

**MINUTES OF A REGULAR MEETING
OF THE
FRIEDMAN MEMORIAL AIRPORT AUTHORITY***

**March 3, 2015
5:30 P.M.**

- IN ATTENDANCE:** **BOARD MEMBERS:** Chairman – Ron Fairfax, Vice-Chairman – Don Keirn, Board – Lawrence Schoen, Fritz Haemmerle, Jacob Greenberg, Angenie McCleary, Pat Cooley (Via Conference Phone)
FRIEDMAN MEMORIAL AIRPORT STAFF: Airport Manager – Rick Baird, Emergency/Operations Chief – Peter Kramer, Contracts/Finance Administrator – Lisa Emerick, ASC/Special Projects Coordinator/Executive Assistant – Steve Guthrie, Administrative Assistant/Alternate Security Coordinator – Roberta Christensen, Administrative Assistant – Cecilia Vega
CONSULTANTS: T-O Engineers – Dave Mitchell, Chris Pomeroy; R/L/B – Nicholas Latham, Mike Smith; Mead & Hunt – Evan Barrett, Jan Horsfall; McFarland Architects - Mark McFarland
AIRPORT TENANTS/PUBLIC:: Bellevue City Council – James Stireman, Bob Leahy; Glass Cockpit Aviation – John Strauss; Evan Stelma, Donna Serrano, Diane Shay, Len Harlig, Felicity Roberts, City of Ketchum/FSVA - Baird Gourlay, Atlantic Aviation – Brian Blackburn, Carlton Green, SVBR – Bob Crosby
AIRPORT LEGAL COUNSEL: Lawson Laski Clark & Pogue, PLLC – Jim Laski
PRESS: Idaho Mountain Express – Greg Moore
- CALL TO ORDER:** The meeting was called to order at 5:35 p.m. by Chairman Fairfax.
- I. APPROVE AGENDA** The agenda was approved as presented.
- II. PUBLIC COMMENT** No public comment was made.
- III. ELECTION OF OFFICERS** Chairman Fairfax asked the Board to discuss the election of officers as they are required to do so in March of every odd-numbered year, as stated in the Amended and Restated By-Laws of the FMAA.
- Board Member Schoen commented that he would prefer to reappoint Independent Board Member Ron Fairfax as Chairman and elect a County representative for Vice-Chairman as a matter of simple rotation.
- Board Member Haemmerle suggested that the Board rotate the Chairmanship to Vice-Chairman Keirn and commented that the suggestion that the City of Hailey turn over the offices of Vice-Chairman and Chairman is unacceptable.
- Board Member McCleary commented that she would not object to the City of Hailey retaining the Vice-Chairman position.
- Board Member Cooley and Board Member McCleary briefly discussed the history of the rotation of chairmen between the City, County and Independent Board Member with Airport Manager Baird and former Board Member Len Harlig commenting.
- Len Harlig recommended that the Board be professional managers and choose the individual who is best qualified to serve as Chairman and not worry so much about what City or County they represent.

Board Member Schoen commented that most of the Board Members have the experience to serve as either Chairman or Vice-Chairman and his previous suggestion does not imply that he thinks a representative from the City or County should be Vice-Chairman or Chairman but rather that Chairman Fairfax is doing a good job and he does not see a reason to replace him at this time.

Chairman Fairfax commented that Board Member Schoen is an excellent Secretary for the Board and Board Member Greenberg is an excellent Treasurer for the Board.

Board Member McCleary commented that it is good to have balance and the City should be appointed as Vice-Chairman if the Secretary and Treasurer are to remain appointed to the County.

Board Member Haemmerle commented that the chairmanship should be held by an elected Board Member from either the County or the City.

MOTION: *Made by Board Member Schoen to keep the current slate of officers. Seconded by Board Member Greenberg.*

PASSED
BOARD MEMBER HAEMMERLE OPPOSED

Board Member Haemmerle commented that, in his opinion, the chairmanship needs to be rotated as there are plenty of individuals on the Board that could do just as good a job as Chairman Fairfax.

Board Member Greenberg commented that the current slate of officers is well-balanced, all the appointed officers are doing what they should be doing, and the Board is progressing in a positive direction.

Board Member Cooley agreed that Board Members Schoen, Greenberg, and Keirn are well-suited to their positions; however, he agrees with Board Member Haemmerle that a Board Member that shares ownership of the Airport should be appointed as Chairman.

Chairman Fairfax commented that he has served on the Board for more than 15 years and although he was surprised to be appointed as Chairman, it has benefited his relationship with Staff and his understanding of Airport procedures. He also commented that he feels he is currently the best candidate for the chairmanship because continuity is mandatory to the progress of current Airport projects to be completed on schedule.

Board Member Haemmerle asked if Chairman Fairfax would be opposed to rotating the chairmanship once the current Airport projects are completed.

Chairman Fairfax answered that he would be in favor of rotating the chairmanship after completion of the Airport construction projects.

IV. APPROVE FMAA MEETING MINUTES

A. February 5, 2015 Regular Meeting (See Brief)

The February 5, 2015 Friedman Memorial Airport Authority Meeting Minutes were approved as presented.

MOTION:

Made by Board Member McCleary to approve the February 5, 2015 Friedman Memorial Airport Authority Regular Meeting Minutes as presented. Seconded by Vice-Chairman Keirn.

PASSED UNANIMOUSLY

V. REPORTS

A. Chairman Report

No report was given.

B. Blaine County Report

Board Member Schoen reported that he traveled to Washington D.C. to attend the National Association of Counties Conference at which FAA funding re-authorization was discussed. He gave Board Members a packet of information regarding stakeholder support of FAA reauthorization (Minutes Attachment #1). He said the contract tower program is not well known and needs to be promoted.

