Item No.	7d_supp
Date of Meeting	May 17, 2016

Aviation Plan of Finance Update

May 17, 2016

Port of Seattle

Background

- Plan of finance discussed extensively in 2015
  - AAAC briefing in March (commission briefing in April)
  - Port Commission motion on 5/26/2015
  - 90 Day review of International Arrivals Facility (IAF)
- In fall of 2015, uncertainty on final cost of IAF and the North Satellite expansion (NSAT)
- Purpose today is to provide update on funding plan consistent with Commission motion of 5/26/15
- Will show scenarios where alternative uses of Passenger Facility Charges (PFCs) by cost center can be used to manage rates
  - Costs paid by PFCs are excluded from airline rate base

Current funding plan builds on 2015 plan

2016 – 2025 Capital Program & Funding Plan

Projects	$000s
NSAT	507,984
IAF	595,957
Baggage Optimization	306,507
SSAT	600,000
Allowance CIPs	819,592
Other	603,841
Total	3,433,880

Funding Source	$000	%
ADF	633,394	18.4%
PFC	295,575	8.6%
Grants	174,294	5.1%
Rev Bonds	2,323,642	67.7%
Other	6,975	0.2%
Total	3,433,880	100.0%

- Capital costs are included in forecasted rates, rates set to recover costs per airline lease agreement
- Most PFCs used to pay debt service
- Sustainable Airport Master Plan (SAMP) will likely add capital costs
- Additional capital costs will be funded with revenue bonds

Capital program will drive increases to airline rates

Capital Funding Strategy

- Maintain competitive CPE, and competitive airline rates (landing fee, FIS, terminal rents)
- Per Commission direction, use up to $200 million cash on IAF w/o amortizing cost
- Use PFCs for direct project funding and to pay revenue bond debt service to manage rate bases
  - Purposely saved PFCs to increase amounts for pay-go for IAF and NSAT
  - Targeting up to 90% of PFCs to pay debt service

PFCs are key tool for managing rates

Rate Forecast – Scenario 1 (Base Case)

Rates	2016	2025	% Change
Landing Fee	$ 3.57	$ 3.77	5.6%
Terminal Rents	$ 118.89	$ 196.68	65.4%
FIS	$ 5.76	$ 12.00	108.3%
CPE	$ 11.00	$ 15.40	40.0%

- Assumptions:
  - Offset 100% of Third Runway debt service
  - Sufficient PFCs allocated to IAF, allowing FIS rate to grow to match highest among peer airports
  - Terminal receives remaining PFCs

Opportunity to shift PFCs from Airfield to moderate Terminal and/or FIS rates

Shifting PFCs Impacts Rates

Rate Category	2016 Rate	Scenario 1 2025 Rate	Scenario 1 2016-25 % Change	Scenario 2 2025 Rate	Scenario 2 2016-25 % Change	Scenario 3 2025 Rate	Scenario 3 2016-25 % Change
Landing fee	3.57	3.77	5.6%	4.61	29.1%	4.61	29.1%
Terminal Rents	118.89	196.68	65.4%	178.60	50.2%	180.00	51.4%
FIS	5.76	12.00	108.3%	12.00	108.3%	10.00	73.6%
CPE	11.00	15.40	40.0%	15.44	40.4%	15.44	40.4%

- Scenarios 2 shifts PFCs from airfield to terminal
- Scenario 3 shifts PFCs from terminal to FIS

PFCs: important tool for managing airline rates, but zero sum game

Next Steps

- Engaging airlines in discussion of funding plan
- Submit PFC application to FAA to gain authority to use PFCs on NSAT and IAF
- Monitor landing fees, FIS rates and CPE at other airports
- Adjust funding strategy as needed to stay competitive

No decision on specific use of PFCs needed a this time

APPENDIX

For Reference

Port of Seattle®

Funding Plan for IAF

Funding Sources	$000s	Capital Rate Base	2020	2024
Cash/ADF	200,000	Amortization	-	-
Revenue Bonds	308,365	Debt Service	28,932	28,947
PFCs	100,000	DS paid w/PFCs	(18,427)	(19,778)
Total	608,365	Net capital costs	10,505	9,169
Effective percent of PFCs to fund project costs:			48.7%	51.1%

- Per funding principles (May 26, 2015), amount of PFCs based on targeted $12 FIS rate (current estimate of high end of market rate)
- Use of PFCs can vary depending on other factors that impact FIS rate base
- Compared to the July 2015 IAF presentation, the effective use of PFCs has declined from 57.6% due to increased forecast for deplaned international passengers

