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COMMISSION

AGENDA MEMORANDUM Item No. 10e

ACTION ITEM Date of Meeting November 29, 2022

DATE: November 8, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Robert Giacometti, Aviation Grants Program Manager, Aviation Finance & Budget

Borgan Anderson, Director, Aviation Finance & Budget

SUBJECT: Introduction and Adoption of Resolution No 3809 Amending the Authorization for Passenger Facility Charges (PFCs) – effective January 1, 2023

Amount of this request: \$0

Total estimated project cost: \$0

ACTION REQUESTED

Request Commission introduction and adoption of Resolution No. 3809, a resolution of the Port of Seattle Commission amending resolution No. 3464 authorizing extension of the Passenger Facility Charge Program at Seattle-Tacoma International Airport, effective January 1, 2023.

EXECUTIVE SUMMARY

The purpose of this request is to extend Commission authorization to continue collecting PFCs beyond 2022. PFCs are a critical funding source for Seattle-Tacoma International Airport (SEA). The Port has been collecting PFCs since 1992 and anticipates collecting approximately \$95 million in PFCs in 2023. While the Port's authority to collect and spend PFCs from the Federal Aviation Administration (FAA) is based on approved applications that will continue through approximately January 1, 2043, Port Resolution No. 3464 set an expiration date of December 31, 2022. With the adoption of this Resolution No. 3809, The Port will maintain the seamless continuity of the PFC Program at SEA. The effective date is January 1, 2023.

JUSTIFICATION

Once an application to collect and spend PFCs on specific projects is approved by the FAA, an airport can use the PFCs to either directly pay project costs or pay debt service on the revenue bonds used to fund the PFC approved projects. It is the Port's strategy to use PFCs primarily to pay existing revenue bond debt service for currently approved capital projects. Since costs paid by PFCs are excluded from airline rate bases, the Port can maximize the savings to airline rates and charges by using PFCs to pay debt service. The Port currently has FAA PFC authority for the following projects: Satellite Transit System (completed in 2003), South Terminal Expansion Project (completed in 2004), Third Runway (completed 2008), In-Line Baggage Screening

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System (completed 2009), North Satellite Reconstruction (completed 2021), and the International Arrivals Facility (completed 2022). The use of PFCs to pay revenue bond debt service on these projects has the effect of reducing airline rates and charges since the debt service paid by PFCs is not included in airline rates and charges (e.g., terminal rents, baggage fees, or landing fees). This reduces passenger airline cost per enplaned passenger (CPE) and frees up revenue bond capacity for other capital projects.

The 2023 – 2027 Plan of Finance assumes that the Port would continue to impose a \$4.50 PFC as it has since 2001. Imposing PFCs at the \$4.50 level will result in the collection of approximately \$95 million a year.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

1. Allow PFC authorization to end on December 31, 2022. This would mean that annually approximately \$95 million of revenue bond debt service that would otherwise be paid by PFCs would be added to the airline rate bases, resulting in an increase in terminal rents, baggage fees and landing fees. CPE would increase by approximately \$3.69 and debt service coverage would decrease by 0.31.

This is not the recommended alternative.

2. Extend the Port's authority to continue the PFC program. All elements of the Port's plan of finance and budgeted airline revenues would be the same as the 2023 proposed budget.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Approval to extend the PFC program will result in the Port collecting approximately \$95 million per year (growing with passenger levels). As noted above, the use of PFCs results in lower airline costs (\$3.69 CPE in 2023) and increased debt service coverage (.31x in 2023). The 2023 budget assumes a continuation of the PFC program so there would be no change.

Annual Budget Status and Source of Funds

The 2023 Proposed Budget assumes the Port will continue to collect and spend PFCs.

**ADDITIONAL BACKGROUND**

Passenger Facility Charges (PFCs) were authorized by U.S. Congress in the 1990 Aviation safety and Capacity Expansion Act. In accordance with Part 158 of Title 14, Code of Federal Regulations, PFC revenue will be used by eligible airports to finance projects that: preserve or enhance capacity, safety, or security of the national air transportation system; reduce noise

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resulting from an airport, which is a part of such system; and furnish opportunities for enhanced competition between and among air carriers.

Previous Commission Resolutions Nos. 3099, 3143, 3199, 3253, and 3464 authorized the Aviation Director to make applications to the Federal Aviation Administration (FAA) to impose a PFC at Seattle-Tacoma International Airport (Sea-Tac) and to apply the PFC proceeds for financing airport capital projects that meet Part 158 requirements. Under Resolution No. 3464, the existing PFC program imposes a \$4.50 charge per enplaned passenger and will expire on December 31, 2022, unless subsequently extended or amended.

The FAA has approved over \$3.8 billion in collection authority since the inception of the program in late 1992.

**ATTACHMENTS TO THIS REQUEST**

(1) Draft Resolution No. 3809

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

September 25, 2001 – The Commission authorized Resolution No. 3464

October 28, 1997 – The Commission authorized Resolution No. 3253

July 25, 1995 – The Commission authorized Resolution No. 3199

May 25, 1993 – The Commission authorized Resolution No. 3143

December 10, 1991 – The Commission authorized Resolution No. 3099

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