

**Forum on
Seattle-Tacoma International Airport's
Future International Arrivals Facility:
Introduction to Scoping, Planning and Financing**

Commission Meeting
July 14, 2015

Continuing the 90-day review

- May 26 commission motion
- June 23 contract award
- Today's forum overview
- Next meeting on July 28

An ongoing effort

International Arrivals Facility Metrics and Other Considerations

Michael Ehl

Director Airport Operations



INTERNATIONAL ARRIVALS FACILITY

PERFORMANCE METRICS

PRIORITY

Capacity

Preserving Long Term Airport Capacity

1

Widebody International Gates
Aircraft Holding for Gates
Daily International Hardstand Operations

2014	2020 Phase 1	Phase 2	2030 Master Plan
11	18	20	28
22	0	0	0
0	0	0	0

PRIORITY

Customer Service

Expanded Facility

2

Passengers per Hour
of Claim Devices and Total Max Bags/Hour
Passenger Holds/Events

2014	2020 Phase 1	Phase 2	2030 Master Plan
1200	1900	2600	↑↑
4 6,000 bags	6 15,600 bags	8 19,400 bags	↑
702 events	0	0	0

PRIORITY

Customer's Gateway of Choice

Enhanced Experience

3

Double Bag Claim
Connecting Time
ASQ (Airport Service Quality Score) <small>(Max score of 5) *Outbound pax only, new survey for arriving pax to be conducted in 2015</small>
Average Wait Time for Immigration <small>(PH/PM - peak hours 11AM - 2PM / peak month August)</small>
Average Maximum Wait Time for Immigration <small>(Peak Month - August)</small>
Bag to Claim w/in 20 Minutes at Customs

2014	2020 Phase 1	Phase 2	2030 Master Plan
Yes	No	No	0
90 minutes	75 minutes	75 minutes	60 minutes
3.96*	TBD	TBD	-
19.5 minutes	10 minutes	10 minutes	↓
70 minutes	50 minutes	50 minutes	↓
Yes	Yes	Yes	-

INTERNATIONAL ARRIVALS FACILITY

PERFORMANCE METRICS

PRIORITY

Capacity

Preserving Long Term Airport Capacity

1

Widebody International Gates
Aircraft Holding for Gates
Daily International Hardstand Operations

SEA 2020 Phase 1	LAX TBIT	ATL Terminal E & F	DTW	DFW	MIA Terminal N & S
2014					
18	18	19	14	28	56
0	1500	0	0	~100	0
0	Daily	0	0	406	635

PRIORITY

Customer Service

Expanded Facility

2

Passengers per Hour
of Claim Devices and Total Max Bags/Hour
Passenger Holds/Events

1,900	2,000	1,300	1,500	2800	3,500 N 1,500 S
6 15,600 bags	6 Very Large	18 Large	9 Large	8 Large	10 - N 5 - S
0	0	0	0	0	30-40

