

1 2007. City shall pay for the services as described below, not to exceed
2 \$295,000.00 annually during the term of this Agreement, at the rates shown on
3 Exhibit "A" attached to the Agreement and incorporated by reference. Consultant
4 shall give to City a written estimate of the "not to exceed" amount of fees for each
5 specific project. City may change the scope of the project if the "not to exceed"
6 amount requires reduction.

7 B. Consultant may select the time and place of performance
8 hereunder provided, however, that access to City documents, records, and the
9 like, if needed by Consultant, shall be available only during City's normal business
10 hours and provided that milestones for performance, if any, are met.

11 C. Consultant has requested to receive regular monthly
12 payments. City shall pay Consultant \$15,000 per month in advance for services to
13 be provided hereunder. City shall pay up to \$20,000 annually for reimburseables
14 and \$95,000 annually for Consultant's subcontractor costs (if any) upon receipt
15 and approval by City of an invoice for such costs. Consultant shall otherwise
16 deliver to City invoices showing the services or task performed, the time expended
17 (if billing is hourly), and the name of the Project. Consultant shall certify on the
18 invoices that Consultant has performed the services in full conformance with this
19 Agreement and is entitled to receive payment. Each invoice shall be accompanied
20 by a progress report indicating the progress to date of services performed and
21 covered by said invoice, including a brief statement of any Project problems and
22 potential causes of delay in performance, and listing those services that are
23 projected for performance by Consultant during the next invoice cycle. Where
24 billing is done and payment is made on an hourly basis, the parties acknowledge
25 that such arrangement is either customary practice for Consultant's profession,
26 industry, or business, or is necessary to satisfy audit and legal requirements which
27 may arise due to the fact that City is a municipality. At the expiration of the term
28 Consultant shall promptly reimburse to City any monthly payments Consultant

1 received for which it did not perform services.

2 D. Consultant represents that Consultant has obtained all
3 necessary information on conditions and circumstances that may affect
4 performance hereunder and has conducted site visits, if necessary.

5 2. TERM. The term of this Agreement shall commence at midnight on
6 March 1, 2008 and shall terminate at 11:59 p.m. on February 28, 2011, unless sooner
7 terminated as provided in this Agreement, or unless the services to be performed
8 hereunder or the Project is completed sooner. City shall have the option to extend the
9 term of this Agreement for two (2) additional terms of two-years each.

10 3. COORDINATION AND ORGANIZATION.

11 A. Consultant shall coordinate performance hereunder with City's
12 representatives. Consultant shall advise and inform City's representatives of the
13 work in progress on the Project in sufficient detail so as to assist City's
14 representative in making presentations and in holding meetings for the exchange
15 of information.

16 B. The parties acknowledge that a substantial inducement to City
17 for entering this Agreement was and is the reputation and skill of Consultant's key
18 employee Kenneth J. Cushine. City shall have the right, in its sole and absolute
19 discretion, to approve any person proposed by Consultant to replace that key
20 employee, or to terminate this Agreement in the event City does not approve of the
21 proposed replacement employee.

22 4. INDEPENDENT CONTRACTOR. In performing services hereunder,
23 Consultant is and shall act as an independent contractor and not an employee,
24 representative, or agent of City. Consultant shall have control of Consultant's work and
25 the manner in which it is performed. Consultant shall be free to contract for similar
26 services to be performed for others during this Agreement provided, however, that
27 Consultant acts in accordance with Section 9 and Section 11 of this Agreement.
28 Consultant acknowledges and agrees that a) City will not withhold taxes of any kind from

1 Consultant's compensation, b) City will not secure workers' compensation or pay
2 unemployment insurance to, for or on Consultant's behalf, and c) City will not provide and
3 Consultant is not entitled to any of the usual and customary rights, benefits or privileges
4 of City employees. Consultant expressly warrants that neither Consultant nor any of
5 Consultant's employees or agents shall represent themselves to be employees or agents
6 of City.

7 5. INSURANCE. As a condition precedent to the effectiveness of this
8 Agreement, Consultant shall procure and maintain at Consultant's expense for the
9 duration of this Agreement from insurance companies that are admitted to write
10 insurance in California or from authorized non-admitted insurance companies that have
11 ratings of or equivalent to A:VIII by A.M. Best City the following insurance:

12 A. Commercial general liability insurance (equivalent in scope to
13 ISO form CG 00 01 11 85 or CG 00 01 11 88) in an amount not less than One
14 Million Dollars (\$1,000,000) per each occurrence and Two Million Dollars
15 (\$2,000,000) general aggregate. Such coverage shall include but not be limited to
16 broad form contractual liability, cross liability, independent contractors liability, and
17 products and completed operations liability. City, its officials, employees and
18 agents shall be named as additional insureds by endorsement (on City's
19 endorsement form or on an endorsement equivalent in scope to ISO form CG 20
20 10 11 85 or CG 20 26 11 85), and this insurance shall contain no special
21 limitations on the scope of protection given to City, its officials, employees and
22 agents.

23 B. Professional liability or errors and omissions insurance in an
24 amount not less than One Million Dollars (\$1,000,000) per claim.

25 C. Commercial automobile liability insurance (equivalent in scope
26 to ISO form CA 00 01 06 92), covering Auto Symbol 1 (Any Auto) in an amount not
27 less than Five Hundred Thousand Dollars (\$500,000) combined single limit per
28 accident.

1 Any self-insurance program, self-insured retention, or deductible must be
2 separately approved in writing by City's Risk Manager or designee and shall protect City,
3 its officials, employees and agents in the same manner and to the same extent as they
4 would have been protected had the policy or policies not contained retention or
5 deductible provisions. Each insurance policy shall be endorsed to state that coverage
6 shall not be reduced, non-renewed, or canceled except after thirty (30) days prior written
7 notice to City, and shall be primary and not contributing to any other insurance or self-
8 insurance maintained by City. Consultant shall notify City in writing within five (5) days
9 after any insurance required herein has been voided by the insurer or cancelled by the
10 insured.

11 Consultant shall require that all contractors and subcontractors which
12 Consultant uses in the performance of services hereunder maintain insurance in
13 compliance with this Section unless otherwise agreed in writing by City's Risk Manager or
14 designee.

15 Prior to the start of performance, Consultant shall deliver to City certificates
16 of insurance and required endorsements for approval as to sufficiency and form. The
17 certificate and endorsements for each insurance policy shall contain the original signature
18 of a person authorized by that insurer to bind coverage on its behalf. In addition,
19 Consultant, shall, within thirty (30) days prior to expiration of the insurance required
20 herein, furnish to City certificates of insurance and endorsements evidencing renewal of
21 such insurance. City reserves the right to require complete certified copies of all policies
22 of Consultant and Consultant's contractors and subcontractors, at any time. Consultant
23 shall make available to City's Risk Manager or designee all books, records and other
24 information relating to the insurance coverage required herein, during normal business
25 hours.

26 Any modification or waiver of the insurance requirements herein shall only
27 be made with the approval of City's Risk Manager or designee. Not more frequently than
28 once a year, the City's Risk Manager or designee may require that Consultant,

1 Consultant's contractors and subcontractors change the amount, scope or types of
2 coverages required herein if, in his or her sole opinion, the amount, scope, or types of
3 coverages herein are not adequate.

4 The procuring or existence of insurance shall not be construed or deemed
5 as a limitation on liability relating to Consultant's performance or as full performance of or
6 compliance with the indemnification provisions of this Agreement.

7 6. ASSIGNMENT AND SUBCONTRACTING. This Agreement
8 contemplates the personal services of Consultant and Consultant's employees, and the
9 parties acknowledge that a substantial inducement to City for entering this Agreement
10 was and is the professional reputation and competence of Consultant and Consultant's
11 employees. Consultant shall not assign its rights or delegate its duties hereunder, or any
12 interest herein, or any portion hereof, without the prior approval of City, except that
13 Consultant may with the prior approval of the City Manager or designee, assign any
14 moneys due or to become due the Consultant hereunder. Any attempted assignment or
15 delegation shall be void, and any assignee or delegate shall acquire no right or interest
16 by reason of such attempted assignment or delegation. Furthermore, Consultant shall
17 not subcontract any portion of the performance required hereunder without the prior
18 approval of the City Manager or designee, nor substitute an approved subcontractor
19 without said prior approval to the substitution. Nothing stated in this Section 6 shall
20 prevent Consultant from employing as many employees as Consultant deems necessary
21 for performance of this Agreement.

