be:

Counsel to Participants

- Bond Counsel to the State and AIAS
- Counsel to the Underwriter
- Counsel to the Bond Insurer
- Trustee Counsel

Marketing and Administration Expenses for the Issue

- Preliminary and Final Official Statements
- Information Meeting Expenses (relating to meetings which would be held with major market investors in Chicago, New York and Boston in preparation for selling the bonds)
- AIA time, expenses and allocated costs of transaction
- State (Department of Revenue) time, expenses and allocated costs of transaction

While these factors are significant (and cannot be measured only in dollars when you consider administrative time, focus and opportunity cost), the largest economic factors of a second bond issue relate to the fact that at the mid-point of the construction, with full mobilization and activity, AIAS would be going back to market without market timing flexibility.

The impact of an unfavorable market could be mitigated at that time with a short-term issue to buy time for the second leg of the long-term structure, but that would add yet a third transaction to a process which could have been done once (in

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whole) at the front-end if that were the structuring decision. The alternative of passively accepting the terms of the market at the time AIAS went for the second bond issue would mean AIAS and the airport's rates and charges bases would absorb the risk of interest rate movements.

While rates move for many reasons, airport bonds are particularly subject to at least the following interest rate drivers:

General Market Conditions

- domestic drivers such as inflation, unemployment, rate of growth etc. which the Federal Reserve seeks to influence
- volatility in the stock market which has a chain reaction on the bond market under certain circumstances
- international political events which can cause either fear of negative developments (i.e., Iraq and Kuwait) or uncertainty (i.e., a political crackdown in Hong Kong or an escalation between North and South Korea are current examples)

Impact of Airline Industry

- airline industry is performing well at this time, but we all know that it is cyclical, it can be volatile on a case by case basis if there are special situations, and it is subject to the unpredictable forces of deregulation, competition, safety, and globalization
- any weakness in perception or reality of the airlines would affect airport bonds

In summary, if the market is attractive at the time AIAS needs financing, and if the structure allows AIAS to do the financing as a one-time deliverable of a long-term structure, such an approach would minimize exposure to duplicate costs and risks outside the control of AIAS or the State of Alaska. Such an approval also would reduce the risk to the airlines of higher financing costs at the mid-point of construction.

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**Illustration of Sensitivity of 150 Basis Points
on a \$100 Million Level Debt Service Structure**

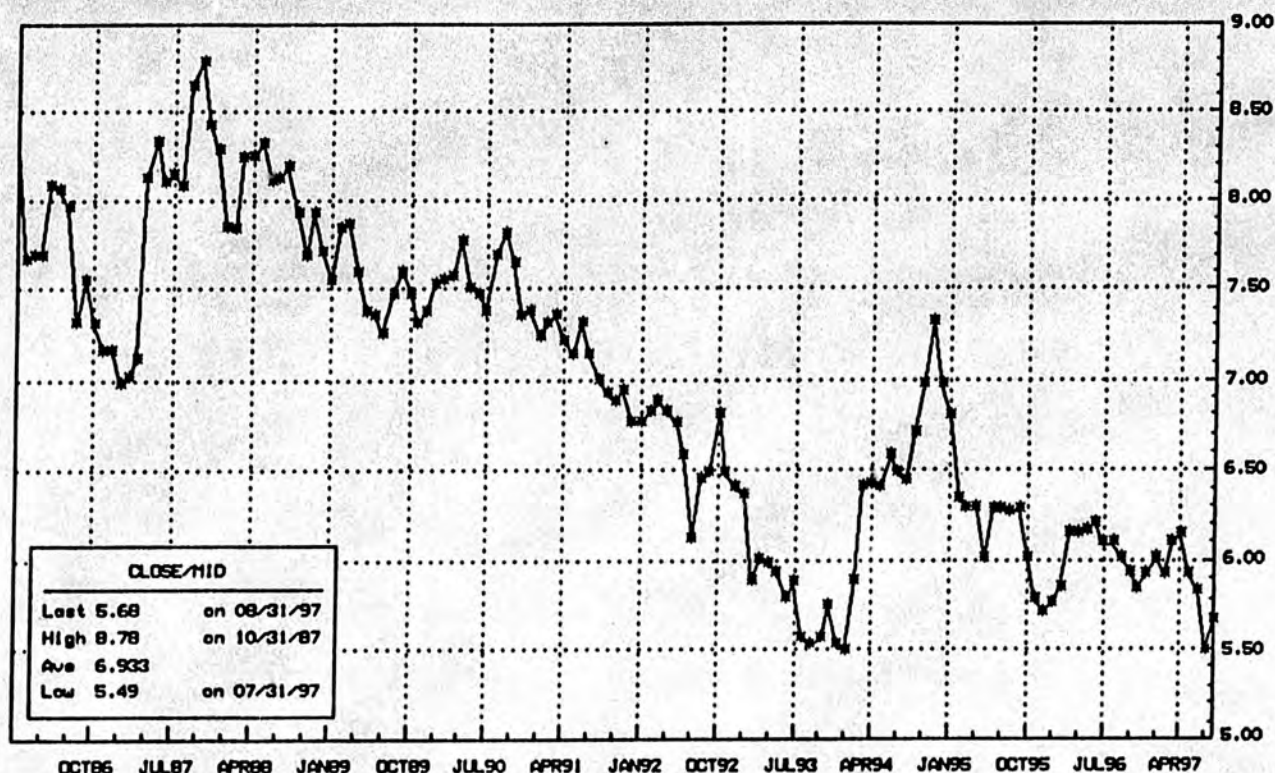
	Base Case	Base Case Plus 150 Basis Points
Avg. Full Year Debt Service	\$8,523,258	\$9,920,427
Max. Full Year Debt Service	\$8,526,355	\$9,923,057
Total Interest Paid Over Term of Issue	\$106,256,472	\$139,555,680
Average Coupon	6.24%	7.76%

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YIELD GRAPH for BOND BUYER 25 REV YLD
RANGE **1/31/86** TO **8/31/97** PERIOD **1** (D-W-M-Q-Y)



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Princeton:609-279-3000 Singapore:226-3000 Sydney:2-9777-8600 Tokyo:3-3201-8900 Sao Paulo:11-3048-4500
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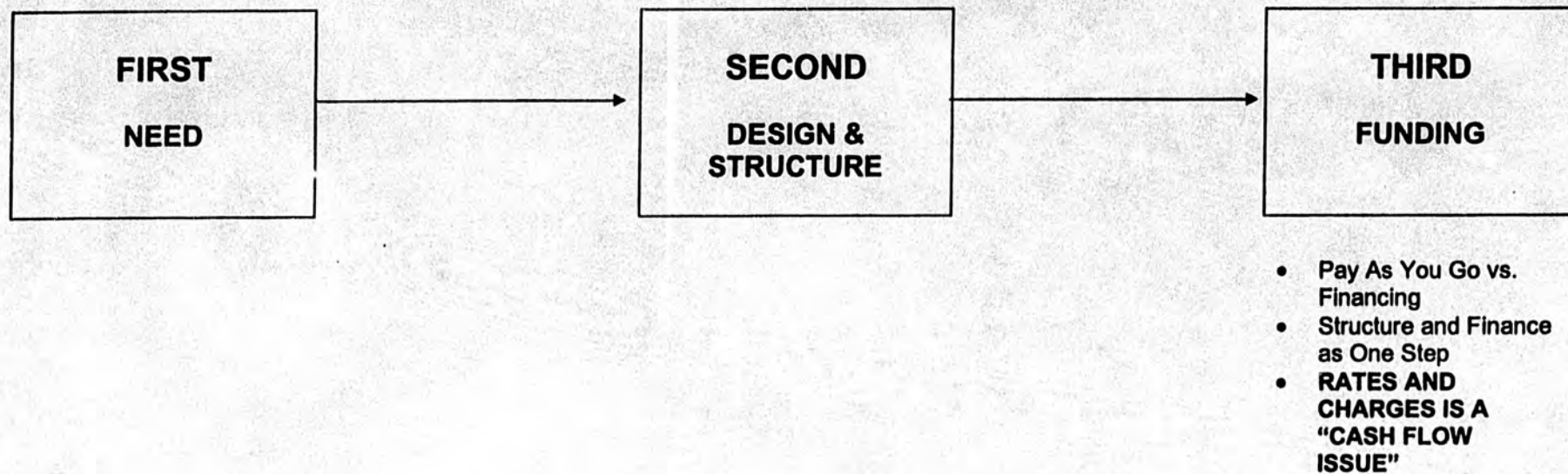
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Funding Focus Issue #3

Rates and Charges is a "Cash Flow Issue"



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Illustration One: Total Debt Service Level Each Year

\$100 Million Project Fund Amortized Over 25 Years

Par Amount of Bonds	\$106,825,000
Average Full Year Debt Service	\$8,523,258
Maximum Full Year Debt Service	\$8,526,355
Average Life of Bonds	15.928 Years
Total Interest Over Term of Issue	\$106,256,472

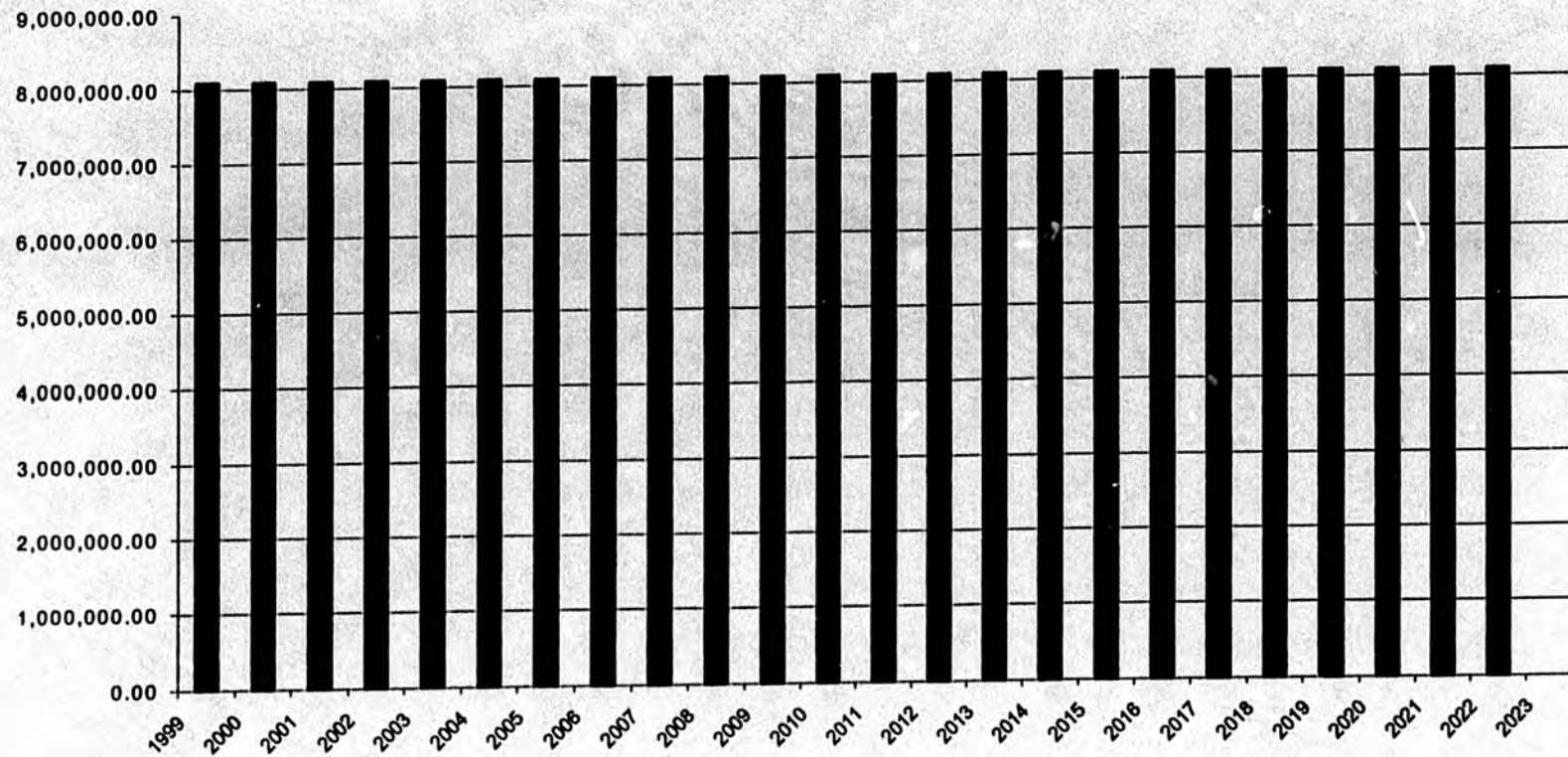
Strengths of Illustration One Approach	Weaknesses of Illustration One Approach
• Level Debt Service facilitates long-term planning because it creates a consistent base • Average Life of debt is substantially less than face term of bonds • Effect of inflation is to reduce the fixed debt's impact on various airport and airline financial rates, charges and ratios	• As compared to front-loaded debt service, level debt does restrict debt capacity in the future to a greater degree • Level debt pushes principal payments to later years, with a concurrent effect on the balance sheet • More principal is subject to the long end of the yield curve, with its associated higher interest rates

