CHAPTER EIGHT
FINANCIAL PLAN

INTRODUCTION

This chapter presents a financial analysis of the Master Plan projects and includes a proposed funding plan. The Airport financial framework, including the airline rates and charges methodology pursuant to the new Airline Use Agreement, is described in the next sub-section. The chapter also includes an analysis of the Airport's historical Revenues and Operation and Maintenance (O&M) Expenses as defined in the Indenture. The Master Plan project costs are anticipated to be incurred through FY 2030. However, the financial projections were carried out to FY 2031 in order to reflect the financial impact of the first full fiscal year of operations following the completion of all the Master Plan projects.

The financial projections contained in this chapter reflect the anticipated effects of funding the Master Plan projects. The funding plan assumes the use of federal grants and other federal programs, airport equity funds, General Airport Revenue Bonds, and other debt financings including special facility bonds. The financial analysis utilizes the air traffic activity forecast contained in Chapter Three of this report.

The estimated costs of the Master Plan projects were developed by Landrum & Brown and summarized on **Table 8-1, *Estimated Master Plan Project Costs***. The estimated project costs were escalated to the mid-point of construction to account for the impact of projected inflation. The proposed funding plan, presented on **Table 8-2, *Proposed Funding Plan***, includes the following funding sources:

- Airport Improvement Program (AIP) grants
- Passenger Facility Charge (PFC) revenue (both *"Pay-As-You-Go"* PFC revenue and PFC revenue leveraged through the issuance of PFC-backed bonds)
- Transportation Security Administration (TSA) funding
- Monies in the Airport Development Fund (ADF)
- General Airport Revenue Bonds (GARBs)
- Other debt financing including special facility bonds

Table 8-1
ESTIMATED MASTER PLAN PROJECT COSTS
Lambert-St. Louis International Airport

(in thousands)

		Fiscal Years Ending June 30			
	Total Costs [1]	**2012-2017**	**2018-2022**	**2023-2027**	**2028-2030**
Airfield Projects:					
TW D Reconstruction (TW S to TW R)	$7,414	$7,414	$0	$0	$0
Terminal 2 Glycol Recovery Modifications	2,751	2,751	0	0	0
TW E Reconstruction (TW S to TW P) Design	864	864	0	0	0
TW E Reconstruction (TW P to TW L)	6,030	6,030	0	0	0
North Apron Reconstruction Phase II Design	607	607	0	0	0
TW E Reconstruction (TW S to TW P) Construction	7,925	7,925	0	0	0
North Apron Reconstruction Phase II	5,566	5,566	0	0	0
Rehabilitate RW 12R-30L Touchdown Zones	14,778	14,778	0	0	0
Relocation of Perimeter Fence	388	0	388	0	0
Realignment of Perimeter Road	2,053	0	2,053	0	0
Perimeter Road Realignemnt	4,185	0	4,185	0	0
Runway 12R-30L Extension	9,329	0	9,329	0	0
TW F Extension	24,323	0	24,323	0	0
Relocation of 12R Localizer	845	0	845	0	0
TW B Realignment between TW S & TW T	5,188	0	0	5,188	0
Taxiway K Realignment	2,627	0	0	2,627	0
TW L Removal between RW 12R-30L & 12L-30R	6,706	0	0	6,706	0
TW N Removal between RW 12R-30L & 12L-30R	3,223	0	0	3,223	0
Reconfigure Islands between TW C and TW D	4,284	0	0	4,284	0
Relocation of Runway 6 Localizer	911	0	0	911	0
TW R Realignment between TW C & TW D	2,780	0	0	0	2,780
TOTAL AIRFIELD PROJECTS	**$112,778**	**$45,935**	**$41,123**	**$22,939**	**$2,780**
Terminal Projects:					
Outbound Baggage in-line EDS	25,503	25,503	0	0	0
Terminal 1 Fire Sprinkle Line Section Replacement	102	102	0	0	0
Airport Experience Program	37,000	37,000	0	0	0
Airport Experience Program	10,554	10,554	0	0	0
Terminal Redevelopment Phase I	283,829	0	0	283,829	0
Terminal Redevelopment Phase II	437,655	0	0	0	437,655
TOTAL TERMINAL PROJECTS	**$794,643**	**$73,159**	**$0**	**$283,829**	**$437,655**
Parking and Roadways:					
Bag Claim Drive Reconstruction	10,190	10,190	0	0	0
Surface Parking Lot East of Cargo City	1,978	1,978	0	0	0
Reconstruction of Perimeter Roadway	4,960	4,960	0	0	0
McDonnell Blvd Relocation Phase III	2,503	2,503	0	0	0
Banshee Road Realignment	2,817	0	2,817	0	0
Terminal 2 Parking Garage Expansion	3,697	0	3,697	0	0
Brownleigh Long-term Surface Parking Lot	48,701	48,701	0	0	0
Concourse D Apron Surface Parking Lot	3,868	0	0	3,868	0
Coldwater Creek Culvert Extension	5,518	0	0	2,733	2,785
TOTAL PARKING AND ROADWAYS	**$84,231**	**$68,332**	**$6,513**	**$6,601**	**$2,785**
Hangar & Other:					
Airfield Maintenance and Central Stores	29,219	29,219	0	0	0
FBO Development East of Terminal 2	16,217	0	0	16,217	0
North Tract Development	51,162	51,162	0	0	0
Brownleigh Cargo Phase I & Phase II	53,360	30,678	22,682	0	0
FBO Expansion	2,014	0	2,014	0	0
TOTAL HANGAR & OTHER	**$151,972**	**$111,060**	**$24,696**	**$16,217**	**$0**
TOTAL MASTER PLAN PROJECTS	**$1,143,625**	**$298,485**	**$72,332**	**$329,586**	**$443,221**

[1] Project costs escalated based on the projections for CPI from the FY12 Budget of the U.S. Government.

Table 8-2
PROPOSED FUNDING PLAN
Lambert-St. Louis International Airport

(in thousands)

		AIP Grants [1]		PAYGO		PFC			Other Federal
	Total	**Entitlements**	**Discretionary**	**PFC**	**GARBs**	**Bonds**	**ADF [2]**	**Other Debt Financing [3]**	**Funds [4]**
Airfield Projects:									
TW D Reconstruction (TW S to TW R)	$7,414	$2,393	$3,168	$1,854					
Terminal 2 Glycol Recovery Modifications	2,751			2,751					
TW E Reconstruction (TW S to TW P) Design	864	327	321	216					
TW E Reconstruction (TW P to TW J)	6,030			6,030					
North Apron Reconstruction Phase II Design	607			607					
TW E Reconstruction (TW S to TW P) Construction	7,925	4,648	1,295	1,981					
North Apron Reconstruction Phase II	5,566		2,107	3,459					
Rehabilitate RW 12R-30L Touchdown Zones	14,778		8,705	6,073					
Relocation of Perimeter Fence	388	291		97					
Realignment of Perimeter Road	2,053	1,540	513						
Perimeter Road Realignemnt	4,185	3,139		1,046					
Runway 12R-30L Extension	9,328	6,317	678	2,332					
TW F Extension	24,323	3,254	14,989	3,012			3,069		
Relocation of 12R Localizer	845								845
TW B Realignment between TW S & TW T	5,188	3,891		1,297					
Taxiway K Realignment	2,628	1,971		657					
TW L Removal between RW 12R-30L & 12L-30R	6,706	4,895	135	1,677					
TW N Removal between RW 12R-30L & 12L-30R	3,223	1,220	1,197	806					
Reconfigure Islands between TW C and TW D	4,284	3,213		1,071					
Relocation of Runway 6 Localizer	911								911
TW R Realignment between TW C & TW D	2,780	2,085		695					
TOTAL AIRFIELD PROJECTS	**$112,778**	**$39,184**	**$33,109**	**$35,660**	**$0**	**$0**	**$3,069**	**$0**	**$1,756**
Terminal Projects:									
Outbound Baggage in-line EDS	25,503			5,101					20,402
Terminal 1 Fire Sprinkle Line Section Replacement	102						102		
Airport Experience Program	37,000				19,500	17,500			
Airport Experience Program	10,554				10,554				
Terminal Redevelopment Phase I	283,829	3,564		138,351	131,915		10,000		
Terminal Redevelopment Phase II	437,655	5,337			221,663	191,608	19,048		
TOTAL TERMINAL PROJECTS	**$794,643**	**$8,901**	**$0**	**$143,451**	**$383,632**	**$209,108**	**$29,149**	**$0**	**$20,402**
Parking and Roadways:									
Bag Claim Drive Reconstruction	10,190						10,190		
Surface Parking Lot East of Cargo City	1,978						1,978		
Reconstruction of Perimeter Roadway	4,960	2,591		2,368					
McDonnell Blvd Relocation Phase III	2,503	948	930	626					
Banshee Road Realignment	2,817	1,046	1,066	704					
Terminal 2 Parking Garage Expansion	3,697						3,697		
Brownleigh Long-term Surface Parking Lot	48,701				48,701				
Concourse D Apron Surface Parking Lot	3,868						3,868		
Coldwater Creek Culvert Extension	5,518	1,272	817	1,380			2,050		
TOTAL PARKING AND ROADWAYS	**$84,231**	**$5,857**	**$2,813**	**$5,078**	**$48,701**	**$0**	**$21,782**	**$0**	**$0**
Hangar & Other:									
Airfield Maintenance and Central Stores	29,219						29,219		
FBO Development East of Terminal 2	16,217							16,217	
North Tract Development	51,162							51,162	
Brownleigh Cargo Phase I	30,678							30,678	
FBO expansion	2,014						2,014		
Brownleigh Cargo Phase II	22,682							22,682	
TOTAL HANGAR & OTHER	**$151,972**	**$0**	**$0**	**$0**	**$0**	**$0**	**$31,233**	**$120,739**	**$0**
TOTAL MASTER PLAN PROJECTS	**$1,143,625**	**$53,942**	**$35,922**	**$184,189**	**$432,332**	**$209,108**	**$85,234**	**$120,739**	**$22,158**

[1] AIP funding shown here represents estimated amounts, based on annual AIP-eligible project costs. There is no guarantee of AIP funding in the future.

