

# Aviation Workshop:

## Funding of Runway 9R-27L Extension

October 20, 2009

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## Workshop Objectives

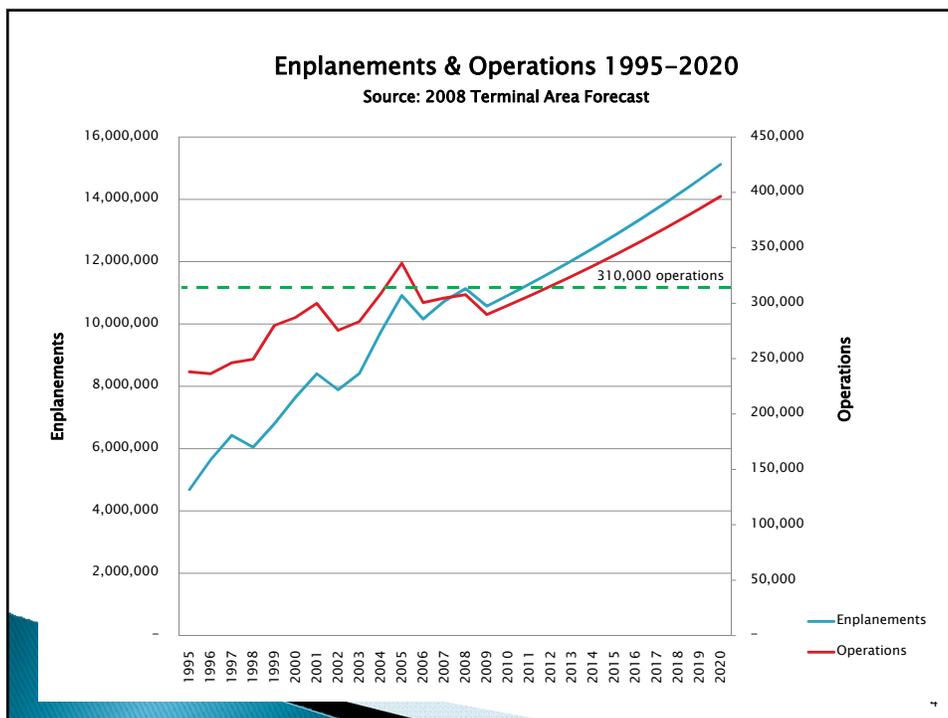
- ▶ Discuss:
  1. Runway Extension Project
  2. Project Phasing Options
  3. Funding Sources
  4. Benefit Cost Analysis (BCA)
  5. Financial Plan and Impact
  
- ▶ Board Action:
  - October 27 to Authorize Submission of a request for a Letter of Intent to FAA