22 7. CONFLICT OF INTEREST. Consultant, by executing this
23 Agreement, certifies and shall obtain similar certifications from Consultant's employees
24 and approved subcontractors that, at the time Consultant executes this Agreement and
25 for its duration, Consultant does not and will not perform services for any other client
26 which would create a conflict, whether monetary or otherwise, as between the interests of
27 City hereunder and the interests of such other client.

28

1 8. **MATERIALS.** Consultant shall furnish all labor and supervision,
2 supplies, material, tools, machinery, equipment, appliances, transportation, and services
3 necessary to or used in the performance of Consultant's obligations hereunder.

4 9. **OWNERSHIP OF DATA.** All materials, information and data
5 prepared, developed, or assembled by Consultant or furnished to Consultant in
6 connection with this Agreement, including but not limited to documents, estimates,
7 calculations, studies, maps, graphs, charts, computer disks, computer source
8 documentation, samples, models, reports, summaries, drawings, designs, notes, plans,
9 information, material, and memorandum ("Data") shall be the exclusive property of City.
10 Data shall be given to City, and City shall have the unrestricted right to use and disclose
11 the Data in any manner and for any purpose without payment of further compensation to
12 Consultant. Copies of Data may be retained by Consultant but Consultant warrants that
13 Data shall not be made available to any person or entity for use without the prior approval
14 of City. Said warranty shall survive termination of this Agreement for five (5) years.

15 10. **TERMINATION.** Either party shall have the right to terminate this
16 Agreement for any reason or no reason at any time by giving fifteen (15) calendar days'
17 prior notice to the other party. In the event of termination under this Section, City shall
18 pay Consultant for services satisfactorily performed and costs incurred up to the effective
19 date of termination for which Consultant has not been previously paid. The procedures
20 for payment in Section 1.B. with regard to invoices shall apply. On the effective date of
21 termination, Consultant shall deliver to City all Data developed or accumulated in the
22 performance of this Agreement, whether in draft or final form, or in process.

23 11. **CONFIDENTIALITY.** Consultant shall keep the Data confidential
24 and shall not disclose the Data or use the Data directly or indirectly other than in the
25 course of services provided hereunder during the term of this Agreement and for five (5)
26 years following expiration or termination of this Agreement. In addition, Consultant shall
27 keep confidential all information, whether written, oral, or visual, obtained by any means
28 whatsoever in the course of Consultant's performance hereunder for the same period of

1 time. Consultant shall not disclose any or all of the Data to any third party, nor use it for
2 Consultant's own benefit or the benefit of others except for the purpose of this
3 Agreement.

4 12. BREACH OF CONFIDENTIALITY. Consultant shall not be liable for
5 a breach of confidentiality with respect to Data that:

6 A. Consultant demonstrates Consultant knew prior to the time
7 City disclosed it; or

8 B. Is or becomes publicly available without breach of this
9 Agreement by Consultant; or

10 C. A third party who has a right to disclose does so to Consultant
11 without restrictions on further disclosure; or

12 D. Must be disclosed pursuant to subpoena or court order.

13 13. AMENDMENT. This Agreement shall not be amended, nor any
14 provision or breach hereof waived, except in writing signed by the parties which expressly
15 refers to this Agreement.

16 14. LAW. This Agreement shall be governed by and construed pursuant
17 to the laws of the State of California (except those provisions of California law pertaining
18 to conflicts of laws). Consultant shall comply with all laws, ordinances, rules and
19 regulations of and obtain such permits, licenses, and certificates required by all federal,
20 state and local governmental authorities.

21 15. ENTIRE AGREEMENT. This Agreement constitutes the entire
22 understanding between the parties and supersedes all other agreements, oral or written,
23 with respect to the subject matter herein.

24 16. INDEMNITY. With respect to services performed hereunder,
25 Consultant shall indemnify and hold harmless City, its Boards, Commissions, and their
26 officials, employees and agents (collectively in this Section "City") from and against any
27 and all liability, claims, demands, damage, causes of action, proceedings, penalties, loss,
28 costs, and expenses (including attorney's fees, court costs, and expert and witness

1 fees)(collectively "Claims" or individually "Claim"). Claims include allegations and include
2 Claims for property damage, personal injury or death arising in whole or in part from any
3 negligent act or omission of Consultant, its officers, employees, agents, sub-consultants,
4 or anyone under Consultant's control (collectively "Indemnitor"); Consultant's breach of
5 this Agreement; misrepresentation; willful misconduct; and Claims by any employee of
6 Indemnitor relating in any way to worker's compensation. Independent of the duty to
7 indemnify and as a free-standing duty on the part of Consultant, Consultant shall defend
8 City and shall continue such defense until the Claim is resolved, whether by settlement,
9 judgment or otherwise. Consultant shall notify City of any claim within ten (10) days.
10 Likewise, City shall notify Consultant of any claim, shall tender the defense of such claim
11 to Consultant, and shall assist Consultant, as may be reasonably requested, in such
12 defense.

13 17. AMBIGUITY. In the event of any conflict or ambiguity between this
14 Agreement and any Exhibit, the provisions of this Agreement shall govern.

15 18. COSTS. If there is any legal proceeding between the parties to
16 enforce or interpret this Agreement or to protect or establish any rights or remedies
17 hereunder, the prevailing party shall be entitled to its costs and expenses, including
18 reasonable attorneys' fees and court costs (including appeals).

19 19. CHANGES AND EXTRA SERVICES. City may make changes
20 within the general scope of work under this Agreement. Changes shall be in writing and
21 shall state the dollar amount of the change, any adjustment in the time for performance
22 and, when negotiated prices are involved, shall provide for the Consultant's signature
23 indicating acceptance. If Consultant estimates that the change will cause an increase or
24 decrease in the cost or time required for performance, Consultant shall so notify City of
25 that fact. Any notification by Consultant shall be provided within ten (10) calendar days
26 from the date of receipt by Consultant of the change order. In addition, Consultant shall
27 notify City when Consultant identifies a condition which may change the initial scope of
28 work or services. All changes shall be deemed part of this Agreement.

1 20. NONDISCRIMINATION. In connection with performance of this
2 Agreement and subject to applicable rules and regulations, Consultant shall not
3 discriminate against any employee or applicant for employment because of race, religion,
4 national origin, color, age, gender, sexual orientation, AIDS, AIDS related condition,
5 handicap, disability, or Vietnam Era veteran status. Consultant shall ensure that
6 applicants are employed, and that employees are treated during their employment,
7 without regard to these bases. Such actions shall include, but not be limited to, the
8 following: Employment, upgrading, demotion or transfer, recruitment or recruitment
9 advertising, layoff or termination, rates of pay or other forms of compensation, and
10 selection for training, including apprenticeship. It is the policy of City to encourage the
11 participation of Disadvantaged, Minority and Women-owned Business Enterprises in
12 City's procurement process, and Consultant agrees to use its best efforts to carry out this
13 policy in the award of all approved subcontracts to the fullest extent consistent with the
14 efficient performance of this Agreement. Consultant may rely on written representations
15 by subcontractors regarding their status. Consultant shall report to City in May and in
16 December or, in the case of short-term agreements, prior to invoicing for final payment,
17 the names of all sub-consultants engaged by Consultant for this Project and information
18 on whether or not they are a Disadvantaged, Minority or Women-Owned Business
19 Enterprise, as defined in Section 8 of the Small Business Act (15 U.S.C. Sec. 637).

20 21. NOTICES. Any notice or approval required hereunder by either
21 party shall be in writing and personally delivered or deposited in the U.S. Postal Service,
22 first class, postage prepaid, addressed to Consultant at the address first stated herein,
23 and to City at 4100 E. Donald Douglas Drive, Long Beach, California 90808 Attn: Airport
24 Bureau Manager. Notice of change of address shall be given in the same manner as
25 stated herein for other notices. Notice shall be deemed given on the date deposited in
26 the mail or on the date personal delivery is made, whichever first occurs.

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22. COPYRIGHTS AND PATENT RIGHTS.

A. City reserves the exclusive right to seek and obtain a patent or copyright registration on any Data or other result arising from Consultant's performance of this Agreement. By executing this Agreement, Consultant assigns any ownership interest Consultant may have in the Data to City.