PRIORITY

Customer's Gateway of Choice

Enhanced Experience

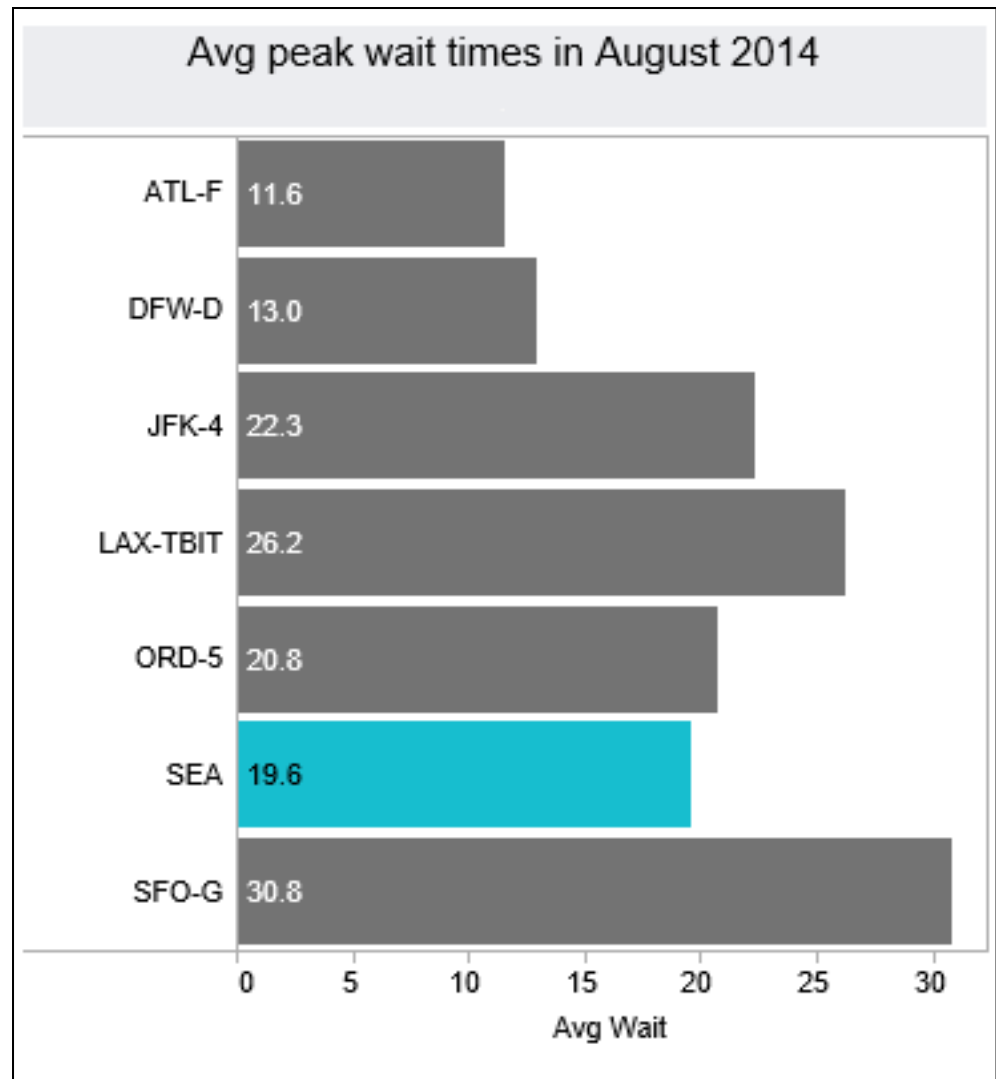
3

Connecting Time
Average Wait Time for Immigration <small>(PH/PM - Peak Hours 11AM - 2PM / Peak Month August)</small>
Average Maximum Wait Time for Immigration <small>(Peak Month August)</small>

75 minutes	120 minutes	90 minutes	60 minutes	70 minutes	90 minutes
10 minutes	26.2 minutes	11.6 minutes	23.1 minutes	13 minutes	23 minutes
50 minutes	91.1 minutes	81.1 minutes	77.9 minutes	87.1 minutes	94.8 minutes

Airport	MCT (minutes)	
	International to Domestic	International to International
ATL	90	90
BOS	90	75
CLT	60	60
ORD	90	90
DFW	70	70
DEN	60	60
DTW	90	60
IAH	60	75
LAX	120	120
MIA	90	90
MSP	60	60
JFK	105	120
EWR	90	60
PDX	70	70
SFO*	105	105
SEA	90	90
YVR	90	90

Source: OAG



Source: CBP Database

MCT and Wait Time Comparison



18 FIS Gates- SSAT (12) & Concourse A (6)

Relative ages of Sea-Tac's Six Concourses

Concourse	Year Built	Years old in 2015
A	2004	11
B	1990	25
C	1990	25
D	1990	25
NSAT	1970 (2020)	45 (new in 2020)
SSAT	1970	45 (50 years old in 2020)

SSAT is the oldest concourse

North Satellite Scope

- Structural
- Mechanical
- Electrical
- Plumbing
- Holdrooms
- Airport Dining and Retail
- Baggage
- Restrooms

South Satellite will have the same scope

Preliminary Schedule

- 2016 Programming (preliminary concepts, scheduling, costing) per current Aviation Business Plan
- 2017 Complete Programming and initiate design
- 2018-19 Design
- 2020-24 Construction

Staff will soon request authorization for programming

Independent Architectural Review

Elizabeth Leavitt

Director Aviation Planning and
Environmental Services



Airport Finance Overview

Borgan Anderson

Director Aviation Finance and Budget

Jim Burchett

Vice President, AvAirPros

Introduction

- Background – previous IAF funding briefings:
 - January 27
 - April 14
 - Motion: May 26
- Today – Overview of airport finance
- July 28 – Airport funding of recent international facility projects
- Introduce consultants:
 - Jim Burchett, AV Air Pros
 - Warren Adams, WJ Advisors

