



Metropolitan Council

Internal Memorandum

TO: TAB Policy Committee

DATE: December 8, 2010

FROM: C. Case MTS/Aviation (1724)

RE: Supplemental Information: MAC 2011 CIP

Background:

The TAC Aviation Technical Task Force, at its meeting of November 19, 2010, reviewed the MAC 2011 Capital Improvement Program. The Report 10-___ was a draft in that the CIP submittal did not include funding information. The Task Force did approved all recommendations except number 4) that indicated there was sufficient funding for the 2011 development program.

The MAC Finance Development & Environmental Committee met on December 8th and approved the 2011 program funding (see revised Table 3 for Task Force report). Based upon the new supplemental information from the MAC recommendation number 4) in the Task Force Report should read as follows:

- 4) *“That federal, state and local funding for the 2011 CIP has been identified by the MAC, including approximately \$21 million in 2010 bonds to cover most of the proposed 2011-2013 projects”.*

Action requested of TAB Policy Committee is to approve this final recommendation as part of the Task Force report.

It is expected that the MAC will take final action on its 2011 CIP at their December 20th Commission meeting. Any changes occurring after TAC/TAB review will be reported directly to the Council’s Transportation Committee.

3) CIP FUNDING LEVELS & SOURCES:

(NOTE: This summary does not include any of the Demand-Driven projects. MAC staff is still evaluating the feasibility of a Short-Term Borrowing Program available in the 2011-2013 period).

MAC 2011 – 2017 CAPITAL IMPROVEMENT PROGRAM FUNDING SUMMARY

FUNDING SOURCES (\$=000)	2011 FUNDING	2012 FUNDING	2013 FUNDING	TOTAL FUNDING	% OF TOTAL 2011 - 2013 CIP
Passenger Facility Charges (PFC's)					
# 12 Paygo – 2011	52,515	11,250	-0-	63,765	
# 13 Paygo – 2012	<u>-0-</u>	<u>4,600</u>	<u>14,350</u>	<u>18,950</u>	
Total PFC's	52,515	15,850	14,350	82,715	26.61 %
Federal & State Aid					
Federal Entitlement	5,300	-0-	5,200	10,500	
Federal Discretionary	-0-	-0-	-0-	-0-	
Fed. Non Primary Aid – Relievers	1,740	900	600	3,240	
MnDOT Grants	1,500	1,500	1,000	4,000	
TSA Grants	<u>-0-</u>	<u>16,650</u>	<u>25,200</u>	<u>41,850</u>	
Total Federal/TSA/State Aid	8,540	19,050	32,000	59,590	19.17 %
2010 General Airport Revenue Bonds*	21,020	50,300	3,000	74,500	23.97 %
MAC Funds	18,860	19,600	13,125	51,585	16.60 %
Airline Reserve & Replacement Fund	22,225	5,400	12,000	39,625	12.75 %
Other Funding**	2,200	-0-	600	2,800	.90 %
Total All Funding Sources	<u>125,540</u>	<u>110,200</u>	<u>75,075</u>	<u>310,815</u>	100.00 %

* Revenue Bonds were issued in May 2010 to cover 2010—2013 projects.

** Other funding sources represent facilities built by MAC, tenant, or developer and paid for by the tenant or developer.

MEMORANDUM

ITEM 7c

TO: Finance, Development and Environment Committee

FROM: Steve Busch, Deputy Executive Director - Finance & Administrative Services - 612-726-8148

SUBJECT: **2011-2017 CAPITAL IMPROVEMENT PROGRAM (CIP)**
c. Program Funding

DATE: November 23, 2010

The 2011 - 2017 Capital Improvement Program will be funded from a variety of sources that include Passenger Facility Charges, Federal Grants, Transportation Security Administration (TSA) Grants, internally generated funds, other funds, state grants and a General Airport Revenue Bond (GARB) issue from 2010. The table below identifies the proposed funding for projects during the next three years. It does not include any "Demand Driven" projects which are those projects that will only be undertaken if demand exists.

Metropolitan Airports Commission					
Capital Improvement Program Funding Summary 2011 - 2013					
\$=000					
Funding Source	<u>2011 Funding</u>	<u>2012 Funding</u>	<u>2013 Funding</u>	<u>Total Funding</u>	<u>% Of Total 2011 - 2013 CIP</u>
Passenger Facility Charges (PFCs)					
# 12 Paygo - 2011	52,515	11,250	-	63,765	
# 13 Paygo - 2012	-	4,600	14,350	18,950	
Total PFCs	52,515	15,850	14,350	82,715	26.61%
Federal & State Aid					
Federal Entitlement	5,300	-	5,200	10,500	
Federal Discretionary	-	-	-	-	
Federal Non Primary Aid Relievers	1,740	900	600	3,240	
MNDOT Grants	1,500	1,500	1,000	4,000	
TSA Grants	-	16,650	25,200	41,850	
Total Federal/TSA/State Aid	8,540	19,050	32,000	59,590	19.17%
2010 General Airport Revenue Bonds	21,200	50,300	3,000	74,500	23.97%
MAC Funds	18,860	19,600	13,125	51,585	16.60%
Airline Reserve & Replacement Fund	22,225	5,400	12,000	39,625	12.75%
Other Funding^	2,200	-	600	2,800	0.90%
Total All Funding Sources	125,540	110,200	75,075	310,815	100.00%

#Revenue Bonds were issued in May 2010 to cover projects 2010 -2013.
^Other Funding sources represent facilities built by MAC, tenant, or developer and paid for by the tenant or developer.

