



Maximizing AIP Discretionary Funding

Strategies to Enhance Access to AIP Discretionary Funds in Uncertain Times



Purpose

- To acquaint the audience with Unison Consulting and the Federal Assistance Maximization specialty
- To provide practical advice on strategies airport operators can employ to compete more effectively for AIP discretionary funding



Agenda

1. Unison Consulting Introduction

2. Airport Improvement Program Fund Allocation (Background)

3. Strategies to Enhance Your Airport's Competitive AIP Position

4. Taking Advantage of AIP Special Funding Programs

5. Dealing with multiple short-term AIP extensions

6. Airport Grants in Economic Stimulus Proposals



Introduction to Unison Consulting, Inc.





Firm Background

- Established as a full-service aviation consultancy in 1989 and acquired in 2008 by UCG Associates
- Became a M/DBE firm following the acquisition
- The firm's team of consultants are experts in economics, finance, retail concessions, airport planning, information technology, and airport management
- Senior consultants have prior management experience with leading airports, government consulting firms, airlines, the FAA, and other national aviation consulting firms
- Served over 100 airport clients, large and small, and numerous government agencies across North & South America and the Caribbean
- Headquartered in Chicago with offices in Orange County (CA), St. Louis, San Antonio, San Francisco and Washington, DC



Firm Practice Areas

Four major practice areas including:

- Airport Finance & Economics
- Retail Concessions Planning & Management
- Program Management & Control Services
- Information Systems



Federal Assistance Maximization Specialty

- Strategic focus on positioning airports to obtain maximum benefits from the FAA Federal Assistance Programs for Airports (i.e. AIP grants and PFCs)
- Includes expertise in policies and procedures for individual project financing and continuing program compliance to maintain eligibility
- 18-year FAA experience of specialty area director
 - Legal advisor to the FAA airport program office
 - Manager, FAA Airports Compliance Division
 - Manager, FAA Airports Financial Assistance Division (1999-2008)




Airport Improvement Program Fund Allocation (Background)





AIP Apportionment Funding

- Two-thirds of AIP funding is allocated to apportionments; one-third is allocated to discretionary
- Largest apportionment category is passenger entitlements
 - Calculated on a per passenger basis
 - Minimum \$1 million/year; maximum \$26 million/year
- Cargo apportionment (3.5% of total AIP)
 - Based on landed weight of all cargo aircraft with a minimum of 100 million pounds



General Aviation Apportionment

- 20% percent of total AIP
- Two-step allocation process
 - Step 1: Allocate up to \$150,000 to each non-primary airport
 - Step 2: Allocate the remaining balance among the states based on area and population
- Funds can be used in the state at FAA's discretion
- These rules apply if AIP is at least \$3.2 billion
- Administered by nine states as block grants

Discretionary Funds

- Balance of AIP after assigning apportionments
- Subject to set-aside requirements
 - Noise set-aside (35% of discretionary funds)
 - Dedicated to noise mitigation and other environmental mitigation projects required by FAA in NEPA documents.
 - Military Airport Program (4% of discretionary)
 - Dedicated to former military airfields or joint-use airports
 - Reliever airport set-aside (two-thirds of one percent of discretionary)



“Pure” Discretionary Funds

- Balance of discretionary funds after allocating prior set-asides
- 75% designated as C/S/S/N
(Capacity/Safety/Security/Noise available to primary and reliever airports)
- 25% available to any airport



Strategies to Enhance Your Airport's Competitiveness for Discretionary Funds





The Three Ps

- Good project selection
- Good project planning
- Good project execution



Good Projects

- National Priority System
- Office of Airports Business Plan
- Selecting Entitlement Projects
- Special Funding Programs
- Funding Strategies
- Letters of Intent

National Priority System

- National Priority System
- ACIP Order 5100.39A
- National Priority Rating (NPR) Number
 - 100 point scale, with 100 the best score
 - Score is not the only factor

ORDER

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

5100.39A

August 22, 2000

SUBJ: AIRPORTS CAPITAL IMPROVEMENT PLAN

1. PURPOSE. This order prescribes the development of the national Airports Capital Improvement Plan (ACIP). The ACIP serves as the primary planning tool for systematically identifying, prioritizing, and assigning funds to critical airport development and associated capital needs for the National Airspace System (NAS). The ACIP also serves as the basis for the distribution of grant funds under the Airport Improvement Program (AIP). By identifying and investing in airport development and capital needs, the Federal Aviation Administration (FAA) can ensure to the American public that the NAS is a safe, secure, and an efficient environment for air travel nationwide.

