



Long Beach Airport

Financing of Proposed Terminal Improvements

May 23, 2006

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Background

- On November 7, 2005, Draft EIR released covering proposed Long Beach Airport Terminal improvements to accommodate expected 4.2 million annual passengers (MAP).
- The proposed project is 102,980 sq. ft., vs current 56,320 sq. ft.
- EIR, certified by Planning Commission on May 11, 2006, also considers 97,545 sq. ft. and 79,725 sq. ft. smaller alternatives, along with a “no project” alternative.

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Design/Development Process

- After consideration of the EIR, City Council will be asked to authorize staff to do the following:
 1. Work with design consultants and users (airlines, TSA, Terminal concessions, etc.) to transform the proposed project concept into an actual detailed, functionally efficient design.
 2. Develop firm construction cost estimates based on the detailed design (providing cost feedback to users during design process).

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Design/Development Process (Cont)

3. Based on actual design, firm costs, and user feedback, develop a Terminal Improvements Financial Plan, which finances improvements from Airport Fund revenues and protects the General Fund.

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Rough Cost Estimates-Terminal Improvements

- At the current requirements analysis/conceptual plan level of detail, cost estimates contain many variables, and accuracy can only be improved based on further design efforts.
- Given the rough nature of the estimates, and inherent sensitivity to changes based on many factors, the following estimates are provided:

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Rough Cost Estimates-Terminal Improvements (Cont)

On-Site Parking Structure (4,000 spaces)

Rough Estimate = \$50,416,116

(Assumes 18-month build-out, beginning summer of 2006)

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Rough Cost Estimates-Terminal Improvements (Cont)

Terminal Facilities (102,980 sq. ft.)

Rough Estimate = \$108,500,000

(Assumes 24-month build-out, beginning summer of 2007)

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Conceptual Financial Plan

Typical funding sources for airport terminal improvements:

- FAA Grants* (Airport Improvement Program)
- Passenger Facility Charges (PFCs)*
- Airline Use Fees
- Customer Parking Fees
- Airport Revenue Bonds (typically "insured")
- Private Capital (typically more expensive than other sources, and may result in less control of facilities by airport operator)

*Typically may be used for non-revenue generating space.

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Conceptual Financial Plan (Cont)

Long Beach Airport Proposed Project
Terminal Improvements Conceptual Financial Plan
Components*

<u>Source</u>	<u>Current</u>	<u>Potential</u>	<u>Annual Income Increase</u>
Passenger Facility Charges (PFC)	\$3/passenger	\$4.50/passenger	\$4.4M

*Estimate based on 4 MAP scenario

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Conceptual Financial Plan (Cont)

Long Beach Airport Proposed Project
Terminal Improvements Conceptual Financial Plan
Components*

<u>Source</u>	<u>Current</u>	<u>Potential</u>	<u>Annual Income Increase</u>
Airline Use Fees	\$4/enplaned passenger	\$6/enplaned passenger	\$5.7M

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Conceptual Financial Plan (Cont)

Long Beach Airport Proposed Project
Terminal Improvements Conceptual Financial Plan
Components*

<u>Source</u>	<u>Current</u>	<u>Potential</u>	<u>Annual Income Increase</u>
Customer Parking Rate Increase	Lot A \$15/day Lot B \$12/day Lot C \$9/day Lot D \$6/day	Lot A \$15/day New structure \$12/day	\$5.9M

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Conceptual Financial Plan (Cont)

Long Beach Airport Proposed Project
Terminal Improvements Conceptual Financial Plan
Components*

<u>Source</u>	<u>New Revenue</u>	<u>Debt Service Potential</u>
PFC	\$4.4M	
Airline Fees	\$5.7M	
Parking Fees	<u>\$5.9M</u>	
TOTAL	\$16M	<u>\$147M-163M*</u>

*Depending on bond market-assumes Insured Airport
Revenue Bonds, 6.05%, 30 year, 1.35-1.50 coverage.

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Risk Minimization

Final Terminal Improvements Financial Plan would include debt coverage flexibility, including:

- Insured Airport Revenue bonds, with no risk to General Fund
- Potential rates/charges amendments to cover contingencies such as activity reduction (e.g. extending PFC collection period, further increasing airline use fees*)

*LGB is among the lowest cost airports, resulting in room for increases while still being “cost competitive”.

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Risk Minimization (Cont)

- New longer term airline leases.
- Possible airline direct participation, as in current JetBlue Airways lease/leaseback agreement.
- Implementation of other typical airport fees, such as car rental Customer Facility Charge (CFC).

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Conclusion/Recommendation

- Based on rough estimates, the Airport Fund has the debt capacity to accommodate the proposed project of an on-site 4,000 space parking structure and Terminal facilities not exceeding 102.980 sq. ft
- After consideration of information provided in the project EIR, should staff be authorized to proceed, a “value engineered”, customer friendly, historically sensitive, and cost efficient design will be pursued in close consultation with airlines, TSA, and other users.

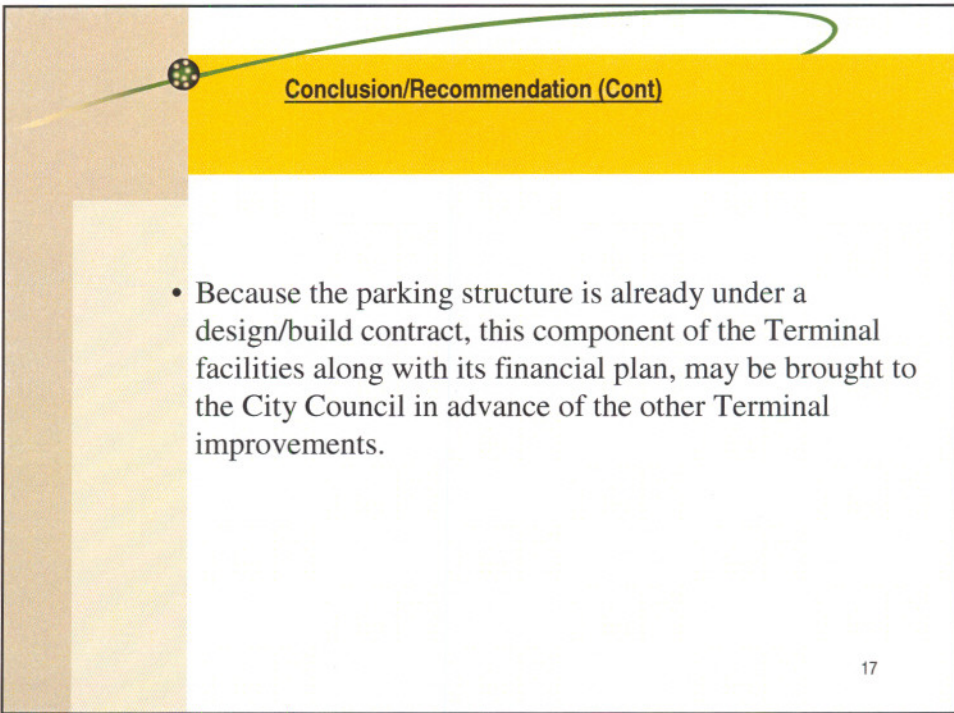
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Conclusion/Recommendation (Cont)

- Design will then be completed, along with detailed financial plan, which will address potential variables and General Fund protection.
- The City Council, likely prior to the end of the year, will be asked to approve the design, approve the financing plan, and authorize the commencement of construction.

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Conclusion/Recommendation (Cont)

- Because the parking structure is already under a design/build contract, this component of the Terminal facilities along with its financial plan, may be brought to the City Council in advance of the other Terminal improvements.