

FINANCING CAPACITY ANALYSIS WICHITA AIRPORT AUTHORITY

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W I C H I T A
M I D - C O N T I N E N T
A I R P O R T

The logo for Wichita Mid-Continent Airport features the text "W I C H I T A" on the top line, "M I D - C O N T I N E N T" on the second line, and "A I R P O R T" on the third line. A thick orange swoosh underline starts under the 'I' in "WICHITA" and curves upwards and to the right, passing under the 'A' in "MID-CONTINENT" and ending under the 'T' in "AIRPORT".

Objective of Analysis

- Determine funding available for the Terminal Area Redevelopment Program (TARP)

In the context of

- Other necessary capital improvements at Mid-Continent
- Capital needs of Jabara Airport
- Industry norms regarding airport project financing
- Impact on tenant and user charges

Funding Sources Available

- Federal (AIP) grants – entitlement & discretionary
- TSA grants
- Non-traditional grants
- Passenger Facility Charges (PFCs)
 - At the \$4.50 per enplaned passenger level
 - Leverage (borrow against) PFC revenue stream
- Airport cash (operating cash flow and retained earnings)
- Debt backed by or repaid from Airport revenues – i.e., airline payments, non-airline revenues

What is a Financing Capacity Analysis?

- Order of magnitude estimate of funds available to build projects over a given time period

The Steps.....

- Project air traffic (enplaned passengers)
- Choose an airline cost per enplaned passenger
- Take non-airline revenues into account
- Take PFCs and grants into account
- “Back into” the amount of funds that would be available

Scenarios

- Base, High, and Low passenger projections
- Debt options
 - All General Obligation (GO) Bonds
 - All general airport revenue bonds (GARBs)
 - Hybrid – some GARBs and some GOs
- Four levels of Airline Cost per Enplaned Passenger (CEP)
 - \$6.50, \$7.50, \$8.50, and \$9.50 in 2011
 - Current CEP at Mid-Continent is about \$5.50 (\$6.50 when measured in 2011 dollars)

Key Assumptions – General

- Time Frame for Analysis – 10 years (2006 thru 2015)
- Non-TARP and Jabara expenditures taken as fixed
 - Mid-Continent Non-TARP – \$47.3 million
 - Jabara – \$6.0 million
 - Inflation escalation (Non-TARP + Jabara)-- \$9.9 million
 - Prior ongoing CIP projects -- \$17.0 million
 - These are based on strategic review by Airport staff
- Available funds remaining are for TARP

Key Assumptions – Enplaned Passengers

- FAA Terminal Area Forecast projects 2.1% annual growth
- Base case –
 - 4% reduction in 2006 (to 713,000 enplanements)
 - 1% annual growth 2007 to 2010; 2% growth starting in 2011
 - 756,000 enplanements in 2011
- High case –
 - 4% reduction in 2006 (to 713,000 enplanements)
 - 5% annual growth 2007 to 2010; 8% growth starting in 2011
 - 936,000 enplanements in 2011
- Low case –
 - 4% reduction in 2006 (to 713,000 enplanements)
 - 20% reduction in 2007; flat to 2011
 - 570,000 enplanements in 2011

Key Assumptions – Bonds

- General Airport Revenue Bonds (GARBs)
 - 6.0% bond rate
 - 30-year term (with 2-years of capitalized interest)
 - Coverage 1.40x
- GO Bonds
 - 5.0% bond rate
 - 30-year term (with 2-years of capitalized interest)
 - Coverage 1.00x
- PFC-related Bonds
 - GO or GARBs
 - Direct debt service offset structure
 - Coverage 1.00x

Key Assumptions – Other

- Non-airline Revenues
 - 2006 Budget, escalated
 - 20% increase in Parking revenues in 2011
 - Incremental spend rate for Terminal Concessions
 - Programmed increase in Hangar & Building rentals
- Operating & Maintenance Expenses
 - 2006 Budget, escalated
 - Baseline inflationary growth (and some real growth) – 3.5% per year
 - Public Safety Fee (PSF) – no incremental increase for new facilities