2. DISTRIBUTION. This order is distributed to all addressees of the ZRP-510 special distribution list and to all Airports Regional, District, and Field Offices.

3. CANCELLATION. This revision cancels Order 5100.39, Airport Capital Improvement Plan, dated June 16, 1993.

4. EXPLANATION OF CHANGES. This revision changes the process through which the FAA formulates the ACIP.

5. BACKGROUND.

a. The FAA identifies airports that are significant to national air transportation through the development of the National Plan of Integrated Airport Systems (NPIAS). The NPIAS identifies, for Congress and the public, the composition of a national system of airports together with the airport development and costs necessary that will be needed over the ensuing ten years to expand and improve the system in order to anticipate and meet the present and future needs of civil aviation, to meet requirements in support of national defense, and to meet the special needs of the U.S. Postal Service. The ACIP provides additional details including the anticipated sources of funds for specific NPIAS development expected to be undertaken within the next 3 to 5 years and considered likely to be funded by the AIP. The FAA maintains the NPIAS and the ACIP in a common database (NPIAS-ACIP).

b. The AIP, which provides Federal funds for planning and development at the nation's public use airports, is a major source of revenue for airport planning and capital development

Distribution: ZRP-510; A-FAS-1 (STD)

Initiated By: APP-520

NPR Structure

- Weighted calculation with four components
- Project Purpose – Highest Weight
 - Safety Projects given highest priority
 - Reconstruction next highest
 - New capacity next highest
- Project Type – Second highest weight
 - Priority ranking is a function of the nature of the project – projects related to safety and airfield tend to score higher

NPR Structure

- Project Component – Third highest weight
 - Runways given highest priority
 - Taxiways next highest priority
 - Terminals given lowest priority
- Airport Type – Lowest weight
 - Large primary airports given highest priority
 - Small GA airports given lowest
- RSA project at large hub scores 97, at small GA airport it scores 89

NPR # Calculation

- Project – Runway Safety Area at large hub airport
- A = Airport; P = Purpose; C = Component; T = Type
- Formula: $NPR \# = .25P(A+1.4P+C+1.2T)$
- $NPR\# = .25(10)(5+1.4(10)+10+1.2(8))$
- $NPR\# = 2.5(5+14+10+9.6) = 2.5(38.6) = 97$



NPR Rule of Thumb

- Safety First
- Preserve what FAA's already paid for
- Start at the runway center line, then work your way out

Office of Airports Business Plan

http://www.faa.gov/about/plans_reports

The screenshot shows a web browser window displaying the FAA website. The browser's address bar shows the URL http://www.faa.gov/about/plans_reports. The page features the FAA logo and navigation tabs for 'Aircraft', 'Airports & Air Traffic', 'Data & Statistics', 'Education & Research', 'Licenses & Certificates', 'Regulations & Policies', and 'Safety'. A search bar is located below the navigation tabs. The main content area is titled 'Plans & Reports' and includes a 'Printer Friendly' and 'Email Page' button. The content is organized into sections: 'About FAA Topics' (Budget, Business Opportunities, Committees, Contract Negotiations, History, Initiatives, Key Officials, Mission, Offices), 'Plans & Reports' (2009 – 2013 Flight Plan, 2008 – 2012 Flight Plan, 2008 Business Plans), and a list of 'Staff Offices'.

Plans & Reports

- 2009 – 2013 Flight Plan**
 - [2009 – 2013 Flight Plan](#) (PDF)
- 2008 – 2012 Flight Plan**
 - [2008 – 2012 Flight Plan](#) (PDF)
 - [Portfolio of Goals for FY 2008](#) (PDF)
 - [How Are We Performing?](#)
- 2008 Business Plans**
 - Line of Business
 - [Airports \(ARP\)](#) (PDF)
 - [Air Traffic Organization \(ATO\)](#) (PDF)
 - [Commercial Space Transportation \(AST\)](#) (PDF)
 - [Aviation Safety \(AVS\)](#) (PDF)
 - Staff Offices
 - [Aviation Policy, Planning and Environment \(AEP\)](#) (PDF)
 - [Civil Rights \(ACR\)](#) (PDF)
 - [Communications \(AOC\)](#) (PDF)
 - [Financial Services \(ABA\)](#) (PDF)
 - [Government and Industry Affairs \(AGI\)](#) (PDF)
 - [Human Resources and Management \(AHR\)](#) (PDF)



