

# Airport Committee

## January 10, 2019

**DRAFT Term Sheet for New Signatory Airline Use and Lease Agreement**

**Kansas City International Airport**

# Term Sheet

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## Purpose

- Contractual obligation
- Term Sheet – placeholder for New UALA
- Attachment A – Project Scope
- Attachment B – Budget = \$1.64B
  - Increase Budget requires 67% Airline approval
- Attachment C – Program Management Oversight
- Attachment D – Illustrative calculation of Airline rates & charges

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## TERM

- DBO end of 2022 or beginning of 2023
- UALA ends 5 full years rounding to the end of the FY
- Anticipated to be April 30, 2028

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## PROGRAM IMPLEMENTATION MANAGEMENT

- ➔ Program Management Committee (PMC)
  - One representative each of Developer, Airport and Airlines
  - Guides design process, reviewing and approving construction documents, developing Project budget and overseeing execution and administration of the Project
  
- ➔ Steering Oversight Committee (SC)
  - One representative each of Airport and Airlines
  - Threshold Issues – affect Airline operations, schedule, scope or payments required of Airlines

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## **PASSENGER FACILITY CHARGES FUNDING COMMITMENT**

- \$4.50 per PAX per leg of trip not to exceed \$18.00
- Split equally between the Airports PAX traveled
- KCI currently collects \$22M
- Obligating 90% of PFCs for this Project
- Remaining PFCs to be used for other projects required over time
  - Runways, Taxiways – other eligible projects not affected by the New Facility

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## **PLAN OF FINANCE ASSUMPTIONS**

- Obligates Airport to apply for eligible funding sources
- PFCs, Airport Improvement Grants, etc.
- Reduces payments required by Airlines

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## AIRPORT SYSTEM RESIDUAL RATEMAKING METHODOLOGY

- Compensatory Agreement (current agreement)
  - Airport assumes the Risk
  
- Residual Agreement (new UALA)
  - Airlines assumes the risk
  
  - Not unusual – Airlines backing debt provides a comfort level to bond holders – lowering financing costs

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## COMMON USE BAGGAGE HANDLING FEES

- \$95M annual Airline payment - \$20M attributed to Baggage System annually
- Formula varies throughout airports
- Differing formulas affect each airline differently
- Airport mediating
- Airport requires fair and equitable formula



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## GATE USE

- Control over the use of the gate – prevent “squatting”
- Airport controlling 4 out of 39 gates
  - New Entrants, accommodate current Airlines, International
- Use it or lose it clause

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## **MAINTENANCE AND REPLACEMENT DEPOSIT REQUIREMENT**

- Money set aside (\$11M annually) to maintain and replace the grounds and equipment that we currently have (11,000 acres)

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## MANAGEMENT INCENTIVE FEE

- Residual Agreement – Airlines guarantee revenue
- No “real” incentive for Airport to increase operating revenue
- Management Incentive Fee provides funds to be used to increase revenue over time.

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## **ADDITIONAL CAPITAL COSTS**

- Other capital needs beyond this Project overtime
- Residual Agreement – risk to Airlines – Airlines having more say
- 67% Airlines must approve any capital project over \$1M

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## **AIRLINE CONSORTIUM**

- Airlines have buying power for certain equipment
  - Passenger Boarding Bridges
  - Deicing Equipment
  - Departure Gate Furniture
  
- Form Airline Consortium – save Project money

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## AIRLINE COMMITMENT

- 8 Passenger Airlines and 3 All Cargo Airlines – 10/11 are Signatory
- 10 eligible signatory airlines
- What happens if they all do not commit
- How many are required in order for the terms and conditions in this Term Sheet as well as the New Use and Lease Agreement apply to everyone?
  - 3 Signatory Airlines who together comprise of 60% of landed weight

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# Questions?