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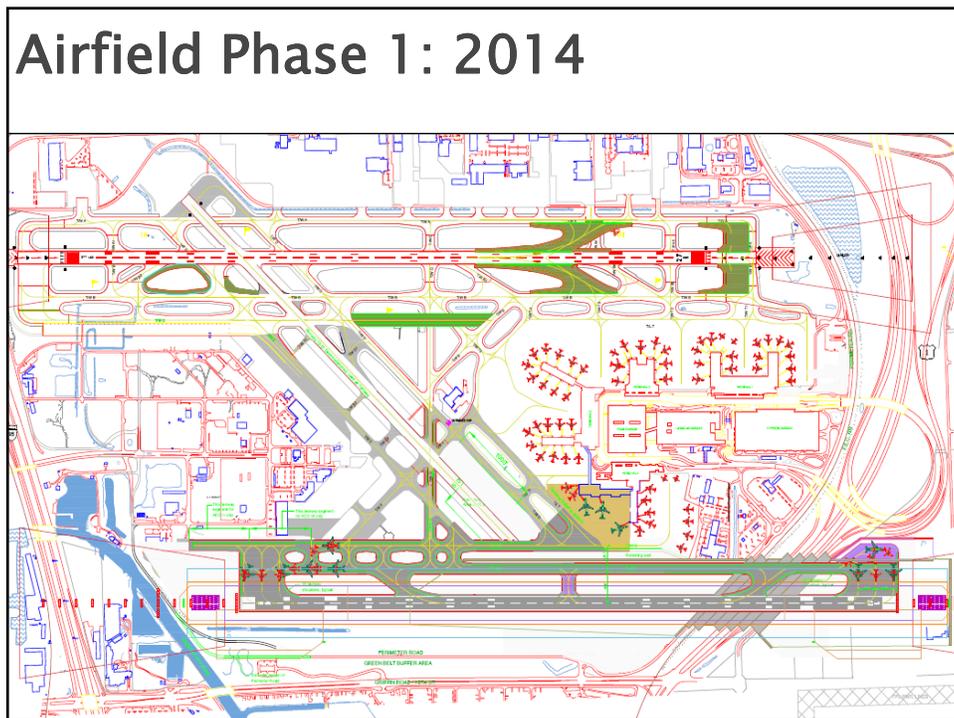
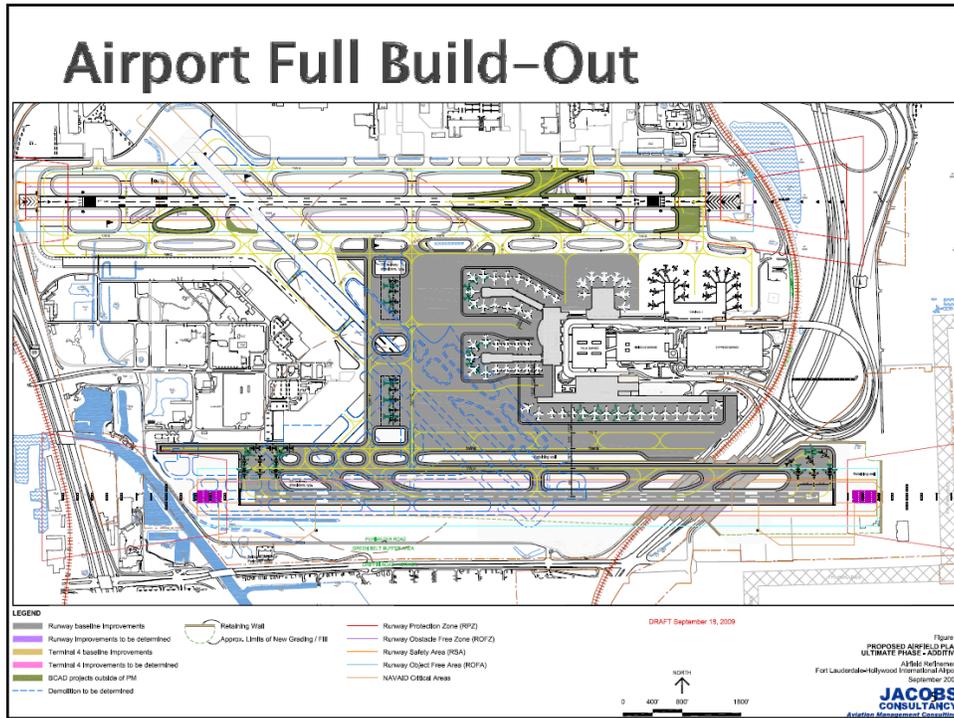
## Runway Business Case

- ▶ Insufficient airfield capacity to accommodate demand
  - Demand dictated a new runway in 2004
- ▶ FLL is essentially a one commercial runway airport
  - 30 large hub airports in US
  - FLL is one of only 2 large hub airports that have 1 runway
- ▶ The Runway Extension will increase capacity\* from 310,000 to 445,000 operations per year
  - \* Capacity is measured as the point at which the average departure is delayed by 6 minutes.

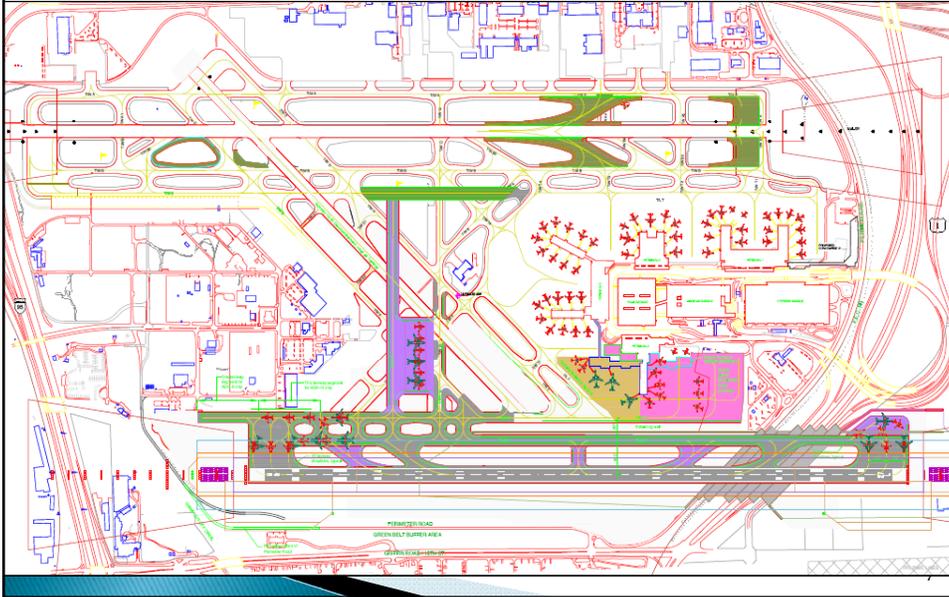
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## Airfield Phase 2: 2020



