



August 24, 2017

Air Carriers, Foreign Air Carriers and Others Operating at Richmond International Airport (RIC)

Re: Notice by Public Agency of Intent to Apply for Authority to Impose and Use a New Passenger Facility Charge (PFC) and to Amend Existing PFC Applications 99-03-C-03-RIC and 03-05-C-02-RIC at the Richmond International Airport (RIC)

Dear Operator:

The Capital Region Airport Commission (the Commission) intends to submit to the Federal Aviation Administration a new application and amendments to its Passenger Facility Charge (PFC) Program at the Richmond International Airport (RIC). The new application seeks to gain authority for nine (9) additional projects and the amendments seek to update the financial plans of existing applications.

As required by Section 158.23 of the Federal Aviation Regulations (FAR) Part 158, Passenger Facility Charges, the Commission is hereby providing written notice to all air carriers and foreign air carriers operating at the Airport. This letter serves to inform air carriers of the Commission's intent to modify its PFC Program and notify air carriers of a PFC Consultation Meeting. The Commission seeks to:

A. initiate a new Impose and Use application to add projects for:

- 8.1 Ticket Counter Improvements;
- 8.2 Security Checkpoint B Expansion;
- 8.3 Baggage Handling System Refurbishment;
- 8.4 Concourse A Gate Expansion;
- 8.5 Terminal and Concourse HVAC Improvements;
- 8.6 800 MHz Radio System;
- 8.7 Taxiway A (Cargo Apron to Taxiway G and Taxiway G to Taxiway K);
- 8.8 Cargo Apron Construction; and
- 8.9 Runway 7-25 Conversion to Taxiway.

- B. Update and revise the financial plan for the Terminal Building Addition and Modification Project and Terminal Roadways & Elevated Platform Project to account for changes to the overall financing plan for Applications 99-03-C-03-RIC and 03-05-C-02-RIC.
- C. Appropriately extend the collection amounts, charge expiration dates, and other related administrative issues for Applications:
- 99-03-C-03-RIC
 - 01-04-C-04-RIC
 - 03-05-C-02-RIC
 - 14-06-C-01-RIC
 - 14-07-U-00-RIC

It is the intention of the Capital Region Airport Commission to apply for Impose and Use Authority for each of these projects. However, there are ongoing environmental processes which must be completed. It is anticipated that the PFC application will not be submitted until the appropriate FAA NEPA approval is issued. The FAA has to issue its approval prior to approving the Use of the PFC revenue for the projects listed below:

- 8.4 Concourse A Gate Expansion;
- 8.7 Taxiway A (Cargo Apron to Taxiway G and Taxiway G to Taxiway K);
- 8.8 Cargo Apron Construction; and
- 8.9 Runway 7-25 Conversion to Taxiway.

In accordance with §158.23(e)(1), the Commission requests that air carriers confirm receipt of this letter and additionally state their intended presence at a consultation meeting scheduled for **September 28, 2017, 11:00 AM**, in the Ticket Counter South Conference Room, 2nd floor of the Terminal, at 1 Richard E. Byrd Terminal Drive, Richmond International Airport, VA 23250.

The Commission requests that the air carrier's certification of agreement or disagreement be forwarded with its written acknowledgment of receiving this notice of intent by October 30, 2017.

Reply to:

Capital Region Airport Commission
1 Richard E. Byrd Terminal Drive
Richmond International Airport, VA 23250
Attn: Finance Department

Section 158.23 (a)(1) Description of Projects

Amendment of Application 99-03-C-03-RIC and 03-05-C-02-RIC

Item 1 – Update and revise the financial plan of the existing Terminal Building Addition and Modification Project and Terminal Roadways & Elevated Platform Project

The Terminal Building Addition and Modification Project and Terminal Roadways & Elevated Platform Project are physically complete and the Airport has been successful in capitalizing on a favorable financial market. This has allowed the refinancing of the debt for the project, which has resulted in significant reductions in the financing costs. This amendment action seeks to reduce the approved collection authority and update the associated financial plan to reflect the current costs of the PFC Program. The PFC portion is being reduced from \$111,407,401 to \$82,318,627.

New Impose and Use Application

Terminal Improvements:

Over the past few years, the Richmond International Airport has seen a steady increase in passenger traffic. With Federal predictions indicating the air traffic in the US will continue to increase to all-time highs, RIC must undertake several projects to improve and expand its existing terminal to meet the growing demand. This projects include improving ticket counter efficiency, expanding security checkpoints, refurbishing the airport's aging baggage claim system, and adding additional gates to the Airport's Concourse A.

As stated, these projects will not only allow for the airport to meet its growing demands, but they will also preserve the safety of the traveling public and enhance competition among operating carriers.

A further explanation of each project follows:

8.1 Ticket Counter Improvements

This project will allow the Airport to utilize counters for multiple airlines and maintain the needed signage for efficient operations and passenger flow.