Currently staff is still evaluating the feasibility of a Short Term Borrowing Program. We have projected in the funding schedules that there will not be a Short Term Borrowing Program available in the 2011 – 2013 period.

Passenger Facility Charges (PFCs)

The purpose of the PFC program was to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC legislation, the proceeds from PFCs are required to be used to finance airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition among air carriers.

The Commission has currently received approval from the FAA for ten separate applications totaling approximately \$1.41 billion (including interest). The Commission first began collecting a \$3.00 PFC in 1992. In 2001, the Commission received approval from the FAA to collect an additional \$1.50 on each enplaning passenger resulting in a \$4.50 PFC now being collected on enplaning passengers. The Commission has collected all funds approved under the first five applications and the ninth application. Currently MAC is collecting funds approved in Applications #6, #7, #8 and #10.

Passenger Facility Charges (PFCs) are used by the Commission two ways. Under the Pay As You Go method, funds are collected and used to pay project costs on a current basis. The Commission also uses PFCs to pay debt service for bonds issued to construct projects. With either use of PFCs, the FAA must have approved the project's eligibility. As shown in the table above, two different PFC applications are projected to be used to fund a portion of the 2011-2013 projects. PFC Application #12 is forecasted to be applied for and approved by the FAA in 2011. This \$97.5 million Pay As You Go application will be for post 2010 Plan Projects. Approximately \$33.7 million of this Application will be for prior CIP projects while \$63.8 million will be for projects in 2011 and 2012. PFC #13 is forecasted to be applied for and approved by the FAA in 2012. The amount of funding for this period is \$19.1 million. The total application amount has not yet been determined.

PFCs are anticipated to fund \$82.7 million or 26.61% of this three year funding schedule.

Federal Grants/TSA Grants/MNDOT Grants

The Commission receives various forms of grant money from the FAA each year. For 2011-2013 these grants include: Federal Entitlement, anticipated Federal Discretionary and Federal Non-Primary-Relievers. In addition, MAC applies for and receives TSA Grants as well as State Grants. The total of these four areas is \$59.6 million or 19.17%. Each of these is discussed below.

- Federal Entitlement – Entitlement grants are based on the number of enplaning passengers and the amount of landed cargo weight. Staff anticipates receiving approximately \$10.5 million over the 2011-2013 period.
- Federal Discretionary – Grants are based on project priority and availability of funding. Staff does not anticipate receiving any of these funds over the 2011-2013 period.
- Federal Non-Primary – Relievers – These funds are provided for projects at the Reliever Airports. The grant amount is \$150,000 per year per airport. The funds can be accumulated

- for up to 4 years. The estimated total amount to be used for the 2011-2013 period is \$3.2 million.
- TSA Grants – Must be applied for and receive approval from the TSA. Two major projects are scheduled (In-Line Baggage Screening at Terminal 2 (2012) and In-Line Baggage Screening at Terminal 1 (2013). These projects are estimated to receive 90% funding or \$41.85 million.

The Commission receives grants from the Minnesota Department of Transportation for projects that meet the required criteria of the State. The dollars for 2011 – 2013 from the State are estimated to be \$4.0 million.

Bond Proceeds (GARBs)

Based on the economic stimulus, a General Airport Revenue Bond (GARB) was issued to fund a portion of the 2010 projects as well as the 2011 – 2013 CIP Program.

Approximately \$74.5 million or 23.97% of the total 2011 – 2013 Program will be funded with GARBs.

Internally Generated MAC Funds

The Commission will apply a certain amount of funds it generates from operations after the payment of all of its operating expenses, debt service and other payment obligations. In determining the amount that would be applied to the capital program, it was assumed that the Net Undesignated Cash at the end of each year would be transferred to the Construction Fund. It is projected that a total of \$51.6 million or 16.60% will be applied to the Capital Program between 2011 – 2013. (It is estimated \$25.1 million of this total is associated with the Noise Settlement.)

Airline Rehab and Replacement

These funds, established with the new Airline Amendment, total \$39.6 million or 12.75%. The two primary areas of usage are the Noise Settlement (\$11.7 million) and Terminal 1 projects (\$17.3 million).

b

Other Funding

These projects (\$2.8 million or 0.90%) may be funded by MAC initially. Through various agreements, they will be paid back to the Commission by tenants or others. Building areas at the Relievers are to be funded by the tenant or developer.

Attached is the list of funding by project for 2011, 2012 and 2013.

THIS IS AN INFORMATIONAL ITEM ONLY; NO COMMITTEE ACTION IS REQUIRED.