



## Legislation Text

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**File #:** 10-0618, **Version:** 1

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Recommendation to authorize City Manager to execute all necessary documents to apply to the Federal Aviation Administration for a new Passenger Facility Charge (PFC) application and to accept, implement, administer, collect and expend the new PFC revenue related to the Airport Capital Improvement Program within the existing authorized PFC level of \$4.50 per enplaned passenger. (District 5)

Federal regulations allow local airport proprietors to charge a Passenger Facility Charge (PFC), which is a "per enplaned passenger" fee of up to \$4.50 for expenditure on eligible non-revenue generating airport capital improvements. The Federal Aviation Administration (FAA) must approve the imposition and use of PFCs through an application process. PFCs are allowed only for approved airport capital project costs that meet the program objectives related to safety, security, capacity, noise mitigation or competition. PFCs are considered to be local charges and are in place at most commercial service hub airports.

On May 20, 2003, the City Council authorized the submission of a PFC application to commence imposition and use of PFCs at the Long Beach Airport. The program currently collects PFC revenue at the federal maximum allowable level of \$4.50 per enplaned passenger. Since the program was implemented at the Airport, PFC revenue has been approved to fund portions of airfield projects, security system upgrades and acquisition of aircraft rescue and fire fighting vehicles. Currently, the Airport annually collects PFC revenues of approximately \$6.3 million.

On June 20, 2006, the City Council certified the Environmental Impact Report (EIR) for the Airport Terminal Improvement Project. On April 24, 2007, the City Council authorized the preparation of final plans and specifications, cost estimates and a financing plan for the construction of an Airport Terminal Improvement Project consistent with the projects identified as part of the Airport EIR certification. On September 4, 2007, in anticipation of the preparation of a financing plan for the sale of PFC-supported bonds, the City Council authorized the submission of application No. 0804-1-00-LGB with the FAA for "impose only authority" for the collection of \$69,137,000 for the construction of terminal improvements.

In April 2009, due to factors affecting the nation's economy and, in particular, the aviation industry, Airport staff began to identify a "phased" approach to construction and financing of the terminal improvements. Focusing on customer service, staff identified three immediate priorities for construction: permanent structures to serve as passenger holdrooms, a consolidated passenger screening checkpoint and enhanced concession areas. These priorities served as the basis for the design of the Phase I Terminal Improvements.

On April 12, 2010, the Long Beach Cultural Heritage Commission approved a Certificate of Appropriateness for the Phase I Terminal Improvements. On April 15, 2010, the Long Beach Planning Commission approved the Site Plan Review for the Phase I Terminal Improvements. Staff is now proceeding with preparation of final plans and specifications and a financing plan to include the use

of PFC funds. City Council authorization is now necessary to request submission of a PFC application for "impose and use authority" for PFC funds for the construction of the Phase I Terminal Improvements and to update the amount requested based on the site plan approved by the Long Beach Planning Commission.

The Airport proposes to submit a new application to modify and supersede application No. 08-04-1-00-LGB for the following project:

- Phase I Terminal Improvements: This project will replace the existing temporary trailer facilities with permanent hold rooms and concession facilities. The project will include 34,750 square feet of new construction and 6,500 square feet of remodeled space. The new construction will house hold rooms, restrooms, concessions and secured circulation corridors. The remodeled space will be utilized as a consolidated passenger security-screening checkpoint (SSCP). A central garden area will connect the new north and south holdrooms.

The construction bid package for the project will include, through a series of additive alternatives, the demolition and replacement of the existing space identified for the consolidated SSCP. If financially feasible, the replacement space for the SSCP would measure 8,940 square feet and would be designed to meet current TSA standards.

To date, the FAA has approved collection of \$149,525,009 of PFC revenues under prior applications for the Airport. This amount includes the \$69,137,000 approved for "impose only authority" for the construction of terminal improvements. The proposed new application will request "impose and use authority" for an additional \$17,395,700 for a total of \$86,532,700 (which includes PFC eligible project costs of \$32,710,000, bond issuance and reserve costs of \$3,345,000 and bond interest costs of \$50,477,700) for the construction of terminal improvements. With the approval of the proposed application, PFC collections are estimated to continue until March 1, 2029.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on May 20, 2010, and Budget Management Officer Victoria Bell on May 27, 2010.

Approximately 120 days are needed for the application and approval process of a PFC application following City Council authorization. The Airport is currently working with the Department of Financial Management on a financing plan for the sale of PFC-supported bonds for City Council review and approval in the fall of 2010 for the construction of the Phase I Terminal Improvements. The revenues collected for the proposed new PFC application will form the basis of the funding for the financing plan.

City Council action is requested on June 15, 2010, in an effort to receive FAA approval by fall 2010 for the proposed PFC application to collect and expend PFC revenue for the construction of the Phase I Terminal Improvements. FAA approval is necessary prior to the presentation of a financing plan to City Council.

In accordance with FAA regulations, the projected end date for the collection period of the proposed application is based on an estimated annual enplanement growth rate of approximately one percent and the assumption that the PFC level will remain at the \$4.50 per passenger level in the future. These assumptions result in estimated PFC program annual collections, including interest earnings,

which vary from \$6.6 million during Fiscal Year 2010 to \$7.5 million in 2029.

PFC revenue is restricted to non-revenue generating airport capital projects that are FAA pre-approved. PFC revenue is deposited in the Airport Enterprise Fund (EF 320) in the Airport Department (AP). Appropriations to expend newly collected PFC revenue for the Phase I Terminal Improvements will occur in conjunction with future City Council approvals for a financing plan and construction contract for the Phase I Terminal Improvements. There is no impact to the General Fund associated with this request.

Approve recommendation.

MARIO RODRIGUEZ  
DIRECTOR OF LONG BEACH AIRPORT

NAME  
TITLE

APPROVED:

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PATRICK H. WEST  
CITY MANAGER