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**Level Debt Service for \$100 Million Project
Annual Net Debt Service**



Note: Debt Service Reserve Fund pays last maturity.

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**Illustration Two: Principal Only Level Each Year
(Interest and Total Debt Service not level)**

\$100 Million Project Fund Amortized Over 25 Years

Par Amount of Bonds	\$107,800,000
Average Full Year Debt Service	\$7,760,342
Maximum Full Year Debt Service	\$10,670,610
Average Life of Bonds	12.997 Years
Total Interest Over Term of Issue	\$86,208,552

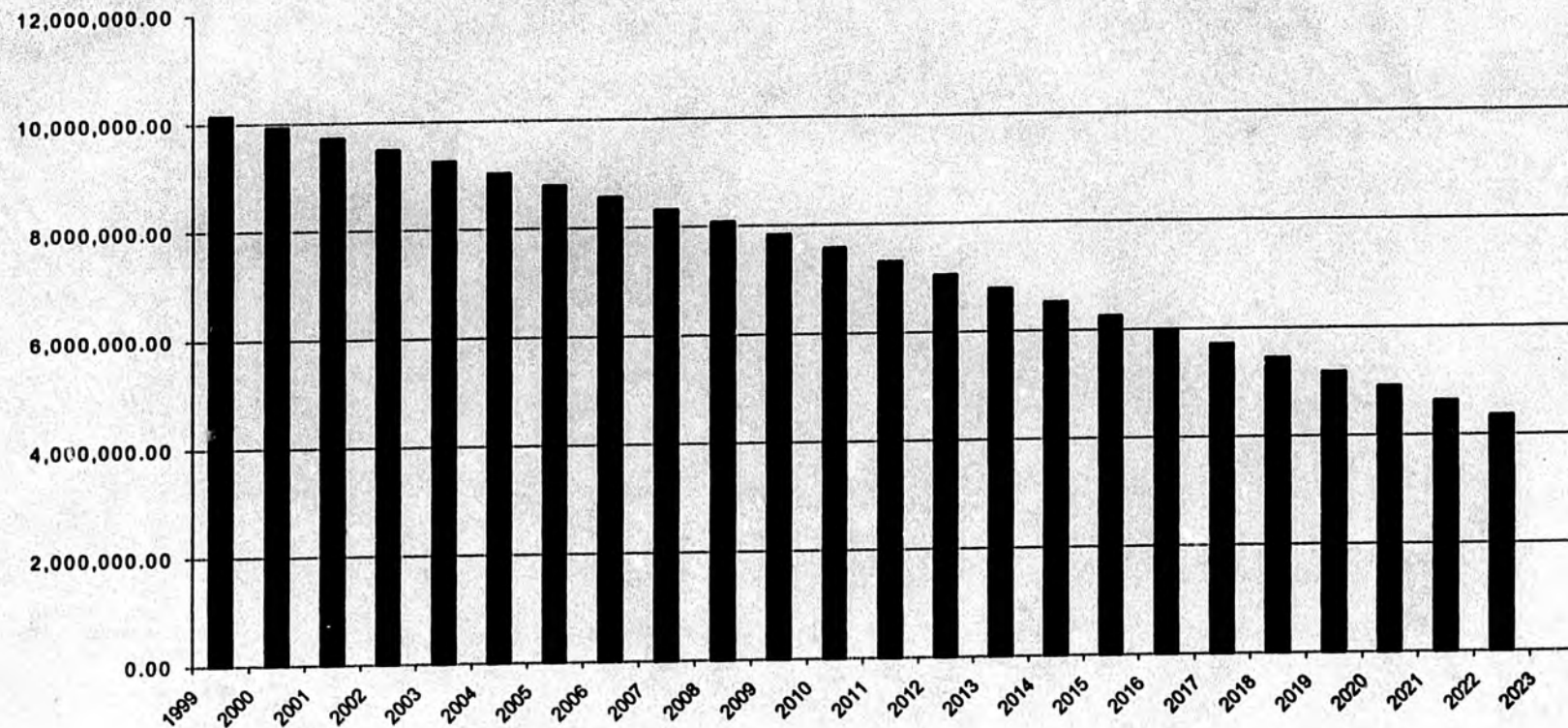
Strengths of Illustration Two Approach	Weaknesses of Illustration Two Approach
• Front-loaded debt service creates the window of debt capacity in later years • Principal is concentrated in the short end of the yield curve with lower interest rates	• Disconnect between principal and interest ignores the reality of cash flow paid out, which is what drives the cost for the airlines • Amortization is not level and present value of dollars paid out could be unattractive to airlines as corporate finance matter • Balance sheet benefits of faster amortization are not relevant to the State as a governmental body (although AIAS is accountable as an enterprise fund)

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**Level Principal for \$100 Million Project
Annual Net Debt Service**



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**Illustration Three: Three Year Window
(Interest Only for Three Years; Then Level Debt Service Each Year to Maturity)**

\$100 Million Project Fund Amortized Over 25 Years

Par Amount of Bonds	\$107,480,000
Average Full Year Debt Service	\$8,820,534
Maximum Full Year Debt Service	\$9,125,240
Average Life of Bonds	16.816 Years
Total Interest Over Term of Issue	\$113,033,350

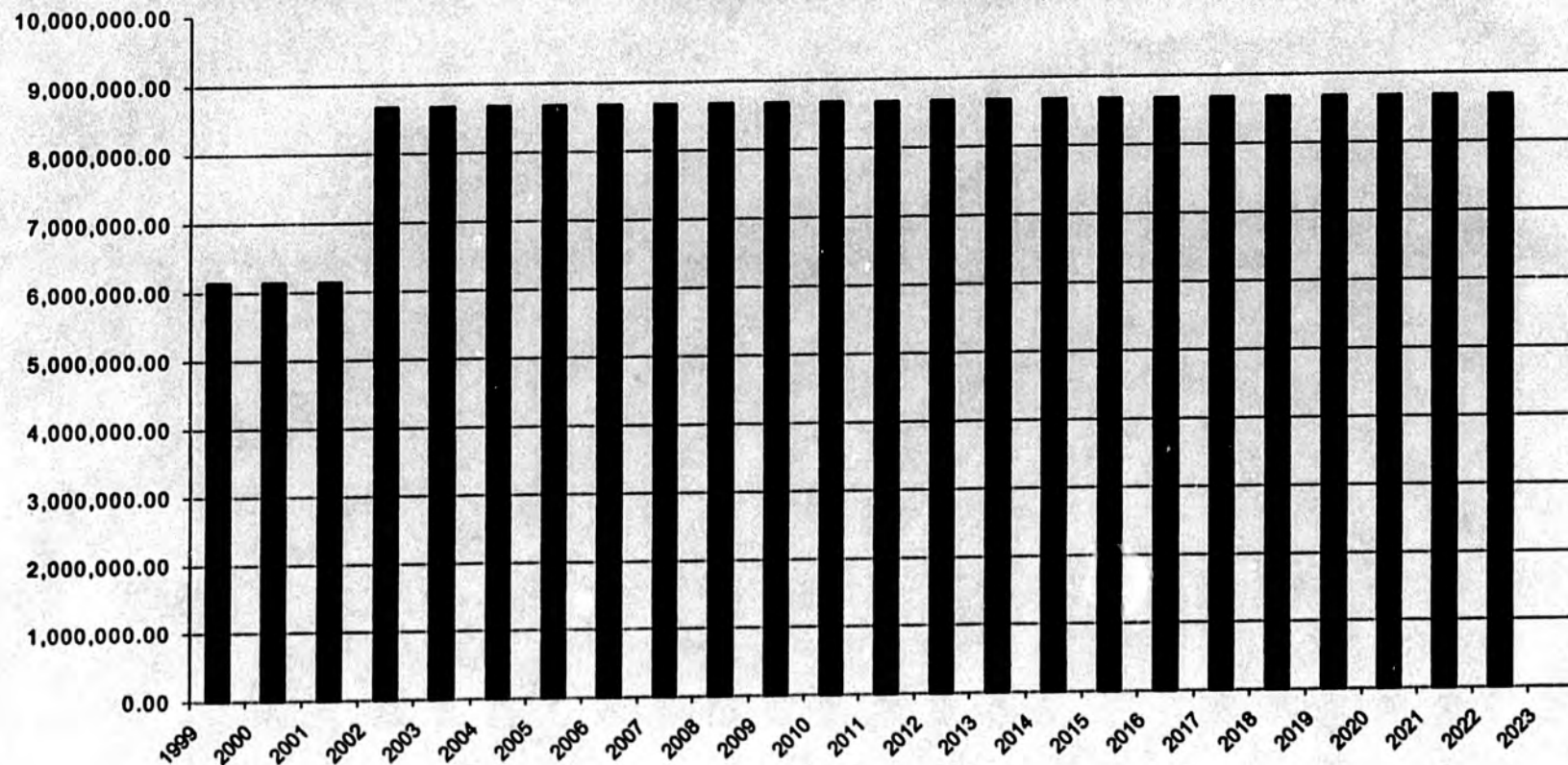
Strengths of Illustration Three Approach	Weaknesses of Illustration Three Approach
• Corporate Finance perspective of airlines links new facilities In Service Date to new facilities cost impact • Maximum Utilization of tax-exempt financing opportunity by deferring repayment of low interest money • Level Debt Service structure after Capitalized Interest Period (see Illustration One above)	• Rating Agencies and Credit Analysts do not like to see deferral of principal unless there is a compelling business reason • Period of Capitalized Interest also is the lowest cost of funds on the yield curve and the structure does not take advantage of those low rates • Level Debt Service structure after Capitalized Interest Period (see Illustration One above)