C. City of Hailey Report

Board Member Haemmerle reported that the City of Hailey has reviewed and discussed the Draft Master Plan and are not in a position to take any action on the document tonight as there are a lot of concerns about the document that need to be addressed first.

Board Member Haemmerle excused himself and ended the conference call.

D. Airport Manager Report

Airport Manager Baird reported on the following items:

- An Airport Tour with Lisa Horowitz and a meeting with the City of Hailey Arts Council.
- The current status of the Contract Tower Funding efforts going on in Washington D.C.

VI. AIRPORT STAFF BRIEF

A. Noise Complaints (See Brief)

B. Parking Lot Update (See Brief)

C. Profit & Loss, ATCT Traffic Operations Count and Enplanement Data (See Brief)

D. Review Correspondence (See Brief)

E. Airport Commercial Flight Interruptions (See Brief)

VII. UNFINISHED BUSINESS

A. Airport Solutions

1. Existing Site

a. Plan to Meet 2015 Congressional Safety Area Requirement (See Brief)

i. Project 3 Terminal Reconfiguration (See Brief)

Engineer Mitchell updated the Board on the current status of Project 3 of the RSA Improvements Project.

ii. **Project 4 Airport Operations Building (See Brief)**

Engineer Mitchell and Architect Latham updated the Board on the current status of Project 4 of the RSA Improvements Project.

iii. **Project 6 Relocate Taxiway B/Remove Taxiway A/North Apron (See Brief)**

Engineer Mitchell updated the Board on the current status of Project 6 of the RSA Improvements Project.

The Board discussed technical aspects of Engineer Mitchell's presentation including where the companies that submitted bids are from and whether or not Schedules A, B or C could be awarded to the lowest bidder for each individual Schedule. He advised that the schedules should be considered together and that Knife River is the low bidder.

MOTION: *Made by Board Member Schoen to approve the award of Contract 6 to Knife River Corporation Northwest in an amount not to exceed \$6,755,863, subject to final review by FAA, Staff, Engineer and Legal Counsel and authorize the Chair to execute the contract documents, following final review. Seconded by Board Member McCleary.*

PASSED UNANIMOUSLY

iv. **Terminal Finish Out/Remodel (See Brief)**

Engineer Mitchell and Airport Manager Baird updated the Board on the current status of the terminal tenant finish-out and remodel of the RSA Improvements Project.

Board Member Greenberg commented that the Finance Committee has reviewed the scope of work for the Terminal Finish Out/Remodel Project, visited the construction site and agreed that the revised fees are appropriate. He recommended that the Board approve the proposed fees for architectural, engineering, and professional services associated with this project.

Board Member Schoen asked if the FAA will be reviewing the fees for this project.

Airport Manager Baird answered that the FAA will not be reviewing the fees or scope of work for this project as it is not AIP-eligible; however, the GSA will be reviewing the scope of work and fees on behalf of the TSA.

MOTION: *Made by Board Member Greenberg to approve the scope of work and fees associated with the architectural, engineering, and professional services for the design and construction of the Terminal Tenant finish-out/remodel not to exceed \$95,412 and authorize Chair execution of Work Order 15-01. Seconded by Board Member Cooley.*

PASSED UNANIMOUSLY

v. Future Projects (See Brief)

Engineer Mitchell updated the Board on the status of the upcoming snow removal equipment acquisition, parking lot improvements/landscaping, runway rehabilitation, and Project 7 of the RSA Improvements Project.

Board Member Schoen suggested that Engineer Mitchell research whether or not the Airport's vehicle entrance can be repositioned from its current location on the south end of the Airport to the north end of the Airport by the Car Park ticket booth.

Engineer Mitchell and Airport Manager Baird commented that they would look at the options for a parking lot entrance/exit reconfiguration.

Airport Manager Baird requested that the Finance and Design Review Committees prepare to meet sometime this week to go over more details of these projects.

b. Retain/Improve/Develop Air Service

i. Fly Sun Valley Alliance Update (See Brief)

Fly Sun Valley Alliance representative, Baird Gourlay, updated the Board that the FSVA has decided to meet only 7 times per year so there was not a meeting held in March, but Carol Waller should have an update for the Board in April.

c. SUN Instrument Approach Improvements – Phase 2 Update (See Brief)

T-O Engineers Planning Services Leader, Chris Pomeroy, updated the Board on the findings of Phase 2 of the Sun Instrument Approach Improvements Project.

The Board discussed technical aspects of Mr. Pomeroy's presentation including the type and amount of aircraft that will be able to operate at the new 400 ft. climb gradient and the difference between Decision Altitude and Minimum Descent Altitude.

B. Master Plan Update

McFarland Architect Mark McFarland, and Mead & Hunt Aviation Planner Evan Barrett briefed the Board on the development of the Master Plan Update.

The Board discussed technical aspects of the Master Plan Update presentation including the following:

- Whether or not the FAA dictates the master planning process.
- The criteria used to determine the Terminal Area Forecast and the purpose of such a forecast.
- Whether or not the consultants gathered information from Fly Sun Valley Alliance regarding the commercial enplanement data included in the document.
- How long commercial airlines intend to operate the CRJ 700 at the Airport.
- What the limit is for the size of aircraft that will be able to operate at the Airport.
- The projected future capacity of the Airport.

Airport Manager Baird commented that Staff will include an explanation of the purpose and criteria for the FAA's Terminal Area Forecast in the Master Plan Update.

The Board agreed to postpone the approval of the Master Plan Update Working

VIII. NEW BUSINESS

A. April Board Meeting

Airport Manager Baird requested that the Board reschedule the April Board Meeting in order to accommodate Staff's attendance at the FAA Northwest Mountain Region Airports Conference.

The Board agreed to reschedule the April Board Meeting to Tuesday, April 14, 2015.