This Impose and Use project will provide a portion of the funding for implementation. Additionally, the airport intends to use local revenue. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$1,100,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$100,000</u>
Total	\$1,200,000

8.2 Security Checkpoint Concourse B Expansion

Over the past few years, RIC has seen an increase in flights during peak times which can result in unacceptable wait times at the Concourse B Security Checkpoint. In order to eliminate any potential for extreme wait times, this project would add up to 2 additional screen lanes, dependent upon the Transportation Security Administration's (TSA) lane configuration. This project includes design, construction, and construction administration.

This Impose and Use project will provide the funding for implementation. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$4,130,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$300,000</u>
Total	\$4,430,000

8.3 Baggage Handling System Rehabilitation - Reimbursement

The existing baggage handling system is over 10 years old, and various system components have reached the end of their usable life, requiring rehabilitation. The original North System was completed in November of 2006 and the original South System was completed in April of 2007. The PFC funding will reimburse the Airport for costs associated with the project.

This project is underway and this Impose and Use project will provide the funding for reimbursement of the project cost. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$750,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$0</u>
Total	\$750,000

8.4 Concourse A Gate Expansion

Enplanements at RIC continue to grow and for the Airport to maintain competition, as well as encourage the growth of new and existing air carriers, additional gates and other facilities will be required.

This Impose and Use project will provide a portion of the funding for implementation. Additionally, the airport intends to use local revenue. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$41,840,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$3,000,000</u>
Total	\$44,840,000

Terminal and Concourse HVAC Enhancements

As demand continues to be pressed upon the existing terminal and concourses, enhancements must be made to the Airport's existing HVAC system. Enhancements will also be necessary to accommodate the previously stated terminal improvement projects.

8.5 Terminal and Concourse HVAC Improvements

The Airport's current HVAC is no longer sufficient to accommodate the passenger traffic demand. The system is also outdated and energy inefficient, causing higher operating costs and an increased financial barrier of operation for new carriers. This project will improve several outdated systems.

These improvements will eliminate potential safety hazards from collected condensation. These individual improvements will extend the usable life of the Airport's entire HVAC system.

This Impose and Use project will provide the funding for implementation. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$2,710,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$0</u>
Total	\$2,710,000

Airfield Safety Improvements

As with the previously mentioned improvements inside the Airport terminal, the airfield at Richmond International Airport must also be improved to meet the demand of increasing aircraft operations. These improvements are required to ensure the safety of the traveling public and support the continued growth and operation of all carriers at the Airport.

A further explanation of each project follows:

8.6 800 MHz Radio System

The existing region-wide radio system is nearing the end of its useful life and will no longer be supported by the manufacturer. This request will be for the first phase of the installation of the new system. This Passenger Facility Charge will match monies allocated via Virginia Department of Aviation (DOAV) Entitlements.

This Impose and Use project will provide the funding for implementation. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$500,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$1,828,000
<u>Local Funding</u>	<u>\$0</u>
Total	\$2,328,000

8.6 Taxiway A (Cargo Apron to Taxiway G & Taxiway G to Taxiway K)

Taxiway A is a full parallel taxiway to the west of Runway 2/20. Its current pavement is approaching its 20-year life span. The pavement is showing signs of distress and requires rehabilitation to extend its usable lifespan. This project will include the southern portion of the taxiway from the Concourse A Apron to the threshold of Runway 2. This will include both full depth repair of certain areas and the milling and overlay of asphalt in other areas. This project, which is included on the approved Airport Layout Plan, will preserve and enhance safety and capacity of the National Air Traffic Transportation System by extending the life of this pavement. It includes design construction, and construction administration.

This Impose and Use project will provide the funding for implementation. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$2,000,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$0
<u>Local Funding</u>	<u>\$0</u>
Total	\$2,000,000

8.8 Cargo Apron Construction

As RIC continues to grow and new aircraft are being used to facilitate the increased demand of passengers, additional airfield apron is necessary to facilitate and meet the needs of the existing cargo operations without interfering with the airlines' operations. This project will consist of an extension of the existing Cargo Apron to the south in order to allow for the continued growth of the Air Carrier Operation. Its purpose is to preserve and enhance safety and capacity of the National Air Traffic Transportation System.

This Impose and Use project will provide part of the funding for implementation. This PFC project will provide the local match money for Virginia Department of Aviation Funding. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$700,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$2,800,000
<u>Local Funding</u>	<u>\$0</u>
Total	\$3,500,000

8.9 Runway 7-25 Conversion to Taxiway

This project will decommission existing Runway 7-25 and convert it into a taxiway. This includes the rehabilitation of the existing aging pavement, replacing the runway markings, and lighting with the appropriate taxiway markings and lightings. This project is shown on the approved Airport Layout Plan. The purpose of this project is to preserve and enhance safety and capacity of the National Air Traffic Transportation System.

