

# Memo

**To:** Tim Arntzen  
**From:** Tammy Fine, Director of Finance/Auditor  
**Date:** March 10, 2009  
**Re:** Airport Financial Funding Analysis (Still Work in Process)

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Tim,

In the event of airport closure, I have come up with some rough draft funding alternatives. However, I'm not sure on the total closure cost to the Port and this would need further review/study to determine all cost associated with potential closure. I will continue narrowing down which alternatives would be the best for the Port (come up with the positives and negatives) and keep looking for other alternatives after the total potential costs of airport closure have been determined. Below are some alternatives:

1. Increase taxes. At first glance this would be a viable scenario for the Port, as we would be able to continue on with our current projects while tax payers fund the project. However, tax payers do not appear to support tax increases based on other governments trying to increase taxes and failing (Kennewick General for new Hospital and Benton County's Local Sales Tax for Justice Program). Plus the economic recession/depression is not improving. In economic theory, a tax increase during a recession causes the economy to weaken further, making it difficult for an improved economy. Besides, it appears based on the last few years of budgeting and the last Commission meeting; Commissioners have indicated substantial unwillingness to raise taxes.
2. Issue bonds (go into debt). This would not be funded by the tax payers, but be secured by the Port's future property taxes. Depending on the amount of closure costs, this debt could tie up a large portion of the Port's future property tax revenue for 20 years and stall current projects, and/or reduce or eliminate any future Port projects. Furthermore, the Port does not have a rating and would need to present their projects/port to the ratings agencies. Unfortunately, it appears that a closure of an airport may not receive a favorable rating according to a financial advisor and two financial bond institutes. This means if we issue bonds, we may be looking at a high debt repayment due to high rate for a potentially low rating, due to airport encumbrances.
3. Apply for a bank loan. Depending on the amount, banks tend to loan smaller fund amounts, which would work well for \$1m to \$5m projects. However, the loan terms are much less than issuing bonds (7 yr term versus 20 year term). Plus the repayment would be significant and could stall, reduce or eliminate current and future Port projects. Furthermore, given the economic times and some governments facing potential default, banks appear to be tightening their lending practices.
4. Set aside funding during future years. Depending on the potential costs of airport closure, it could stall, reduce or eliminate future Port projects. This would be a conservative method of planning where you set aside money until you've reached a certain funding threshold; eliminating the need to worry about debt repayment.

5. Sell the airport to the private sector as the City of Blaine did. This shifts the cost of closure or redevelopment to the private sector, and significantly reduces the Port's risk. The Port wouldn't have to plan for expenses nor go into debt, allowing us to carry on with current and future projects.

In conclusion, there is still much research that needs to be done on these alternatives. First the Port needs to develop a best and worst case closure number to help assist in financing alternatives and help with planning the Port's future. Furthermore, many scenarios will likely force the Commission to rank the importance of, and determine its level of commitment to, all current and future projects with large debt/repayment options to fund a potential closure. The Port may not have enough resources to do all projects if the potential closure cost is substantial for the Port.