Use of PFCs lower than July 2015 Plan

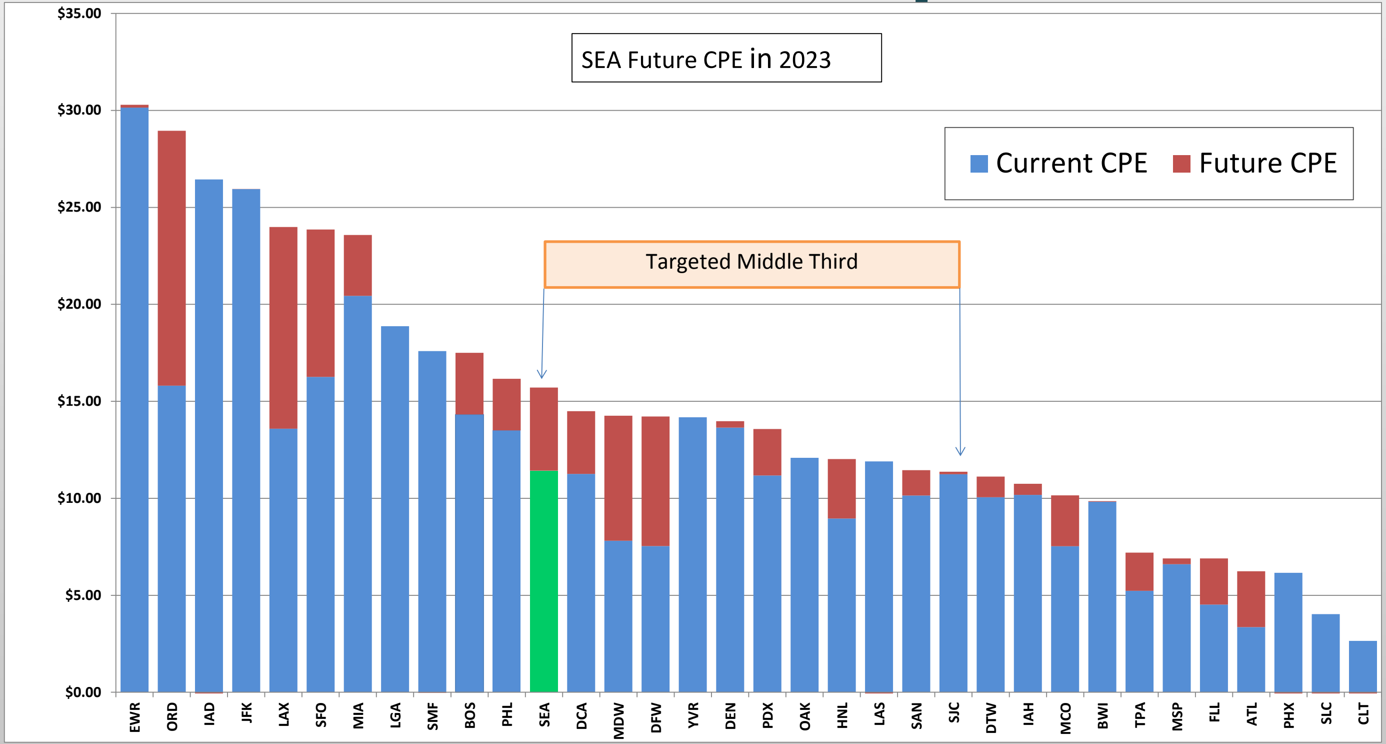
Funding Plan for NSAT

Funding Sources	$000s	Capital Rate Base	2020	2024
Cash/ADF	537	Amortization	36	36
Revenue Bonds	408,071	Debt Service	11,886	34,164
PFCs	122,493	DS paid w/PFCs	(3,176)	(20,870)
Total	531,102	Net capital costs	8,746	13,330
Effective percent of PFCs to fund project costs:			43.6%	70.0%

- Estimating that approximately 70% of costs are PFC eligible – subject to determination by FAA
- Use of PFCs on NSAT will increase as PFC backed bonds are fully amortized in 2023