[2] It is assumed that Airport management will seek and obtain MII approval for project costs that result in the ADF balance being less than $20 million.

[3] Third party funding is assumed for specialized projects that are anticipated to be built as demand develops. Third party funding could include special facility bonds, with debt service paid from facility lease revenues.

[4] Other federal funding includes FAA Air Traffic Organization (ATO) funding for the localizer relocation costs and TSA funding for the outbound baggange in-line EDS project.

In developing the proposed funding plan, the funding eligibility of each Master Plan project was established. The funding sources were evaluated against project eligibility to determine the best use of each funding source, as described below.

- AIP Funding was estimated by project and year. The Airport's annual AIP entitlement grants throughout the forecast period were projected based on the annual enplanement forecast, and matched against the anticipated annual AIP-eligible project costs. Annual AIP-eligible costs in excess of projected annual AIP entitlement funds were considered for AIP discretionary funding, based on the nature of each project. The proposed funding plan assumes the Airport will receive approximately $53.9 million in AIP entitlement funds and $35.9 million in discretionary funds during the planning horizon. The majority of the AIP funding included in the funding plan is assumed for airfield projects ($39.2 million in Entitlement funds and $33.1 million in discretionary funds). In some years, AIP entitlements were assumed for projects that are considered lower priority projects by the FAA, if no higher priority AIP eligible projects are planned for those years. AIP funding was assumed for some roadway project costs, such as the McDonnell Boulevard relocation project, which will allow for the extension of Taxiway Foxtrot to the end of the runway, and the Banshee Road re-alignment project, which will permit the extension to Runway 12R-30L. AIP entitlement funds were assumed for a portion of the costs of the perimeter roadway adjacent to Runway 24 because no higher priority eligible projects are planned for that year (2015). AIP entitlement funding was also assumed for certain terminal costs, in years when no higher priority AIP-eligible work is planned. Terminal development costs in non-revenue producing, public- use areas of a passenger terminal are eligible for passenger apportionment funds if the costs are directly related to the movement of passengers and baggage in air commerce within the airport.[1] PFC funding was assumed to fund the required local match for those projects funded with AIP grants, as well as other PFC-eligible project costs, such as a portion of passenger terminal project costs. The financial analysis assumes that the Airport will continue to collect a PFC of $4.50 per enplaned passenger throughout the forecast period. The projected level of annual PFC revenues was matched against the timing of PFC-eligible project costs to determine whether it would be best to fund eligible costs with *"Pay-As-You-Go"* PFCs or PFC-backed bonds.

- Transportation Security Administration (TSA) funding was assumed for 75 percent of the Outbound Baggage In-line EDS project costs.

[1] Such areas include the footprint of the passenger screening areas, corridors in the concourses, and public lobby areas.

- ADF funds, to the extent available, are assumed to fund certain project costs. The ADF balance is assumed to include the existing fund balance and the projected future deposits into the ADF.
- GARB funding of certain project costs was assumed. The analysis considers the Airport's capacity to issue GARBs and the projected effect of incremental debt service on key financial ratios, such as airline cost per enplanement. However, no GARB issues are assumed before FY 2017 because under the current airline use and lease agreement, which expires at the end of FY 2016, the Airport agreed not to issue any new bonds for the remainder of the agreement term.
- Certain projects were assumed to be funded from other FAA sources. Based on feedback from the FAA, the costs of the localizer relocation projects were assumed to be funded by the FAA Air Traffic Organization (ATO).

Several specialized projects (North Tract Redevelopment and Brownleigh Cargo Phase 1 and Phase 2) are anticipated to be built only when there is demand for such facilities. The projects were assumed to be funded with third-party or special facility financing. It was further assumed that the debt service payments on such special facility bonds would be paid from the lease revenues of those facilities, and will not be obligations of the Airport.

The funding plan is based on the estimated availability of the various funding sources. It should be noted that the amount of funding assumed from the sources are estimates, and there are no guarantees that the amounts assumed will be available as reflected in the funding plan. The detailed funding plan is pres*ented in Append*ix G.

The Airport maintains a Noise Land[2] Fund, which is an escrow account into which has been deposited the proceeds from past sales of land that had been acquired for noise mitigation purposes with federal funds. The majority of the proceeds of the land sales, which have totaled approximately $13.3 million, have been applied to expenditures of the Residential Sound Insulation Program (RSIP). The remaining moneys in the Noise Land Fund have been assigned to the RSIP project closeout. Therefore, the moneys remaining in the Noise Land Fund are not included as a funding source for the Master Plan projects. The Noise Land Reuse Plan addresses the future disposition of noise land. Moneys that will be generated from future noise land sales will likely be either paid to the FAA as reimbursement for past noise grants, or deposited into the Noise Land Fund for potential future noise

[2] Noise Land is land that has been acquired by an airport owner/sponsor to remove or prevent a use that is incompatible with aircraft noise.

monitoring system costs[3] Future sales of potentially surplus noise land are considered to be outside the purview of the Master Plan. The financial model used for this analysis replicates the financial structure and operations of the Airport. It incorporates the capital requirements of the Master Plan and includes financial projections for the duration of the Master Plan planning horizon.

The analysis performed for this chapter develops the basis for a number of relevant key financial factors, including: O&M expenses, annual debt service requirements, nonairline revenues, airline revenues and financial ratios by which the industry measures airport performance. The financial projections are based on recent historical trends and anticipated future changes that are expected to affect certain types of O&M expenses and revenues, including the effects of the Master Plan projects. As described later in this chapter, the financial projections reflect the airline rates and charges methodology incorporated into the new Airline Use Agreement that became effective July 1, 2011.

[3] FAA Program Guidance Letter 08-02, *Management of Acquired Noise Land: Inventory, Reuse, Disposal*, dated February 1, 2008.
Land acquired under airport noise compatibility programs is unique. When this land, also known as noise land, is acquired with Airport Improvement Program (AIP) grant funds, it is subject to Grant Assurance 31, *Written Assurances on Acquiring Land*. The purpose of the assurance, which is based on 49 USC §47107(c)(2)(A), is to assure that optimal use is made of the federal share of the proceeds from the disposal of noise land (disposal proceeds). The assurance requires that when noise land is no longer needed for noise compatibility, the land will be disposed of and that the federal share of the disposal proceeds will be either paid to the *Airport and Airway Trust Fund* or will be used for another noise compatibility project. "Disposal" of noise land does not mean that an airport must sell the property to another. Whether unneeded noise land is sold, kept by the airport and leased, or exchanged is the airport's decision.

8.1 AIRPORT FINANCIAL FRAMEWORK

The City operates the Airport as an Enterprise Fund in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. Financial statements for the Airport are prepared each fiscal year based on GAAP and audited by independent certified public accountants. The Airport also maintains internal financial statements containing detailed itemization of revenues and expenses.

Airport management has implemented a cost/revenue accounting system to facilitate the monitoring of revenues and operating expenses and the calculation of Airport rates and charges. The following are cost/revenue centers established by the airline use and lease agreement:

- Airfield
- Terminals
- Cargo
- Hangar and Other Buildings
- Parking
- Roads and Grounds

Revenues are accounted for by cost/revenue center and type. O&M expenses are accounted for by object classification and assigned or allocated to cost/revenue centers. Overhead expenses are allocated to cost/revenue centers based on the "direct expense method[4]."

The City of St. Louis (the City) on behalf of the Airport negotiated a new Airline Use and Lease Agreement (AUA) with the Airlines for the five-year period beginning July 1, 2011 and ending June 30, 2016. The new AUA contains a modified residual rate making methodology, as described on pages 8-7 and 8-8.

The financial analysis in this chapter assumes the current airline rates and charges methodology will be maintained after the expiration of the existing AUA (June 30, 2016) and through the remainder of the forecast period, with three modifications. First, under the current methodology, an annual amount is transferred from the Debt Service Stabilization Fund as a credit to the airline requirement in order to mitigate a portion of the airline rates and charges. This provision will expire upon the expiration of the existing AUA. Second, the analysis assumes that beginning in FY 2017, and throughout the remainder of the forecast period, in any fiscal year that Airport Revenues are insufficient to meet the annual coverage requirement, the airline requirement will be increased to ensure that the 1.25 debt service coverage requirement is met. Finally, in FY 2031, following the completion of the second phase of the terminal redevelopment, the rates and charges are assumed to be calculated on a cost center basis. The airline

[4] Direct expense method refers to the method used to allocate indirect costs to the direct cost centers. This method allocates indirect costs to direct cost centers based on each direct cost center's proportionate share of total costs.

revenues projected for FY 2031 assume that the consolidated terminal option is developed for the terminal redevelopment project in the last phase of the Master Plan.

The following pages describe the procedures for calculating the airline rates and charges.

8.1.1 SIGNATORY LANDING FEE RATE

The *Initial Airfield Requirement* is calculated as the sum of the following allocated Airfield Costs:

> Direct and indirect Operating and Maintenance (O&M) Expenses, amortization charges, debt service, and/or depreciation charges (as appropriate) allocable to the Airfield Cost Center; any replenishment or rebate of the Debt Service Reserve Account required by the Trust Indenture and allocated to the Airfield Cost Center; (vi) any replenishment of the Renewal and Replacement Fund required by the Trust Indenture as a result of an expenditure made in, or allocable to, the Airfield Cost Center; and the share of the Debt Service Stabilization Fund Contribution allocated to the Airfield Cost Center;
>
> Minus the following items: Non-signatory Airline landing fees; general aviation landing fees; military use fees; fuel flowage fees; rent paid by to the City by the airline consortium leasing the fuel farm; and Rate Mitigation Program credits available for that Fiscal Year, as allocated to the Airfield Cost Center.