This Impose and Use project will provide a portion of the funding for implementation. Other funding sources are anticipated including the use of Airport Improvement Program Grants, and State Grants. Current estimates for this funding are:

Passenger Facility Charge Pay-as-you-go	\$660,000
FAA AIP Grant – FY 2019	\$5,940,000
Passenger Facility Charge Bond Capital	\$0
Passenger Facility Charge Financing Costs	\$0
Airport Improvement Program (AIP) Funding	\$0
State Funding	\$660,000
<u>Local Funding</u>	<u>\$0</u>
Total	\$7,200,000

Section 158.23 (a)(2) PFC Level, Effective Date, Expiration Date, and Total Revenue

Amendment Action:

The PFC Level remains unchanged at \$4.50. The Charge Effective Date of July 1, 1999 for Application 3 remains unchanged. As a result of the revisions to the financial plan for Application 3, the Charge Effective Dates (for applications 4 – 7) and Expiration Dates (for applications 3 – 7) will change. The following table depicts the current and proposed Charge Effective and Expiration Dates for these applications:

Application #	Current Charge Effective Date	Proposed Charge Effective Date	Current Charge Expiration Date	Proposed Charge Expiration Date	Current Approved Impose Amount	Proposed Approved Impose Amount
3	Jul 1, 1999	Jul 1, 1999	Jul 1, 2015	Apr 30, 2013	\$111,407,401	\$82,318,627*
4	Jul 1, 2015	Apr 30, 2013	Nov 1, 2016	Sep 1, 2013	\$2,647,868	\$2,647,868
5	Nov 1, 2016	Sep 1, 2013	Oct 1, 2019	Aug 1, 2014	\$6,032,887	\$6,032,887
6	Oct 1, 2019	Aug 1, 2014	Mar 1, 2025	Apr 1, 2019	\$34,059,375	\$34,059,375
7	Oct 1, 2019	Apr 1, 2019	Mar 1, 2025	Apr 1, 2019	\$0	\$0

* = Amended Amount

New Application #8:

The details of new Application 8 are as follows:

PFC Level: \$4.50

Estimated Charge Effective Date: Apr 1, 2019

Estimated Expiration Date: Nov 1, 2025

Proposed Impose Amount: \$54,390,000

Section 158.23 (a)(3) Request that a class of air carriers not be required to collect the PFC

(i) Class Designation:

FAR Part 135 On-demand air taxi/commercial operators (ATCO) Filing FAA Form 1800-31.

(ii) & (iii) Names of known carriers belonging to class and estimated number of annual enplaned passengers:

Carriers in the class of FAR Part 135 on-demand air taxi/commercial operators (ATCO) that reported passengers at the Airport on FAA form 1800-31 for 2015 are:

<u>Air Carrier</u>	<u>Enplaned Passengers</u>
Aero Jet Services LLC (J7EA)	11
Blue Bell Air LLC (N22A)	13
Meridian Air Group, Inc. (K1RA)	6
Priester Aviation LLC (PRIA)	6
Reliant Air Charter, Inc. (QREA)	4
Tulip City Air Services, Inc. (EBTA)	7
<u>Ultimate Jetcharters LLC (DTHA)</u>	<u>1,190</u>
ATCO Total	1,237

(iv) Reasons for Requesting That Carriers Belonging to Class Not Be Required to Collect the PFC:

Under Section 158.11 of FAR Part 158, the Airport may request in its application to the FAA to impose a PFC that any class of air carrier not be required to collect the PFC if the number of passengers enplaned by the carriers in the class constitutes no more than one percent (1%) of the total number of passengers enplaned annually at the Airport. The number of passengers enplaned annually by the request class of ATCO

operators, as recorded on FAA Forms 1800-31, represented approximately .0007% of total passengers enplaned at the Airport in 2015.

The Airport believes that the PFC revenue to be collected from the requested class of carriers does not justify the administrative burden that would be imposed on the carriers and the Airport in collecting and accounting for the revenues.

The Airport further believes that the requested class of on-demand air taxi operators is logically distinguishable from the air carriers providing regularly scheduled air service at the main Airport passenger terminal building and that the exclusion of such on-demand operators will not have a discriminatory effect.

Section 158.23 (a)(4) Meeting Notice

The Commission will hold an airline Consultation Meeting on **September 28, 2017 at 11:00 am** in the Ticket Counter South Conference Room, 2nd floor of the Terminal, at 1 Richard E. Byrd Terminal Drive, Richmond International Airport, VA 23250 to discuss and answer any questions.

It is requested that you provide the Commission your written responses and Certifications of Agreement/Disagreement to the proposed action within 30 days of the Consultation Meeting.

Sincerely,

CAPITAL REGION AIRPORT COMMISSION



Jon E. Mathiasen, A.A.E.
President & CEO

Cc: Mr. Jeffrey Breeden – Federal Aviation Administration
Mr. George Groh – Kutchins & Groh, LLC
Mr. Bradley Kutchins – Kutchins & Groh, LLC