Office of Airports Business Plan

- Identifies short-term and long-term priorities for AIP funding
 - FY 2008 – completing runway safety areas
 - Noise mitigation in areas of 65 dB or higher noise exposure

Selecting Entitlement Projects

- FAA cannot dictate how entitlement funds are used
- FAA may withhold discretionary funds if the airport is using entitlement funding on low priority projects
- 64 Federal Register 31031, 31032.
Available on web at
www.faa.gov/airports_airtraffic/airports/resources/publications/federal_register_notices/media/aip_64fr31031.pdf



Selecting Entitlement Projects

- FAA preference – combine entitlement funds and discretionary funds on high priority projects



Special Funding Programs

- Qualifying projects are funded outside of normal discretionary funding considerations
 - Also outside normal eligibility rules
- Currently two programs authorized
 - Innovative Finance
 - Voluntary Airport Low Emission Program



Funding Strategies

- Talk to the FAA
- Develop a realistic financial plan to support the airport's master plan
- Target AIP discretionary funds to highest priority projects based on FAA criteria
- Consider other funding sources to complete the financing
 - State grants
 - Highway fund
 - Private financing



Letters of Intent

- Eligibility –
 - Capacity Projects
 - At medium & large hub airports, project must enhance national system capacity
- Benefits –
 - Multi-year commitment of discretionary funds
 - Allows airport to complete project without interruption
 - Airport can leverage LOI commitment to finance ongoing construction



Letters of Intent

- Requirements –
 - Benefit Cost Analysis
 - Demonstration of system benefits if project at medium or large hub airport
 - Completion of any required environmental analysis
- FAA PGL 07-3 Revised Guidance
http://www.faa.gov/airports_airtraffic/airports/aip/guidance_letters/media/PGL_07_03.pdf



LOI Funding

- Initial LOI funding –
 - FAA usually gives less than full federal share
 - Payment stream will last longer than the time needed to construct the project
- Amendments to increase LOI total
 - Exception, rather than rule
 - Significant, unanticipated cost increases beyond sponsor control
 - Significant change in circumstances reducing airport financial resources available to finance local share of project



Good Planning – What It Is

- Identifying projects for AIP funding well in advance of funding request
- Completing planning and administrative steps required for receipt of grant
 - Master planning for project justification
 - Environmental finding and ALP review to meet statutory requirements
 - Design and bid project on a schedule that will meet FAA's grant performance metric



Good Planning – Why do it

- Long-term capital planning is financially prudent for the airport
- FAA needs long lead time to incorporate projects into local and regional discretionary funding plans
 - Last minute pop-ups are hard to finance without dropping other projects