Financing Capacity Estimates – Base Case

| | Airline Costs per Enplaned Passenger–2011 | | | |
|---|---|----------------------|----------------------|----------------------|
| | \$6.50 | \$7.50 | \$8.50 | \$9.50 |
| Total Funding Availability (2006-2015; 10-years) | | | | |
| All General Obligation Bonds Scenario | \$228,084,000 | \$240,064,000 | \$252,043,000 | \$264,008,000 |
| GO Bonds to Cap; remainder GARBs Scenario | 213,019,000 | 221,380,000 | 229,706,000 | 238,091,000 |
| GO Bonds for PFCs; remainder GARB Scenario | 203,181,000 | 211,541,000 | 219,901,000 | 228,258,000 |
| All Airport Revenue Bond Scenario | 196,202,000 | 204,562,000 | 212,922,000 | 221,279,000 |
| Funding needs for all CIP projects except Terminal Program | | | | |
| Mid-Continent CIP (excludes TARP) | \$47,340,000 | \$47,340,000 | \$47,340,000 | \$47,340,000 |
| Jabara CIP | 5,958,000 | 5,958,000 | 5,958,000 | 5,958,000 |
| | \$53,298,000 | \$53,298,000 | \$53,298,000 | \$53,298,000 |
| Plus: | | | | |
| Escalation (same as TARP) | 9,896,710 | 9,896,710 | 9,896,710 | 9,896,710 |
| Prior on-going projects | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| Total funding for all projects excluding TARP | \$80,194,710 | \$80,194,710 | \$80,194,710 | \$80,194,710 |
| Funding availability for TARP | | | | |
| All General Obligation Bonds Scenario | \$147,889,290 | \$159,869,290 | \$171,848,290 | \$183,813,290 |
| GO Bonds to Cap; remainder GARBs Scenario | 132,824,290 | 141,185,290 | 149,511,290 | 157,896,290 |
| GO Bonds for PFCs; remainder GARB Scenario | 122,986,290 | 131,346,290 | 139,706,290 | 148,063,290 |
| All Airport Revenue Bond Scenario | 116,007,290 | 124,367,290 | 132,727,290 | 141,084,290 |

Recommended Scenario

ALL GENERAL OBLIGATION BONDS BASE TRAFFIC CASE

| Funding Source | PFC @ \$4.50 | | | |
|--|----------------------------------|----------------------|----------------------|----------------------|
| | Airline Payments per Enplanement | | | |
| | \$6.50 | \$7.50 | \$8.50 | \$9.50 |
| General Obligation Bond proceeds | \$82,498,000 | \$94,478,000 | \$106,457,000 | \$118,422,000 |
| PFCs (leveraged and pay-as-you-go) | 61,744,000 | 61,744,000 | 61,744,000 | 61,744,000 |
| Airport Cash | 24,874,000 | 24,874,000 | 24,874,000 | 24,874,000 |
| AIP and TSA Grants | | | | |
| AIP grants | 54,968,000 | 54,968,000 | 54,968,000 | 54,968,000 |
| TSA grants | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| | 58,968,000 | 58,968,000 | 58,968,000 | 58,968,000 |
| State Grants | - | - | - | - |
| Non-Traditional Funding | - | - | - | - |
| TOTAL FUNDING SOURCES | \$228,084,000 | \$240,064,000 | \$252,043,000 | \$264,008,000 |
| Funding need for all projects except Terminal Program | | | | |
| Mid-continent CIP (excludes TARP) | 47,340,000 | 47,340,000 | 47,340,000 | 47,340,000 |
| Jabara CIP | 5,958,000 | 5,958,000 | 5,958,000 | 5,958,000 |
| | 53,298,000 | 53,298,000 | 53,298,000 | 53,298,000 |
| Plus: | | | | |
| Escalation (same as TARP) | 9,896,710 | 9,896,710 | 9,896,710 | 9,896,710 |
| Prior on-going projects | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| | 26,896,710 | 26,896,710 | 26,896,710 | 26,896,710 |
| Total funding for all projects excluding TARP | 80,194,710 | 80,194,710 | 80,194,710 | 80,194,710 |
| Funding availability for Terminal Program | \$147,889,290 | \$159,869,290 | \$171,848,290 | \$183,813,290 |
| Bond issuance (principal amount) | | | | |
| Paid from Airport revenues | 89,672,000 | \$102,693,000 | \$115,714,000 | \$128,720,000 |
| PFC-related | 44,992,000 | 44,992,000 | 44,992,000 | 44,992,000 |
| | \$134,664,000 | \$147,685,000 | \$160,706,000 | \$173,712,000 |

TARP Finances

| | |
|---|-----------------------|
| Construction Cost | \$ 122,000,000 |
| Professional Services | 28,000,000 |
| Program Estimate (Design Goal) | 150,000,000 |
| Reserves | 10,000,000 |
| Capacity at \$7.50 CEP/All GO Scenario | 160,000,000 |
| Extraordinary Escalation | 10,000,000 |
| Program Total | \$ 170,000,000 |