First of two briefings on IAF finance issues

FAA Rates and Charges Policy

Five overarching principles

1. Rates, charges and fees must be fair and reasonable
2. Rates and charges cannot be unjustly discriminatory
3. Direct local negotiations between airports and airlines
4. Airports must be financially self-sustaining
5. Airport revenues must be used on the airport

Federal policy establishes the framework for airport rates and charges

FAA Rates and Charges Policy

continued

Other provisions

- Airfield costs must be based on historic costs
- Non-Airfield rates (i.e., terminal) can be based on any reasonable method
- Equalized (versus differential) terminal rental rates are allowable

Federal policy establishes the framework for airport rates and charges

Airline Lease Agreements

- Governs relationship between airline and airport
- Defines space leased by airlines
- Generally defines financial structure for airport through the establishment of “cost centers”
- Determines how airline rates and charges will be calculated each year
- Defines what revenues are shared, if any
- May include capital plan
- May include majority-in-interest (MII) clause
- Rates by resolution are permitted under FAA rates and charges policy – agreements not necessary

Airline agreements define cost centers and costs paid by airlines

Sea-Tac's Airline Agreement: SLOA III

- Airline rates and charges are based on cost-recovery principles
- **Full Cost Recovery Areas** – Airfield Movement area and Airfield Apron area are residual cost centers
- **Partial Cost Recovery Areas**
 - Airfield Commercial area is compensatory
 - Terminal is hybrid commercial compensatory
- Equalized terminal rent – averages costs across all terminal space
- Federal Inspection Services area (FIS) for international arrivals is a separate cost center (cost-recovery paid by users)
- Revenue sharing: 50% of Airport net revenues above 125% of annual debt service
- Capital project disapproval (majority-in-interest) – results in 12 month delay

FIS is separate cost center paid by users of that area

Capital Funding Sources

Funding Source	Use Restrictions	Airline Rate Base
Equity/net income	Use on-airport	Yes
Revenue Bonds	AMT/non-AMT	Yes
Passenger Facility Charges (PFCs)	FAA approved projects	No
Customer Facility Charges (CFCs)	Rental Car Facility	N/A
Grants	FAA approved projects	No
Tax Levy	Port Policy	Yes

- Equity/net income (cash) is most flexible source, followed by bonds
- Tax levy has only been used at Airport to pay for noise costs not eligible for use of airport revenues

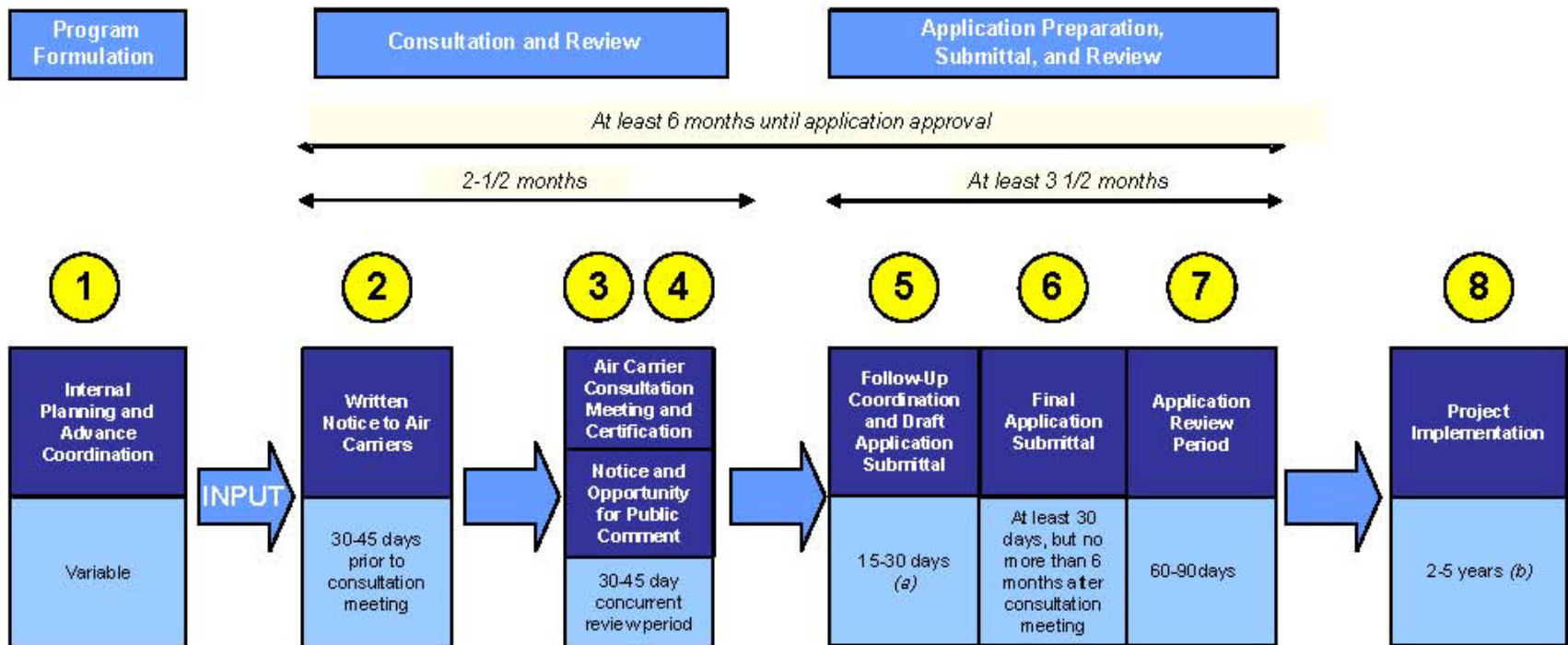
Projects funded with PFCs and Grants are excluded from airline rate base