FAA Guidance on Project Planning

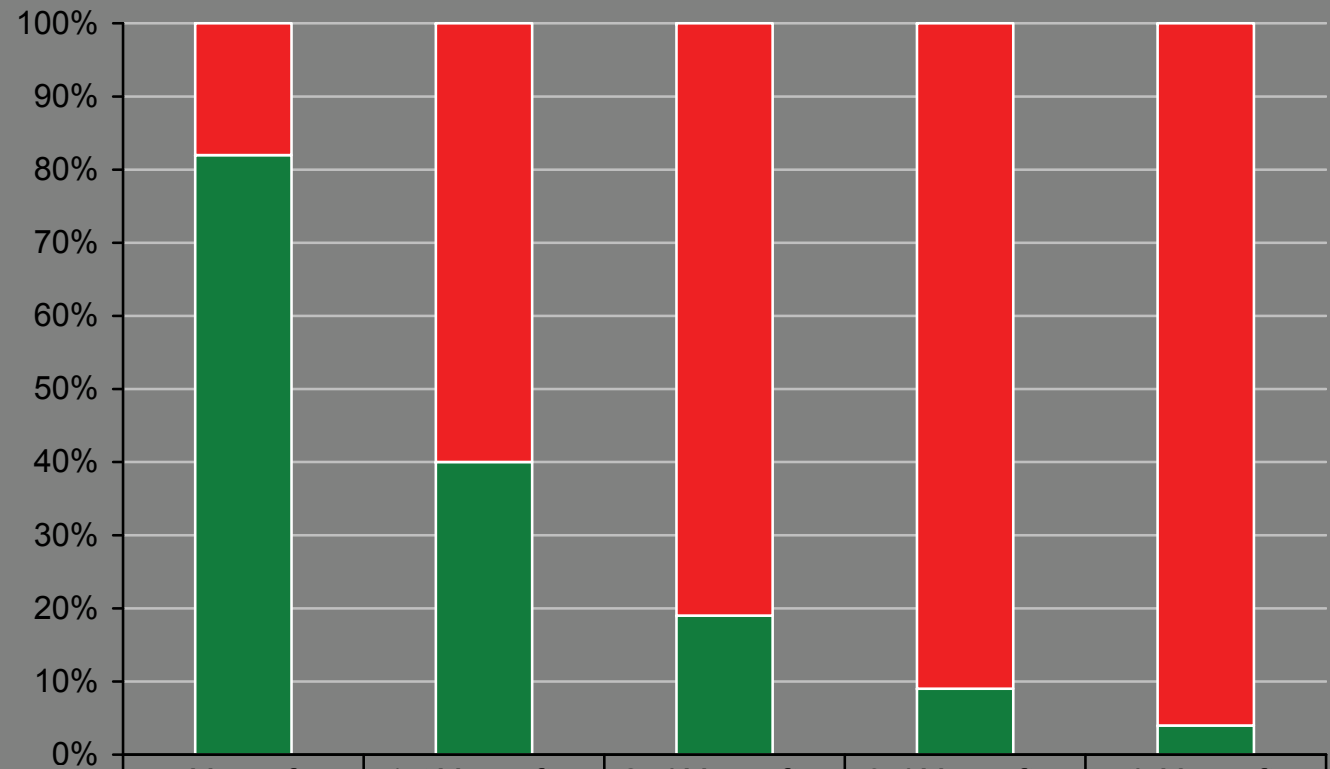
- Central Region recommends a five-year planning process
http://www.faa.gov/airports_airtraffic/airports/regional_guidance/central/airports_resources/media/5-Year%20CIP.Brochure.4-fold_508.pdf
- Southwest Region suggests a four-year process
- New England Region suggests a 3- to 5-year process



FAA Grant Performance Metric and Planning

- New grant performance metric with targets for percentage of obligated funds remaining unspent in the year the grant is awarded and in four succeeding years
- To assure that targets can be met, the project must commence as soon as possible after grant is awarded
- Good planning enables this to occur

Target Expenditure of AIP Funds



| | Year of Appropriation | 1st Year after Appropriation | 2nd Year after Appropriation | 3rd Year after Appropriation | 4th Year after Appropriation |
|---------------------|-----------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| ■ To be expended | 18% | 60% | 81% | 91% | 96% |
| ■ Maximum to remain | 82% | 40% | 19% | 9% | 4% |



FAA's May 1 Target Date and Planning

- FAA expects sponsors to declare their intention to use entitlements by May 1 of the current fiscal year
- FAA uses May 1 as a target for progress in applying for grants, as well
- The targets vary by region
- Project planning is essential to meeting these May 1 targets



May 1 AIP Targets

- Central Region
 - Projects bid and grant application filed
- Southwest Region
 - Sponsor should be ready to bid if seeking funding in same fiscal year
- Southern Region
 - Seeks schedule to have project applications ready well before May 1
- Great Lakes Region
 - Sponsor should be ready to file entitlement application



Projects Based on Bids

- Lets FAA fund more projects because grants are based on actual bid costs
- If the project is bid when grant is issued project can start sooner and be completed sooner.
- Airports can seek AIP funding for design cost through design only grant
- Otherwise design and bid preparation costs are reimbursable as project formulation costs



Good Project Execution – What It Is

- Starting a project promptly
- Continuing work and completing the project promptly



Good Project Execution – Why Do It

- To get the AIP funds in hand – the FAA pays grant funds to cover work actually done.
- The Airport and its customers get the benefit of having a completed project sooner.
- The FAA helps meet the new grant performance metric.