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**Interest Only - 3 Year Window for \$100 Million Project
Annual Net Debt Service**



Note: Debt Service Reserve Fund pays last maturity

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**Illustration Four: Stepped Down Principal
(\$12 Million Debt Service Annually for Five Years;
\$7 Million Debt Service Annually for Remaining 20 Years)**

\$100 Million Project Fund Amortized Over 25 Years

Par Amount of Bonds	\$109,170,000
Average Full Year Debt Service	\$7,984,738
Maximum Full Year Debt Service	\$11,999,827
Average Life of Bonds	13.37 Years
Total Interest Over Term of Issue	\$90,448,455

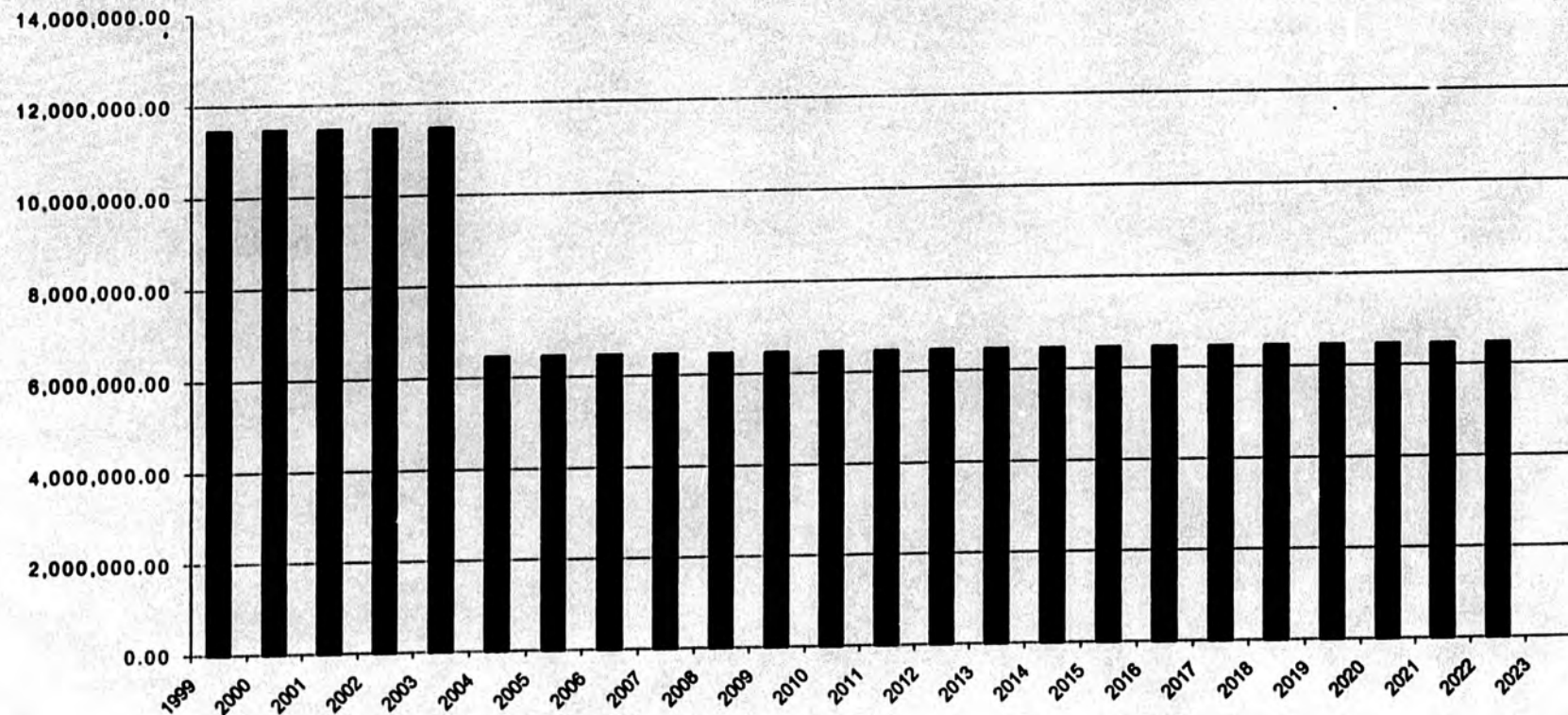
Strengths of Illustration Four Approach	Weaknesses of Illustration Four Approach
• Uses financing as a leveling-out or bridge in what is really a "pay as you go" funding structure • Concentration of debt in early years uses the short end of the yield curve	• Massive Front-Loading of Debt Service rarely is feasible on a project of this magnitude • Does not utilize the low cost of capital of the tax-exempt market to minimize cost of project

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**Step Down Debt Service for \$100 Million Project
Annual Net Debt Service**



Note: Debt Service Reserve Fund pays last maturity.

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CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
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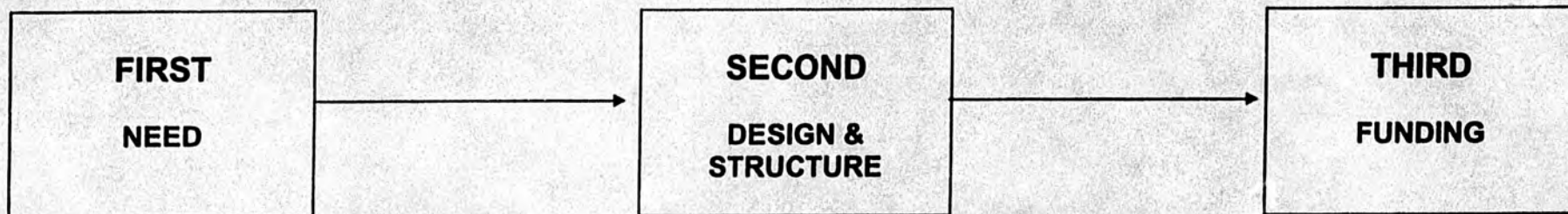


Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

7

Funding Focus Issue #4 Profile of a \$235 Million Project



- Pay As You Go vs. Financing
- Structure and Finance as One Step
- Rates and Charges is a "Cash Flow Issue"
- **PROFILE OF A \$235 MILLION PROJECT**

Financial Model Summary Pages
Full Financial Models in Volume II
Performance of Model vs. National Benchmarks

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ANCHORAGE INTERNATIONAL AIRPORT - TERMINAL FINANCIAL PLANNING MODEL

Level A – Probability-Adjusted Pro-Forma Output

<u>Title</u>	<u>Schedule</u>
Passenger Forecasts	A-1.0
Cargo Forecasts (Inactive)	A-2.0
Operating Revenues, Expenses, and Net Cash Flow	A-3.0
Summary Unit Results	A-4.0
Probability Statistics (Inactive)	A-5.0

Level B – Model Input (Operations)

Airport Operations		Operating Revenues		Operating Expenses	
<u>Title</u>	<u>Schedule</u>	<u>Title</u>	<u>Schedule</u>	<u>Title</u>	<u>Schedule</u>
Passenger Projections	B-1.1	Airline Rates & Fees Projections	B-2.1	O & M Expense Projections	B-3.1
		Terminal Rent Calculations	B-2.1a	O & M Allocations Calculations	B-3.1a
		Landing Fee Calculations	B-2.1b	FIA Fund Transfer Projections	B-3.2
		Non-Airline Revenue Projections	B-2.2		
		Miscellaneous Revenue Projections (Inactive)	B-2.3		

Level C – Model Input (AIA Terminal Expansion)

<u>Title</u>	<u>Schedule</u>
Phase I – FY 99	C-1.1
Phase II – FY 2000 (Inactive)	C-1.2
Collateral Impacts (Inactive)	C-1.3

(1)
Probability
Adjusted
Simulations

(2)
Line-by-Line
Projections

(3)
Inflation
Assumption
Override
Projections

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Global Estimates

Note: This chart is included for illustration purposes and uses the Example of Financial Model A (2001 Completion of Concourse C and 2003 Project Completion. See Volume II, Tab A for exact numbers.

	Additions in \$	Subtractions in \$	Net in \$
Cost of Project in 1997 Dollars	191,000,000		
Fiscal Year 1998 Allocated Funds		6,400,000	
3% Escalation per Cash Flows (range 17-20MM)	16,500,000		
24 Months Capitalized Interest	22,500,000		
Credit Construction Fund Earnings (Years 1-6)		24,000,000	
Financing Costs Including Bond Insurance	5,000,000		
CORE FINANCING	Total Additions 235,000,000	Sub-Total Subtractions 30,400,000	204,600,000
Optional Adjustment: Take Out Capitalized Interest		22,500,000	
ADJUSTED WITHOUT CAPITALIZED INTEREST		Total Subtractions 52,900,000	182,100,000

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***AIA Passenger Terminal Expansion Program
Cash Flow Capital Costs with 3% Escalation
Construction Scenario 2001***

Cash Flow Line	1998	1999	2000	2001	2002	2003	
6.4	6.4						
19.8	19.8	20.4					
52.2	52.2	53.8	55.4				
52.5	52.5	54.1	55.7	57.4			
46.3	46.3	47.7	49.1	50.6	52.1		
13.7	13.7	14.1	14.5	15.0	15.4	15.9	
190.9	6.4	20.4	55.4	57.4	52.1	15.9	207.5 TOTAL

***AIA Passenger Terminal Expansion Program
Cash Flow Capital Costs with 3% Escalation
Construction Scenario 2002***

Cash Flow Line	1998	1999	2000	2001	2002	2003	2004	
6.4	6.4							
22.0	22.0	22.7						
32.8	32.8	33.8	34.8					
41.4	41.4	42.6	43.9	45.2				
43.2	43.2	44.5	45.8	47.2	48.6			
32.0	32.0	33.0	33.9	35.0	36.0	37.1		
13.1	13.1	13.5	13.9	14.3	14.7	15.2	15.6	
190.9	6.4	22.7	34.8	45.2	48.6	37.1	15.6	210.5 TOTAL

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Financial Model Key Assumptions and Observations

- Assumptions for Passenger Growth follow Needs Assessment percentages; See Schedule B-1.1 for detail
- Assumptions for Cargo Growth are incorporated into Takeoff Weights that key off Passenger Growth percentages (which are lower than passenger projections); 4% FY 99 through FY 2010; 3% thereafter
- Assumptions for Concessions follow Projections; see Schedule B-2.2 for detail
- Note significance of increased square footage in keeping terminal rents lower; in Financial Models C and D (without capitalized interest) the debt service comes on line before the new C Concourse and Terminal Rents reflect a temporary upward move until new square footage is activated; similar impact on Financial Models B and D which use the FY 2002 C Concourse completion rather than the FY 2001 completion; Financial Model A gets the new square footage on line before full year debt service is effective
- Financial Model matches Rates and Charges Model exactly on FY98 Terminal Rer'ts and Landing Fees (FY 98 is the first year that the Financial Model and the Rates and Charges Model evaluated the same data simultaneously)
- Rates and Charges Model focuses on next FY but does not represent to address out years in detail and does not run bond simulations

