

**DRAFT MOTION
OF THE PORT OF SEATTLE COMMISSION
PROVIDING GUIDANCE TO THE CEO FOR MODELING FUNDING OF
THE AIRPORT 5-YEAR CAPITAL IMPROVEMENT PROGRAM**

PROPOSED MAY 26, 2015

TEXT OF THE MOTION

The Port of Seattle Commission seeks to provide early guidance to the CEO for modeling an overall balanced funding plan for the inclusion in upcoming bond offering documents and proposed budgets.

Consistent with the Statement in Support of the Motion, the Port of Seattle Commission directs staff to:

1. Model a preliminary funding plan for the International Arrivals Facility (IAF) based on the following:
 - a) Competitive Federal Inspection Service (FIS) rates that consider the rates at international airports in Seattle-Tacoma International Airport's market, such as Denver, Los Angeles, Portland, San Francisco, and Vancouver; and
 - b) Judicious use of airport cash and foregone amortization (without charging the FIS rate base an amortization fee) combining approximately \$200 million of airport cash investment, and
 - c) Use of Passenger Facility Charges (PFCs) as either (or both) a source of direct project funding or to pay revenue bond debt service in order to achieve the desired FIS rate.
 - d) Maintain a cost per enplaned passenger (CPE) and the landing fee rates that remain competitive within the middle third of peer airports ("market rate"); and
 - e) Avoid establishing competitive advantages or disadvantages between and among Sea-Tac Airport airline tenants, but instead maintain a level playing field.
2. Update the Commission as part of the annual development of the Port's Plan of Finance about changes to the following four factors (or any other elements that could materially impact the FIS rates in 2019):
 - a) The then-current projection of the final cost of the IAF,
 - b) Provisions of either a subsequent Signature Lease and Operating Agreement or a Rates and Charges Resolution,
 - c) The federal cap on the amount of locally imposed PFCs, and
 - d) The relative balance of international and domestic passengers at Seattle-Tacoma International Airport.

3. Provide the Commission with quarterly briefings that give full and transparent updates on design and construction costs of the IAF. Annually, upon completion of the budget and plan of finance, provide projected FIS rates, landing fee rates, and CPE for the five-year forecast period. Compare the CPE, landing fee, and FIS rates to the best available information for peer airports.
4. Seek Commission input prior to presenting a final financing plan for commission approval. The Commission will evaluate project costs to ensure value for airline partners and traveling public.

STATEMENT IN SUPPORT OF THE MOTION

Seattle-Tacoma International Airport is the fastest growing airport in the United States and as a consequence is undertaking a major capital improvement program (CIP) that includes facilities that serve both domestic and international passengers. Forecasts estimate an approximate increase in international passengers by 25 percent within the next five years. As part of those efforts, the Port will be securing bond funding for improvements of the North Satellite and Central Runway (a process that will begin July 2015). Port staff is seeking early guidance on the funding principles for an improved International Arrivals Facility in order to accurately project the Port's financial circumstances for that bond issue.

The current Federal Inspection Services facility at the South Satellite of Seattle-Tacoma International Airport, completed in 1973, lacks the capacity to handle current and projected international arrival demand that results in delays and poor customer service. The shortcomings of the facility present a constraint on the Puget Sound region's ability to retain and attract new international air routes.

Expanded non-stop service to international destinations from Seattle-Tacoma International Airport is vital to the increasingly globalized economy of the Puget Sound region. The Port should provide outstanding aviation and passenger facilities, while maintaining an overall airport cost per enplanement and specific rates and charges within the market range of such rates for peer or competitor airports.

At this early stage of program design, the Port cannot specify the final cost or exact levels of various funding options for the IAF. The Port Commission is committed to a transparent process for developing a cost-effective design for the facility and a balanced funding plan that will support the success of all airline partners. The Port's airline partners agree on the need for an improved International Arrivals Facility, and it is appropriate for the Port to provide the airlines with information about future rates and charges for their planning needs.

The Port first engaged airlines in considering options to address the inadequate capacity in the current international facility in 2010. Over the next three years, including 12 meetings with the Airline Airport Affairs Committee, the Port considered several options, including reconstruction of the current facility under the South Satellite; major expansion of the current facility; dual federal inspection service facilities; and a new facility east of Concourse A.

Following Commission authorization July 2013, the Port completed detailed scoping of the existing plan, including incorporation of current and anticipated technologies, allowing faster processing and the most productive use of the new facility. The Port is in the process of procuring a design-build contractor to design and construct the facility. Today, staff estimates the project cost to be approximately \$608 million, including approximately \$100 million in reserves. Staff anticipates receiving the design/build contractor's post-validation report with the target budget and target schedule in February of 2016.

The Signatory Lease and Operating Agreement (SLOA III) currently in place at the Airport includes several specific provisions that require Port Commission guidance regarding funding principles and related tariffs for the new International Arrivals Facility. Section 8.4 of SLOA III requires the users of the International Arrivals Facility to pay for the full costs of the facility. Section 8.4.4 permits the Port to use non-aeronautical revenues to offset the FIS requirement and reduce the FIS rate.