Good Project Execution – FAA Considers It

- “The airport sponsor’s management of past AIP grants can influence the FAA’s consideration of AIP discretionary funds”
- “Factors which may militate against the distribution of discretionary funds include:
 - failure to financially close a physically completed project in a timely manner
 - inability to commence or complete work * * * in a timely manner
 - having an excessive number of open, uncompleted grants”
- 64 Federal Register 31031, 31032



Taking Advantage of FAA's Special Funding Programs





Why Consider Special Funding Programs

- Costs or projects that would be ineligible for AIP funding can receive grants
- Ordinary policies on funding priority are not applied
- Airport's access to AIP discretionary funds is enhanced



Innovative Finance Program

- Statutory basis – 49 USC § 47135
- Eligible Airports – Small hub airports and smaller
- Special project eligibility rules -- None
- Special Rules on allowable costs
 - Payment of interest
 - Commercial bond insurance or other credit enhancements for airport bonds
 - Payment of old debt for terminal development with apportioned funds



Innovative Finance Program

- Grants shall not be used to create a federal guarantee of airport debt
- Statute also authorizes flexible federal share (i.e. lower federal share) as an innovative finance technique – but the FAA no longer supports this technique
- Program is not currently widely used



VALE Program

- Statutory Basis – 49 USC §§47102(3)(K),(L); 47139; 47140
- Eligible Airports – Commercial Service Airports in non-attainment or maintenance areas under the Clean Air Act
- Eligible Projects
 - Construction or modifications to produce low emission fuel systems, gate electrification or other air quality improvements at the airport (infrastructure)



VALE Program

- Eligible Projects
 - Acquisition or conversion of vehicles and ground support equipment owned by the airport to low-emission technology
 - Under a pilot program, retrofitting airport ground support equipment using conventional fuels with emission control technologies approved by the EPA

A vertical image on the left side of the slide showing a group of business professionals in a meeting, looking at documents and talking.

VALE Program Additional Requirements

- Unless vehicle is otherwise eligible, AIP is limited to incremental cost low emission technology
- Vehicles must be owned by the airport and remain at the airport for their useful life
- Under the pilot program, AIP participation is limited to \$500,000 per airport



VALE Ground Support Equipment

- GSE is not AIP eligible; therefore, only incremental cost of low emission technology is eligible
- At some airports carriers have agreed to pay the basic cost of equipment, even though the airport will own the vehicles
- If your airport pursues this funding strategy, be sure carriers' funding commitment is locked in

VALE Program Information

http://www.faa.gov/airports_airtraffic/airports/environmental/vale/

The screenshot shows a web browser window displaying the Federal Aviation Administration (FAA) website. The browser's address bar shows the URL http://www.faa.gov/airports_airtraffic/airports/environmental/vale/. The page features the FAA logo and navigation menus for various topics like Aircraft, Airports & Air Traffic, Data & Statistics, Education & Research, Licenses & Certificates, Regulations & Policies, and Safety. The main content area is titled "Voluntary Airport Low Emissions Program (VALE)" and includes a "Printer Friendly" and "Email Page" button. The text describes VALE as a national program to reduce airport ground emissions at commercial service airports. It mentions that the program was established under the Vision 100 Century of Aviation Reauthorization Act of 2003 (P.L. 108-176) and allows airport sponsors to use the Airport Improvement Program (AIP) and Passenger Facility Charges (PFCs) to finance low emission vehicles, refueling and recharging stations, gate electrification, and other airport air quality improvements. A list of links is provided, including "Summary of Airport Projects and Contacts (PDF) (9/23/2008)", "Program Guidance and Application Information", "Eligible Airports (MS Excel)", "VALE Technical Report (V5.0) (PDF, 1.35 MB) (9/23/2008)", and "Guidance on Airport Emission Reduction Credits for Early Measures Through Voluntary Airport Low Emission Programs (PDF, 1.85 MB)". The browser's taskbar at the bottom shows various open applications and system icons.

Voluntary Airport Low Emissions Program (VALE)

VALE is a national program to reduce airport ground emissions at commercial service airports located in designated air quality nonattainment and maintenance areas. The program was established under the *Vision 100 Century of Aviation Reauthorization Act of 2003 (P.L. 108-176)*. VALE allows airport sponsors to use the [Airport Improvement Program \(AIP\)](#) and [Passenger Facility Charges \(PFCs\)](#) to finance low emission vehicles, refueling and recharging stations, gate electrification, and other airport air quality improvements.

