



**TO:** Mayor Shaun Sipma  
Members of the City Council

**FROM:** Rick Feltner, Airport Director

**DATE:** May 4, 2020

**SUBJECT: LANDRUM & BROWN CARES ACT FUNDING BUSINESS SERVICES**

**I. RECOMMENDED ACTION**

1. Recommend Council approve the proposed Landrum & Brown CARES Act Funding Business Services project; and
2. Authorize the Airport Director to sign any applicable documentation.

**II. DEPARTMENT CONTACT PERSONS**

Rick Feltner, Airport Director 857-4724

**III. DESCRIPTION**

A. Background

The COVID-19 impact on airports and tenants has been significant. Now that the Airport relief funds have been finalized, understanding the impacts occurring in the industry and forecasting what could transpire between the current situation and the point when the rebound is substantially complete is the only way to accurately assess the real impact and the risks that exist for the Airport. Many analysts are now projecting that the recovery could take three years for the industry to return to pre- COVID-19 levels.

The airlines and other tenants have already requested deferrals or abatements of rents and/or concession fees. The airlines are on record expecting airports to decrease budgets going forward, at the same time that the “new normal” will likely add additional sanitation requirements and a potential need to enforce social distancing standards/require more space to process passengers.

B. Proposed Project

The CARES Act funds can be utilized for up to four years. From a business perspective, the following activities should be undertaken in order to meaningfully quantify the short-term financial and operational impacts and to project the financial needs of the Airport for the four-year period and best utilize the CARES Act funds that the Airport will be receiving.

1. Develop low, medium, and high traffic activity and passenger projections for the remainder of 2020, 2021, 2022, and 2023 to understand the impact on landed weight and enplanements.
2. Review the airline lease and determine the effect of certain terms and conditions such as reconciliation, mid-year adjustments, and future year rate setting. Incorporate findings into the projection assumptions.
3. Review current debt service outstanding and future obligations and pay-off schedules. Factor the finding into the forecast alternatives.
4. Review the projected PFC collection schedule and reforecast PFC collections based on the alternative activity levels.

5. Review the projected CFC collections and proposed uses for the forecast years and provide a revised forecast and proposed recommendations for any adjustments.
6. Revise the FY 2020 forecast for landed weights/landing fees, other revenues, and expenses and the CPE based on metrics. Forecast the projected revenues and expenses for 2021, 2022, and 2023 based on low, medium, and high scenarios.
7. Review major non-airline terminal related revenues (food/beverage/retail, rental car, non-airline leased space, advertising, etc.) and expense contracts (i.e., parking management, elevators/escalators, baggage systems, loading bridge maintenance, etc.) to determine if there are adjustment clauses or provisions for adjustment. Develop benchmarks for forecasting based on the respective activity projections. Identify alternatives that might be more cost effective.
8. Provide comprehensive forecasted revenue, expense, and activity budgets for the years identified.
9. Review “other fees” or policies such as TNC, shuttle, taxis, employee parking, badging, etc. fuel, flowage, non-airline rental fees, parking, and land rent and reforecast revenues based on activity. Provide recommendations on “best practices” on non-airline revenue streams.
10. Assess any current local tax mill levy and how that fits into the strategy.
11. Review the current 5-year CIP including sources and uses of funds plan incorporating the FY2020 100% funding of eligible AIP projects and reforecast the sources and uses plan factoring in the revised PFC and CFC forecasts.
12. Identify how the CARES Act revenue could be applied to maximize the value of the stimulus money for up to the four-year window.
13. Review the current operational standards for potential impact areas (i.e. cleaning, sanitizing, enforcement of social distancing, tenant cleanliness, etc.) that need to be addressed and identify areas for the Airport and tenants that should be addressed. Factor any Airport related changes into the budget forecast.

Landrum & Brown (L&B) will provide the model and supporting documentation (tabs) used in building the forecast in Excel. The recommendations will be developed and presented in a PowerPoint format.

It is anticipated that the draft PowerPoint and model will be completed within 45-60 days upon notice to proceed.

C. Consultant Selection

Landrum & Brown is the consultant of record for Minot International Airport.

**IV. IMPACT:**

A. Strategic Impact:

This project will provide direction and insight on how to manage the \$2.73 million CARES Act grant for the maximum benefit of the Minot International Airport.

B. Service/Delivery Impact:

N/A

C. Fiscal Impact:

For the services and deliverables outlined above, L&B has proposed a flat fee of \$25,000 with \$12,500 due upon commencement and \$12,500 due upon delivery of the final deliverables. No travel costs are included or anticipated. The cost for these services are reimbursable under the CARES Act funding.

Project Costs

Due upon commencement	\$12,500
<u>Due upon completion</u>	<u>12,500</u>
Total	\$25,000

Project Funding  
 Profession Service Contracts (100.5000.501-03.22).

**V. ALTERNATIVES**

An alternative to utilizing professional consulting services to plan for the most efficient use of the funds is to rely solely on the city staff to determine the best course of action regarding the use of the grant. However, the advice of a professional consultant with access to the most current industry data and trends would likely prove financially advantageous in the long run.

**VI. TIME CONSTRAINTS**

Timely approval of the scope of work will allow Landrum and Brown to begin the analysis and the Airport can start managing the funds appropriately.

**VII. LIST OF ATTACHMENTS**

- A. CARES Assessment BF04222020