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- Financial Model focuses on full term of financing and incorporates financing simulations
- Financial Model uses actual results for FY 96 and May 1997 estimates for FY 97 – as compared to Rates and Charges Model for those periods which used conservative forward estimates as of May 1995 for FY 96 and May 1996 for FY 97. Actual performance exceeded estimates, particularly in FY 97; See Schedule B-2.1b for detail
- Note state of transition during FY 99 through first Fiscal Year after completion of C Concourse (2002 for 2001 Completion or 2003 for 2002 Completion) detracts from Financial Model projections. These areas are marked with a box on Schedules A-4.0 and B-2.1a
- Construction Fund earnings at 6% are major source of revenue (\$23 to \$29 MM under various Models); current Treasury rates are approximately 5.5% for one year and 6% for five years
- Interest Rates include AMT factor of 10 basis points and a market escalation of 75 basis points. Interest rates now are at historical lows as reflected in Tab 4
- Terminal Rents, Landing Fees and Fuel Flowage Rates compare favorably with national averages; see Tab 7 for detail

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AIA Model vs. AAAE on Terminal Rents at Medium Hub Airports

Year	AAAE Medium Hub Counter Space @ 3% Escalation each year from 1996 Actual (\$45.52)	AAAE Medium Hub Passenger Office Space @ 3% Escalation each year from 1996 Actual (\$38.30)	AAAE Medium Hub Cargo Office Space @ 3% Escalation each year from 1996 Actual (\$15.51)	AIA Model A Terminal Rent	AIA Model B Terminal Rent	AIA Model C Terminal Rent	AIA Model D Terminal Rent
1998	46.89	39.45	15.98	32.46	32.46	32.46	32.46
1999	48.29	40.63	16.45	32.97	32.97	39.64	39.55
2000	49.74	41.85	16.95	33.24	33.24	50.68	50.43
2001	51.23	43.11	17.46	38.65	38.54	48.48	48.23
2002	52.77	44.40	17.98	39.08	51.63	36.76	48.59
2003	54.35	45.73	18.52	39.36	39.14	37.03	36.85
2004	55.98	47.10	19.08	39.63	39.41	37.31	37.12
2005	57.66	48.52	19.65	39.92	39.70	37.60	37.42
2006	59.39	49.97	20.24	40.21	39.99	37.89	37.70
2007	61.18	51.47	20.84	40.51	40.29	38.19	38.01
2008	63.01	53.02	21.47	40.81	40.59	38.50	38.31
2009	64.90	54.61	22.11	41.12	40.91	38.81	38.62
2010	66.85	56.24	22.78	41.43	41.22	39.12	38.94
2011	68.85	57.93	23.46	41.82	41.60	39.51	39.33
2012	70.92	59.67	24.16	42.22	42.00	39.91	39.73
2013	73.05	61.46	24.89	42.63	42.41	40.32	40.14
2014	75.24	63.30	25.64	43.05	42.83	40.75	40.56
2015	77.49	65.20	26.40	43.47	43.26	41.17	40.99
2016	79.82	67.16	27.20	43.92	43.70	41.62	41.44
2017	82.21	69.17	28.01	41.86	41.64	39.57	39.38
2018	84.68	71.25	28.85	42.33	42.11	40.04	39.85
2019	87.22	73.39	29.72	42.80	42.59	40.52	40.33
2020	89.84	75.59	30.61	43.29	43.07	41.01	40.83
2021	92.53	77.86	31.53	43.80	43.58	41.52	41.33
2022	95.31	80.19	32.47	44.32	44.10	42.04	41.86
2023	98.17	82.60	33.45	44.85	44.64	42.58	42.40

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AIA Model vs. AAAE on Terminal Rents at Large Hub Airports

Year	AAAE Large Hub Counter Space @ 3% Escalation each year from 1996 Actual (\$57.88)	AAAE Large Hub Passenger Office Space @ 3% Escalation each year from 1996 Actual (\$47.86)	AAAE Large Hub Cargo Office Space @ 3% Escalation each year from 1996 Actual (\$11.20)	AIA Model A Terminal Rent	AIA Model B Terminal Rent	AIA Model C Terminal Rent	AIA Model D Terminal Rent
1998	59.62	49.30	11.54	32.46	32.46	32.46	32.46
1999	61.40	50.77	11.88	32.97	32.97	39.64	39.55
2000	63.25	52.30	12.24	33.24	33.24	50.68	50.43
2001	65.14	53.87	12.61	38.65	38.54	48.48	48.23
2002	67.10	55.48	12.98	39.08	51.63	36.76	48.59
2003	69.11	57.15	13.37	39.36	39.14	37.03	36.85
2004	71.19	58.86	13.77	39.63	39.41	37.31	37.12
2005	73.32	60.63	14.19	39.92	39.70	37.60	37.42
2006	75.52	62.45	14.61	40.21	39.99	37.89	37.70
2007	77.79	64.32	15.05	40.51	40.29	38.19	38.01
2008	80.12	66.25	15.50	40.81	40.59	38.50	38.31
2009	82.52	68.24	15.97	41.12	40.91	38.81	38.62
2010	85.00	70.28	16.45	41.43	41.22	39.12	38.94
2011	87.55	72.39	16.94	41.82	41.60	39.51	39.33
2012	90.18	74.56	17.45	42.22	42.00	39.91	39.73
2013	92.88	76.80	17.97	42.63	42.41	40.32	40.14
2014	95.67	79.11	18.51	43.05	42.83	40.75	40.56
2015	98.54	81.48	19.07	43.47	43.26	41.17	40.99
2016	101.49	83.92	19.64	43.92	43.70	41.62	41.44
2017	104.54	86.44	20.23	41.86	41.64	39.57	39.38
2018	107.67	89.03	20.84	42.33	42.11	40.04	39.85
2019	110.90	91.70	21.46	42.80	42.59	40.52	40.33
2020	114.23	94.46	22.10	43.29	43.07	41.01	40.83
2021	117.66	97.29	22.77	43.80	43.58	41.52	41.33
2022	121.19	100.21	23.45	44.32	44.10	42.04	41.86
2023	124.82	103.21	24.15	44.85	44.64	42.58	42.40

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AIA Model vs. AAAE on Landing Fees at Medium Hub Airports

Year	AAAE Signatory Medium Hub Air Carriers @ 3% Escalation from 1996 Actual (\$1.19)	AAAE Non- Signatory Medium Hub Air Carriers @ 3% Escalation from 1996 Actual (\$1.42)	AAAE Signatory Medium Hub Air Cargo @ 3% Escalation from 1996 Actual (\$1.25)	AAAE Non- Signatory Medium Hub Air Cargo @ 3% Escalation from 1996 Actual (\$1.46)	AIA Model A Landed Weight Equivalent Landing Fees*	AIA Model B Landed Weight Equivalent Landing Fees*	AIA Model C Landed Weight Equivalent Landing Fees*	AIA Model D Landed Weight Equivalent Landing Fees*
1998	1.26	1.51	1.33	1.55	1.01	1.01	1.01	1.01
1999	1.30	1.55	1.37	1.60	1.12	1.12	1.37	1.37
2000	1.34	1.60	1.41	1.64	1.11	1.11	1.72	1.71
2001	1.38	1.65	1.45	1.69	1.25	1.25	1.59	1.58
2002	1.42	1.70	1.49	1.74	1.54	1.66	1.45	1.54
2003	1.46	1.75	1.54	1.80	1.51	1.50	1.41	1.41
2004	1.51	1.80	1.58	1.85	1.48	1.46	1.40	1.38
2005	1.55	1.85	1.63	1.90	1.45	1.45	1.37	1.35
2006	1.60	1.91	1.68	1.96	1.41	1.41	1.33	1.33
2007	1.65	1.97	1.73	2.02	1.38	1.38	1.32	1.30
2008	1.70	2.02	1.78	2.08	1.37	1.35	1.28	1.27
2009	1.75	2.09	1.84	2.14	1.33	1.32	1.25	1.25
2010	1.80	2.15	1.89	2.21	1.30	1.28	1.24	1.22
2011	1.85	2.21	1.95	2.27	1.30	1.28	1.22	1.22
2012	1.91	2.28	2.01	2.34	1.28	1.28	1.22	1.22
2013	1.97	2.35	2.07	2.41	1.28	1.28	1.22	1.22
2014	2.03	2.42	2.13	2.49	1.28	1.28	1.22	1.22
2015	2.09	2.49	2.19	2.56	1.28	1.27	1.22	1.22
2016	2.15	2.56	2.26	2.64	1.27	1.27	1.22	1.20
2017	2.21	2.64	2.33	2.72	1.20	1.20	1.15	1.14
2018	2.28	2.72	2.40	2.80	1.20	1.20	1.15	1.14
2019	2.35	2.80	2.47	2.88	1.20	1.20	1.15	1.14
2020	2.42	2.89	2.54	2.97	1.20	1.19	1.15	1.14
2021	2.49	2.97	2.62	3.06	1.20	1.19	1.14	1.14
2022	2.57	3.06	2.70	3.15	1.19	1.19	1.14	1.14
2023	2.64	3.15	2.78	3.24	1.19	1.19	1.14	1.14

* Take off Weight with 62.5% adjustment factor to create comparable landed weight landing fee

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AIA Model vs. AAAE on Landing Fees at Large Hub Airports

Year	AAAE Signatory Large Hub Air Carriers @ 3% Escalation from 1996 Actual (\$1.79)	AAAE Non- Signatory Large Hub Air Carriers @ 3% Escalation from 1996 Actual (\$2.00)	AAAE Signatory Large Hub Air Cargo @ 3% Escalation from 1996 Actual (\$1.85)	AAAE Non- Signatory Large Hub Air Cargo @ 3% Escalation from 1996 Actual (\$1.96)	AIA Model A Landed Weight Equivalent Landing Fees*	AIA Model B Landed Weight Equivalent Landing Fees*	AIA Model C Landed Weight Equivalent Landing Fees*	AIA Model D Landed Weight Equivalent Landing Fees*
1998	1.84	2.06	1.91	2.02	1.01	1.01	1.01	1.01
1999	1.90	2.12	1.96	2.02	1.12	1.12	1.37	1.37
2000	1.96	2.19	2.02	2.02	1.11	1.11	1.72	1.71
2001	2.01	2.25	2.08	2.02	1.25	1.25	1.59	1.58
2002	2.08	2.32	2.14	2.02	1.54	1.66	1.45	1.54
2003	2.14	2.39	2.21	2.02	1.51	1.50	1.41	1.41
2004	2.20	2.46	2.28	2.02	1.48	1.46	1.40	1.38
2005	2.27	2.54	2.34	2.02	1.45	1.45	1.37	1.35
2006	2.34	2.61	2.41	2.02	1.41	1.41	1.33	1.33
2007	2.41	2.69	2.49	2.02	1.38	1.38	1.32	1.30
2008	2.48	2.77	2.56	2.02	1.37	1.35	1.28	1.27
2009	2.55	2.85	2.64	2.02	1.33	1.32	1.25	1.25
2010	2.63	2.94	2.72	2.02	1.30	1.28	1.24	1.22
2011	2.71	3.03	2.80	2.02	1.30	1.28	1.22	1.22
2012	2.79	3.12	2.88	2.02	1.28	1.28	1.22	1.22
2013	2.87	3.21	2.97	2.02	1.28	1.28	1.22	1.22
2014	2.96	3.31	3.06	2.02	1.28	1.28	1.22	1.22
2015	3.05	3.41	3.15	2.02	1.28	1.27	1.22	1.22
2016	3.14	3.51	3.24	2.02	1.27	1.27	1.22	1.20
2017	3.23	3.62	3.34	2.02	1.20	1.20	1.15	1.14
2018	3.33	3.72	3.44	2.02	1.20	1.20	1.15	1.14
2019	3.43	3.84	3.54	2.02	1.20	1.20	1.15	1.14
2020	3.53	3.95	3.65	2.02	1.20	1.19	1.15	1.14
2021	3.64	4.07	3.76	2.02	1.20	1.19	1.14	1.14
2022	3.75	4.19	3.87	2.02	1.19	1.19	1.14	1.14
2023	3.86	4.32	3.99	2.02	1.19	1.19	1.14	1.14