The *Initial Airfield Requirement* plus the *Additional Airline Requirement* (allocable to the Airfield Cost Center) divided by the aggregate signatory landed weight, results in the Signatory Landing Fee Rate. A non-signatory landing fee equal to 125 percent of the Signatory Landing Fee Rate is charged to all non-signatory airlines that have signed an airline operating agreement.

The *Additional Airline Requirement* attributable to the Airfield Cost Center means 50 percent of the *difference between*: (i) the sum of the annual O&M Expenses, annual Debt Service, the annual amounts required pursuant to the Trust Indenture, the annual amount of the Debt Service Stabilization Fund Contribution, and the annual ADF Deposit; and (ii) the sum of the Initial Requirement, the annual Non-Airline Revenues, Other Airline Revenues, the annual Interest Income, the annual Pledged PFC Revenues, and the annual amount of Rate Mitigation Program credits.

8.1.2 TERMINAL RENTAL RATE

The Initial Terminal Rental Rate applicable to each of the Terminal Cost Centers is calculated by dividing the net costs attributable to each Terminal Cost Center by the Usable Space in each of the respective Terminal Buildings. The net cost for each Terminal Cost Center is calculated as follows:

First, the total cost attributable to each Terminal Cost Center is calculated as the sum of the following items: direct and indirect O&M Expenses allocable to each Terminal Cost Center; 50% of the Terminal Roadways Cost Center costs allocated to each Terminal Cost Center based on the percentage that results from dividing the Useable Space in each of the respective Terminal Buildings by the aggregate Usable Space in both Terminal Buildings; amortization, debt service, and/or depreciation charges (as appropriate) allocated to each Terminal Cost Center; any replenishment or rebate of the Debt Service Reserve Account required by the Trust Indenture and allocated between each Terminal Cost Center; any replenishment of the Renewal and Replacement Fund required by the Trust Indenture as a result of an expenditure made in, or allocable to, each Terminal Cost Center; and the share of the Debt Service Stabilization Fund Contribution allocated to each Terminal Cost Center.

The net costs attributable to each Terminal Cost Center shall then be calculated by subtracting the following amounts from the total cost attributable to each: the aggregate rent payable for Apron-Level Unenclosed Space by all Signatory Airlines at each Terminal Building, Non-signatory Terminal Rents from each Terminal Building and Rate Mitigation Program credits available for that Fiscal Year, as allocated to each Terminal Cost Center.

The *Total Terminal Rental Rate* for each Terminal Cost Center is then calculated by adding the *Initial Terminal Rental Rate* and the *Additional Terminal Rental Rate* for each Terminal Cost Center. The *Initial Terminal Rental Rate* for each Terminal Cost Center is calculated as the net cost of each Terminal Cost Center divided by its usable space. The *Additional Terminal Rental Rate* is calculated as the allocated Additional Airline Requirement for each Terminal Cost Center divided by its rented space.

The Additional Airline Requirement attributable to the Terminal Cost Centers means 50 percent of the *difference between:* (i) the sum of the annual O&M Expenses, annual Debt Service, the annual amounts required pursuant to the Trust Indenture, the annual amount of the Debt Service Stabilization Fund Contribution, and the annual ADF Deposit; and (ii) the sum of the Initial Requirement, the annual Non-Airline Revenues, Other Airline Revenues, the annual Interest Income, the annual Pledged PFC Revenues, and the annual amount of Rate Mitigation Program credits, the sum of which is allocated to each Terminal Cost Center based on the rented space for each Terminal Cost Center.

8.1.3 PASSENGER LOADING BRIDGE CHARGE

The total cost of the Passenger Loading Bridges Cost Center is calculated by adding together the following: direct and indirect O&M Expenses, if any, allocable to the Passenger Loading Bridges Cost Center; and the Depreciation Charge or Debt Service, as the case may be, of each new passenger loading bridge acquired by the City throughout the Term as a result of the City's passenger loading bridge program. The annual Passenger Loading Bridge Charge applicable to each new passenger loading bridge will then be calculated by dividing the total cost and charges allocable to the Passenger Loading Bridges Cost Center by the total number of passenger loading bridges available for use as a result of the City's passenger loading bridge program, which will be divided by 12 to determine the monthly charge.

8.2 REVENUES

Under the Indenture, Revenues consist of GARB Revenues, Pledged PFC Revenues, and any other available moneys deposited in the Revenue Fund, and any other amounts, including investment income, on deposit in the Debt Service Stabilization Fund. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, the asset use charges, and interest income.

Table 8.2-1, *Historical Airport Revenues*, presents a summary of historical revenues for the period FY 2004 through FY 2010. During this period GARB Revenues increased at an average annual rate of 1.6%, or $12.6 million. The increase consisted of higher Signatory Airline fees and concession fees, which totaled $33.7 million that were partially offset by declines in the discontinuance of the TWA Asset Use Charges ($7.8 million) and a reduction in Other Operating Income ($9.9 million) during the 7-year period. The increases primarily resulted from higher airline revenues resulting from the amortization of the new runway, which became operational in April 2006, and increases in concession revenues through FY 2008, from public parking, car rentals and terminal concessions. Concession revenues decreased in FY 2009 as a result of declining air traffic at the Airport, but remained above the FY 2004 – FY 2005 level. The offsets were due to the elimination of the TWA Asset Use Charges, which expired at the end of the previous AUA and a decline in Other Operating Revenues primarily due to the end of the Boeing lease facility rental that expired at the end of FY 2004.

Pledged PFC revenues increased $8.4 million during this period to $27.1 million. This increase was due to scheduled changes for the PFC portion of the annual debt service payments. The increase in the Pledged PFC Revenues and the aforementioned increase in GARB Revenues resulted in an increase in total Revenues of $20.9 million during this period or an average annual growth of 2.3%.

Table 8.2-2, *Projected Airport Revenues*, presents the forecast of Revenues for the Master Plan forecast period. Total Revenues are projected to increase from $164.5 million in FY 2010 to $274.5 million in FY 2031 or at an average annual growth rate of 2.5 percent. The components of the major revenue accounts and the underlying assumptions for the forecast are discussed below.

Table 8.2-1
HISTORICAL AIRPORT REVENUES
Lambert-St. Louis International Airport

For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate FY 2004-2010	Historical [1]						
		2004	2005	2006	2007	2008	2009	2010
Signatory Airlines Fees								
Airfield Landing Fees	10.2%	$36,585	$34,188	$42,083	$54,541	$62,053	$63,923	$65,700
Terminal Rents	-2.9%	20,846	20,317	19,547	17,424	17,665	18,939	17,453
Total	6.4%	$57,431	$54,505	$61,630	$71,965	$79,718	$82,862	$83,153
Concession Fees								
Terminal Concessions	4.5%	6,256	7,006	7,320	8,685	9,201	8,105	8,170
Public Parking	10.2%	9,595	11,754	12,981	14,390	18,184	15,428	17,147
Car Rentals	2.5%	9,184	9,360	10,971	10,873	12,045	11,271	10,644
Space Rental	23.8%	396	632	722	1,012	1,247	1,369	1,430
In-Flight Catering	-13.5%	806	396	489	489	604	437	338
Other	-23.6%	4,296	1,173	1,398	1,509	1,317	826	855
Total	4.0%	$30,533	$30,321	$33,881	$36,959	$42,597	$37,438	$38,583
Other								
Non-Signatory Landing Fees	-5.3%	5,818	7,120	6,042	6,376	3,587	4,936	4,204
Non-Signatory Airlines-Terminal	8.4%	706	356	667	1,181	1,034	949	1,148
Total	-3.2%	$6,524	$7,476	$6,709	$7,558	$4,621	$5,885	$5,352
Airline Revenue Mitigation [2]	n/a	0	0	0	6,000	5,000	0	0
Cargo	-11.5%	1,878	1,847	1,365	741	673	798	901
Hangars and Other Buildings	-38.8%	7,080	584	356	350	362	370	371
Tenant Improvement Surcharge	10.6%	916	1,749	1,159	1,668	1,672	1,671	1,674
Employee Lot	n/a	575	572	141	0	0	0	0
Other Miscellaneous	-3.6%	6,629	5,860	6,690	6,528	4,961	5,425	5,328
Total Other-Operating	-8.7%	$23,603	$18,089	$16,420	$22,843	$17,289	$14,150	$13,626
TWA Asset Use Charges	n/a	7,773	7,607	3,804	0	0	0	0
Total Operating Revenue	2.1%	$119,340	$110,522	$115,735	$131,767	$139,605	$134,449	$135,362
Interest Income [3]	-15.2%	5,443	6,179	5,451	6,296	5,715	2,952	2,026
Total GARB Revenues	1.6%	$124,783	$116,702	$121,186	$138,062	$145,320	$137,401	$137,389
PFC Pledged Revenue	6.3%	18,766	18,766	18,493	25,884	25,555	24,096	27,135
Total Revenues	2.3%	$143,549	$135,468	$139,683	$163,947	$170,875	$161,498	$164,524

[1] Based on audited financial statements and Airport records.
[2] Airlines earned 50% of the of the available rate mitigation moneys.
[3] Operating Interest income only.