Passenger Facility Charges

- Enacted by Congress in 1991 to provide airports a source of capital funding- capped at \$3.00 passenger
- Cap raised to \$4.50 in 2001
- PFCs can only fund airport projects that:
 - Enhance safety, security or capacity
 - Reduce noise, or
 - Increase air carrier competition
- Can be used to directly fund capital costs or leveraged to pay debt service on PFC eligible projects
- Under federal law, cannot pay operating and maintenance costs

PFCs can be used for eligible capital costs for FAA approved projects

PFC Process



(a) Application preparation begins during the Consultation and Review period. Dependent upon the nature of the certifications received from the air carriers, this process can add 15-30 days on to the application approval timeline.

(b) Impose and use projects must be implemented within 2 years of the charge effective date. Use applications for impose only projects must be submitted within 3 years of the charge effective date. Impose only projects must be implemented within 5 years of the charge effective date.

Airport application, airline consultation, FAA approval

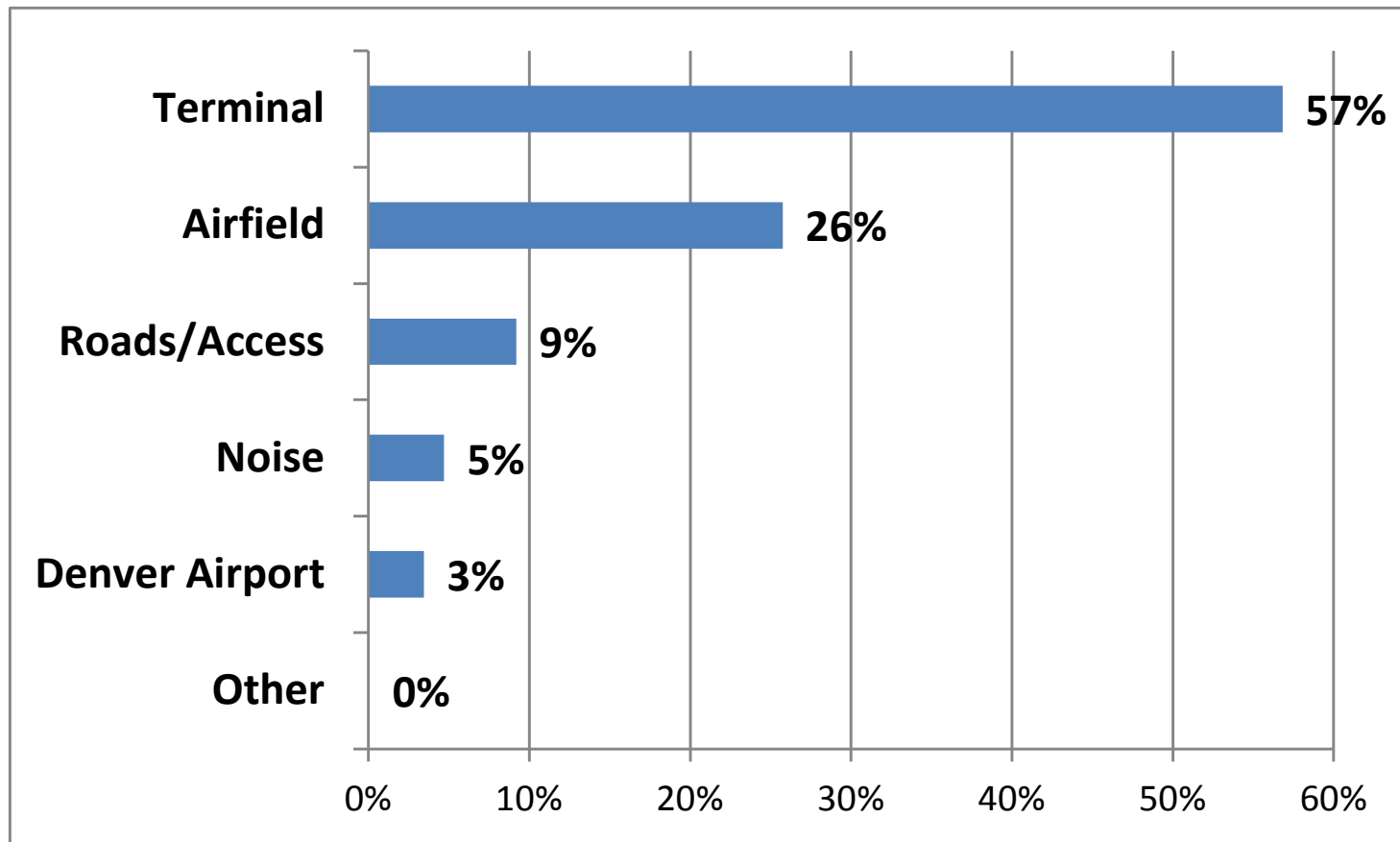
PFCs Used by Most Airports

Airport Category	Airports	Airports Collecting PFCs	Airports at \$4.50
Large Hub	30	30	29
Medium Hub	31	31	29
Small Hub	71	67	65
Non-Hub	249	197	188
Other	128	36	31
Total	509	361	342

- All large and medium hubs impose PFCs
- SEA has charged \$4.50 since 2001

Sea-Tac charges the same level of PFC as 29/30 large hubs

Approved PFC Charges- All Airports Through 2014: \$90.8 billion



PFCs used predominantly for terminal and airfield projects

Funding & Rate Base Impacts

	Construction Funding		Airline Rate Base
Higher Airline Costs			
Equity/net income	\$50	Amortization	\$4
Revenue bonds	450	Debt service	42
PFCs	0		0
Total	\$500		\$45
Lower Airline Costs			