* Take off Weight with 62.5% adjustment factor to create comparable landed weight landing fee

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AIA Model vs. AAAE on Fuel Flowage Fee at Medium Hub Airports

Year	AAAE Medium Hub Average Fuel Flowage Fee @ 3% Escalation each year fr 1996 Actual (\$0.059)	AIA Projected Fuel Flowage Fee @ 0% Escalation each year from 1996 Actual (\$0.020)	AIA Projected Fuel Flowage Fee @ Hypothetical 3% Escalation each year from 1996 Actual (\$0.020)
1998	0.061	0.020	0.021
1999	0.063	0.020	0.021
2000	0.064	0.020	0.022
2001	0.066	0.020	0.023
2002	0.068	0.020	0.023
2003	0.070	0.020	0.024
2004	0.073	0.020	0.025
2005	0.075	0.020	0.025
2006	0.077	0.020	0.026
2007	0.079	0.020	0.027
2008	0.082	0.020	0.028
2009	0.084	0.020	0.029
2010	0.087	0.020	0.029
2011	0.089	0.020	0.030
2012	0.092	0.020	0.031
2013	0.095	0.020	0.032
2014	0.098	0.020	0.033
2015	0.100	0.020	0.034
2016	0.103	0.020	0.035
2017	0.107	0.020	0.036
2018	0.110	0.020	0.037
2019	0.113	0.020	0.038
2020	0.116	0.020	0.039
2021	0.120	0.020	0.041
2022	0.124	0.020	0.042
2023	0.127	0.020	0.043

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AIA Model vs. AAAE on Fuel Flowage Fee at Large Hub Airports

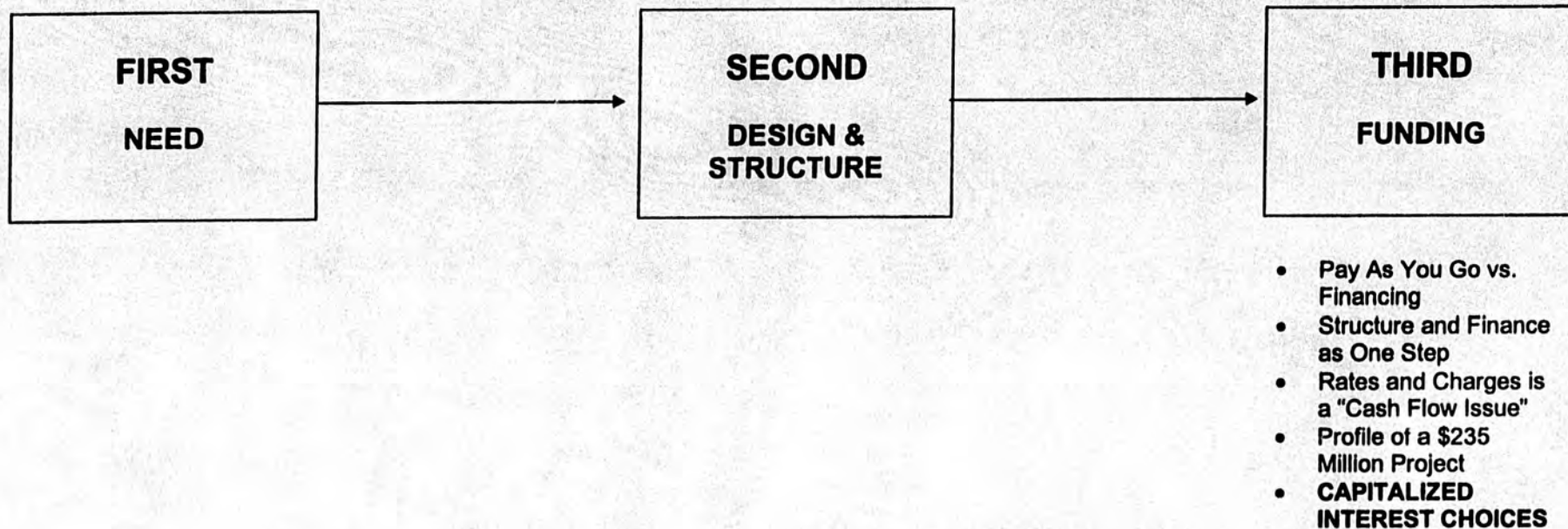
Year	AAAE Large Hub Average Fuel Flowage Fee @ 3% Escalation each year fr 1996 Actual (\$0.054)	AIA Projected Fuel Flowage Fee @ 0% Escalation each year from 1996 Actual (\$0.020)	AIA Projected Fuel Flowage Fee @ Hypothetical 3% Escalation each year from 1996 Actual (\$0.020)
1998	0.056	0.020	0.021
1999	0.057	0.020	0.021
2000	0.059	0.020	0.022
2001	0.061	0.020	0.023
2002	0.063	0.020	0.023
2003	0.064	0.020	0.024
2004	0.066	0.020	0.025
2005	0.068	0.020	0.025
2006	0.070	0.020	0.026
2007	0.073	0.020	0.027
2008	0.075	0.020	0.028
2009	0.077	0.020	0.029
2010	0.079	0.020	0.029
2011	0.082	0.020	0.030
2012	0.084	0.020	0.031
2013	0.087	0.020	0.032
2014	0.089	0.020	0.033
2015	0.092	0.020	0.034
2016	0.095	0.020	0.035
2017	0.098	0.020	0.036
2018	0.100	0.020	0.037
2019	0.103	0.020	0.038
2020	0.107	0.020	0.039
2021	0.110	0.020	0.041
2022	0.113	0.020	0.042
2023	0.116	0.020	0.043

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Funding Focus Issue #5 Capitalized Interest Choices



Sensitivity Analysis of Capitalized Interest Quantified with side by side numbers

Capitalized Interest can be used to pay borrowing costs until the financed project comes on line. The Financial Model presents the calculations including and excluding Capitalized Interest. Including Capitalized Interest increases the long-term size of the bond issue and decreases the short-term cash flow costs of the airlines.

The following comparison illustrates the relative magnitude of adding capitalized interest to a project for financing purposes. Capitalized interest sometimes is a necessary cost of doing business when cash flows to pay debt service (even interest only) prior to the time the project comes on line as revenue-producing. In the case of the Terminal Expansion Program, capitalized interest is discretionary and a source of dialogue between AIA and the airlines. The nature of the project would justify capitalized interest, but there are economic costs to the window of time when debt service is not payable from AIA revenues.

The Plan of Finance does not make a recommendation or assumption with respect to capitalized interest. The cost scenarios have been run with and without capitalized interest in order to keep the discussions of project costs as clear and unambiguous as possible.

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The following comparative analysis information is intended to assist AIA and the airlines in their discussions:

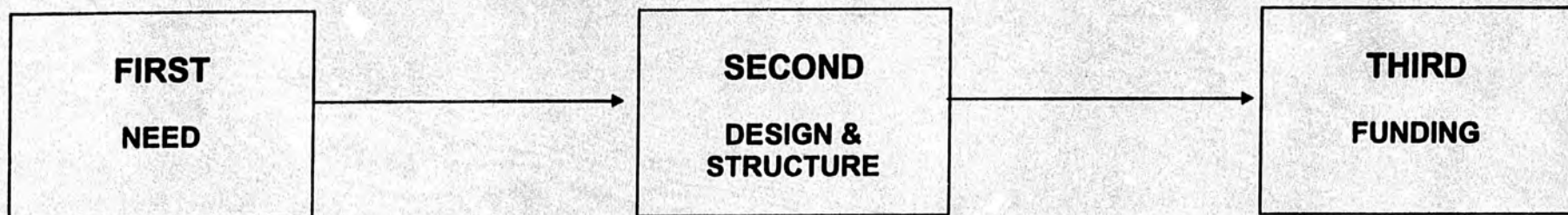
	Benchmark: Illustration with 25 Year Level Debt Service Amortization and No Capitalized Interest (2001 Scenario)	Illustration with 24 Months of Capitalized Interest; Keep 25 Year Level Debt Service Amortization of Bonds (2001 Scenario)
Par Amount of Bonds	\$176,045,000	\$199,130,000
Amortization	25 Years	Same
Capitalized Interest	None	\$22,477,655
Project Fund	\$201,200,000	Same
Interest Rates	Same	Same
Cost of Debt Service Reserve Fund Surety Bond	\$490,711	\$577,604
Cost of Bond Insurance Premium	\$2,102,727	\$2,277,112

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Funding Focus Issue #6 Cost Per Enplaned Passenger



- Pay As You Go vs. Financing
- Structure and Finance as One Step
- Rates and Charges is a "Cash Flow Issue"
- Profile of a \$235 Million Project
- Capitalized Interest Choices
- **COST PER ENPLANED PASSENGER**

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"Cost Per Enplaned Passenger" is a benchmarking concept that often is misunderstood. The objective here is clarification of what is known and recognition of the limitations on using this statistic.

**Different People Use
the Same Words for
Different Meanings**

Cost Per Enplaned Passenger is a statistic, which can be computed in very different ways. The quality and integrity of the results also varies.

**Conventional
Approach**

Most people view the statistic in a broad way rather than relying on it for significant business or policy decisions. Because of this, the AAAE statistics of airline costs (expressed as airport revenues) and enplaned passengers provide conventional data for this approach.

Alternative Approach

Individual airports each have their own "story" as to how they interpret the Cost Per Enplaned Passenger.

**Airport Examples from
Significant Cargo
Airports**

Honolulu – they have a simple calculation of Airline Revenue (aggregating signatory and non-signatory) divided by the number of enplaned passengers. There is no apparent adjustment for cargo but the airport was #6 in FAA 1995 cargo rankings. The Cost Per Enplaned Passenger numbers were \$4.94 in FY 1995 and \$4.82 in FY 1996. Honolulu does not report in a complete way to AAAE so we cannot compare their calculation to an AAAE statistical calculation.

Chicago O'Hare – they do not use the statistic. O'Hare ranked #3 in the FAA 1995 cargo rankings.