B. Consultant warrants that the Data does not violate or infringe any patent, copyright, trade secret or other proprietary right of any other party. Consultant agrees to and shall protect, defend, indemnify and hold City, its officials and employees harmless from any and all claims, demands, damages, loss, liability, causes of action, costs or expenses (including reasonable attorneys' fees) whether or not reduced to judgment, arising from any breach or alleged breach of this warranty.

23. COVENANT AGAINST CONTINGENT FEES. Consultant warrants that Consultant has not employed or retained any entity or person to solicit or obtain this Agreement and that Consultant has not paid or agreed to pay any entity or person any fee, commission, or other monies based on or from the award of this Agreement. If Consultant breaches this warranty, City shall have the right to terminate this Agreement immediately notwithstanding the provisions of Section 10 hereof or, in its discretion, to deduct from payments due under this Agreement or otherwise recover the full amount of such fee, commission, or other monies.

24. WAIVER. The acceptance of any services or the payment of any money by City shall not operate as a waiver of any provision of this Agreement, or of any right to damages or indemnity stated in this Agreement. The waiver of any breach of this Agreement shall not constitute a waiver of any other or subsequent breach of this Agreement.

25. CONTINUATION. Termination or expiration of this Agreement shall not affect rights or liabilities of the parties which accrued pursuant to Sections 7, 10, 11, 16, 18, 22, and 28 prior to termination or expiration of this Agreement, and shall not

1 extinguish any warranties hereunder.

2 26. TAX REPORTING. As required by federal and state law, City is
3 obligated to and will report the payment of compensation to Consultant on Form 1099-
4 Misc. Consultant shall be solely responsible for payment of all federal and state taxes
5 resulting from payments under this Agreement. Consultant's Employer Identification
6 Number is [REDACTED] If Consultant has a Social Security Number rather than an
7 Employer Identification Number, then Consultant shall submit that Social Security
8 Number in writing to City's Accounts Payable, Department of Financial Management.
9 Consultant acknowledges and agrees that City has no obligation to pay Consultant
10 hereunder until Consultant provides one of the aforesaid Numbers.

11 27. ADVERTISING. Consultant shall not use the name of City, its
12 officials or employees in any advertising or solicitation for business, nor as a reference,
13 without the prior approval of the City Manager or designee.

14 28. AUDIT. City shall have the right at all reasonable times during the
15 term of this Agreement and for a period of five (5) years after termination or expiration of
16 this Agreement to examine, audit, inspect, review, extract information from, and copy all
17 books, records, accounts, and other documents of Consultant relating to this Agreement.

18 29. NO PECULIAR RISK. Consultant acknowledges and agrees that the
19 services to be performed hereunder do not constitute a peculiar risk of bodily harm and
20 that no special precautions are required to perform said services.

21 30. THIRD PARTY BENEFICIARY. This Agreement is intended by the
22 parties to benefit themselves only and is not in any way intended or designed to or
23 entered for the purpose of creating any benefit or right for any person or entity of any kind
24 that is not a party to this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this document to be duly executed with all formalities required by law as of the date first stated herein.

"Consultant"

FRASCA & ASSOCIATES, LLC, a New York limited liability company

By: *Kenneth J. Cashire*
Name: Kenneth J. Cashire
Title: Vice President + Principal

By: *Doreen M. Frasca*
Name: Doreen M. Frasca
Title: President + Principal

"City"

CITY OF LONG BEACH, a municipal corporation

By: *Patrick H. West* Assistant City Manager
Patrick H. West
City Manager

**EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.**

APPROVED AS TO FORM

6-18 20 08
ROBERT E. SHANNON, City Attorney

By: *Richard Anthony*
RICHARD ANTHONY
DEPUTY CITY ATTORNEY

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

EXHIBIT "A"

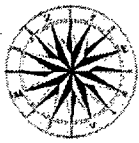


**Proposal for
Airport Financial Consulting Services**

for

LONG BEACH AIRPORT

by



FRASCA & ASSOCIATES, L.L.C.

521 MADISON AVENUE, SEVENTH FLOOR
NEW YORK, NY 10022

TELEPHONE: 212 355-4050

January 11, 2008



FRASCA & ASSOCIATES, L.L.C.

521 MADISON AVENUE, SEVENTH FLOOR
NEW YORK, NY 10022

TEL: 212 355-4050

January 11, 2008

Long Beach Airport
4100 Donald Douglas Drive
Long Beach, CA 90808
Attn: Mr. Malcolm Oscarson, Administrative Officer

Re: RFP for Financial Consulting Services

Dear Mr. Oscarson:

Frasca & Associates, L.L.C. ("*FRASCA*") is pleased to submit our credentials in response to the Request for Proposal for Airport Financial Consulting Services for the Long Beach Airport. We hope the information we have provided is responsive to your needs and imparts a sense of our enthusiasm about this assignment and our desire to serve you.

Our representative for this assignment is:

Kenneth J. Cushine
Vice President and Principal
Frasca & Associates, L.L.C.
521 Madison Avenue, Seventh Floor
New York, NY 10022
Telephone: 212 355-4050
Fax: 212 355-3756
Email: kcushine@frascallc.com

FRASCA is dedicated to serving airports, with exceptionally strong experience in providing financial consulting and advisory services. Our approach to providing financial advice is based on thorough analysis, clear communication, and a focus on our clients' near-term needs and long-term objectives. Our professionals, senior industry specialists with a combined total of more than 50 years of experience in airport finance, include the former head of Business and Financial Planning for the Port Authority of NY & NJ, two former investment bankers, and the former head of the Transportation ratings group at Moody's. The result of having a diversified, senior professional staff is a comprehensive, "**360-degree view**" of the issues faced by airports from a financial, capital markets, operations, business-development and rating agency perspective. The breadth and depth of



the *FRASCA* team's experience enables us to provide the full range of services that the City seeks for Long Beach Airport.

In particular, we understand the financial and business issues and circumstances facing Long Beach Airport. LGB is well positioned financially to undertake the new terminal and parking project with a low airline cost per enplaned passenger, a diversified mix of Airport revenues (including strong non-airline revenue performance), modest current airport debt levels, PFC funding capacity, potential CFC funding capacity, and strong historical financial performance. However, the magnitude of the proposed terminal improvement and garage project, in addition to your ongoing CIP needs, is significant. Successful implementation of LGB's terminal and parking expansion plan will require thorough financial and risk analyses. Airports across the nation face escalating construction costs and a weakened airline industry, as oil prices remain high and the economic outlook seems to point towards recession. Developing the proper funding strategy will directly impact the cost of financing and help maintain the financial strength of the Airport. *FRASCA* has developed innovative terminal funding programs for other airports, including Myrtle Beach, the New York airports (including the new JetBlue Terminal at JFK), and San Diego, that demonstrate our abilities to optimize non-debt funding sources and develop creative financial structures to meet the specific needs of our airport clients. We are also well versed in understanding and implementing "best business practices" employed by leading airports across the nation.

FRASCA is also a certified Woman-Owned Business (WBE) by several governmental agencies including the City of Los Angeles.

We hope to be able to serve the Airport. Please contact us if we can be of further assistance and thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth J. Cushine". The signature is fluid and cursive, written over a light blue horizontal line.

Kenneth J. Cushine
Vice President and Principal

Enc.



**Proposal for Financial Consulting Services for
LONG BEACH AIRPORT**



Table of Contents

Submission Requirements

Section of Proposal	Page
B. Company Profile/General Information	3
C. Team Qualifications.....	4
D. Project Approach.....	16
E. Compensation.....	20
F. Litigation.....	20



B. Company Profile/General Information

Brief profile of your firm, including its principal line(s) of business, form of organization (corporation, partnership, sole proprietorship, etc.), number and location of offices, and name, title, telephone number of your firm's representative and email address. Identify and describe your firm's involvement in projects that are comparable to the program outlined here.

Frasca & Associates, L.L.C. ("FRASCA") is a financial advisory and consulting firm dedicated to the airport sector. The firm provides specialized advice and strategic guidance on all aspects of financial and business planning, budgeting and strategic financial planning; financial evaluation of Master Plans and capital development programs; lease negotiation for facilities with airlines and other airport tenants; accessing the municipal bond markets, including evaluation of debt instruments; and financial products and sophisticated risk simulation modeling of the impacts on debt service coverage of events like airline bankruptcies/liquidations, economic downturns, and wars and other extraordinary events. The firm is also nationally recognized as an expert in the structure and evaluation of complex credits involving airline special facilities, project financings and general revenue bond financings at airports.