- [Summary of Airport Projects and Contacts \(PDF\) \(9/23/2008\)](#)

Program Guidance and Application Information

- [Eligible Airports \(MS Excel\)](#)
- [VALE Technical Report \(V5.0\) \(PDF, 1.35 MB\) \(9/23/2008\)](#)
This report provides detailed information on project planning, the application process, eligibility requirements (e.g., vehicle/equipment, fuel, ownership), program vehicle low-emission standards, emissions calculation methodology, cost effectiveness criteria, project tracking, etc.
- [Guidance on Airport Emission Reduction Credits for Early Measures Through Voluntary Airport Low Emission Programs \(PDF, 1.85 MB\)](#)



Dealing With Multiple Short Term Extensions





The Three P's

- Good Projects – Discretionary funds are limited in first wave
 - LOIs first
 - Safety, Safety Safety
- Good Planning – Have projects bid and ready to go
 - Always preferred by the FAA
 - With short extensions, more of AIP discretionary \$\$ will be short-notice pop up
 - Projects that are ready will get the funds



The Three P's

- Good Planning
 - For FY 2009, the May 1 deadline has been pushed back to February
- Good Project Execution
 - Pop-up \$\$ will go to the sponsors with the best track record of spending the money and completing projects



Additive Bid Alternates

- Break project up into components and bid separately as additive alternates (subject to availability of funds)
 - Allows you to start a project with limited discretionary funds (or entitlement only)
 - Complete project with second (or third) wave of discretionary



Strategic Use of Entitlements

- Airports will receive about 1/3 of their entitlements in the 1st wave of AIP (through March 9)
- FAA guidance offers 3 options
 - Spend before March 9
 - Carry over until FY 2010
 - Hold for extension of AIP program (with risk of loss if program not extended)



Strategic Use of Entitlements

- Spend now on high priority projects or hold for an extension
- A decision to spend entitlements now on a low priority project “because we can afford it” may hurt the airport’s chances for discretionary funds
- If the airport formally declares its entitlements as a carryover, the entitlements will not be available until FY 2010, even if Congress extends the FY 2009 program
- Risk of loss in third option is low
 - Congress has never failed to extend a partial year program since the enactment of the AIP



Airport Grants in Economic Stimulus Proposals





Economic Stimulus Bills

- House and Senate have produced bills, but enactment before January is not expected
- House Bill – HR 7110 – Includes \$600 million in additional grants-in-aid for airports under AIP
 - Priority for projects that can be awarded contracts based on a bid within 120 days of enactment

A vertical strip on the left side of the slide shows a blurred image of three business professionals in a meeting, looking at documents. The background of this strip is a dark blue gradient with faint, repeating numbers.

Economic Stimulus Bills

- Senate Bill – S. 3689 – Includes \$500 million for airport grants
 - Funds available only to airports that show they can obligate the funds within 180 days
 - Funds are to supplement, not supplant other state or local funds
 - Federal share is 100 percent



Economic Stimulus Bills

- Congressional Priorities
 - Projects that can begin construction quickly to stimulate the economy
 - Projects that would not have commenced without this new funding
- Strategic considerations
 - Focus on projects that can go to bid and contract quickly
 - Focus on projects that are not currently identified as potential AIP discretionary funding candidates for FY 2009



Limited Offer of FREE Financial Review

- Unison is pleased to offer the first **THREE** participants to contact Barry Molar for a free, individualized high level review of their airports' capital programs
- To request your free review, contact Barry Molar, by phone at 301.649.3304 **AFTER** completing your post seminar survey.



Elements of FREE Review

- One on-site meeting to obtain and discuss the airport's CIP and financial plan, followed by a review by Unison and an on-site meeting to discuss a summary of Unison's findings
- For those airports where Unison identifies meaningful opportunities to enhance AIP or PFC funding, Unison will propose a detailed scope of work and budget estimate for the development of a financing plan for the airport

A vertical image on the left side of the slide showing a group of business professionals in a meeting, looking at documents and talking.

Proposal content

- A review of project eligibility for AIP and PFC funds
- An analysis of the best use of available and potential funds and funding sources to finance the airport's capital plan, including strategies to maximize AIP discretionary fund contributions to the capital program, and to obtain the maximum financial benefit from the use of PFCs



THANK YOU!