Los Angeles (LAX) – they are in the process of doing an in-house Cost Per Enplaned Passenger survey. To date, they have found wide variance in the numbers attributable to methodology differences. LAX defines Cost Per Enplaned Passenger as (Total Landing Fees plus Terminal

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Rent) divided by (Enplaned Passengers). LAX has compensatory operating agreements with different terminal rates which reduces the transferability of their statistics.

Boston Logan – they do a very complex comparison starting with comparable airports and then doing significant research into the operating agreement structures and financial statements of each of those airports to identify the similarities and differences in the method of calculating revenues and expenses. Next, the distinctions between passengers and cargo are backed out of the numbers to the greatest extent possible. They recognize the process is limited by its complexity and involves many "adjustments." However, they view the alternative (AAAE statistics) as insufficient for their benchmarking goal.

Port Authority of New York and New Jersey – this is an example of how the statistic can be based on variable assumptions and therefore can be misleading. Landing Fees (a key part of airline expense) are based on take-off weight at Kennedy, LaGuardia and Newark except that signatory airlines at LaGuardia are based on landed weight. This type of difference makes operating expense numbers incompatible and the calculation of transferable numbers impractical.

Indianapolis – they define the statistic as capital costs plus debt service plus O&M less non-airline revenue. For 1996 that figure was \$3.87. Their operating agreements are residual. Indianapolis does not report to AAAE so we cannot compare their method to the conventional approach. However, Indianapolis ranks #9 in the FAA 1995 cargo rankings so they must be making cargo "adjustments" to their statistics to back out their cargo expenses and come up with \$3.87 passenger costs. This illustrates the degree to which this statistic is subject to variance in methodology.

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Role of Cargo

Cargo activities disrupt the Cost Per Enplaned Passenger statistic because cargo affects total airline costs at each airport significantly. Further, the category of "belly cargo" is problematical in determining accurate passenger cost statistics.

Impact of Special Situations

An example best illustrates this point. The new International Arrivals Building (terminal) project at Kennedy Airport is a privately developed project of nearly \$1 billion. The private developer is directly responsible for much of the costs but those are passed on to the airlines by the developer. The other costs paid by the airport are passed on to the airlines by the airport. In an AAAE-based calculation, the developer share would not show up in their numbers, thereby misleading the reader as to the true cost per enplaned passenger.

Memphis and Louisville as top cargo airports which are medium-hub for passengers

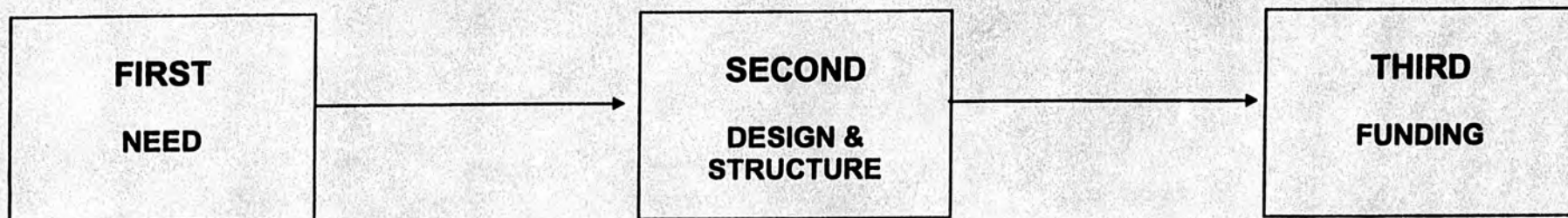
Memphis – does not calculate or use the statistic. Per the AAAE Methodology described above, the number would be \$11.57 but they would likely question the validity of such a figure. Memphis is higher than Anchorage in passenger enplanements by a significant margin.

Louisville – does not calculate or use the statistic. Per the AAAE Methodology described above, the number would be \$17.89 but they would likely question the validity of such a figure. Louisville is slightly below AIA in passenger enplanements but very comparable.

October 2, 1997

**Lelf Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

Funding Focus Issue #6 Terminal Project Cost Per Airline



- Pay As You Go vs. Financing
- Structure and Finance as One Step
- Rates and Charges is a "Cash Flow Issue"
- Profile of a \$235 Million Project
- Capitalized Interest Choices
- Cost Per Enplaned Passenger
- **TERMINAL PROJECT COST PER AIRLINE**

October 2, 1997

Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance

AIA will prepare an individual and interactive analysis for each requesting Airline:

Preparation of Assumptions will be interactive with the individual Airline:

1. Takeoff Weight Assumptions
By weight per year
Identify variances year to year in takeoff weights, if any
Identify number of years for which analysis is requested

2. Terminal Rent Assumptions
By square footage per year
Identify variances year to year in square footage, if any
Identify number of years for which analysis is requested

AIA will prepare a Quantitative Analysis for each requesting Airline

In addition, a Discussion of the Analysis will address other factors and include an opportunity for dialogue and questions

Contact Donn Ketner at (907) 266-2595 for further information

10

Summary

Anchorage International Airport is a shared resource of tremendous value in the present and the future. It is here for everyone to utilize, but each stakeholder has to play a role in making it work.

The Common Ground is the Commitment to
Finding the Best Answer that is in the Common Interest of
The Airport, the State of Alaska and the Airlines

PLAN OF FINANCE
PRESENTATION TO THE AIRLINE AFFAIRS COMMITTEE
OCTOBER 2, 1997
VOLUME II (FINANCIAL MODELS)

TABLE OF CONTENTS – Volume II

- A. Financial Model A: 2001 Concourse C Completion with Capitalized Interest**
- B. Financial Model B: 2002 Concourse C Completion with Capitalized Interest**
- C. Financial Model C: 2001 Concourse C Completion without Capitalized Interest**
- D. Financial Model D: 2002 Concourse C Completion without Capitalized Interest**

A

**FINANCIAL MODEL A:
2001 CONCOURSE C COMPLETION
WITH CAPITALIZED INTEREST**

October 2, 1997

**Lelf Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Anchorage International Airport
Redevelopment Program**

Draft - Confidential

Passenger Forecasts

	(Actual) 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Domestic Enplanements											
Air Carrier	1,517,651	1,578,966	1,661,093	1,747,470	1,838,339	1,917,367	1,999,635	2,065,828	2,175,518	2,269,066	2,359,828
Regional	360,000	364,000	382,928	402,840	423,788	442,011	461,017	480,841	501,517	523,062	544,006
Charter/Other	150,000	156,000	164,112	172,846	181,623	189,433	197,579	206,075	214,936	224,178	233,145
Total Domestic Enplanements	2,017,651	2,098,966	2,208,133	2,322,956	2,443,750	2,548,831	2,658,431	2,772,743	2,891,971	3,016,326	3,136,979
International Enplanements											
Total	33,133	37,797	42,635	48,092	54,248	57,937	61,877	66,084	70,578	75,377	78,242
Total International Enplanements	33,133	37,797	42,635	48,092	54,248	57,937	61,877	66,084	70,578	75,377	78,242
Total Domestic and International Enplanements	2,050,784	2,136,763	2,250,768	2,371,049	2,497,998	2,606,768	2,720,308	2,838,828	2,962,549	3,091,704	3,215,221
Domestic Transit Passengers											
Total	191,987	197,554	202,298	206,139	210,056	214,047	218,114	222,258	226,481	230,784	235,169
Total Domestic Transit Passengers	191,987	197,554	202,298	206,139	210,056	214,047	218,114	222,258	226,481	230,784	235,169
International Transit Passengers											
Total	507,184	635,310	700,000	731,500	764,418	798,816	834,763	872,327	911,582	952,603	988,802
Total International Transit Passengers	507,184	635,310	700,000	731,500	764,418	798,816	834,763	872,327	911,582	952,603	988,802
Total Domestic and International Transit Passengers	699,171	832,864	902,298	937,639	974,474	1,012,863	1,052,877	1,094,586	1,138,063	1,183,387	1,223,971

**Anchorage International Airport
Redevelopment Program**

Draft - Confidential

Passenger Forecasts

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Domestic Enplanements											
Air Carrier	2,454,221	2,552,390	2,654,486	2,760,665	2,860,049	2,963,011	3,069,679	3,180,188	3,294,674	3,413,263	3,536,161
Regional	565,766	588,397	611,932	636,410	659,321	683,056	707,646	733,121	759,614	786,856	815,163
Charter/Other	242,471	252,170	262,257	272,747	282,566	292,738	303,277	314,185	325,508	337,224	349,394
Total Domestic Enplanements	3,262,458	3,392,957	3,528,675	3,669,822	3,801,936	3,938,805	4,080,602	4,227,504	4,379,694	4,537,363	4,700,708
International Enplanements											
Total	61,215	64,301	67,504	70,830	73,736	76,736	79,831	103,026	106,323	109,725	113,236
Total International Enplanements	61,215	64,301	67,504	70,830	73,736	76,736	79,831	103,026	106,323	109,725	113,236
Total Domestic and International Enplanements	3,343,673	3,477,258	3,616,179	3,760,652	3,895,672	4,035,541	4,180,434	4,330,530	4,486,017	4,647,088	4,813,944
Domestic Transit Passengers											
Total	239,637	244,190	248,630	253,558	258,375	263,285	268,267	273,354	278,579	283,872	289,265
Total Domestic Transit Passengers	239,637	244,190	248,630	253,558	258,375	263,285	268,267	273,354	278,579	283,872	289,265
International Transit Passengers											
Total	1,026,377	1,065,379	1,105,663	1,147,666	1,184,619	1,222,526	1,261,647	1,302,020	1,343,665	1,386,662	1,431,056
Total International Transit Passengers	1,026,377	1,065,379	1,105,663	1,147,666	1,184,619	1,222,526	1,261,647	1,302,020	1,343,665	1,386,662	1,431,056
Total Domestic and International Transit Passengers	1,266,014	1,309,569	1,354,293	1,401,444	1,442,994	1,485,811	1,529,914	1,575,404	1,622,263	1,670,554	1,720,322

**Anchorage International Airport
Redevelopment Program**

Draft - Confidential

Passenger Forecasts

	2018	2019	2020	2021	2022	2023	2024	2025
Domestic Enplanements								
Air Carrier	3,863,463	3,795,347	3,831,980	4,073,531	4,220,178	4,372,105	4,529,501	4,692,563
Regional	844,530	874,833	906,430	939,062	972,868	1,007,891	1,044,175	1,081,768
Charter/Other	361,841	374,971	388,470	402,455	416,943	431,953	447,504	463,814
Total Domestic Enplanements	4,869,834	5,045,251	5,228,880	5,415,048	5,609,990	5,811,949	6,021,180	6,237,942
International Enplanements								
Total	118,860	120,599	124,459	128,441	132,551	136,793	141,170	145,688
Total International Enplanements	118,860	120,599	124,459	128,441	132,551	136,793	141,170	145,688
Total Domestic and International Enplanements	4,988,793	5,165,851	5,353,339	5,543,489	5,742,541	5,948,742	6,162,350	6,383,630
Domestic Transit Passengers								
Total	294,761	300,362	308,069	311,884	317,810	323,848	330,001	336,271
Total Domestic Transit Passengers	294,761	300,362	308,069	311,884	317,810	323,848	330,001	336,271
International Transit Passengers								
Total	1,478,850	1,524,109	1,572,881	1,623,213	1,675,156	1,728,761	1,784,081	1,841,172
Total International Transit Passengers	1,478,850	1,524,109	1,572,881	1,623,213	1,675,156	1,728,761	1,784,081	1,841,172
Total Domestic and International Transit Passengers	1,771,611	1,824,471	1,878,949	1,935,097	1,992,966	2,052,609	2,114,082	2,177,443