Table 8.2-2
PROJECTED AIRPORT REVENUES
Lambert-St. Louis International Airport

Fiscal years Ending June 30
(in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate FY 2010-2031	Actual 2010	Projected 2011	2015	2020	2025	2030	2031
Signatory Airlines								
Airfield Landing Fees	0.4%	$65,700	$63,325	$68,429	$66,200	$63,243	$64,206	$71,605
Terminal Rents	3.6%	17,453	18,361	24,097	19,526	15,941	19,361	36,710
Total	1.3%	$83,153	$81,686	$92,526	$85,726	$79,185	$83,568	$108,316
Concession Fees								
Terminal Concessions	4.3%	8,170	9,622	10,893	13,144	15,870	19,182	19,925
Public Parking	4.9%	17,147	21,482	22,607	29,021	35,758	45,942	46,742
Car Rentals	3.9%	10,644	11,363	12,768	15,506	18,829	22,868	23,768
Space Rental	1.6%	1,430	1,451	1,430	1,586	1,760	1,953	1,994
In-Flight Catering	2.2%	338	344	387	429	476	528	539
Other	1.8%	855	926	1,003	1,068	1,139	1,218	1,234
Total	4.3%	$38,583	$45,188	$49,088	$60,755	$73,831	$91,690	$94,202
Other								
Non-Signatory Landing Fees	-0.1%	4,204	3,243	3,731	3,674	3,621	3,766	4,140
Non-Signatory Airlines-Terminal	-12.3%	1,148	1,150	52	42	34	41	73
Total	-1.1%	$5,352	$4,393	$3,783	$3,717	$3,655	$3,807	$4,213
Rate Mitigation Proceeds	n/a	0	0	13,728	0	0	0	0
Cargo	-0.3%	901	794	849	849	849	849	849
Hangars and Other Buildings	2.0%	371	377	408	450	498	552	563
Tenant Improvement Surcharge	n/a	1,674	1,548	1,548	1,548	1,548	767	767
Other Miscellaneous	3.2%	5,328	5,958	6,833	7,766	8,852	10,111	10,385
Total Other-Operating	1.0%	$13,626	$13,070	$27,149	$14,330	$15,402	$16,086	$16,777
Total Operating Revenue	2.3%	135,362	139,944	168,764	160,811	168,418	191,343	219,295
Interest Income	1.7%	2,026	2,083	1,685	1,494	1,411	3,110	2,885
Total GARB Revenues	2.3%	$137,389	$142,028	$170,449	$162,305	$169,829	$194,453	$222,180
PFC Pledged Revenue	3.2%	27,135	27,195	28,166	28,925	28,926	52,309	52,302
Total Revenues	2.5%	$164,524	$169,223	$198,615	$191,230	$198,755	$246,762	$274,482

[1] Projections based on forecasted Master Plan air traffic activity.

8.2.1 SIGNATORY AIRLINE FEES

Signatory Airline fees consist of landing fees and terminal building space rentals received from the Signatory Airlines under the provisions of the AUA. Signatory Airline fees increased from $57.4 million in FY 2004 to $83.2 million in FY 2010, or an average annual rate of 6.4 percent. Signatory Airline Revenues decreased slightly in FY 2005, primarily due to a decrease in O&M expenses initiated by Airport management in response to the American Airlines' service cutbacks started in late FY 2004. Airfield revenues increased beginning in FY 2006, with the completion of the new runway in April 2006, which resulted in the rate based cost being amortized in the landing fee for a full year staring in FY 2007. The increase in airfield revenues was partially offset by the declines in terminal rents resulting from American Airlines' decision to release unneeded terminal space at the expiration of a previous airline agreement term in December 2005.

Projected Signatory Airline revenues for the Master Plan forecast period in **Table 8.2-3, *Projected Signatory Airline Revenues and Costs per Enplanement***, are based on the rate methodology in the new AUA, as discussed earlier in this section. However, the Rate Mitigation Program that is part of the new AUA is included through the end of the lease period (FY 2016), since the City committed to this provision for five years. Signatory Airline revenues are projected to increase from $83.2 million in FY 2010 to $108.3 million in FY 2031. The projections reflect the anticipated effects of Airport management's on-going cost containment related to O&M Expenses and the funding plan for the on-going CIP and the Master Plan, which includes AIP grant funding and PFC funding for eligible project costs, as well as the use of monies in the ADF and future GARB issues. The Airfield Landing Fee revenue projections anticipate a modest increase over the forecast period primarily due to the continued cost control over O&M expenses and limited airline funding required for Master Plan airfield projects during the period. The Terminal Rent revenue projections reflect the anticipated effects of the scheduled completion of Phase I of the AEP program and both phases of the Terminal Redevelopment project. The resulting impact of the increase in Signatory Airline revenues on the airlines cost per enplanement (CPE) is shown on Table 8.2-3. The CPE is forecasted to decrease from $13.70 in FY 2011 to $8.55 in FY 2030 and increase to $10.89 in FY 2031. The forecasted increase in FY 2031 is due to the additional debt service requirements in that year projected to result from the GARBs anticipated to be issued to fund the Terminal Redevelopment project in the last phase of the Master Plan. The landing fee rate is projected to decrease from $8.76 in FY 2011 to $4.83 in FY 2030 and increase to $5.30 in FY 2031. The average terminal rental rate is projected to increase to $109.74 in FY 2031, due to the additional debt service charged to the terminal cost center after the Terminal Redevelopment project is completed.

Table 8.2-3
PROJECTED SIGNATORY AIRLINE REVENUES AND COST PER ENPLANEMENT
Lambert-St. Louis International Airport

For Fiscal Years Ending June 30
(in thousands)

	Projected					
	2011	2015	2020	2025	2030	2031
INITIAL AIRLINE REQUIREMENTS		`				
Landing Fees	$63,325	$58,128	$61,798	$63,221	$64,112	$71,605
Terminal [1]	12,894	7,761	8,412	8,666	10,787	26,372
EDS common use - Terminal [1]		1,281	1,450	1,640	1,856	1,895
Terminal [2]	5,468	3,472	3,813	3,974	4,768	0
EDS common use - Terminal [2]		1,281	1,450	1,640	1,856	1,895
	$81,686	$71,924	$76,922	$79,141	$83,379	$101,766
TOTAL SIGNATORY AIRLINE REQUIREMENTS						
Initial Requirement	$81,686	$71,924	$76,922	$79,141	$83,379	$101,766
Additional Airline Requirement	-	20,602	8,804	44	189	6,550
	$81,686	$92,526	$85,726	$79,185	$83,568	$108,316
Signatory airline enplaned passengers	6,572	7,479	8,176	8,936	9,768	9,944
Signatory Airline CPE post Mitigation	**$13.70**	**$12.37**	**$10.48**	**$8.86**	**$8.55**	**$10.89**
Debt Service Coverage Ratio [1]	**1.25**	**1.36**	**1.25**	**1.28**	**1.28**	**1.25**
Landing Fee Rate (per 1,000 pounds)	**$8.76**	**$6.66**	**$5.85**	**$5.15**	**$4.83**	**$5.30**
Average Airline Terminal Building Rental Rate	**$40.05**	**$71.64**	**$55.71**	**$42.84**	**$52.61**	**$109.74**

[1] The financial projections assume that the current airline rates and charges methodology will be maintained after the expiration of the existing airline agreement (on June 30, 2016) and through the remainder of the forecast period, with one modification. Under the current methodology, an annual amount is transferred from the Debt Service Stabilization Fund as a credit to the airline requirement in order to mitigate a portion of the airline rates and charges. The projections assume that this provision will expire upon the expiration of the exisiting airline use and lease agreement. It is further assumed that beginning in FY 2017, and throughout the remainder of the forecast period, in any fiscal year that Airport Revenues are insufficient to meet the annual coverage requirement, the airline requirement will be increased to ensure that the 1.25 debt service coverage requirement is met.

8.2.2 CONCESSION FEES

Concession Fees include terminal concessions (food and beverage, news and gifts, and coin devices), public parking, car rentals, ground transportation, space rental, in-flight catering, as well as utility reimbursements and advertising. Total Concession Fees increased approximately $12.1 million or an average annual rate of 8.7 percent, from FY 2004 through FY 2008. The increase was primarily due to growth in public parking, car rental and terminal concessions. The public parking increase of approximately $8.6 million was due to an increase in parking durations and a parking rate increases in August 2007, April 2009 and September 2009. The remainder of the increase in Concession Fees was due to increases in terminal concessions and rental cars resulting from increases in O&D passenger traffic. Concession Fees decreased in FY 2009, due to decreased passenger traffic resulting from the economic downturn and the reduction in flights implemented by American Airlines. For the entire period of FY 2004 through FY 2010, Concession Fees increased approximately $8.0 million, at an average annual rate of 4.0 percent.

Concession fees are forecasted to increase from $38.6 million in FY 2010 to $94.2 million in FY 2031, which represents an average annual growth rate of 4.3 percent. This growth is based on the following assumptions:

- Projected modest parking rate increases in the long-term parking daily rates in FY 2014, and additional increases every five years thereafter to keep pace with projected inflation, for the short-term and long-term parking rates. The analysis assumes that off-site parking rates will also increase as on-Airport parking rates are increased. Therefore, the pricing differentials between parking alternatives are assumed to remain relatively constant over time.
- Projected increases in various food and beverage concession revenues following the completion of Phase I of the AEP program and following completion of the Terminal Redevelopment project.
- Increases in enplanements, as forecasted in the Master Plan.
- An applied inflation/consumption factor rate ranging from approximately 2.2 percent to 3.0 percent during the forecast period.