## How much will it Cost?

- ▶ Probable Construction Cost Estimate for Phase 1 prepared by U.S. Cost and reviewed by DMJM Aviation/AECOM (Program Manager)
  - Cost are escalated to the mid-point of construction in 2012.
  - Construction costs are escalated at 3% annually which includes inflation and increases in materials cost.
  - Estimate includes contingency, land acquisition and all soft costs.

## Expansion of Runway 9R-27L

### ▶ Option 1 Phased Development

- Phase 1 \$761,030,000 (Late 2014)
- Phase 2 \$ 32,783,000 (400,000 Annual Operations)
- Total Cost \$793,813,000

### ▶ Option 2 Full Build R/W Commissioned 2014

- Total Project Cost \$791,031,000

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## How to Pay For the Runway Extension\*

1. Passenger Facility Charges (PFC)
2. FDOT Participation
3. FAA Letter of Intent (LOI)
4. Financing

\* There will be no General Fund dollars (i.e. ad valorem taxes) used to build the Runway Extension

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## What is a Passenger Facility Charge (PFC)?

- ▶ The Passenger Facility Charge (PFC) Program allows the collection of PFC fees up to \$4.50 for enplaned passengers at commercial airports controlled by public agencies (established 1990).
- ▶ Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

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## Passenger Facility Charge

- ▶ Congress increased the PFCs from \$3.00 to \$4.50 in 2000.
  - The Board authorized Aviation to increase PFC collection from \$3.00 to \$4.50 in 2005.
- ▶ There are current attempts to increase the PFC in Congress. It is expected the PFC will be increased sometime in the next 5 years.

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## Passenger Facility Charge

- ▶ FLL generates \$45–50M per year in PFCs.
- ▶ PFC collection increases proportionately with enplaned passengers.
- ▶ Runway financing analyses based on \$4.50 PFC.

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## FDOT Participation

- ▶ FDOT has committed \$65M in Joint Participation Agreements so far for this Project over the next 5 years.

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## What is a Letter of Intent (LOI)?

- ▶ The Letter of Intent (LOI) program assists in the funding of large-scale capacity projects by the FAA.
- ▶ LOIs utilize Airport Improvement Program (AIP) discretionary and entitlement funds from future Federal budgetary authority in an amount not greater than what would be the Federal Government's share of allowable costs for that project.
  - The non-LOI AIP split for commercial airports is 75% federal/25% local
- ▶ The LOI is normally allocated over a 10-year period.

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## Letter of Intent

- ▶ For large hub airports, a LOI is generally between 25% and 35% of a project's cost.
- ▶ BCAD will request \$300M
  - The "Future Airport Capacity Task 2" published by the FAA in 2007 identifies FLL as one of four airports needing additional capacity immediately.
    - FLL passed its capacity trigger for an additional runway in 2004.
  - FLL is a "small" large hub airport

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## Letter of Intent – BCA

- ▶ Contained within the LOI request is a Benefit Cost Analysis (BCA).
- ▶ The FAA defines a method for conducting a BCA to determine the financial viability of the project.
  - This method is standard across the US.
- ▶ The analysis of FLL's Runway Extension project yielded a benefit–cost ratio of 4.0 in 2030.
  - The ratio is based on the calculated net present value of benefits divided by the net present value of costs.
  - A score of 1.0 represents a 100% payback.
  - The FAA's requirement to consider an LOI request is ratio greater than 1.0.
  - The BCA is a living document until FAA review and approval.

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## LOI Process

- ▶ Request submitted in November, 2009 (pending Board approval on October 27)
- ▶ LOI negotiations are expected to stretch into the middle of Fiscal Year 2010.
- ▶ The LOI will be brought back to the Board for acceptance
- ▶ The expected effective date of the LOI is October 1, 2010 (for FY2011).