Anchorage International Airport Redevelopment Program

AIA Operating Revenues and Expenses

Airport Operations:	Source *	(Actual) 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Domestic Enplaned Passengers	TAMS	2,017,651	2,098,988	2,208,133	2,322,068	2,443,750	2,548,631	2,658,431	2,772,743	2,891,971	3,016,328
International Enplaned Passengers	TAMS	33,133	37,797	42,635	48,092	54,248	57,637	61,877	66,084	70,578	75,377
Total Enplaned Passengers		2,050,784	2,136,783	2,250,768	2,371,040	2,497,998	2,606,268	2,720,308	2,838,828	2,962,549	3,091,704
Total Domestic Airlines CMGTW (1,000 lbs.)	(FY 98 Rates & Fees, %	6,452,320	6,775,000	6,980,000	7,259,200	7,548,588	7,851,551	8,165,813	8,482,237	8,831,927	9,185,204
Total International Airlines CMGTW (1,000 lbs.)	(FY 98 Rates & Fees, %	13,989,478	15,819,000	16,810,000	17,274,400	17,995,376	18,663,991	19,431,351	20,208,605	21,016,949	21,857,627
Total CMGTW (1,000 lbs.)		20,421,798	22,594,000	23,590,000	24,533,600	25,514,944	26,535,542	27,598,963	28,700,842	29,848,876	31,042,831
Operating Revenues:											
Airfield Operations:											
Fuel Flowage Fees:											
Commercial Aircraft	(FY 98 Rates & Fees, %	11,508,500	12,730,000	13,300,000	13,832,000	14,385,280	14,980,691	15,559,119	16,181,484	16,828,743	17,501,863
General Aviation Aircraft	(FY 98 Rates & Fees, %	20,188	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Landing Fees	Calculated	13,908,985	11,248,544	14,535,095	16,916,297	17,225,471	20,441,424	26,175,278	28,670,208	27,163,082	27,658,985
Aircraft Docking Fees	(FY 98 Rates & Fees, %	1,284,000	1,600,000	1,700,000	1,788,000	1,838,720	1,912,289	1,988,780	2,068,310	2,151,042	2,237,084
Federal Inspection Fees	(FY 98 Rates & Fees, %	299,188	218,000	278,000	287,040	298,522	310,482	322,881	335,788	348,228	363,197
Aircraft Parking Fees	(FY 98 Rates & Fees, %	519,483	567,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000
Main Terminal Operations:											
Allowance for Terminal Building Rentals	(FY 98 Rates & Fees, %	24,431	25,000	26,000	27,000	28,000	29,000	30,000	30,000	30,000	30,000
Terminal Building Rentals	Calculated	4,157,454	4,745,499	4,893,834	4,970,227	5,010,683	5,826,123	10,482,879	10,567,000	10,641,634	10,718,840
Concession Fees:											
Food and Beverage	(FY 98 Rates & Fees, %	730,344	757,000	772,000	802,880	834,985	868,395	903,131	939,258	976,826	1,015,899
News/Gifts	(FY 98 Rates & Fees, %	749,805	773,000	788,000	819,520	852,301	886,393	921,849	958,722	997,071	1,036,954
Rental Cars	(FY 98 Rates & Fees, %	2,681,210	2,844,000	3,003,000	3,123,120	3,248,045	3,377,987	3,513,085	3,653,609	3,799,753	3,951,743
Ground Transportation	(FY 98 Rates & Fees, %	44,965	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Display Advertising	(FY 98 Rates & Fees, %	156,435	173,000	178,000	183,040	189,382	197,978	205,895	214,131	222,698	231,804
Telephone	(FY 98 Rates & Fees, %	194,822	214,000	218,000	226,720	235,789	245,220	255,029	265,230	275,840	286,873
Other	(FY 98 Rates & Fees, %	27,913	47,000	48,000	49,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Revenue	(FY 98 Rates & Fees, %	229,504	190,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000
International Terminal Operations:											
Non-Airline Terminal Building Rentals	(FY 98 Rates & Fees, %	180,249	175,000	179,000	186,180	193,808	201,351	209,405	217,781	226,492	235,552
Airline Terminal Building Rentals	Calculated	909,595	1,040,308	890,582	900,118	901,513	1,071,989	1,078,215	1,078,935	1,079,382	1,079,809
Concession Fees:											
Food and Beverage	(FY 98 Rates & Fees, %	66,323	70,000	71,000	73,840	76,794	79,885	83,080	86,362	89,838	93,431
Duty Free	(FY 98 Rates & Fees, %	1,337,100	2,209,000	2,253,000	2,354,385	2,480,332	2,571,047	2,688,744	2,807,648	2,933,992	3,068,022
Other	(FY 98 Rates & Fees, %	27,856	43,000	44,000	45,780	47,590	49,494	51,474	53,533	55,674	57,901
Land Rental Fees	(FY 98 Rates & Fees, %	1,830,447	2,118,000	2,160,000	2,224,800	2,291,544	2,360,290	2,431,099	2,504,032	2,579,153	2,656,528
Vehicle Parking Fees	(FY 98 Rates & Fees, %	3,292,316	3,686,000	3,760,000	3,910,400	4,068,816	4,229,489	4,398,888	4,574,615	4,757,600	4,947,603
Total AIA Operating Revenues		44,138,871	45,815,350	49,908,511	53,515,307	55,051,362	60,484,445	72,171,571	74,071,870	78,023,048	78,035,299
			103.35%	109.41%	107.23%	102.87%	109.87%	119.32%	102.63%	102.63%	102.65%
Operating Expenses:											
Administration	(FY 98 Rates & Fees, %	3,897,038	4,485,000	4,742,000	4,884,280	5,030,788	5,181,711	5,337,183	5,487,278	5,662,198	5,832,082
Administrative Overhead	(FY 98 Rates & Fees, %	934,208	945,000	983,000	1,012,480	1,042,895	1,074,151	1,108,375	1,139,568	1,173,753	1,208,986
Field Maintenance	(FY 98 Rates & Fees, %	4,732,155	4,988,000	5,172,000	5,327,180	5,488,975	5,651,584	5,821,132	5,995,786	6,175,638	6,360,908
Building Maintenance	(FY 98 Rates & Fees, %	5,732,638	5,948,000	5,870,000	6,046,100	6,227,483	6,414,307	6,608,737	6,804,939	7,009,087	7,219,380
Security	(FY 98 Rates & Fees, %	5,728,315	5,945,000	6,310,000	6,499,300	6,694,279	6,895,107	7,101,981	7,315,019	7,534,470	7,760,504
Custodial	(FY 98 Rates & Fees, %	3,484,846	3,479,000	3,631,000	3,739,930	3,852,128	3,967,892	4,086,722	4,209,324	4,335,604	4,465,872
Equipment Maintenance	(FY 98 Rates & Fees, %	1,554,817	1,898,000	1,813,000	1,867,380	1,923,412	1,981,114	2,040,547	2,101,784	2,164,817	2,229,781
Operations	(FY 98 Rates & Fees, %	1,765,734	2,155,000	2,338,000	2,408,140	2,480,384	2,554,798	2,631,440	2,710,383	2,791,694	2,875,445
Equipment and Replacements	(FY 98 Rates & Fees, %	297,748	350,000	350,000	360,500	371,315	382,454	393,828	405,748	417,918	430,456
Total Operating Expenses		28,105,298	30,157,000	31,209,000	32,145,270	33,109,628	34,102,917	35,128,004	36,179,785	37,265,178	38,383,133

Anchorage International Airport
Redevelopment Program

Draft - Confidential

AIA Operating Revenues and Expenses

Airport Operations:	Source *	(Actual) 1996	1997 107.30%	1998 103.49%	1999 103.00%	2000 103.00%	2001 103.00%	2002 103.00%	2003 103.00%	2004 103.00%	2005 103.00%
Income (Loss) from Operations **		18,033,675	15,458,350	18,099,511	21,370,037	21,941,734	28,381,528	37,045,568	37,891,885	38,757,868	39,852,165
• FIA Fund Transfer		(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
Net Cash Flow Before Subordinated Expenses		12,533,675	11,958,350	15,199,511	17,870,037	18,441,734	22,881,528	33,545,568	34,391,885	35,257,868	36,152,165
Outstanding Debt Service - Series H ***	(Actual)	3,077,755	3,074,915	3,084,258	3,091,089	2,178,890					
Outstanding Debt Service - Series I ***	(Actual)	2,595,198	2,808,019	2,617,089	2,613,778	2,611,168	2,614,371	2,613,280	2,617,730	2,617,895	2,622,765
Subtotal Outstanding Debt Service		5,672,951	5,882,934	5,681,327	5,704,867	4,789,028	2,614,371	2,613,280	2,617,730	2,617,895	2,622,765
Net Debt Service - Terminal Redevelopment:											
FY 99	(Calculated)	0	0	0	0	0	6,072,650	16,368,159	16,360,793	16,372,838	16,383,083
FY 2000	(Calculated)	0	0	0	0	0	0	0	0	0	0
Future Terminal Bond Sizing (Inactive)	(Calculated)	0	0	0	0	0	0	0	0	0	0
Future Terminal Bond Sizing (Inactive)	(Calculated)	0	0	0	0	0	0	0	0	0	0
Subtotal New Terminal Debt Service		0	0	0	0	0	6,072,650	16,368,159	16,360,793	16,372,838	16,383,083
Net Debt Service - North Air Park Cargo	(Calculated)	0	0	0	0	0	0	0	0	0	0
Subtotal New North Air Park Debt Service		0	0	0	0	0	0	0	0	0	0
Net Debt Service - West Air Park Cargo:											
Series I	(Calculated)	0	0	0	0	0	0	0	0	0	0
Series II	(Calculated)	0	0	0	0	0	0	0	0	0	0
Subtotal New West Air Park Debt Service		0	0	0	0	0	0	0	0	0	0
Net Debt Service - Airfield Expansion	(Calculated)	0	0	0	0	0	0	0	0	0	0
Subtotal New Airfield Expansion Debt Service		0	0	0	0	0	0	0	0	0	0
Net Debt Service - FIA											
Series 1	(Calculated)	0	0	0	0	0	0	0	0	0	0
Subtotal New FIA Debt Service		0	0	0	0	0	0	0	0	0	0
Total Debt Service		5,672,951	5,882,934	5,681,327	5,704,867	4,789,028	8,687,021	19,001,419	18,998,523	18,990,533	18,985,848
(Operating) Debt Service Coverage		2.21	2.10	2.68	3.13	3.85	2.63	1.77	1.81	1.86	1.90
Total Subordinated Operating and Capital Expenses		0	0	768,613	868,253	971,859	1,079,068	1,180,807	1,308,567	1,427,208	1,552,650
Net Cash Flow Before Debt Service		12,533,675	11,958,350	14,430,898	17,001,784	17,469,876	21,802,440	32,354,959	33,083,298	33,830,661	34,599,515
Net Cash Flow After Debt Service		6,860,624	6,277,416	8,749,571	11,296,917	12,681,848	13,115,419	13,353,540	14,084,775	14,840,129	15,613,668

* Sources of Financial Information:

Alaska International Airport System Rates and Fees, FY 96 (projections FY 97 through FY 2000)

** Analysis disregards effects of non-cash expenses (e.g. depreciation and amortization).

*** Analysis includes all outstanding debt service of Alaska International Airport System (e.g. amounts allocated to Fairbanks as well as AIA).