8.2.3 OTHER OPERATING REVENUES

Other Operating Revenues consist of non-signatory airline fees, cargo area rentals and fees, rents for hangars and other buildings, tenant improvement surcharges, and other miscellaneous revenues. From FY 2004 through FY 2010, Other Operating Revenues decreased $10.0 million, from $23.6 million to $13.6 million. The decline was primarily due to (1) a significant decrease in non-signatory airline revenues in FY 2008 resulting a shift in operations, in which of most of the regional airlines (who were non-signatory airlines) became regional partners with the signatory airlines; and (2) a significant decrease in FY 2005 in hangar and building rents following the end of Boeing's land lease. Other Operating Revenues are projected to increase from $13.6 million in FY 2010 to $16.8 million in FY 2031.

8.2.4 INTEREST INCOME

Interest income on all operating funds and accounts, other than the Construction Fund (bond proceeds) and the PFC Fund, are classified as Revenues under the Indenture. Interest income during the period from FY 2004 through FY 2010 decreased approximately $3.4 million or an average annual rate of 15.2 percent. This decline was mainly a result of the economic recession starting in late 2008, which drastically lowered the interest yields earned on Airport funds. The Interest income forecast is based on projected balances in each fund and account assuming average annual interest yields of 3.0 percent on the Debt Service and Debt Service Reserve Accounts and 2 percent for all other funds held during the forecast period.

8.2.5 PLEDGED PFC REVENUES

The Pledged PFC Revenues are projected to increase from $27.1 million in FY 2010 to $52.3 million in FY 2031, as a result of the additional PFC funded debt service assumed to fund the terminal redevelopment costs during the last phase of the Master Plan. The annual amount shown for PFC Pledged Revenues follows the requirements as further defined in the Indenture.

8.3 OPERATION AND MAINTENANCE EXPENSES

Table 8.3-1, *Historical O&M Expenses*, summarizes the historical Operation & Maintenance (O&M) Expenses for the period of FY 2004 through FY 2010. The major categories are: personnel services, which are comprised of salaries, fringe benefits and overtime; supplies, materials and equipment; and contractual services. O&M Expenses increased $15.0 million or an average annual growth rate of 3.4 percent. The growth was comprised of increases in contractual services of approximately $8 million, supplies, materials and equipment of $1.4 million and personnel services totaling $5.6 totaling million, as further described in the following sub-sections.

Table 8.3-1
HISTORICAL O&M EXPENSES
Lambert-St. Louis International Airport

For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate FY 2004-2010	Historical [1] 2004	2005	2006	2007	2008	2009	2010
Personnel Services								
Salaries & Wages	0.5%	$29,224	$27,747	$29,886	$30,652	$31,655	$31,654	$30,179
Fringe Benefits	8.7%	7,162	7,968	8,013	9,114	11,621	12,153	11,790
	2.4%	$36,386	$35,716	$37,899	$39,766	$43,277	$43,807	$41,969
Supplies, Materials & Equipment								
Deicing & Misc. Supplies	-3.1%	2,051	919	1,065	1,606	2,488	856	1,702
Other	8.4%	2,744	3,426	4,437	4,640	8,276	5,672	4,463
	4.3%	$4,794	$4,345	$5,503	$6,247	$10,763	$6,528	$6,165
Contractual Services								
Utilities	3.8%	5,432	5,030	6,365	7,364	7,174	7,508	6,793
Rental Equipment - Snow Removal	-1.5%	1,787	985	844	3,425	4,235	1,485	1,632
Rental Equipment - Land Maintenance	-18.7%	426	479	27	1,909	386	228	123
Cleaning Services	0.6%	2,651	3,037	3,304	3,225	3,264	2,866	2,755
Reimbursement for City Services	0.9%	1,598	1,294	1,392	1,246	963	1,384	1,685
Shuttle, Misc.	-28.1%	1,477	1,393	297	462	473	256	204
Acoustical Treatment	n/a	0	0	0	0	0	0	3,907
Legal	-7.6%	759	721	517	820	1,673	(666)	471
Security Service	-0.3%	5,039	4,995	5,086	6,238	6,197	5,404	4,950
Insurance	0.6%	1,979	2,005	2,404	2,563	2,455	2,281	2,050
Other	11.0%	5,284	7,640	6,693	8,053	7,448	11,468	9,908
	4.5%	$26,432	$27,579	$26,928	$35,304	$34,268	$32,214	$34,478
Total O&M Expenses [2]	3.4%	$67,612	$67,640	$70,330	$81,317	$88,308	$82,549	$82,612

[1] Based on audited financial statements and airport records.
[2] Excludes 5% gross receipts tax, which is excluded from calculation of debt service coverage.

8.3.1 PERSONNEL SERVICES

Personnel services are the largest category of O&M Expenses, representing 50.8 percent of total O&M Expenses in FY 2010. This category includes salaries and wages, and fringe benefits paid to Airport employees. The average annual growth rate from FY 2004 through FY 2010 was 2.4 percent, which was primarily due to the growth in fringe benefits of approximately $4.6 million to address the Airport's under-funded pension liability for employees and to properly fund the Airport's Firemen's Retirement Fund. The salaries and wages component of this category increased at a very low average annual rate of 0.5 percent from FY 2004 through FY 2010 as a result of Airport management's initiative to reduce staff and eliminate salary increases in response to declining revenues in FY 2009 and FY 2010.

8.3.2 SUPPLIES, MATERIALS, AND EQUIPMENT

Supplies, Materials and Equipment expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. The average annual increase for this category from FY 2004 through FY 2010 was 4.3 percent. This category increased 13.5 percent in FY 2007 and 72.3 percent in FY 2008 due to changes in the accounting treatment of capital assets under the provisions of the airline agreement that became effective January 1, 2006. The expense threshold increased from $10,000 to $100,000 for all capital asset expenditures, resulting in more costs being expensed, rather than capitalized. However, this category decreased from $10.8 million in FY 2008 to $6.5 million in FY 2009 and $6.2 million in FY 2010 due to Airport management's initiative to decrease expenses in response to declining revenues.

8.3.3 CONTRACTUAL SERVICES

Contractual Services represent the cost of services provided to the Airport by vendors, independent contractors, consultants and the City. The primary services include utilities, rental and lease of equipment (primarily snow removal equipment), snow removal, airport security, cleaning services, reimbursement for City-provided services, repair and maintenance of equipment (such as elevators and escalators, communications equipment, etc.) and other miscellaneous services. This category increased significantly in FY 2007 (from $26.9 million in FY 2006 to $35.3 million in FY 2007) due to increases in snow removal services caused by heavy snow and ice conditions and unusual legal expenses related to the noise monitoring program. As a result of Airport management's cost containment initiatives in FY 2009 and FY 2010, this expense category was only slightly higher in FY 2010 than in FY 2008. For the entire period of FY 2004 through FY 2010, Contractual Services increased at an average annual growth rate of 4.5 percent.

Table 8.3-2, *Summary of Projected Operation and Maintenance Expenses*, presents projected O&M Expenses for the Master Plan forecast period. O&M Expenses are forecasted to increase from $82.6 million in FY 2010 to $130.4 million in FY 2030. Total O&M Expenses are projected to decrease to $121.8 million in FY 2031 because after the terminal redevelopment project, the terminal complex is expected to have less square feet, and to be more efficient. The forecast is based on the proposed FY 2011 operating budget provided by Airport management and historical trends in O&M expense growth, and inflation factors between 2.3 percent and 3 percent. In addition, certain parts of the forecast were developed based on judgments from Airport management and industry trends.

Table 8.3-2
SUMMARY OF PROJECTED OPERATION AND MAINTENANCE EXPENSES
Lambert-St. Louis International Airport

Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate FY 2010-2031	Actual 2010	Budget 2011	Projected 2015	2020	2025	2030	2031
Personal Services								
Salaries & Wages	1.6%	$30,179	$28,911	$30,553	$34,737	$39,302	$44,466	$41,848
Fringe Benefits	2.8%	11,790	13,888	15,304	17,399	19,686	22,273	20,961
	1.9%	$41,969	$42,799	$45,857	$52,136	$58,988	$66,739	$62,809
Supplies, Materials & Equipment								
Deicing & Misc. Supplies	0.9%	$1,702	$1,429	$1,529	$1,723	$1,949	$2,205	$2,075
Other	4.0%	4,463	7,168	7,423	8,381	9,483	10,729	10,097
	3.3%	$6,165	$8,596	$8,952	$10,104	$11,432	$12,934	$12,173
Contractual Services								
Utilities	2.8%	$6,793	$7,814	$8,757	$10,053	$11,374	$12,869	$12,111
Rental & Lease of Equipment - Snow Removal	2.6%	1,632	1,928	2,064	2,331	2,637	2,984	2,808
Rental & Lease of Equipment - Land Maintenance	3.0%	123	245	168	189	214	243	228
Cleaning Services	1.2%	2,755	3,334	2,596	2,931	3,316	3,752	3,531
Reimbursement for City Services	0.4%	1,685	1,313	1,348	1,522	1,722	1,949	1,834
Shuttle, Misc., Acoustical	1.4%	204	202	200	226	256	289	272
Acoustical Treatment	n/a	3,907						
Legal	2.6%	471	651	595	672	761	861	810
Security Service	2.0%	4,950	5,271	5,539	6,255	7,077	8,006	7,535
Insurance	1.5%	2,050	2,036	2,071	2,338	2,646	2,993	2,817
Other	2.0%	9,908	9,099	12,039	13,376	14,951	16,766	14,869
	1.5%	$34,478	$31,893	$35,378	$39,895	$44,955	$50,711	$46,816
Total O&M Expenses [1]	1.9%	$82,612	$83,287	$90,187	$102,135	$115,374	$130,385	$121,797

[1] Excludes 5% gross receipts tax, which is excluded from calculation of debt service coverage.