FRASCA is a limited liability company registered in New York and has one office in New York City. The firm is also a certified WBE in many jurisdictions. Our representative for this assignment is:

Kenneth J. Cushine
Vice President & Principal
Frasca & Associates, L.L.C.
521 Madison Avenue, Seventh Floor
New York, NY 10022
Telephone: 212 355-4050
Fax: 212 355-3756
Email: kcushine@frascallc.com

Our staff includes the former head of business development for a major US airport system, investment bankers, and a former ratings analyst. The result of having a diversified, senior professional staff is a comprehensive, 360-degree view of the issues faced by airports, from a financial management, capital development, operations, business development, financial markets and rating agency perspectives.

FRASCA brings not only unparalleled strength in project financing and financial consulting and advisory services, but also the benefit of multiple perspectives including those derived from personal experience in airport business development, project management and operations. As a result, we are uniquely prepared to work with an airport's staff to understand their perspectives, outline constraints and facilitate the development of effective financial plans and policies.



Below is an overview of work FRASCA has performed for our airport clients:

FRASCA Airport Clients	Type of Service					
	Debt Financing	Ratings Advisory	Airline Leases	Strategic Financial Planning	Rates & Charges Financial Consulting	Management Alternatives/ Partnerships
Myrtle Beach, SC*	X		X	X	X	
The Port Authority of NY & NJ*	X		X	X	X	X
San Diego International*	X	X	X	X	X	
Los Angeles World Airports*	X	X	X	X	X	
Massport – Logan Airport*	X	X	X	X	X	X
John Wayne Airport*	X	X		X		X
Minneapolis-St. Paul (MAC)			X	X	X	
Philadelphia International*		X	X	X	X	
Baltimore Washington International*				X	X	
Miami International*	X	X		X		
San Francisco International		X		X		
Cleveland Hopkins		X				
Hartford, CT – Bradley Airport				X	X	X
Niagara Frontier Transportation Authority			X		X	X
Puerto Rico Ports Authority			X		X	X
Stewart International Airport			X		X	X
AENA (Spain)			X	X	X	X

* Indicates a current client.

C. Team Qualifications

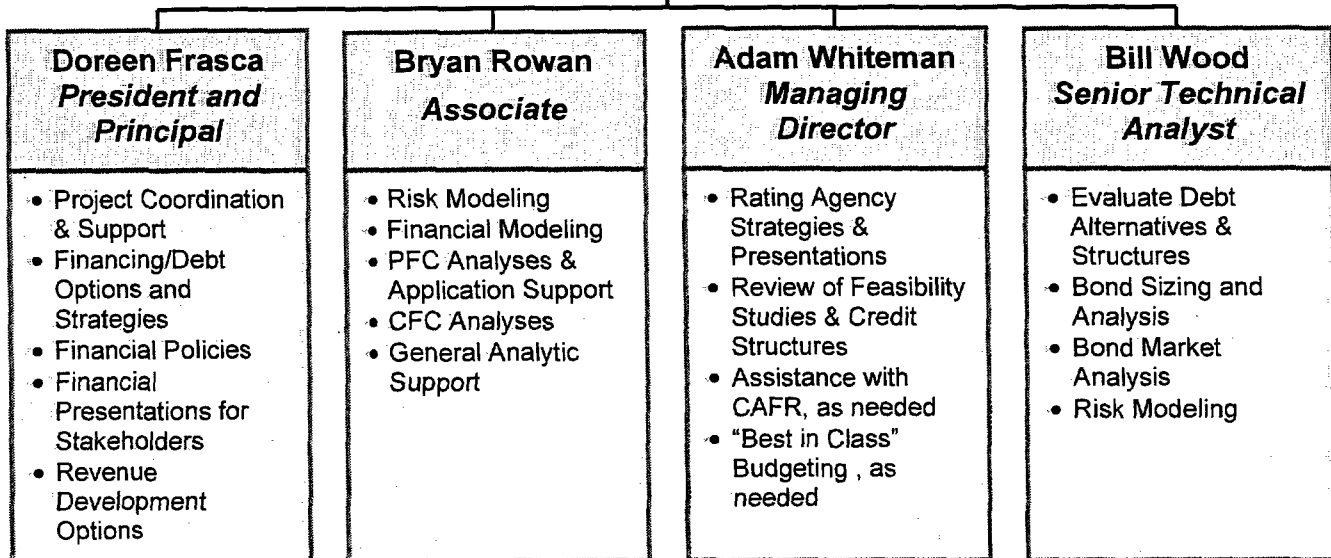
1. Please provide a summary of qualifications of the core team that will be assigned to this account and what the Airport can expect from the team in terms of availability and participation on the engagement. List all current clients covered by the individual(s) that will provide primary support to the Airport. Include any regulatory actions taken or pending related to each staff member.

Our team will be led by Ken Cushine, but all of the firm's professionals will be involved in providing services to the Airport.



Ken Cushine
Vice President and Principal

- Financial Analyses and Modeling of Capital Plan
- Risk Assessments
- Financial Policy Targets
- Airline CPE & Rates and Charges
- Revenue Optimization Strategies
- PFC Applications and Analyses
- CFC Strategies
- Financing and Debt Options



Below are brief resumes for *FRASCA's* professional staff:

Ken Cushine, Vice President & Principal - Mr. Cushine specializes in the financial structuring of airport and transportation projects including terminal, infrastructure and real estate development, the assessment of best practices and performance measurement, and the negotiation and implementation of lease agreements. Mr. Cushine has worked in transportation finance for more than eighteen years. In 1997, he became a founding member of *FRASCA* to provide financial advisory and strategic consulting services for airports.



Prior to Co-Founding *FRASCA*, Mr. Cushine worked in Aviation Business and Financial Services for the Port Authority of New York and New Jersey, where his responsibilities involved business development, lease policy, capital planning oversight and reporting, budgeting and the structuring of airport fees and charges. At *FRASCA*, Mr. Cushine has served as financial advisor to clients including: Los Angeles World Airports, San Diego County Regional Airport Authority, BWI Airport, Atlanta, Massport, the PANYNJ, and Myrtle Beach.

Mr. Cushine is currently a panel member for the Transportation Research Board's ACRP Project on "***Airport Airline Agreements and Rate Methodologies – Trends and Methodologies***", a member of ACI-NA's Airline Business/Airline Use Agreement Working Group, and a speaker at ACI-NA's 2008 Air Cargo conference. Mr. Cushine received a B.S. in Electrical Engineering, magna cum laude, with minors in Mathematics and Economics from Rensselaer Polytechnic Institute and an M.B.A. in Finance from Columbia University, where he was elected to Beta Gamma Sigma.

Doreen Frasca, President - Ms. Frasca specializes in the structuring and financing of airport, access and other transportation related projects. In 1997, Ms. Frasca formed *FRASCA* to provide financial advisory and strategic consulting services to the transportation sector. She had spent the previous 20 years of her career on Wall Street, initially at Dillon, Read & Co. Inc., as a junior trader/underwriter and then at Merrill Lynch & Co., where she spent 15 years in the Public Finance Division, ultimately heading the Airports and Transportation Group. Throughout her career, Ms. Frasca has assisted her clients in evaluating the financial feasibility of project financings, structuring financing plans, and accessing the taxable and tax-exempt markets. She has financed in excess of \$15 billion in projects for U.S. airports and transportation issuers.

Some of Ms. Frasca's airport financing experience includes: San Diego Regional Airport Authority, Miami International (first commercial paper program for a U.S. airport), Metropolitan Washington - National and Dulles International (financial structure of a newly constituted authority), Houston Intercontinental (restructuring of all outstanding indebtedness), Chicago O'Hare, Hartsfield Atlanta, Dallas-Fort Worth, Cyril E. King, Sarasota, Reno, and Las Vegas.

Ms. Frasca earned a B.A. in History, magna cum laude, from Wheaton College (Norton, Massachusetts) where she was elected to Phi Beta Kappa. She pursued graduate studies in History at the University of Edinburgh, Scotland and received an M.B.A. in Finance from Columbia University. In 2007, she was nominated by Governor Spitzer to serve on the Board of the New York Metropolitan Transportation Authority (MTA).

Adam Whiteman, Managing Director - Mr. Whiteman specializes in the financing and structuring of airport projects, with a special emphasis on credit. Mr. Whiteman has worked for more than 20 years in the fields of transportation credit and municipal government. Prior to joining Frasca & Associates, he was Senior Vice President and lead airport analyst with Moody's Investors Service.