Anchorage International Airport Redevelopment Program

AIA Operating Revenues and Expenses

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Airport Operations:												
Domestic Enplaned Passengers	3,130,979	3,262,458	3,392,957	3,528,875	3,669,822	3,801,936	3,938,805	4,080,802	4,227,504	4,379,864	4,537,363	4,700,708
International Enplaned Passengers	78,242	81,215	84,301	87,504	90,630	93,736	96,736	99,831	103,026	106,323	109,725	113,236
Total Enplaned Passengers	3,215,221	3,343,673	3,477,258	3,616,179	3,760,452	3,895,672	4,035,541	4,180,434	4,330,530	4,486,017	4,647,088	4,813,944
Total Domestic Airlines CMGTW (1,000 lbs.)	8,552,812	8,934,716	10,332,105	10,745,389	11,175,205	11,510,481	11,855,775	12,211,448	12,577,792	12,955,125	13,343,779	13,744,092
Total International Airlines CMGTW (1,000 lbs.)	22,731,932	23,641,209	24,589,858	25,570,332	26,593,145	27,390,840	28,212,658	29,059,048	29,930,819	30,826,744	31,753,608	32,708,214
Total CMGTW (1,000 lbs.)	32,284,544	33,575,925	34,918,963	36,315,721	37,768,350	38,901,401	40,068,443	41,270,496	42,508,611	43,783,869	45,097,385	46,450,307
Operating Revenues:												
Airfield Operations:												
Fuel Flowage Fees:												
Commercial Aircraft	18,201,068	18,930,047	19,687,249	20,474,739	21,293,729	21,832,540	22,560,517	23,268,232	23,966,279	24,665,267	25,425,825	26,188,600
General Aviation Aircraft	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Landing Fees	28,159,649	28,684,221	29,167,508	29,671,343	30,166,516	30,676,134	31,186,605	31,697,513	32,207,800	32,718,450	33,229,185	33,740,015
Aircraft Docking Fees	2,329,587	2,419,630	2,516,415	2,617,072	2,721,755	2,830,407	2,887,510	2,974,135	3,063,359	3,155,290	3,249,918	3,347,415
Federal Inspection Fees	377,725	392,834	408,547	424,889	441,885	455,141	468,798	482,860	497,345	512,266	527,634	543,463
Aircraft Parking Fees	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000
Main Terminal Operations:												
Allowance for Terminal Building Rentals	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Terminal Building Rentals	10,796,040	10,876,299	10,957,976	11,042,022	11,125,200	11,229,039	11,335,625	11,445,825	11,557,980	11,671,932	11,789,941	11,909,096
Concession Fees:												
Food and Beverage	1,056,535	1,098,797	1,142,749	1,188,459	1,235,997	1,273,077	1,311,269	1,350,807	1,391,125	1,432,859	1,475,845	1,520,120
News/Gifts	1,076,432	1,121,570	1,168,432	1,213,090	1,261,813	1,299,462	1,338,448	1,378,599	1,419,957	1,462,556	1,506,432	1,551,625
Rental Cars	4,109,813	4,274,205	4,445,174	4,622,981	4,807,900	4,952,137	5,100,701	5,253,722	5,411,334	5,573,674	5,740,884	5,913,110
Ground Transportation	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Display Advertising	240,868	250,503	260,523	270,944	281,782	290,235	298,942	307,910	317,148	326,662	336,462	346,556
Telephone	298,348	310,282	322,693	335,601	349,025	359,496	370,281	381,389	392,831	404,616	416,754	429,257
Other	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Revenue	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000	194,000
International Terminal Operations:												
Non-Airline Terminal Building Rentals	244,974	254,773	264,984	275,562	286,585	295,182	304,038	313,159	322,554	332,230	342,197	352,463
Airline Terminal Building Rentals	1,079,848	1,079,898	1,079,730	1,079,445	1,078,630	1,082,775	1,086,999	1,091,401	1,095,789	1,100,076	1,104,836	1,109,724
Concession Fees:												
Food and Beverage	97,168	101,055	105,097	109,301	113,673	117,083	120,598	124,214	127,940	131,778	135,732	139,804
Duty Free	3,182,531	3,303,467	3,428,998	3,559,300	3,694,554	3,812,779	3,934,788	4,060,702	4,190,844	4,324,745	4,463,137	4,605,957
Other	60,217	62,628	65,131	67,736	70,445	72,559	74,736	76,978	79,287	81,666	84,116	86,639
Land Rental Fees	2,736,223	2,816,310	2,902,859	2,989,945	3,079,844	3,172,033	3,267,194	3,365,210	3,466,166	3,570,151	3,677,255	3,787,573
Vehicle Parking Fees	5,145,820	5,351,652	5,565,719	5,788,347	6,019,881	6,200,478	6,386,492	6,578,067	6,775,429	6,978,692	7,188,053	7,403,694
Total AIA Operating Revenues	80,087,728	82,205,188	84,382,784	86,625,778	88,923,812	91,218,558	93,577,534	96,005,541	98,497,947	101,055,788	103,698,778	106,426,842
	102.63%	102.64%	102.65%	102.66%	102.65%	102.58%	102.59%	102.59%	102.60%	102.60%	102.61%	100.16%
Operating Expenses:												
Administration	6,007,024	6,187,234	6,372,851	6,564,037	6,760,958	6,963,787	7,172,700	7,387,881	7,609,518	7,837,803	8,072,938	8,315,126
Administrative Overhead	1,245,235	1,282,592	1,321,070	1,360,702	1,401,523	1,443,599	1,486,878	1,531,482	1,577,426	1,624,749	1,673,492	1,723,696
Field Maintenance	6,551,735	6,748,287	6,950,738	7,159,258	7,374,035	7,595,250	7,823,114	8,057,807	8,299,542	8,548,528	8,804,984	9,069,133
Building Maintenance	7,435,940	7,659,019	7,888,789	8,125,453	8,369,216	8,620,293	8,878,902	9,145,269	9,419,627	9,702,216	9,993,282	10,293,081
Security	7,993,319	8,233,119	8,480,112	8,734,516	8,996,551	9,266,448	9,544,441	9,830,774	10,125,696	10,429,499	10,742,353	11,064,623
Custodial	4,599,642	4,737,631	4,879,780	5,026,153	5,176,936	5,332,248	5,492,213	5,656,980	5,826,889	6,001,490	6,181,534	6,366,980
Equipment Maintenance	2,298,654	2,365,554	2,436,520	2,509,616	2,584,904	2,662,452	2,742,325	2,824,595	2,909,333	2,996,813	3,086,511	3,179,106
Operations	2,981,708	3,050,560	3,142,076	3,236,339	3,333,429	3,433,432	3,536,435	3,642,528	3,751,804	3,864,358	3,980,268	4,099,697
Equipment and Replacements	443,370	456,671	470,371	484,482	499,016	513,987	529,406	545,289	561,847	578,487	595,852	613,727
Total Operating Expenses	39,534,827	40,720,666	41,942,286	43,200,555	44,496,572	45,831,499	47,208,413	48,622,805	50,081,263	51,563,722	53,131,233	54,726,170

**Anchorage International Airport
Redevelopment Program**

Draft - Confidential

AIA Operating Revenues and Expenses

Airport Operations:	2006 103.00%	2007 103.00%	2008 103.00%	2009 103.00%	2010 103.00%	2011 103.00%	2012 103.00%	2013 103.00%	2014 103.00%	2015 103.00%	2016 103.00%	2017 103.00%
Income (Loss) from Operations **	40,553,101	41,464,502	42,440,478	43,425,222	44,427,240	45,387,089	46,371,121	47,382,936	48,416,664	49,472,066	50,565,542	49,141,471
* FIA Fund Transfer	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
Net Cash Flow Before Subordinated Expenses	37,053,101	37,964,502	38,940,478	39,925,222	40,927,240	41,887,089	42,871,121	43,882,936	44,916,664	45,972,066	47,065,542	45,641,471
Outstanding Debt Service - Series H ***												
Outstanding Debt Service - Series I ***	2,617,673	2,622,000	2,620,166	2,622,650	2,629,613	2,635,663	2,640,525	2,643,925	2,650,450	2,654,666	2,661,225	
Subtotal Outstanding Debt Service	2,617,673	2,622,000	2,620,166	2,622,650	2,629,613	2,635,663	2,640,525	2,643,925	2,650,450	2,654,666	2,661,225	0
Net Debt Service - Terminal Redevelopment:												
FY 00	16,355,270	16,342,673	16,334,723	16,323,718	16,296,780	16,264,063	16,270,918	16,280,606	16,241,626	16,218,365	16,202,663	16,180,420
FY 2000	0	0	0	0	0	0	0	0	0	0	0	0
Future Terminal Bond Sizing (Inactive)	0	0	0	0	0	0	0	0	0	0	0	0
Future Terminal Bond Sizing (Inactive)	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal New Terminal Debt Service	16,355,270	16,342,673	16,334,723	16,323,718	16,296,780	16,264,063	16,270,918	16,280,606	16,241,626	16,218,365	16,202,663	16,180,420
Net Debt Service - North Air Park Cargo	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal New North Air Park Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
Net Debt Service - West Air Park Cargo:												
Series I	0	0	0	0	0	0	0	0	0	0	0	0
Series II	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal New West Air Park Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
Net Debt Service - Airfield Expansion	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal New Airfield Expansion Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
Net Debt Service - FIA												
Series 1	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal New FIA Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt Service	18,972,943	18,964,673	18,954,911	18,946,368	18,926,393	18,919,746	18,911,443	18,904,533	18,892,078	18,873,053	18,863,866	18,180,420
(Operating) Debt Service Coverage	1.95	2.00	2.05	2.11	2.16	2.21	2.27	2.32	2.36	2.44	2.50	2.82
Total Subordinated Operating and Capital Expenses	1,663,111	1,618,791	1,959,866	2,106,650	2,259,271	2,376,316	2,500,932	2,627,227	2,757,310	2,891,296	3,029,302	3,171,447
Net Cash Flow Before Debt Service	35,390,989	36,165,711	36,980,580	37,618,572	38,667,969	39,506,773	40,370,189	41,255,709	42,159,353	43,080,770	44,036,241	42,470,024
Net Cash Flow After Debt Service	16,397,046	17,200,738	18,025,669	18,872,204	19,741,576	20,589,026	21,456,746	22,351,177	23,267,276	24,207,717	25,172,353	26,289,604

* Sources of Financial Information:

Alaska International Airport System Rates and Fees, F

** Analysis disregards effects of non-cash expenses (e.g.

*** Analysis includes all outstanding debt service of Alaska