IX. PUBLIC COMMENT

Carlton Green suggested that the Airport consider providing a restroom for The Car Park employees as right now they are only provided with a portable toilet.

X. ADJOURNMENT

The March 3, 2015 Regular Meeting of the Friedman Memorial Airport Authority was adjourned at approximately 8:53 p.m.



Lawrence Schoen, Secretary

* *Additional resources/materials that should be reviewed with these meeting minutes include but are not limited to the Friedman Memorial Airport Authority Board Packet briefing, the PowerPoint presentation prepared for this meeting and any referenced attachments.*

NATIONAL ASSOCIATION OF COUNTIES POLICY BRIEF

2015

SUPPORT FAA REAUTHORIZATION

ACTION NEEDED: Advocate for the passage of an FAA reauthorization bill that supports airport development and continues air service to large and small communities.

BACKGROUND: Counties play a critical role in the nation's transportation systems, including the nation's air transportation system. Counties own 34 percent of the nation's publically-owned airports and spend \$4.5 billion annually on air transportation, which supports nearly 12,000 employees across the country.

In February of 2012, Congress passed a four-year reauthorization of Federal Aviation Administration (FAA) programs known as the FAA Modernization and Reform Act of 2012. The bill was the first long-term authorization of federal civil aviation programs since 2007 and was finally enacted after 23 short-term extensions. The FAA reauthorization process allows Congress to address many aspects of FAA policy and funding, including a number of programs that benefit counties. The current authorization is set to expire at September 2015. By that time, Congress will have to either pass a reauthorization bill or an extension to avert a shutdown of agency operations.

KEY ISSUES FOR COUNTIES IN FAA REAUTHORIZATION: There are several policy questions Congress is likely to address in the next FAA bill that are important to counties, including airport development funding and subsidies for remote and rural air service.

- **Airport Improvement Program (AIP):** The AIP provides federal grants to airports for airport development and planning. AIP funding can support a wide range of airports, including many large commercial airports and small general aviation airports. However, commercial revenue-producing facilities are generally ineligible for AIP funding. The main advantage to the AIP program is that it provides funds for capital projects without the financial burden of debt financing, although airports are required to provide a local match (between 5 and 25 percent depending on the airport size and eligible costs). The FAA Modernization and Reform Act of 2012 authorized the AIP at \$3.35 billion for four years. In FY 2014, counties received \$927.7 million in AIP funding. **NACo supports continued funding for the AIP and increasing the federal share on airport development projects.**
- **Passenger Facility Charges (PFCs):** The PFC is a state, local or port authority fee, not a federally imposed tax. The money raised from PFCs are required to be spent on eligible airport-related projects, such as projects to enhance safety, security or capacity at airports; and projects that reduce noise or increase air carrier competition. Unlike AIP funds, PFC funds may be used to service debt incurred to carry out projects. Although PFCs are not imposed by the federal government, Congress does set a ceiling on PFCs. In 2000, legislation raised the PFC ceiling to \$4.50, with an \$18 limit on the total PFCs a passenger can be charged per round trip. **NACo supports the continued collection of PFCs and providing airport sponsors flexibility in determining how PFC funds may be spent.**

QUICK FACTS

- Counties play a critical role in nation's air transportation system
- Counties own 34 percent of the nation's publically-owned airports
- Counties spend \$4.5 billion annually on air transportation, which supports nearly 12,000 employees across the country
- The current FAA authorization expires September 30, 2015



- **Essential Air Service (EAS) Program:** The EAS program was created to guarantee that small communities being served by certified airlines maintained commercial service following the deregulation of the airline industry. When Congress passed the Airline Deregulation Act of 1978, airlines were given almost complete freedom to determine areas of service and what airfares to charge, inherently putting less profitable markets at a disadvantage. Since its establishment, the EAS program has ensured continued commercial service to eligible communities by providing subsidies to carriers providing service between EAS communities and major hub airports. The EAS program was among the most contentious issues in the FAA Modernization and Reform Act of 2012, with a final compromise including reductions in discretionary spending for the program and limiting the program to only those communities participating in the program in FY 2011. For FY 2015, the program received \$155 million in discretionary funding and \$100 million in mandatory funding to subsidize air service to 160 communities. NACo supports continuing EAS subsidies to carriers serving small communities and fully funding the program.
- **Small Community Air Service Program (SCASDP):** The SCASDP is a grant program designed to help small communities address air service and airfare issues. Compared to the EAS program, SCASDP provides communities the opportunity to self-identify their air service needs and propose solutions. Participation in the program is limited to those communities where the airport is not larger than a primary small hub, the service is insufficient and the air fares to the community are unreasonably high. The FAA Modernization and Reform Act of 2012 authorized the program at \$6 million per year. NACo supports continued, sufficient and guaranteed funding for the SCASDP.

For further information, contact: Jessica Monahan at 202.942.4217 or jmonahan@naco.org