8.4 REVENUES AND O&M EXPENSES PER ENPLANEMENT

The trends in GARB Revenues and O&M Expenses described above are reflected on a per-enplanement basis, as shown on **Exhibit 8.4-1, *Historical GARB Revenues and O&M Expenses per Enplanement***. The large decrease in GARB revenues per enplanement in FY 2005 (from $18.60 in FY 2004 to $16.57 in FY 2005) was mainly due to the ending of the Boeing land lease payments, as described above. The large increase in GARB Revenues per enplanement in FY 2007 (from $15.90 in FY 2006 to $18.33 in FY 2007), when Landing Fee revenue increased significantly due to the additional charges added to the airline rate base as a result of the completion of the new runway. GARB Revenue per enplanement increased 8 percent in FY 2009 and 6 percent in FY 2010 as a result of public parking rate increases and as enplanements decreased in those years, mainly due to the residual nature of the airline landing fee rate methodology, which ensures that the Airport receives sufficient revenues to meet its financial obligations.

The largest annual increase in O&M Expenses per enplanement (18.8 percent) occurred in FY 2007 (from $9.08 in FY 2006 to $10.79 in FY 2007), mainly due to (1) the increase in Personnel Services to fund the Airport's pension liability and retirement fund for the Airport Firemen; and (2) the change in accounting treatment for capital expenditures, which increased the amount of items expensed rather than capitalized.

Projected GARB Revenues and O&M Expenses on a per-enplanement basis are summarized on **Exhibit 8.4-2, *Projected GARB Revenues and O&M Expenses per Enplanement***. GARB Revenues per enplanement are projected to decrease from $20.53 in FY 2011 to $19.76 in FY 2031. O&M Expenses per enplanement are projected to increase from $12.04 in FY 2011 to $12.68 in FY 2030 and decrease to $10.83 in FY 2031.

Exhibit 8.4-1
HISTORICAL GARB REVENUES AND O&M EXPENSES PER ENPLANEMENT
Lambert-St. Louis International Airport

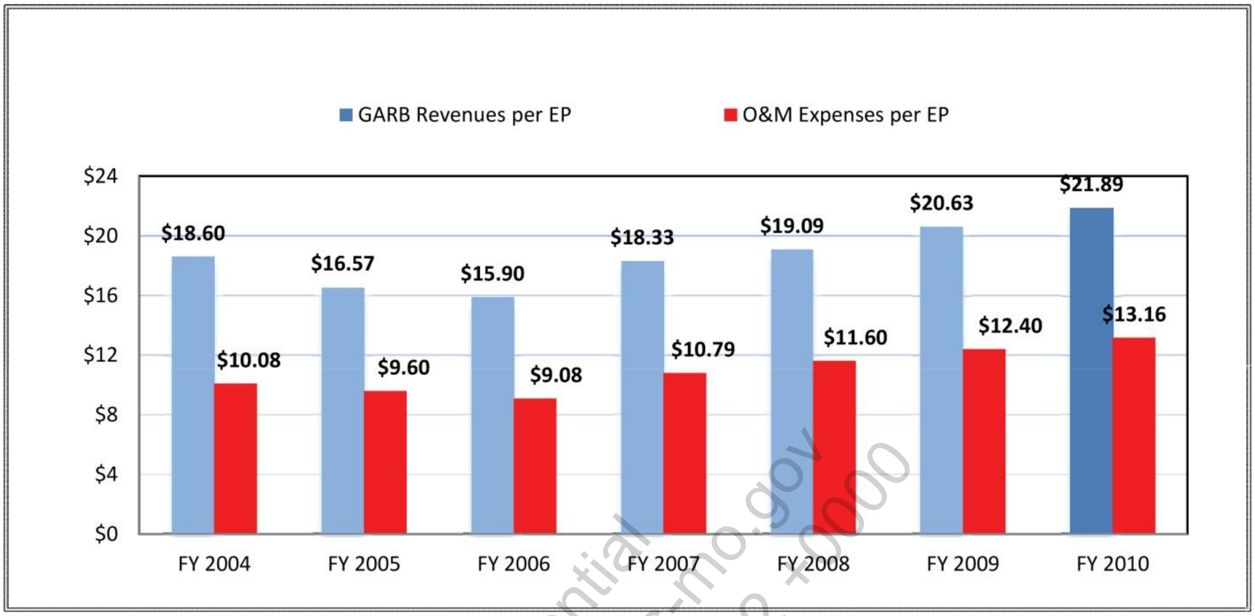
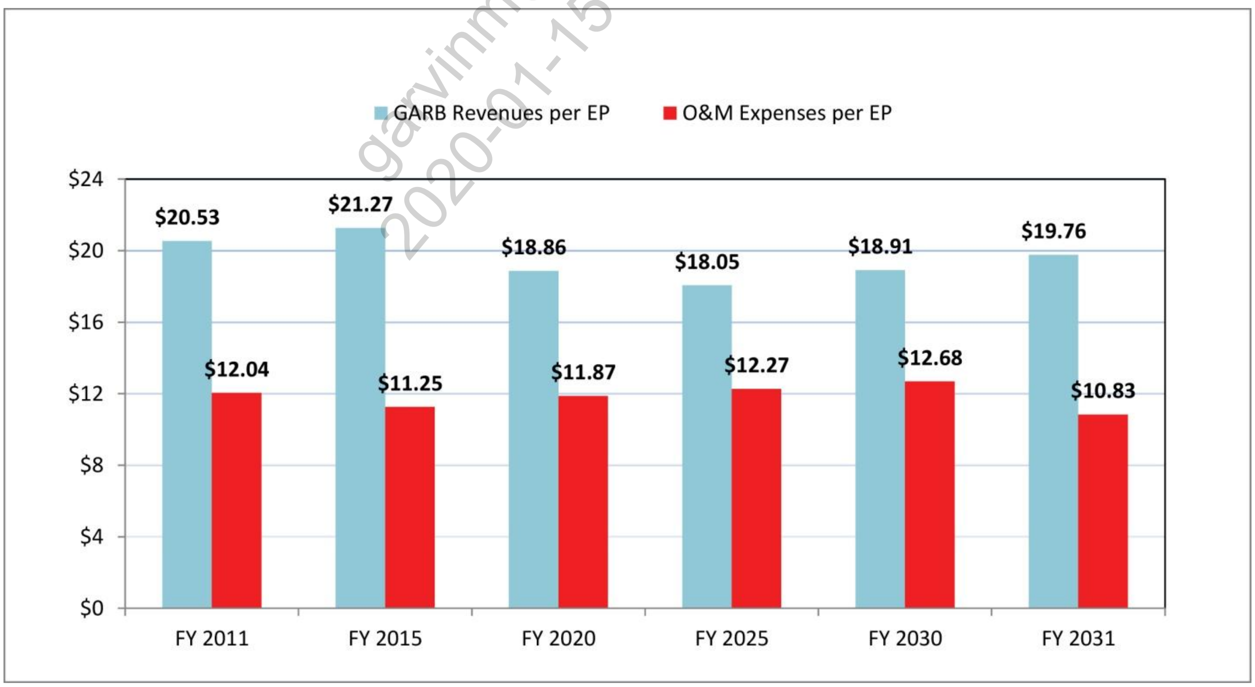


Exhibit 8.4-2
PROJECTED GARB REVENUES AND O&M EXPENSES PER ENPLANEMENT
Lambert-St. Louis International Airport



8.5 FEDERAL GRANT AND PFC FUNDING

AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System (NPS). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security. The funding plan for the Master Plan incorporates approximately $89.8 million in AIP entitlement and discretionary funds.

As shown in **Table 8.5-1, *Open AIP Grant Projects as of November 2011***, the Airport has 12 active AIP grants to fund various capital improvement projects. During the FY 2005 through FY 2010 period, the Airport used $26.0 million of AIP grants (**Exhibit 8.5-1, *Historical AIP Grant Drawdowns***). Any AIP cash grant balance remaining after a project is completed may revert back to the FAA. Because the Part 150 Study/Master Plan is nearly complete, there may be AIP funds reverting to the FAA. The W-1W Land Acquisition project is being closed out, so the $2.4 million remaining AIP grant balance will likely revert to the FAA. The largest amount of AIP grant funding occurred in FY 2005 ($20 million for Noise Land Acquisition), and in FY 2008 ($11 million for the design and construction of a new parallel runway). The new runway development and taxiway rehabilitation projects accounted for 48.5 percent and 26 percent, respectively, of total AIP grants from FY 2005 through FY 2010, as depicted in **Exhibit 8.5-2, *Historical AIP Grant Use by Category***. The proposed funding plan for the Master Plan assumes that the Airport will receive approximately $53.9 million in AIP entitlement funds and $35.9 million in AIP discretionary funds throughout the planning period. The majority of the AIP funding included in the funding plan is assumed for airfield projects ($39.2 million in Entitlement funds and $33.1 million in discretionary funds). As explained earlier in this chapter, in some years, AIP entitlements were assumed for projects that are considered lower priority projects by the FAA, if no higher priority AIP eligible projects are planned for those years. It should be noted that there is no guarantee of future AIP funding.

PFC revenues decreased from a peak of $32 million in FY 2008 to $25 million in FY 2010. The decrease was a result of STL enplaned passengers declining by 12.5 percent in FY 2009, and an additional 5.7 percent reduction in FY 2010. As of the end of FY 2010, the Airport had collected approximately $648.0 million in PFCs, of which $610.0 million had been expended on various approved PFC projects. **Exhibit 8.5-3, *Historical PFC Use for Six Largest Projects*,** depicts PFC spending on the six largest projects as of the end of FY 2010. **Table 8.5-2, *Outstanding PFC Projects as of End of FY 2011*** lists the outstanding PFC approved projects and the amount of unexpended PFC funds (the remaining available balance on each project), as of the end of FY 2011.