During his 16 years with Moody's, Mr. Whiteman authored many seminal publications on the topic of airport finance and credit. As a member of the rating committee he has participated in the ratings of over 200 transportation issuers.

Mr. Whiteman's experience as a transportation analyst with Moody's Investors Service afforded him the unique perspective of working with a wide variety of issuers operating under different regulatory, political and economic regimes. During his tenure at Moody's he was the principal analyst for most of the major U.S. airports including, John Wayne, San Francisco, JFK, Los Angeles, Miami, Oakland, San Jose, Massport, Chicago, San Diego, Denver, Phoenix, Albuquerque, DFW, Philadelphia, MWAA, Hawaiian Airports and Salt Lake City.

Mr. Whiteman has been a frequent speaker at transportation conferences and has authored numerous articles on airport and credit analysis. Mr. Whiteman received a B.A. in Biological Sciences from Queens College and a M.A. in Urban Affairs and Policy Analysis from the New School for Social Research

Bill Wood, Senior Technical Analyst - Mr. Wood specializes in the development and implementation of complex analytical cash flow models to evaluate, structure and optimize alternative financing structures available to municipal issuers. He has particular experience developing technologies used to execute complex debt refinancings and asset securitizations.

Mr. Wood began his career in municipal finance 25 years ago. He spent approximately ten years with Merrill Lynch at various times between 1982 and 2005 where, more recently, he served as senior technical banker with responsibilities for overseeing and/or executing structurally complex bond financings throughout the country. For many years he ran Merrill Lynch's in-house municipal finance training program and helped to develop many of the analytical tools used to optimize bond issuance. Mr. Wood has also worked extensively for two other national underwriting firms.

Mr. Wood received a B.A. in Classical Latin from Yale College and an M.B.A. in Finance from Columbia University, where he was elected to Beta Gamma Sigma.

Bryan Rowan, Associate - Prior to joining *FRASCA*, Mr. Rowan was the Director of Marketing for an aviation charter and management company. He was responsible for the analysis of the company's operations and sales data as well as the preparation of detailed reports, including strategic alternatives for senior executives. Through his research on current market trends and operational strategies, Mr. Rowan initiated the company's innovative emergency cargo division. He also developed the rate and incentive structures for the company's pre-paid travel card program.

Mr. Rowan pursued undergraduate studies in History of Architecture at Harvard College and earned a B.S. cum laude in Aeronautics and Applied Mathematics with a minor in Aviation Management from Dowling College.



CURRENT CLIENT COVERAGE:

Mr. Cushine currently works on projects for Myrtle Beach, the Port Authority of NY & NJ, San Diego and LAWA. If FRASCA is selected by the City for this assignment, he is committed to lead the FRASCA team in providing the full scope of services outlined in this Request for Proposals. We encourage the City to contact our references regarding our abilities to fully meet (and exceed) client expectations.

REGULATORY ACTIONS:

There are no regulatory actions taken or pending against any member of FRASCA.

- 2. Please provide the project team's experience on similar and related projects. Your response should clearly demonstrate the team's experience with all of the qualifications listed in Section 3.

Below are selected examples of our experience relevant to the scope of Work sought by Long Beach Airport:



Horry County Department of Airports

Since 1999, FRASCA has served as financial advisor and airport consultant to the Horry County Department of Airports and assisted in financial planning, lease negotiations, development of a financial model, debt issuance, and general financial consulting for Myrtle Beach International Airport, a small-hub serving 1.6 million passengers on several low-cost carriers.

Our services have included:

- **Funding Plan for New West Terminal** – From 2004 through 2007, HCDA planned a new, 14-gate passenger terminal (including apron, taxiways, access roads, parking lots and support facilities) on the west side of the airport to replace the existing 8 gate terminal (on the east side of the airport). The estimated project cost was \$230 million, which equated to a funding need of over \$300/EPAX. FRASCA developed an innovative funding plan that identified and (successfully obtained) several diverse sources of funds for the project, including:

○ Airport Revenue Bonds:	\$70M	○ AIP & Letter of Intent Grants:	68M
○ HCDA Cash:	23M	○ Local Grants:	30M
○ PFC PAYGO:	16M	○ Land Sale Proceeds:	22M
○ CFC PAYGO:	6M		

Our plan sought to minimize debt issued (and eliminate the need for taxable debt that could be associated with funding of rental car facilities) for the terminal and optimize grants and "cash" funding sources. We assisted the airport build up its "PAYGO" resources over several years; for example, cash was accumulated through prudent budgeting; PFC funds were collected by increasing PFCs to \$4.50; and CFCs were increased from \$2 to \$4 per rental



car day. FRASCA also assisted HCDA in securing a \$43 million Letter of Intent commitment from the FAA for airfield components of the project.

In mid-2007, the Myrtle Beach "Community Appearance Board" (appointed by the City) refused to approve any development on the west-side of the Airport in a politically charged decision. The County decided to cancel the terminal project rather than engage in lengthy litigation with the City. HCDA is now focused on expanding and optimizing the existing east-side passenger terminal.

- **Funding Strategies for Existing Passenger Terminal Expansion Project** - We are currently developing an innovative financing program for HCDA's planned terminal expansion program (east side) that will be funded with airport cash, PAYGO PFCs and CFCs, grants, surplus property sales, and minimal amounts of debt. We are re-programming, where possible, the funding sources from the previous west-side project.
- **Airport Financial Model** – We developed and maintain the financial model for the airport, including the projecting future airline rates, non-airline revenues, M&O expenses, debt service, PFC and CFC revenues, liquidity levels and debt service coverage. The airport uses the model to assess financial alternatives and strategies relative to HCDA's financial goals, which include maintaining 365-days' cash liquidity, debt service coverage in excess of 1.50x and reasonable CPE levels. The model also "risk assesses" the impacts of potential passenger traffic declines, higher capital costs and/or other budget variations.
- **Airline Master Lease Agreement** – FRASCA advised HCDA and assisted in the negotiations of a new airline lease at MYR. The new lease instituted a commercial compensatory rate methodology; converted all gates and ticket counters from exclusive use to preferential and common use and required reasonable security deposits from all airline tenants. As part of HCDA's Airline Service Incentive Program, we also developed an innovative "off-peak" seasonal fee reduction whereby all MYR landing fees are waived for three winter months (when passenger activity is typically less than 50% of the peak summer months), while maintaining the financial strength of the Airport and its ability to fund the planned terminal expansion program.
- **Reconciliation of Airline Rates & Charges** – We developed and implemented a successful strategy to finalize signatory airline rate and charges reconciliations that had not been resolved for the previous six years.
- **Airport Budget and Capital Plan** – We review and assist in the preparation of the airport's annual operating and capital budgets.
- **PFC Strategies** – We prepared the airport's PFC applications and amendments, including obtaining authority to increase the PFC from \$3.00 to \$4.50 and to fund components of the CIP on a PAYGO and leveraged bases.
- **Grant Strategies** – We advise HCDA on the allocation of AIP grant funds and strategies to maximize AIP discretionary grants and MAP grants. We also



assisted HCDA obtain a \$43 million LOI for the then-planned new West terminal.

Relevance for LGB: Demonstrates FRASCA's ability to develop innovative terminal funding programs; to optimize non-debt funding sources; to prepare custom-made financial models; and to optimize PFC and CFC strategies.



The Port Authority of New York & New Jersey

FRASCA has advised the Port Authority on several projects, including:

- **Terminal Redevelopment Programs** – We have advised the Port on several billion dollars of terminal development projects (including the new American, new JetBlue, and proposed Delta terminals at JFK, and Continental's "Global Gateway" at EWR) and commercial initiatives (several concession developer agreements and leases for new cargo facilities). We are currently developing funding plans for the LGA and EWR redevelopment programs, including a new \$3.5 billion Central Terminal Building at LGA and a new \$3.7 billion Terminal A at EWR.

For the new *JetBlue terminal* at JFK, we helped the Port develop an innovative rental structure to support the \$875 million program (26-gate terminal, parking plus infrastructure) whereby JetBlue will pay full ground rent plus a variable enplanement rent (against a minimum guarantee) for the facility. FRASCA developed a financial model to risk assess the project, particularly for variations in JetBlue's traffic levels.