COMMITTEES OF JURISDICTION: FAA REAUTHORIZATION

U.S. House Transportation and Infrastructure Committee		U.S. Senate Commerce, Science and Transportation Committee	
<p>Majority: Bill Shuster (R-Pa.) – <i>Chairman</i></p> <p>Don Young (R-Alaska) John J. Duncan Jr. (R-Tenn.) John L. Mica (R-Fla.) Frank A. LoBiondo (R-N.J.) Gary G. Miller (R-Calif.) Sam Graves (R-Mo.) Candice S. Miller (R-Mich.) Duncan Hunter (R-Calif.) Rick Crawford (R-Ark.) Lou Barletta (R-Pa.) Blake Farenthold (R-Texas) Bob Gibbs (R-Ohio) Richard Hanna (R-N.Y.) Daniel Webster (R-Fla.) Jeff Denham (R-Calif.) Reid Ribble (R-Wis.) Thomas Massie (R-Ky.) Tom Rice (R-S.C.) Mark Meadows (R-N.C.) Scott Perry (R-Pa.) Rodney Davis (R-Ill.) Mark Sanford (R-S.C.) Rob Woodall (R-Ga.) Todd Rokita (R-Ind.) John Katko (R-N.Y.) Brian Babin (R-Texas) Cresent Hardy (R-Nev.) Ryan Costello (R-Pa.) Garret Graves (R-La.) Mimi Walters (R-Calif.) Barbara Comstock (R-Va.) Carlos Curbelo (R-Fla.) David Rouzer (R-N.C.) Lee Zeldin (R-N.Y.)</p>	<p>Minority: Peter A. DeFazio (D-Ore.) – <i>Ranking Member</i></p> <p>Eleanor Holmes Norton (D-D.C.) Jerrold Nadler (D-N.Y.) Corrine Brown (D-Fla.) Eddie Bernice Johnson (D-Texas) Elijah E. Cummings (D-Md.) Rick Larsen (D-Wash.) Michael E. Capuano (D-Mass.) Grace F. Napolitano (D-Calif.) Daniel Lipinski (D-Ill.) Steve Cohen (D-Tenn.) Albio Sires (D-N.J.) Donna Edwards (D-Md.) John Garamendi (D-Calif.) André Carson (D-Ind.) Janice Hahn (D-Calif.) Rick Nolan (D-Minn.) Ann Kirkpatrick (D-Ariz.) Dina Titus (D-Nev.) Sean Patrick Maloney (D-N.Y.) Elizabeth Esty (D-Conn.) Lois Frankel (D-Fla.) Cheri Bustos (D-Ill.) Jared Huffman (D-Calif.) Julia Brownley (D-Calif.)</p>	<p>Majority: John Thune (R-S.D.) – <i>Chairman</i></p> <p>Roger Wicker (R-Miss.) Roy Blunt (R-Mo.) Marco Rubio (R-Fla.) Kelly Ayotte (R-N.H.) Ted Cruz (R-Texas) Deb Fischer (R-Neb.) Jerry Moran (R-Kan.) Dan Sullivan (R-Alaska) Ron Johnson (R-Wis.) Dean Heller (R-Nev.) Cory Gardner (R-Colo.) Steve Daines (R-Mont.)</p>	<p>Minority: Bill Nelson (D-Fla.) – <i>Ranking Member</i></p> <p>Maria Cantwell (D-Wash.) Claire McCaskill (D-Mo.) Amy Klobuchar (D-Minn.) Richard Blumenthal (D-Conn.) Brian Schatz (D-Hawaii) Edward J. Markey (D-Mass.) Cory Booker (D-N.J.) Tom Udall (D-N.M.) Joe Manchin III (D-W.Va.) Gary Peters (D-Mich.)</p>



TRANSPORTATION STEERING COMMITTEE AIRPORTS SUBCOMMITTEE

NACo 2015 LEGISLATIVE CONFERENCE
Marriott Wardman Park Hotel
ROOM: Thurgood Marshall South/West
SATURDAY, February 21, 2015
1:00 pm – 2:00 pm

Chair: **Hon. Mike White**, Councilmember, Maui County, Hawaii
Vice Chair: **Hon. Gary Moore**, County Judge/Executive, Boone County, Ky.

MEETING AGENDA

Call to Order and Welcome

- **Hon. Mike White**, Council Member, Maui County, Hawaii

Presentation on the Role Counties Play in the National Air System

- **Emilia Istrate**, Research Director, NACo

Panel Discussion on FAA Reauthorization

Counties play a critical role in the nation's transportation systems, including the nation's air transportation system. With the current Federal Aviation Administration (FAA) authorization set to expire September 31, 2015, Congress will soon be addressing many aspects of aviation policy and funding, including a number of programs that benefit counties. During this panel, the subcommittee will hear from industry experts representing the nation's airports and regional airlines regarding the path forward for FAA reauthorization and what may be at stake for county-owned airports and communities that depend on regional air service.

- **Annie Russo**, Managing Director, Government and Political Affairs, Airports Council International-North America
- **Faye Malarkey Black**, Senior Vice President-Government Affairs, Regional Airline Association

Adjourn

NACo Committee Staff Liaison: **Jessica Monahan**, Associate Legislative Director, 202.942.4217 or jmonahan@naco.org



AMERICA'S AIRPORTS ARE MORE THAN GATEWAYS TO TRAVEL.

THINKING BEYOND THE RUNWAY

Airports are gateways to economic opportunity. America's airports generate more than \$1.1 trillion dollars in economic activity and support more than 9.6 million jobs.

But we are at risk of falling behind. Our nation's airports need new infrastructure investments to modernize them for the 21st century and help them keep pace with international competition.

Building and operating a modern aviation system is no easy task. It takes countless industries from around the country to ensure airports keep us connected to a competitive world.

The Beyond the Runway Coalition is comprised of dynamic business and association leaders who see the value of America's airports as local job centers and national economic engines.



Learn more at www.airportsunited.com.

Together, we are aligned in our support for modernizing airport infrastructure financing to ensure our nation's airports have the resources they need to remain thriving hubs of economic opportunity.



AMERICA'S AIRPORTS: ENGINES OF GROWTH

As America's front doors, airports are essential to growing travel and tourism and contribute significantly to economic growth in communities nationwide. Airports are locally owned and operated, and are funded primarily from fees paid by users, including airlines, passengers and businesses operating at the airport. The future of America's airports depends on two vital policies: More local control over funding streams and stable increases in use of airport trust funds for major improvement projects.