This financial analysis assumes that the Airport will continue to collect a PFC of $4.50 per enplaned passenger throughout the forecast period. The analysis further assumes that the Airport will use approximately $178.2 million in PFCs on a Pay-As-You-Go basis for eligible Master Plan project costs, and will leverage $215.1 million in PFCs through the issuance of PFC-backed bonds, the proceeds of which will be used to pay for PFC-eligible Master Plan project costs.

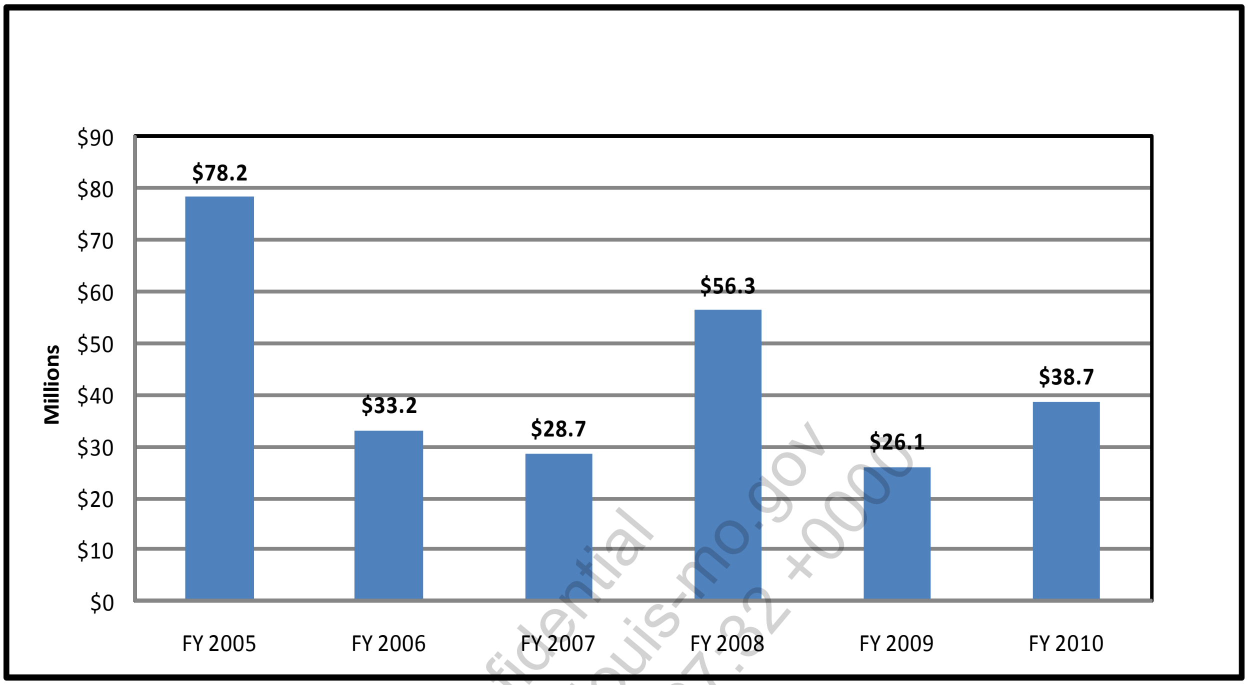
Table 8.5-1
OPEN AIP GRANT PROJECTS AS OF NOVEMBER 2011
Lambert-St. Louis International Airport

Grant Number	Project Name	AIP Grant Amount	Reimburse-ment Received	Grant Cash Balance	Reimburse-ment Requests in Process	Net Grant Balance Remaining [1]
103	14 CFR Part 150 Noise Compatibility Study/ Master Plan Update (Phase 2)	$4,800,000	$3,476,447	$1,323,553	$0	$1,323,553
106	Security Enahancement - Perimeter Fencing	3,800,828	3,013,391	787,437	0	787,437
108	Replacement of Runway 12L/30R Keel Section	3,207,011	2,812,620	394,391	0	394,391
109	Improve Runway Safety Area 12L/30R (Phase 2)	1,849,701	1,838,092	11,609	0	11,609
115	Rehabilitate Taxiway S (Runway 6 to Taxiway D) - Part A	2,016,213	1,810,415	205,798	0	205,798
118	Reconstruction of Taxiway V from Taxiway F to Runway 24 (Phase 1) and Taxiway F from Taxiway V to Runway 6/24	6,734,144	6,106,730	627,414	0	627,414
122	Environmental Management System	1,125,000	147,729	977,271	65,670	911,601
125	Rehabilitate Runway 12R/30L (Keel Sections from Taxiway C to Taxiway R and from Taxiway H to Taxiway L) Phase 1	817,122	539,388	277,734	0	277,734
126	Reconstruct Taxiway D (from Taxiway K to Taxiway J) Phase 1 - Design Only	277,330	211,646	65,684	0	65,684
127	Reconstruct Taxiway E (from Taxiway L to Taxiway J) Phase 1 - Design Only	632,086	302,814	329,272	0	329,272
128	Acquire Safety Equipment (Part 139 Interactive Training System)	423,000	0	423,000	0	423,000
130	Reconstruct Taxiway D from Taxiway K to Taxiway J (Phase 2); Reconstruct Taxiway E from Taxiway L to Taxiway J (Phase 2)	7,318,112	0	7,318,112	0	7,318,112
	TOTALS	$33,000,547	$20,259,272	$12,741,275	$65,670	$12,675,605

Source: Schedule prepared by Lambert-St. Louis International Airport staff, titled "Summary of Open Grants," printed on 11/17/11.

[1] Any AIP grant balance remaining when a project is completed may revert to the FAA. The Part 150/Master Plan is nearly complete; therefore, the remaining cash balance on that project may revert to the FAA.

Exhibit 8.5-1
HISTORICAL AIP GRANT DRAWDOWNS
Lambert-St. Louis International Airport



* *Drawdowns in a given year include 2000 LOI grant and may cover costs incurred in that yr and prior yrs.*

Exhibit 8.5-2
HISTORICAL AIP GRANT USE BY CATEGORY
Lambert-St. Louis International Airport

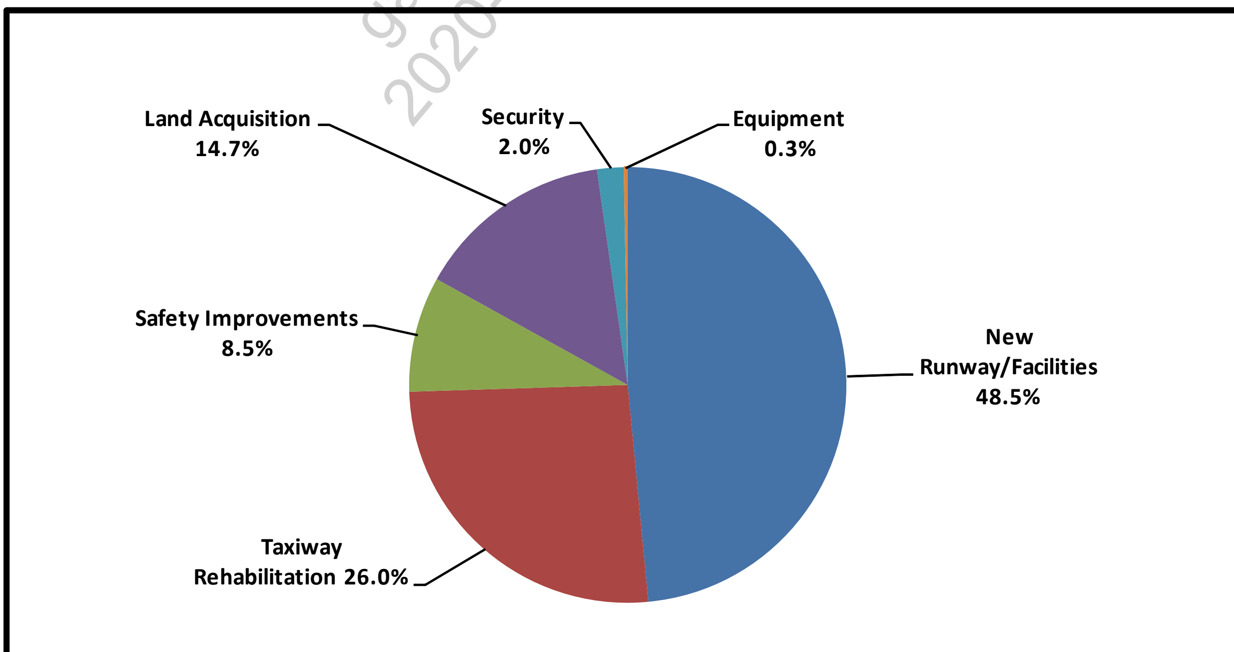


Exhibit 8.5-3
HISTORICAL PFC USE FOR SIX LARGEST PROJECTS
Lambert-St. Louis International Airport