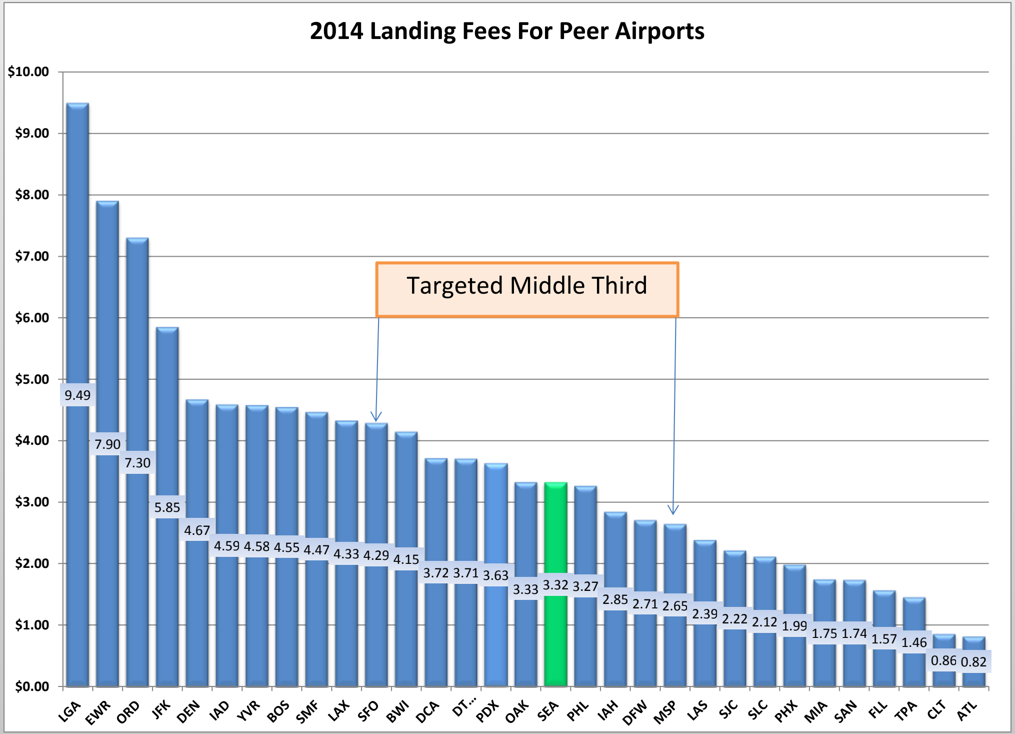
Use of PFCs for NSAT will increase after 2023

Future CPE Comparison



SEA Forecasted CPE is competitive

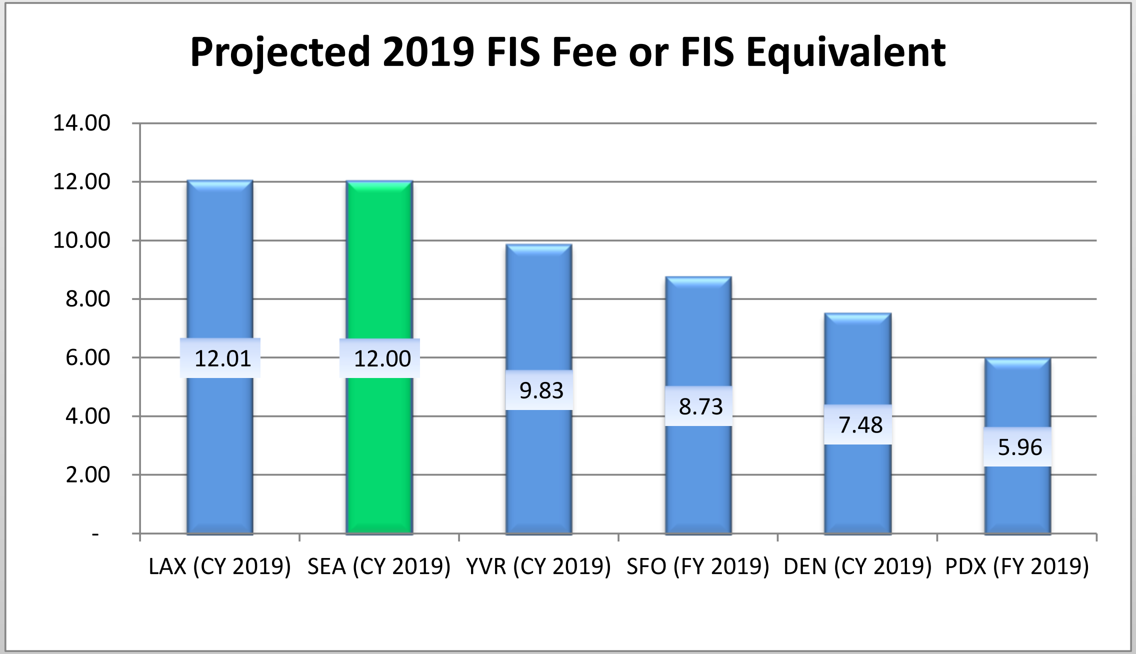
Landing Fee Comparison



- Landing fees vary based on lease agreement
- SEA currently in middle of range
- 2014 is most recent year of data
- No forecasted landing fee data

SEA landing fee is competitive – middle of range

FIS Rate Comparison



- Rate based on recovering costs
- Rate sensitive to volume of passengers
- Funding plan uses sufficient PFCs to achieve targeted rate
- Will continue to monitor rates at other airports

SEA FIS rate targeted to high end of market range