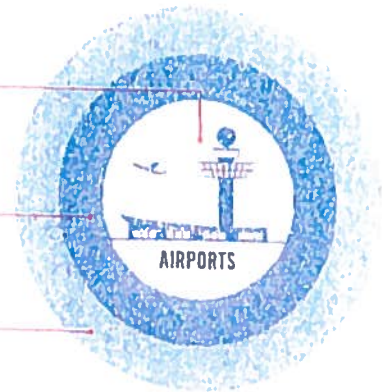
AIRPORT ECONOMIC IMPACT

America's commercial airports generate billions of dollars in annual economic activity and support millions of good, stable jobs. According to a recent economic study, these airports:

1.2 MILLION
people work at airports and airports support a total of 9.6 million jobs

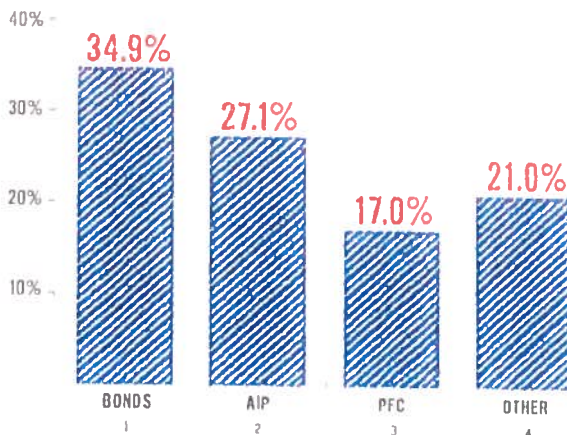
\$358 BILLION
annual payroll created by airports

\$1.1 TRILLION
total airport output is 7% of GDP



AIRPORT IMPROVEMENTS FUNDING

Terminal, runway and other enhancements have the potential to create millions of jobs without placing a burden on taxpayers

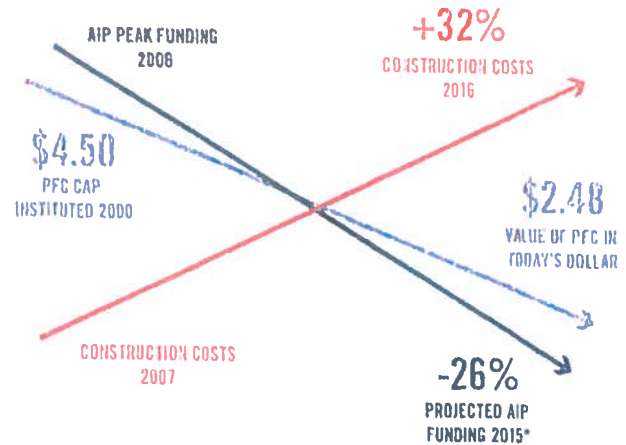


- 1 Excludes PFC-backed bonds
- 2 Airport Improvement Program grants
- 3 Passenger Facility Charges includes PFC-backed bonds and PFC Pay as you go
- 4 Includes local airport revenue, customer facility charges (CFC), and state and local grants

Source: ACI-NA 2013-17 Capital Needs Survey

CHALLENGING FUNDING ENVIRONMENT

Despite an increasingly challenging funding environment, local airports continue to take a long-term approach to planning and implementing important improvement projects that will ensure their communities are able to grow.



Source: ACI-NA - March 2014 * based on President's FY 2015 budget



AirportsForTheFuture.org



January 8, 2015

The Honorable John Thune
Chairman
Commerce, Science & Transportation Committee
U.S. Senate
254 Russell Senate Office Building
Washington, DC 20510

The Honorable Bill Nelson
Ranking Member
Commerce, Science & Transportation Committee
U.S. Senate
254 Russell Senate Office Building
Washington, DC 20510

The Honorable Kelly Ayotte
Chairman, Subcommittee
Aviation Operations, Safety & Security
U.S. Senate
560 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Maria Cantwell
Ranking Member, Subcommittee
Aviation Operations, Safety & Security
U.S. Senate
427 Hart Senate Office Building
Washington, DC 20510

Dear Chairmen Thune and Ayotte and Ranking Members Nelson and Cantwell:

As members of the Beyond the Runway Coalition, we are writing in strong support of efforts to modernize our nation's airports through legislation to reauthorize programs at the Federal Aviation Administration (FAA). As coalition partners – including contractors, vendors, retail establishments, restaurants, hotels, businesses, tourism groups, municipalities, and state officials – we all have a vested interest in ensuring that airports remain not only gateways to our country and the rest of the world but also strong economic engines and job centers for their local communities.

Our Beyond the Runway Coalition is a dynamic and diverse group of business and association leaders who see the value of America's airports as strong economic engines and job centers both locally and nationally. Together, we are aligned in our support for modernizing airport infrastructure financing to ensure our nation's airports have the resources they need to remain competitive and thriving hubs of economic opportunity.

We firmly believe that modernizing airport infrastructure is the best option for strengthening our nation's aviation system to meet the needs of today and the challenges of tomorrow. America's airports are powerful economic engines, generating more than \$1.1 trillion in annual activity and supporting more than 9.6 million jobs. However, airports require approximately \$15.14 billion annually in infrastructure improvements to update aging facilities, relieve delays and congestion, promote safety and security, enhance the passenger experience, as well as spur airline competition to provide consumers with more choices and affordable options. This is far more than the \$6.2 billion that airports received from both local user fees and federal grants in Fiscal Year 2014.

At a time when there is mounting pressure to reduce federal spending, modernizing the system that allows airports to set a locally-determined fee for use of their facilities – coupled with protecting the federal trust-fund program supported entirely by users of the aviation system – is the most free-market option to provide airports with the locally controlled self-help they need to finance critical infrastructure projects. These measures would give airports the tools they need to ensure the continued safety, security, and modernization of their facilities.