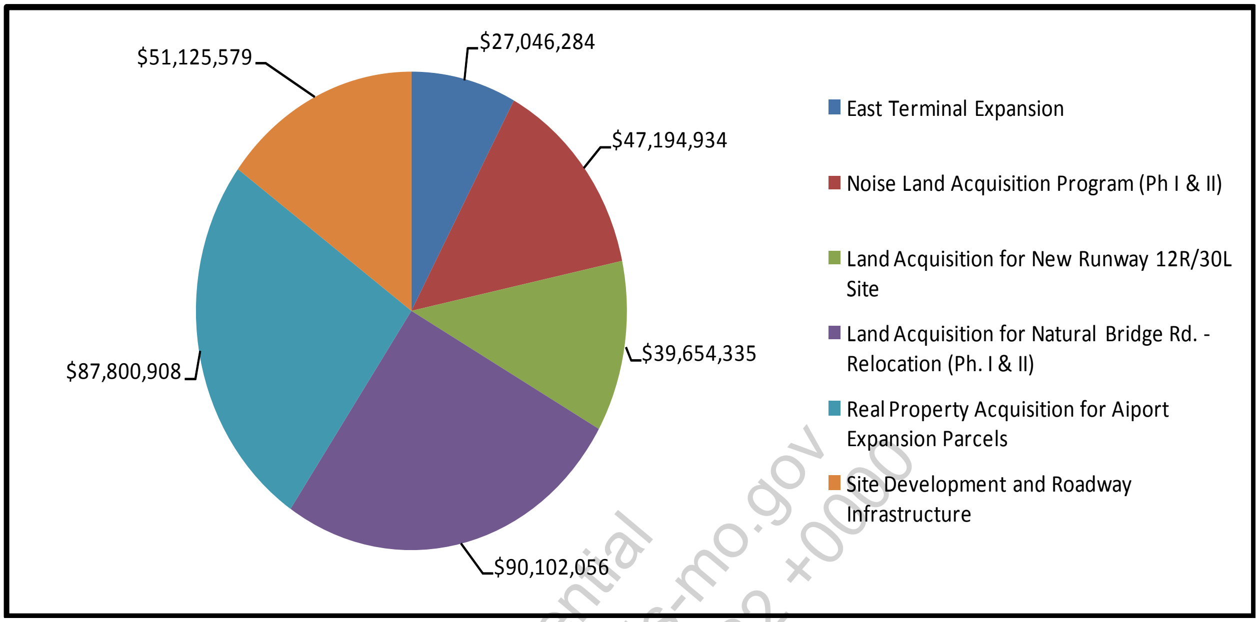


Table 8.5-2
OUTSTANDING PFC PROJECTS AS OF END OF FY 2011
Lambert-St. Louis International Airport

FY 2011 Outstanding PFC Fund Projects			
Project	**PFC Approved Amount**	**PFC Funds Expended**	**PFC Funds Remaining**
Balance of Real Property Acquisition for Airport Expansion	$218,474,166	$94,695,107	$123,779,059
Carrollton Schools Replacement	28,107,289	9,832,093	18,275,196
Program Management	200,097,588	74,365,094	125,732,494
Site Development & Roadway Infrastructure	169,817,374	57,229,565	112,587,809
New Runway, Perimeter Road, Security Fences	50,050,707	44,584,742	5,465,965
New West ARFF Building	4,149,046	4,095,853	53,193
Terminal Improvements (FIS)	6,300,000	5,469,382	830,618
Taxiway Delta Improvements	4,325,000	4,136,423	188,577
Terminal Improvement Program	67,124,624	2,480,220	64,644,404
Emergency Generators	12,199,500	0	12,199,500
Runway 12R/30L & 12L/30R Centerline Panels	3,500,000	1,228,523	2,271,477
Taxiway Reconstruction (D and S)	5,300,000	4,448,744	851,256
FAR Part 150 Study	600,000	462,764	137,236
Master Plan Update - Phase 2	800,000	628,004	171,996
Perimeter Security Fence	1,150,000	1,073,763	76,237
Noise Monitoring System Upgrade	100,000	0	100,000
Taxiway Reconstruction (F and V)	6,488,607	6,247,884	240,723
Totals	$781,583,901	$313,978,161	$467,605,740

8.6 SUMMARY OF OUTSTANDING DEBT

From FY 2005 through FY 2011, the City sold GARBs in four issues totaling approximately $759 million to finance and/or refinance various Airport capital expenditures. Two of the three GARB issues were refunding bonds totaling $599 million. Besides the refunding of previous issues, Airport debt financed capital improvement projects, such as design and construction of terminal and parking garage improvements, roof replacement on concourses, and the Airport Experience Project (AEP) which consists of restoring facilities and improving the functionality of the Main Terminal.

The Airport's total outstanding debt increased in FY 2010 with the issuance of the Series 2009 Bonds to fund the Airport Experience Program and other capital improvements. As of the end of FY 2011, the Airport's outstanding GARB debt amounted to approximately $855.1 million.

The proposed funding plan for the Master Plan assumes that the City will issue approximately $432.2 million in GARBs to fund project costs. The analysis assumes that each GARB issue will be amortized over 30 years, and will include a capitalized interest period to coincide with the design and construction of the projects funded with each bond issue.

8.7 APPLICATION OF REVENUES

Table 8.7-1, *Projected Deposits to the Airport Development Fund*, shows the Application of Revenues forecast to fund accounts under provisions of the Indenture for the Master Plan forecast period. Under the provisions of the Indenture, Revenues are first applied to pay O&M Expenses and then to pay Debt Service on Bonds. Remaining Revenues are then applied to: restore any deficiencies in the Debt Service Reserve Account in the Bond Fund, pay any subordinate debt outstanding, restore any deficiencies in the Renewal and Replacement Fund, to pay the City (the 5 percent "gross receipts tax"), and then to fund the Debt Service Stabilization Fund in the required amounts. All remaining Revenues are then deposited in the ADF or the PFC Account.

As of June 30, 2011, the unaudited unappropriated balance in the Airport's ADF was approximately $47.9 million. This balance, coupled with the projected transfers to the ADF are projected to provide adequate resources to meet various obligations of the Airport such as equipment replacement, major maintenance and small capital projects to fund the Master Plan project costs indicated in the proposed funding plan during the forecast period.

Table 8.7-1
PROJECTED DEPOSITS TO THE AIRPORT DEVELOPMENT FUND
Lambert-St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Projected					
	2011	**2015**	**2020**	**2025**	**2030**	**2031**
Revenues						
GARB Revenues						
Airline revenues (Initial Requirement)	$81,686	$71,924	$76,922	$79,141	$83,379	$101,766
Additional Airline Requirement [1]	-	20,602	8,804	44	189	6,550
Rate Mitigation Program proceeds	-	13,728	0	0	0	0
Non-airline revenues and Other Airline Charges	58,258	62,510	75,084	89,233	107,776	110,979
Interest income	2,083	1,685	1,494	1,411	3,110	2,885
Pledged PFC Revenues	27,195	28,166	28,925	28,926	52,309	52,302
	$169,223	$198,615	$191,230	$198,755	$246,762	$274,482
Application of Revenues						
Operating and Maintenance Expenses	$83,289	$90,187	$102,135	$115,374	$130,385	$121,797
Debt Service Account (Annual Debt Service)						
Outstanding Bonds	$64,705	$72,393	$56,437	$50,137	$39,268	$39,877
Total Series 2009 and Future Bonds	1,986	7,191	14,832	14,832	51,920	82,266
	$66,691	$79,584	$71,270	$64,969	$91,187	$122,143
Debt Stabilization Fund (reserve) [2]	$4,376	-	-	-	-	-
Debt Service Reserve Account	798	-	-	-	-	-
PFC Debt Service Coverage	5,439	5,633	5,785	5,785	10,462	10,460
Payment to City (5% of Revenues)	6,111	6,693	7,558	8,551	9,675	9,878
Subtotal net of Contribution from DSSF	$166,703	$182,098	$186,748	$194,680	$241,709	$264,278
Amount Available for Deposit to ADF	**2,520**	**$16,517**	**$4,482**	**$4,075**	**$5,054**	**$10,204**
Amount due Airlines at Settlement	**-**	**(13,728)**	**-**	**-**	**-**	**-**
Amount Available for Deposit to ADF post Settlement [3]	**2,520**	**$2,789**	**$4,482**	**$4,075**	**$5,054**	**$10,204**

[1] Includes Airport Development Fund Deposits in the following amounts: $1.03 million in FY 2012; $2.59 million in FY 2013; $2.70 million in FY 2014; $2.92 million in FY 2015; and $2.98 million in FY 2016.

[2] Reflects a Current Adjusted FY 2011 deposit of $4,376 million, $0.619 million lower than Bond Ordinance required deposit of $4,995 million.

[3] Beginning in FY 2012, equivalent to 6 percent of Eligible Nonairline Revenue. FY 2012 Deposit to ADF reflects a negative adjustment of $1.5 million.

8.8 DEBT SERVICE COVERAGE

Annual debt service is projected to increase from $66.7 million in FY 2011 to $122.1 million in FY 2031 due to the future GARB issues anticipated in the proposed funding plan. Debt service coverage is projected to range between 1.36 in FY 2015 and 1.25 in FY 2031 (**Table 8.8-1, *Calculation of Annual Debt Service Coverage***).

The financial forecasts presented in this section are based on information and assumptions that have been provided by Airport management, or developed by Unison and reviewed with and confirmed by Airport management. Based upon our review, we believe the information to be accurate and that the assumptions made provide a reasonable basis for the forecasts. However, due to unforeseen events and circumstances actual results may vary from the forecasts and such variations may be material.

Table 8.8-1
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
Lambert-St. Louis International Airport

For Fiscal years Ending June 30
(in thousands)

		Projected				
	2011	2015	2020	2025	2030	2031
Total Revenues (incl DSSF Contr & Add'l Requirement)	$169,223	$198,615	$191,230	$198,755	$246,762	$274,482
less: Operation and Maintenance Expenses	83,289	90,187	102,135	115,374	130,385	121,797
Net Revenues	$85,934	$108,428	$89,094	$83,380	$116,378	$152,685
Debt Service						
Outstanding Bonds	$64,705	72,393	56,437	50,137	39,268	39,877
Series 2009 and Future Bonds	1,986	7,191	14,832	14,832	51,920	82,266
	$66,691	$79,584	$71,270	$64,969	$91,187	$122,143
Debt service coverage ratio	**1.29**	**1.36**	**1.25**	**1.28**	**1.28**	**1.25**

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