- **"Flight Fee" Agreements** – We were the sole advisor to the Port Authority in renegotiating the master leases for J.F. Kennedy International and LaGuardia Airports that establish "flight fees" (aka "landing fees") at each airport that generate \$350 million in annual revenues.
- **City Lease** – We advised the Port Authority in its negotiation with New York City to extend the ground lease for JFK and LGA to 2065, and developed a financial model and "*Monte Carlo*" risk simulation that determined the appropriate level of lease payments and assessed the likelihood of achieving certain financial results over the life of the lease.
- **Leasing Policies** – We assisted the Port Authority develop terminal leasing policies for its three airports, including developing common use and preferential use leasing standards.
- **PFCs** – We advised on Passenger Facility Charge (PFC) leveraging strategies and the use of PFCs for passenger terminal development projects. In particular, we are developing creative strategies to manage the costs of a multi-billion dollar redevelopment (that is not adding additional capacity) by converting exclusive use gates to common and preferential use in order to qualify for PFC usage.



- **LGA Slots and JFK Demand Management** – We have been advising the Port on “slot” issues at LaGuardia, including the FAA Notice of Proposed Rule Making to establish Operating Authorizations and potential PANYNJ alternatives. We’ve also advised the Port during the USDOT’s 2007 NY Aviation Rulemaking Committee on congestion management issues at JFK, including evaluations of various demand management techniques (e.g., auctions, peak period pricing) and administrative measures.

Relevance for LGB: Demonstrates FRASCA’s ability to develop innovative financial and risk assessment models; to understand slot-controlled airports; and to develop effective business arrangements for an airport with JetBlue as a major tenant.



San Diego County Regional Airport Authority

FRASCA serves as the Authority’s Financial Advisor. Since our appointment in 2003, our services have included:

- **Creation of Financing Plan** - The Authority is about to embark on a \$1 billion+ Master Plan to add 10 additional gates, to upgrade taxiways, to construct a parking garage and to expand roadways. We have developed the initial funding plan which will involve the issuance of over \$700 million of revenue bonds secured by airport revenues and PFCs, as well as the use of PFCs on a pay go basis. The Airport has just instituted a new commercial paper program to provide construction funding for ongoing capital improvement needs and to fund early work on the Master Plan.
- **Parking Garage Financial Review** – As part of the Master Plan, SDCRAA is planning a new 4,960 space parking garage. FRASCA has reviewed the financial projections for the garage, including demand and incremental parking revenues, and prepared a risk assessment of the financial return of the facility under different rate assumptions.
- **Debt Capacity Study** - We prepared the initial debt capacity study for the new Authority, evaluating SDCRAA’s ability to issue additional GARB debt as well as leverage PFCs (both on a stand-alone and double-barreled basis).
- **Creation of a Financial Model** - We worked with staff to develop an airport financial model (that the Airport will control) to assist in calculating debt capacity; assessing alternative airline rates and charges strategies; and evaluating debt service coverage under different debt and capital scenarios.
- **Airline Operating Agreement** - FRASCA advised SDCRAA in negotiations with the airlines for the new airport lease to support the master plan investment and implement a commercial compensatory rental methodology.
- **Restructuring of CAFR and Disclosure Statements** - We restructured the



airport's financial reporting and disclosure statements to be consistent with industry best practices. Both received the GFOA awards for excellence.

- **First Issuance of SDCRAA Debt** – FRASCA advised SDCRAA on the issuance of its Series 2005 GARBS and \$250M Commercial Paper program.

Relevance for LGB: Demonstrates FRASCA'S ability to develop funding plans for terminal expansion programs; to advise on PFC strategies; assist in airline negotiations; and to assist in the implementation of financial best practices.



Los Angeles World Airports

FRASCA has served Los Angeles World Airports since 1998 as a co-financial advisor and in 2003 was awarded a second contract to serve as financial consultant on the Master Plan. Services provided include:

- **Airport Debt Capacity Financial Model** – We have advised LAWA in analyzing its capital improvement plan requirements and in developing a long-range financial model to assess the financial capacity of LAX and to evaluate alternative funding strategies for its master plan.
- **Capital Improvement Plan Policies and Procedures** – We have developed and implemented policies for the financial review and evaluation of discretionary capital projects and assisting in the development of the CIP.
- **Airline Lease Strategies and Rates & Charges Policies** – We assisted LAWA develop a new compensatory rates and charges structure for LAX.
- **Terminal Financing Options** – We have advised LAWA on negotiating strategies and financing alternatives associated with the buyout of long-term passenger terminal leases with major airlines. With our advice and assistance, the airport pre-funded certain of its financial obligations to Delta, United and Continental, for measurable cost savings and enhanced financial flexibility.
- **Financial Policies for LAWA** - We drafted Financial Policies for LAWA that were adopted in 2007. LAWA's policies include guidelines for the issuance of revenue bonds and other forms of indebtedness to finance capital improvements at LAX. The policies also set forth financial management practices in leasing, budgeting, capital planning and risk management.
- **Financial Review of Proposals for LA/ONT Cargo Development Project** - FRASCA reviewed and provided financial analyses of proposals received for the development of a 94-acre site for a phased cargo development. We assisted LAWA in lease negotiations with the selected developer, AeroTerm, who plans to invest \$125 million in new facilities and infrastructure.



In June 2006, FRASCA was asked to prepare a "Plan Assessing the Possible Shutdown of Delta Air Lines". This Plan was developed for use in the event that Delta ceased operations. It also served as a reference guide for future problems if Delta kept flying. The plan was meant to be a working document that could help coordinate the efforts of airport staff and the City in obtaining the required information as well as providing City officials with "prepackaged" information for the rating agencies, investors and the press. The three parts of this plan were:

- Overview of the emergency preparedness plan for the possible shutdown of Delta
- Potential economic impact on Atlanta of a shutdown of Delta Air Lines
- Selected case studies - economic impacts of losing a hubbing airline, including lessons for Atlanta

FRASCA is also assisting the airport with the following:

- **Master Plan Funding** – We are preparing a funding plan for the Airport's \$6 billion master plan, identifying the optimal mix of debt, cash, PFC, CFC and grant funding strategies. We have completed a funding plan for the first project, a new International Terminal building and associated infrastructure.
- **Debt Review** – We evaluated refunding opportunities, including an analysis of savings from synthetic forward refundings utilizing either LIBOR or BMA swaps and helped the Airport and the City execute the swaps through a competitive bidding process.
- **Debt Capacity** – We are providing a debt capacity study for both the airport's senior revenue lien and its PFC revenue/subordinate airport revenue lien
- **PFCs** – We are analyzing PFC strategies and leveraging capacity.
- **Debt Policy** – We drafted a policy including guidelines on financing alternatives, the use of variable rate and derivative products, and strategic financial targets that was submitted to the City for its adoption.



Massachusetts Port Authority

FRASCA has served as Special Projects Advisor to Massport since 1997 and has prepared several strategic analyses of Boston Logan International Airport.

- **Financial and Leasing Policies** - We prepared a report to its Board evaluating staff initiatives in several financial disciplines and providing recommendations. The scope included terminal facility development policies and the quality of strategic planning; rates and charges policies, including the feasibility of promoting a unified rates and charges system, and operating policies related to the allocation of costs.
- **Five-Year Operating Budget** - We assisted Massport in developing a multi-year operating budget process, linking the budget to Massport's strategic



plan. We also developed performance measures to allow Massport to assess the effectiveness of major initiatives and programs.

- **Terminal A Redevelopment** – We advised Massport on development alternatives for the replacement of this terminal, including a GARB project, an airline Special Facility financing, a “Special Obligation” financing and a privately-developed terminal. We also provided input and advice on the business terms underpinning the development of the terminal with Delta.
- **Airport Financial Modeling** – We worked with Massport to update its comprehensive financial model used to project revenues/expenses, assess capital funding requirements and calculate debt service coverage and other financial tests required in the Authority’s bond indentures.
- **Risk Assessment of Traffic and Revenues** – We provided Massport with an evaluation of various scenarios incorporating war with Iraq and airline liquidations and/or service reductions. The model employed a Monte-Carlo simulation technique to risk assess the probability of outcomes such as levels of debt service coverage and costs per enplaned passenger.
- **Special Commission Report to the Governor** – Post-September 11, 2001, we were retained as financial advisor and strategic consultant to the special commission appointed by Governor Jane Swift to review all aspects of the management and operation of the Massport



Maryland Aviation Administration

FRASCA has assisted the MAA evaluate the potential revenue bond credit strength of BWI (including a detailed financial benchmarking reporting utilizing rating agency metrics); assess the leveraging capacity of BWI’s parking revenues; and conduct a review of BWI’s current PFC authorizations and potential use to fund future capital projects. We reviewed with MAA staff potential funding capacity using PFCs under alternative leveraging scenarios and assessed the likely charge expiration date of the current program based upon likely project expenditures.