Thank you for your consideration of these requests. The Beyond the Runway Coalition – and our nation’s airports through the collective efforts of Airports Council International – North America, the American Association of Airport Executives, and the U.S. Travel Association’s Gateway Airports Council – stands ready to work with you to achieve a forward-looking FAA reauthorization bill that benefits passengers and strengthens our nation’s aviation system.

Sincerely,





January 6, 2015

The Honorable John Thune
Chairman
Commerce, Science & Transportation Committee
U.S. Senate
254 Russell Senate Office Building
Washington, DC 20510

The Honorable Bill Nelson
Ranking Member
Commerce, Science & Transportation Committee
U.S. Senate
254 Russell Senate Office Building
Washington, DC 20510

The Honorable Kelly Ayotte
Chairman, Subcommittee
Aviation Operations, Safety & Security
U.S. Senate
560 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Maria Cantwell
Ranking Member, Subcommittee
Aviation Operations, Safety & Security
U.S. Senate
427 Hart Senate Office Building
Washington, DC 20510

Dear Chairmen Thune and Ayotte and Ranking Members Nelson and Cantwell:

On behalf of Airports Council International – North America (ACI-NA), the American Association of Airport Executives (AAAE), and the U.S. Travel Association – along with a diverse group of industries and organizations that are part of our Beyond the Runway Coalition – we are writing in strong support of efforts to modernize our nation’s aviation system this year through legislation reauthorizing the programs of the Federal Aviation Administration (FAA).

We firmly believe that both modernizing the Passenger Facility Charge (PFC) and maintaining the Airport Improvement Program (AIP) are the best options for strengthening our nation’s aviation system to meet the needs of today and the challenges of tomorrow. America’s airports are powerful economic engines, generating more than \$1.1 trillion in annual activity and supporting more than 9.6 million jobs. However, airports require approximately \$15.14 billion annually in infrastructure improvements to update aging facilities, relieve delays and congestion, promote safety and security, enhance the passenger experience, as well as spur airline competition to provide consumers with more choices and affordable options. This is far more than the \$6.2 billion that airports received from both PFCs and AIP in Fiscal Year 2014.

We urge Congress to modernize the locally-established PFC user fee by setting the federal cap at \$8.50 and indexing it to inflation. At a time when there is mounting pressure to reduce federal spending, modernizing the PFC cap is the most free-market option to provide airports with the

locally controlled self-help they need to finance critical infrastructure projects. It is important to note that since this is a locally-determined fee collected at the point of sale, PFC user fees do not affect federal expenditures.

In 1990, Congress created the PFC to help airports of all sizes meet their capital needs directly and through the issuance of bonds. Unfortunately, the PFC cap has not kept pace with rising construction costs and inflation since it was last adjusted to \$4.50 in 2000, and its purchasing power has eroded by approximately 50 percent in the intervening 15 years. As a result, many airports – even those with sterling credit ratings – have reached their debt capacity under a \$4.50 PFC and either cannot finance new projects or have had to phase in their projects over a longer timeframe, increasing the costs and delaying the benefits for passengers.

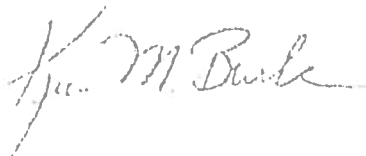
Modernizing the PFC now by adjusting the cap to \$8.50 and indexing it for inflation would restore its purchasing power, providing airports with the ability to set their own levels based on locally-determined needs to ensure the continued safety, security, and modernization of their facilities.

We also urge Congress to protect AIP, which finances crucial safety, security, and capacity projects at airports of all sizes. Small airports, in particular, rely on AIP to fund important projects at their facilities, such as constructing and repairing runways, taxiways, and other airfield projects. Larger airports depend on AIP funding too – predominantly discretionary funds and money distributed through the Letter of Intent Program – to help pay for large, capacity-enhancing projects that benefit the national aviation system. Federal funding for airport-infrastructure projects through AIP is particularly important at a time when airports are artificially constrained from generating more local revenue from their PFC. It is also important to note that the program is supported entirely by users of the aviation system, so no general fund revenues are used for AIP grants.

The FAA estimates there will be \$33.5 billion in AIP-eligible projects ready for construction between 2015 and 2019 – approximately \$6.7 billion per year, which is twice the \$3.35 billion that Congress approved for AIP funds in Fiscal Year 2015. Since direct federal funding through AIP covers only a fraction of the total infrastructure projects required to upgrade and maintain our world-class aviation system, we firmly believe that our nation's airport-financing needs will only be met by both maintaining the AIP and modernizing the PFC.

Thank you for your consideration of these requests. Along with our coalition partners – including contractors, vendors, retail establishments, restaurants, hotels, businesses, tourism groups, municipalities, and state officials – the airport community stands ready and united to work with you to achieve a forward-looking FAA reauthorization bill that benefits passengers and strengthens our nation's aviation system. We all have a vested interest in ensuring that airports remain not only gateways to our country and the rest of the world but also strong economic engines and job centers for their local communities.

Sincerely,



Kevin M. Burke
President and CEO
ACI-NA



Todd Hauptli
President and CEO
AAA-E



Roger Dow
President and CEO
U.S. Travel

PASSENGER FACILITY CHARGES

January 2015

>> WHAT ARE PFCs?

Passenger Facility Charges (PFCs) were first authorized by Congress in 1990 and are tied directly to local airport-related projects that 1) preserve or enhance safety, security and capacity of the national air transportation system, 2) reduce noise from an airport that is part of the system or 3) provide opportunities for enhanced competition between or among air carriers. Today, airports are using these funds for projects that benefit passengers, communities and airlines through renovating and expanding infrastructure to prevent delays and congestion, as well as projects that enhance the travel experience such as baggage systems, expansion of security check points and international arrival facilities.