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## Financing

- ▶ Current Expected Project Cost: Approximately \$761 million for Phase 1
- ▶ Debt Financing
  - Phased Issuance
  - Source of Payment for Bonds:
    - Passenger Facility Charge
    - Federal Grants
    - State Grants
    - General Airport Revenues
  - Evaluate Various Structures
  - Evaluate Current Lien Structure

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## Sensitivity Analyses

- ▶ 3 scenarios developed
  - Base Case
  - Conservative Scenario
  - Aggressive Scenario

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## Base Case Assumptions

- ▶ Use the 2008 Terminal Area Forecast (3.3% passenger growth per year)
- ▶ \$4.50 PFC leveraged
- ▶ \$300M LOI awarded over 10 years
- ▶ \$65M in FDOT grants over 5 years
- ▶ \$761M Phase 1 runway cost
- ▶ 5-Year CIP is included plus \$30M for Runway 9L rehab
- ▶ O&M increases at 3.3% per year plus incremental O&M for runway, T4, parking shuttle, and demand-driven terminal expansion

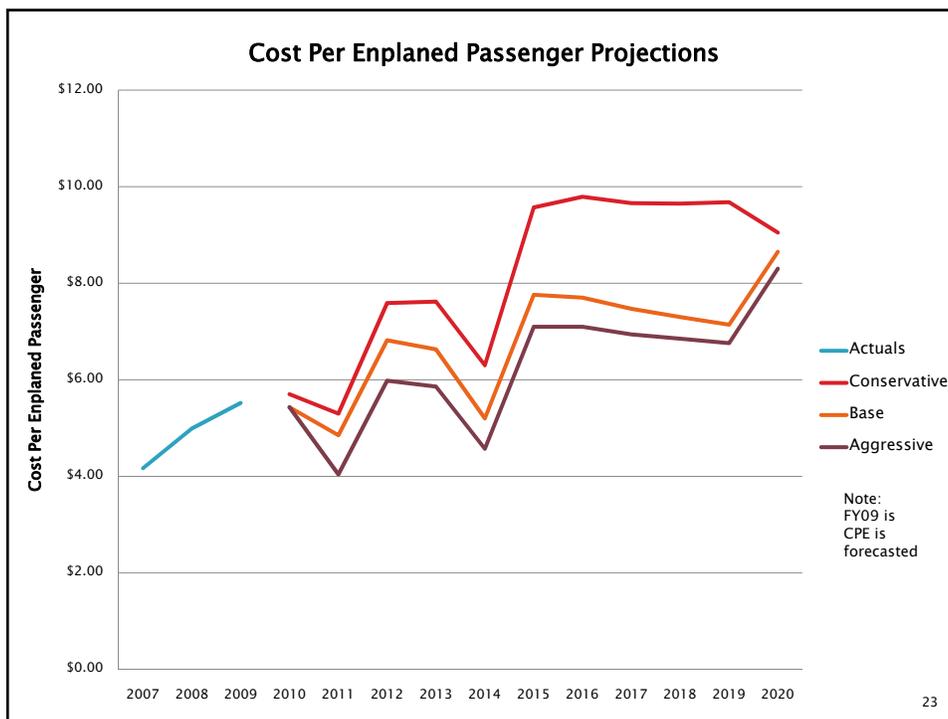
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## Other Scenario Assumptions

- ▶ **Conservative Scenario**
  - Lower traffic growth compared to the base case (2% versus 3.3%)
  - \$200M LOI award versus \$300M in the base case
- ▶ **Aggressive Scenario**
  - \$300M LOI award
  - Higher traffic level compared to the base case
    - Based on the 2006 Terminal Area Forecast, which was prepared prior to the economic downturn and projected higher initial passenger volumes but an annual growth rate of 2.9%.

\*All scenario details have been provided electronically in the backup.

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## Airline Net Requirement (in millions) – Base Case

	2010	2015	2020
Non-Airline Revenue	\$121	\$148	\$176
Operating Expense	(129)	(156)	(204)
Existing Debt Service	(61)	(48)	(48)
Future Debt Service	-	(19)	(30)
Capital & Other	10	(25)	(25)
<b>Airline Net requirement</b>	<b>(\$59)</b>	<b>(\$100)</b>	<b>(\$131)</b>
Enplanements (mil)	10.9	12.8	15.1
Cost Per Enplanement	\$ 5.43	\$ 7.76	\$ 8.65
PFC Fund Balance	\$114	\$69	\$102

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## Noise Mitigation Program

- ▶ Noise mitigation program is estimated at \$175 million in the EIS/ROD.
- ▶ Congress directs that approximately \$1 billion be set aside annually for noise mitigation programs throughout the US.
  - Funds are distributed on an 80% federal/20% local formula.
- ▶ FLL has reserved \$35 million to date in local PFC funds dedicated to a noise mitigation program. This will fund a total program of \$175 million.

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## Requested Board Action

- ▶ A Board action will be submitted for the October 27, 2009 meeting to authorize BCAD to submit the request for the Letter of Intent to the FAA for funding of the Runway Extension of 9R-27L.

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