FRASCA is advising MAA on the negotiation of a new Basic Use and Lease Agreement (“BULA 3”) with the airlines that establishes terminal rentals, joint use charges and landing fees at BWI. The current BULA 2 methodology has produced net operating losses, which MAA is seeking to address in BULA 3.



Metropolitan Airports Commission

In 2006, we completed a detailed assessment of the financial position of the 30 large hub airports in the U.S. for the Metropolitan Airports Commission (Minneapolis-St. Paul International Airport). As part of Northwest’s bankruptcy process, the airline aggressively sought to renegotiate its lease obligations to





MSP, claiming that the airport's liquidity and net revenues were excessive. We prepared a report for use with the MAC Board that detailed the key provisions of airline master leases and key financial metrics (including debt levels, net revenue performance, and liquidity) for each airport. The report and our subsequent assessment of the airport's counterproposal to the airline supported staff's efforts to retain reasonable levels of liquidity (a target of 365 days operating expenses) and net revenues to ensure sufficient cash flow to fund ongoing capital improvements.

3. Please provide three (3) references for which the Consultant has experience on similar assignments for airports, as set forth in this RFP, within the past three years. For each reference provided, include the company name, and telephone number of the contact person, a brief description of services provided, and the date and dollar amount of each contract.

Reference	Company Name	Telephone Number	Services Provided	Date & Dollar Amount of Contract
Pat Apone, Chief Financial Officer	Horry County Department of Airports	843 839-7340	Financial consulting & advisory (see C.2.)	1999 – Current \$1.2 million
Patty Clark, Senior Policy Advisor	The Port Authority of NY & NJ	212 435-3731	Financial consulting (see C.2.)	1997 – Current (multiple contracts) \$1.5 million
Rick Gorman, Finance Director	San Diego County Regional Airport Authority	619 400-2938	Financial consulting & advisory (see C.2.)	2003 – Current \$0.8 million

4. Address the team's ability to meet the Airport's concern for quality performance in a timely manner. Include discussion of any major consultant challenges foreseen that could effect the project.

We believe that we have been responsive to all of our clients' needs in a timely manner and would bring the same level of commitment to Long Beach Airport. We believe that our references will attest to both the timeliness of our response and the quality of our work product.

FRASCA does not foresee any challenges to our ability to serve the Airport.

5. Elaborate on additional resources available from the project team.

We believe that our professional resumes and the firm's experience over the past ten years demonstrate the depth and strength of our resources.

FRASCA maintains an extensive database of airport industry and financial market statistics to support our analytical work and assist our clients in understanding of



industry trends and events. As we have discussed in Section C.2., we have utilized our database to develop a detailed benchmarking and “best practices” study recently for MSP. We have also used many of these metrics to support SDCRAA in its current negotiations for a new airline lease agreement.

FRASCA also maintains updated worksheets of rating agency metrics for airports and access to the databases offered the three nationally-recognized rating agencies. Adam Whiteman has standing relationships with airport and transportation analysts at all three rating agencies, which gives him unique insight into how to best position the Airport’s credit for any potential debt that may be needed to support the new terminal and parking program.

FRASCA believes that these databases uniquely cover the spectrum of business and financial issues airports face today. We commit to continue making this information available to Long Beach Airport.

6. *If the project team consists of more than one firm, elaborate on the experience of the team working together on other projects.*

The project team consists solely of FRASCA professionals.

D. Project Approach

Please describe the project team’s approach to this engagement. Your response should include the following:

1. *Underlying philosophy of your team for providing consulting services. Specifically, your approach and recommendations for this project.*

The development of an effective Project Financial Plan for Long Beach Airport begins by first understanding the Airport’s strategic goals, its current financial position, and the cost estimates for the terminal and parking expansion projects. The airport’s comparatively small footprint presents an additional challenge to use every acre of land as productively as possible. It is important to ensure that the capital plan is coordinated with the budget and the financial plan and that they are all sensibly tied together. As such, our initial steps would include a complete review with Airport staff of the existing airline rates and charges methodology, non-airline revenue performance (especially parking and concessions), recent operating expenses, passenger traffic levels and forecasts, existing Certificates of Participation (COP) debt, PFC program (we understand LGB commenced a new application for impose (terminal construction) and impose & use (terminal design) authority at a \$4.50 level last July); and 5-year Operating and CIP cash flow information. Two key areas of focus are:

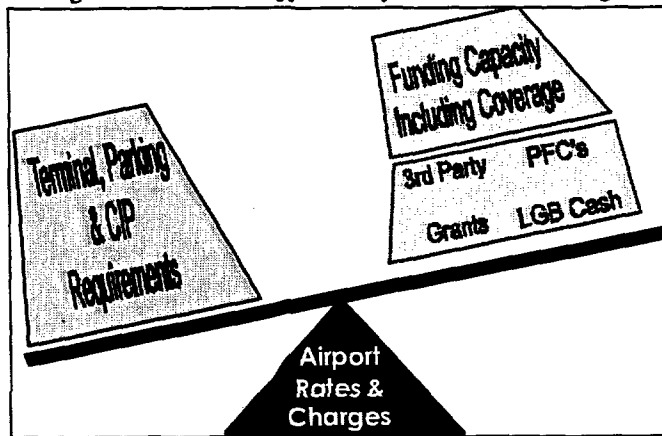
1. *Project Costs* – Review of the preliminary project cost estimates to assess the level of inflation and other contingencies included and the breakdown of project costs to understand which portions of the terminal will be PFC and/or grant eligible (and which portions of the garage may be used by rental cars and could be funded with CFCs); and
2. *Parking Projections* – Review of the projected increases in parking activity, parking rate schedule, revenues and expenses associated with the new



garage and a review of studies completed by the Airport of off-airport competition and other factors which may affect the financial performance of the new garage.

Next, we would assess the Airport's list of potential funding sources and evaluate funding needs flowing from not only the terminal and garage projects, but also for other CIP needs, in order to come up with optimal timing, structure and the most appropriate funding sources: debt, pay-go PFCs, leveraged PFCs, AIP and TSA grants, CFCs, or airport-paid-in-capital. Our objective would be to identify all opportunities to optimize non-debt funding sources (including the use of "PAYGO" funds from PFC and potential CFC collections).

To guide us we would carefully examine your capital plan costs, your rates and charges methodology and your outstanding financial obligations to arrive at an



estimation of your potential debt capacity. At the risk of grossly oversimplifying, we can depict the interrelationships among the three as a system of "weights and balances". On one side of the scale is the sum total of all desired capital projects in your full Capital Plan. On the other side are all potential funding sources: Grants, PFCs, Third-Party Financing, Internally

Generated Funding and Debt Capacity (or General Airport Revenue Bond capacity, debt service coverage included), which is the "x" variable to be solved for in the equation. When added to other funding sources, it balances the scales. The entire system rests on the Rates and Charges formula at the base. If the scales are out of balance, adjustments need to be made to one side or the other: capital programs added, deleted or modified, or funding sources augmented. Of course, the base must be strong and true enough to support the Airport's financial needs.

Our efforts would be incorporated in an Excel-based financial model that would incorporate the forecast of the Airport's annual net revenues, annual debt service coverage levels, cash flows and airport liquidity and airline cost per enplanement levels. FRASCA would structure the model to include a "risk assessment" module to be able to evaluate alternative funding scenarios (e.g., alternative PFC leveraging approaches, and different CFC and grant levels) and to prepare a sensitivity analysis of the key factors that impact the Airport's financial performance (e.g., traffic levels, CPE levels, non-airline revenues, etc.). We would work with Airport staff in developing the model so that they can ultimately utilize the model as part of their in-house analytic resources.



Our final work product would be a comprehensive report for the City that evaluates the funding options for the Airport, the benefits and risks associated with each option and our findings on the recommended funding plan.