>> HOW PFCs WORK

When an airport proposes a PFC to improve airport infrastructure, it must follow a rigorous application process to ensure transparency and need. PFC projects are extensively reviewed by the FAA and the process includes mandatory consultation with the airlines and public comment. In the application the airport must demonstrate that the project is needed. In addition, PFCs cannot be used for revenue producing projects such as parking garages, rental car facilities, or terminal areas used for concessions or leased exclusively by a specific airline for more than five years. Ninety-five percent of all PFC applications are submitted to the FAA without opposition from the airlines or the public.

>> A HISTORY OF SUCCESS

PFCs have been used and leveraged to make nearly \$90 billion in airport capital investments since their inception in 1990. The share of U.S. airport capital investment attributable to PFCs is currently estimated to be 30 percent or greater. PFC funds have supported airside projects, terminal area projects, interest costs on airport bonds, access projects such as airport roadways, people movers or transit projects, and noise mitigation projects. PFCs have been used to construct new runways and other airfield improvements to significantly reduce delays at some of the most congested airports. PFCs have also been essential in building additional gates for new and increased service, increasing airline competition and lowering fares. The PFC program has also funded projects to replace or modernize aging airport infrastructure. For more than 20 years, PFC investments have allowed airline and passenger services to continue their growth and provided airports with a vital source of funds for these projects.

ALTERNATIVES TO THE PFC

January 2015

The need for airport capital improvements is clear, so the question is how do we best fund these critical airport projects? The PFC isn't the only option, but it is the most efficient, free market, and lowest cost to taxpayers and travelers, approach that is available. The alternatives:

>> INCREASE AIP

The Airport Improvement Program (AIP) provides grants to public agencies — and, in some cases, to private owners and entities — for the planning and development of public-use airports.

The current AIP program was established by the Airport and Airway Improvement Act of 1982. Because airport capital needs vastly exceed the current AIP funding, an increase of almost \$11 billion annually would be needed to fully fund the need through AIP. Funds obligated to AIP are drawn from the Airport and Airway Trust fund, which is supported by user fees, fuel taxes, and other similar revenue sources. Any increase in AIP funds would require an increase in the user fees and fuel taxes that fund this program.

>> TAX INCREASES

Congress could close the vast funding gap that exists between the current need and current resources by enacting a new tax or user fee with the revenue from such a new tax or user fee dedicated towards airport construction.

>> THE CANADIAN ALTERNATIVE

Many airports in Canada and around the world have implemented Airport Improvement Fees (AIFs) in order to fund needed airport construction and improvements. In some cases, airports collect these fees at the airport at time of departure; in others, the fees are collected at time of ticketing and are reflected in the additional charges portion of the passenger's fare. These AIFs, unlike the PFC, are uncapped and the result is that individual airports in Canada charge upwards of \$30 per ticket for each passenger.

>> DO NOTHING

Doing nothing shouldn't be an option. American travelers should be confident that our airport system is safe, secure and efficient. Our airport system is critical to economic growth and prosperity, and it ought to be second to none in this global economy.

THE PFC INCREASES COMPETITION

January 2015

>> CASE STUDY: BURLINGTON, VT

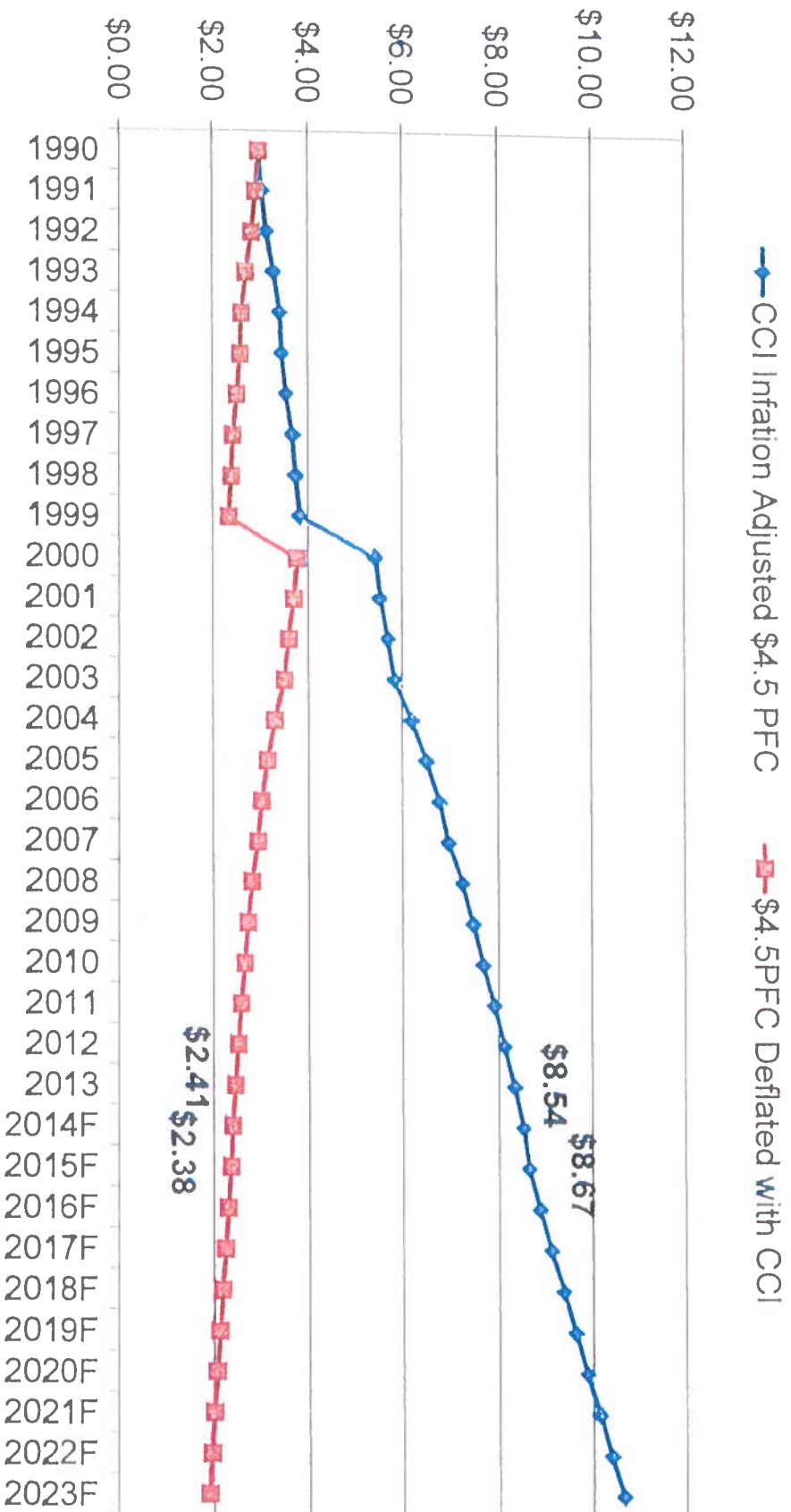
In 1999, the Burlington, Vermont airport (BTV) started design and construction of an expansion to the south end of the air carrier terminal that involved expanding the air carrier apron to provide more capacity for parking of aircraft along with construction of a south concourse with additional gate positions to accommodate projected aircraft operations. The cost of the apron and terminal projects was estimated at \$9.2 million to be totally funded with PFC backed airport revenue bonds.