Equity/net income	\$50	Amortization	\$4
Revenue bonds	200	Debt service	18
PFCs	250	No rate base	0
Total	\$500		\$22

Funding source has pronounced impact on airline costs

PFC Uses at Sea-Tac Airport

2015 Landing fee	
Current rate	\$3.48
Rate if no PFCs on 3rd Runway	\$5.50

- For Third Runway, 100% of revenue bond debt service has been paid with PFCs to lower landing fee rate

PFC uses 1992 - 2014		
Cost Center	Total (000s)	%
Airfield	\$585,075	57%
Terminal	443,839	43%
FIS	0	
Total	\$1,028,913	

- Amounts include debt service on 1998 PFC-backed bonds and payment of revenue bond debt services for:
 - Third Runway
 - Concourse A
 - Satellite Transit System
 - Baggage systems

Sea-Tac has used PFCs to manage rate impacts and CPE

Airport Funding Decisions

- An airport's choice of funding sources is influenced by external stakeholders factors and management considerations

External Stakeholder Factors

- *FAA--PFC* project eligibility and approval
- *Rating Agencies*—Future cash balances and debt levels
- *Airline industry*—Forecast CPE levels and specific airline rates
- *FAA/State* -- Availability of grants

Management Considerations

- Current and future capital needs
- Forecast CPE and current and forecast airline rates (e.g. landing fees, terminal rents)
- Existing and future cash on hand
- Existing and future PFCs

Project funding decisions are influenced by many factors

Preview of Next Finance Briefing

- Focus on recent examples of airport funding plans for new international facilities
- Criteria for inclusion:
 - Large hub airport
 - USA
 - Since 2000
 - Funded by airport (not airlines or third party)
- Questions?

July 28 will focus on how airports fund international facilities

Forum Wrap-up and Next Meetings

- Next meeting on July 28
- Technical discussions on July 15 and 29
- Airline Roundtable on August 11

An ongoing effort