2. *The major financial challenges facing the Long Beach Airport, both today and in the future.*

FRASCA understands that LGB, like many airports, faces significant challenges that need to be addressed as part of its financial strategies. Specific issues for LGB's consideration include:

- **Financial Health of JetBlue** – Facing \$100/barrel oil and a potentially weakening economy, the outlook for the entire airline industry is uncertain. JetBlue, the leading carrier at LGB, faces several challenges. Although JetBlue is, perhaps, the most successful start-up carrier ever, it recently has experienced financial losses and senior management changes, and has had to reduce its growth plans. While Lufthansa's planned purchase of a 19% stake in JetBlue will provide the carrier with added liquidity, the market capitalization of JetBlue has fallen to only \$935 million. LGB will need to monitor the financial health of JetBlue and ensure that it has adequate protection in the event any of its major tenants seek bankruptcy protection.
- **Project Costs** – Significant construction cost inflation (materials and services) have impacted most airport capital programs nationwide. Adequate contingencies for inflation and uncertainties are an important component of the financial plan for LGB, and the evaluation of construction cost overrun measures (e.g., Guaranteed Maximum Price contracts) should be considered.
- **Debt Levels** – LGB currently has very modest debt levels (\$9.96 million, or approximately \$7/EPAX, as of 9/06). The terminal and parking projects will increase the debt burden significantly, with airport revenue bonds and leveraged PFCs part of the funding plan. Higher leverage will require continued financial discipline at the Airport to ensure LGB meets its targeted coverage levels. Also, there may be alternative PFC leveraging structures that allow LGB to optimize its Airport Revenue Bond debt capacity.
- **CFCs** – Under current state legislation, airports in California are restricted from imposing CFCs other than on a "per contract" basis with a maximum CFC of \$10/rental contract. Most airport CFCs outside of California are on a "per rental car day" basis, typically ranging from \$3 to \$4.50 per day, and most do not have state-mandated caps. Several airports in California are considering requesting legislative changes to the CFC statute. Depending upon LGB's funding needs for rental car facilities, it may also want to seek more flexibility for a potential CFC at the Airport.
- **LOI & AIP Issues** – Competition for grant funding of projects is intense. Recent changes to the LOI program (subsequent to MYR's LOI award) restrict the funding of apron projects. Since LGB's project is focused on the terminal and parking facilities, our initial sense, subject to further discussion with the Airport, is that an LOI may be a tall order for the program. The airport should seek to optimize discretionary AIP grant awards (once the program is reauthorized in 2008). Strategies could include dedicating LGB's



entitlement grants to the terminal building while seeking discretionary grants for airfield projects in the CIP.

3. *Any alternative revenue sources the Airport may want to consider in developing a financing plan for this project.*

FRASCA has worked with several airport clients to develop new or enhanced revenue sources:

- MYR – Surplus land sales (\$23M); restructured concession agreements (that more than doubled annual rental revenues to the airport); and new business strategies for the airport-owned FBO to increase net revenues.
- MIA – MIA is currently seeking public-private partnerships to develop various cargo and industrial parcels at MIA and its GA airports in order to generate new revenues.
- PANYNJ Airports – JFK has implemented public-private partnerships for passenger terminal (Terminal 4) and cargo projects. In order to augment non-airline revenues, all three NY airports have hired private-sector, retail development firms to implement and manage terminal concession programs.

Other airports have developed new revenues from various sources ranging from hotels and industrial parks, to more unusual sources such as slot machines (LAS and RNO), oil/gas leases (DFW and DEN), and vineyards (DFW). We note that LGB has been successful in generating revenues from Land & Non-Terminal rentals and maintaining a low ratio of Airline Fees to Total Operating Revenue.

Airport location, geography and physical constraints frustrate many airports' efforts to develop new revenue sources. For LGB, potential opportunities, particularly as a result of its planned terminal project, may include:

- *Parking Garage* – Potential revenue optimization strategies could include valet parking and “frequent parker” programs.
- *Terminal Concessions* – The expanded terminal will present opportunities for additional shops, restaurants and advertising revenues.

4. *How your approach may be unique, relative to other approaches the City will receive.*

We believe that FRASCA provides the City with a unique set of skills and perspectives to best meet its financial planning requirements for LGB:

- ***Financial Focus*** – As previously discussed, FRASCA is exclusively dedicated to the airport sector. We are not a generalist consulting or feasibility firm. We believe that being singularly dedicated to a complex market specialty (which airport finance represents) means that we spend 100% of our time keeping up with rapidly changing industry factors that have a large impact on airport financial planning practices. We believe airport finance is a *full time job*.
- ***Tailored Financial Recommendations to Meet the Airport's Goals*** – Our approach is to develop a custom-designed financial model for LGB to analyze and evaluate the capital and debt financing plan for LGB's terminal expansion and parking garage project.



- **Our Experience Matches LGB's Needs** – FRASCA'S experience matches the scope of services identified by the City.
 - Terminal Expansion Funding Plans – MYR, JFK, SAN, LGA, EWR, BOS
 - Financial Issues with New Parking Garages – SAN, JFK, EWR, LGA, ATL
 - PFC Strategies & Applications – MYR, SAN, PANYNJ, LAX, ATL
 - CFC Issues & Options – MYR, SAN, LAX
 - Airline CPE Targets & Issues – MYR, SAN, PANYNJ, ATL, MSP, LAX, BOS
5. Please provide any other relevant information about your approach you believe will assist the City in its decision-making process.

We hope that in the course of responding to this RFP we have demonstrated the unique aspects of FRASCA and how our resources can assist the Airport.

E. Compensation

Consultant shall include a schedule with total estimated hours and cost per task/deliverable in accordance with Section 4. Consultant shall also include a billable hourly rate schedule for all individuals assigned to the project.

Below are our estimated hours and cost per task/deliverable identified in the RFP:

Number	Task	Estimated Hours	Estimated Cost
1	Preliminary Financial Analysis	70	\$18,000
2	Project Financial Plan	200	\$54,000
3	Financial Plan Update	As Needed at the Airport's Request	--
4	Passenger Facility Charges (PFC) Collection Level Increase	40	\$9,000
TOTAL:			\$81,000

Hourly fees for FRASCA professionals are:

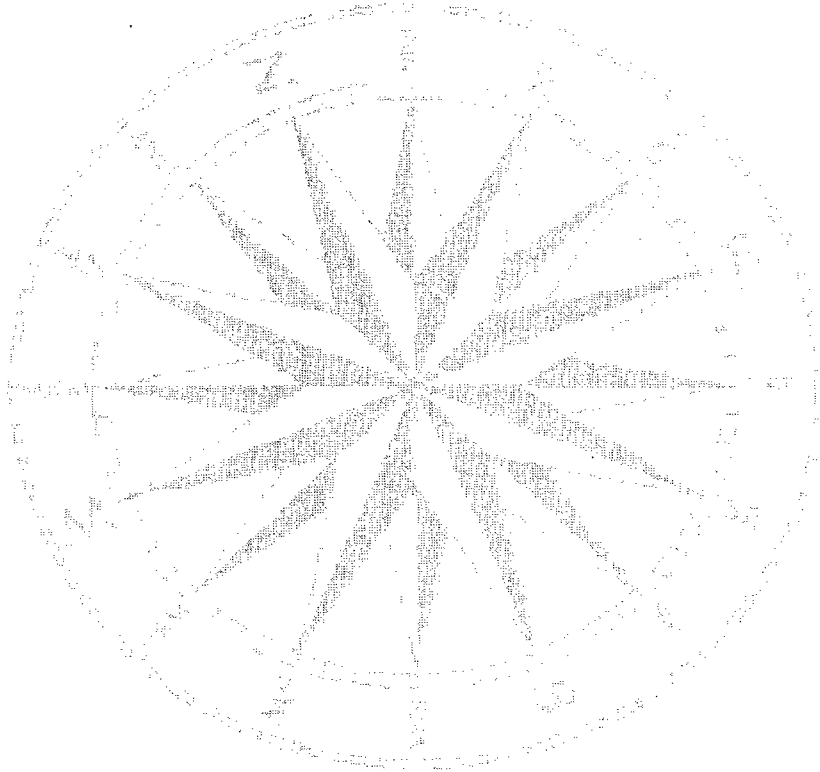
Senior Professionals: \$300 per hour Associate: \$150 per hour

We would also request reimbursement for actual out-of-pocket costs for travel, lodging and meals, subject to all City requirements and policies as well as pre-approval of the City.

F. Litigation

Consultant shall provide a description of any litigation claims filed against the firm. The description of the claim shall include the name of the entity that filed the claim, the date the claim was filed, the reason for the claim, the magnitude of the claim and the outcome.

There have been no litigation claims filed against the firm or any of its employees to date.



FRASCA & ASSOCIATES, L.L.C.

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