As construction was about to start, an agreement was reached with JetBlue whereby they would start providing daily service from BTV to New York's JFK. The design of the south terminal concourse was adjusted to accommodate JetBlue's A-320 aircraft and construction of the terminal expansion was completed in late 2000.

JetBlue commenced service in September, 2000, and even before the start of service, fares started to decrease in anticipation of the low cost airline. Indeed, from 2000 to 2001, the average one-way fare between BTV and JFK dropped 48.2% from \$376 to \$183.

Not only did Burlington see a drop in fares as a result of JetBlue's new service, it also resulted in enplanements increasing for all airlines so that BTV was able to see an unprecedented period of growth. The ability of the airport to impose and use PFCs enabled the airport to construct the apron and terminal expansion necessary to accommodate the growth that occurred as a result of JetBlue and other service growth in the CY2000 and beyond period. Without the use of PFCs, it would have been nearly impossible to fund the airport infrastructure needs.

\$4.50 PFC Should be \$8.50 with Construction Cost Indexing



Note:

1. The \$3 PFC was enacted in 1990 and the PFC cap was lifted to \$4.50 in 2000.
2. Historical Engineering News Record construction cost index (CCI) was used to make inflation and deflation adjustments; forecast is based on IHS Global Insight.



Municipal Bond Market – A Critical Funding Source for Airport Capital Projects

Airport capital needs are estimated to exceed \$71.3 billion for 2013 through 2017, or approximately \$14.3 billion per year, according to the 2012 Airport Capital Development Needs Survey conducted by ACI-NA. The Airport Improvement Program (AIP) administered by FAA currently distributes about \$3.35 billion entitlement and discretionary grants to airports, leaving a gap of about \$10.95 billion per year to be funded with local sources.

Airports' Use of Bonds

Airports frequently turn to the capital markets to finance long-term construction projects. Bond proceeds are the largest sources of funds for airport capital needs, accounting for approximately 54% of the total funds historically. Total bond issuance including both new money bonds and refunding between 2006 and 2011 ranged from \$6.3 billion in 2006 to \$12.4 billion in 2010 with an average of \$8.8 billion. The ACI-NA survey shows that large hubs are anticipating financing 58% of their planned projects between 2013-17 through bonds, medium hubs at 23% and small hubs at 22%.

Airports in the Municipal Bond Market

Airport operators are major and regular participants in the municipal bond markets and have utilized numerous types of municipal bonds to finance airport capital projects including:

- (a) general obligation bonds supported by the overall tax base of the issuing entity (the airport sponsor),
- (b) general airport revenue bonds secured by the revenues of the airport and other revenues as defined in the bond indenture,
- (c) bonds either backed solely by PFC revenues or by PFC revenues and airport revenues generated by rentals, fees and charges, and
- (d) special facility bonds backed solely by revenues from a facility constructed with proceeds of those bonds.

Depending on the nature of the projects being financed by the airport, most bonds are considered a special form of municipal bonds called private activity bonds (PABs). Often times, PABs are subject to the Alternative Minimum Tax, thereby raising the return demanded by the investor and the financing costs for the airport.

Airport Municipal Bonds: Lower Costs, Better Service

Airports are carefully managing operating, financing and capital expenses to maintain their good credit rating which helps lower their borrowing costs. Airport operators constantly monitor the financial markets and respond to changes in market conditions accordingly. For example, bond issuance spiked in 2010 driven by low interest rates and the Alternative Minimum Tax holiday. Lower borrowing costs through municipal bonds allow airports to pass the savings to airlines through lower rates and charges, which help sustain existing and attract new air carrier service, ultimately benefiting passengers with more service choices. Air service also helps generate jobs and economic development in the community.

For more information contact Annie Russo (202-293-4544; arusso@aci-na.org).

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Who We Are

Airports Council International – North America (ACI-NA) represents over 200 local, regional, and state governing bodies that own and operate over 350 commercial airports in the United States and Canada.

ACI-NA's members enplane more than 95 percent of the domestic and virtually all the international airline passenger and cargo traffic in North America.

Our mission is to advocate for policies and provide services that strengthen the ability of commercial airports to serve their passengers, customers, and communities.

ACI-NA is the largest of the five worldwide regions of Airports Council International (ACI).

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