

AIRPORT FACILITIES IMPROVEMENTS

AIRPORTS MASTER PLAN

The expanded CIP for the Airport System, estimated at approximately \$2.8 billion, began in FY 1997. It is the result of (1) the decision by Continental in 1996 to begin a major expansion of its hub operations at Intercontinental (IAH), (2) the decision by HAS in 1997, supported by Southwest, to expand and modernize terminal facilities at Hobby (HOU), (3) a request by Continental in 1998 to undertake a series of airfield and apron improvement projects at IAH to increase capacity and improve the efficiency of the runway/taxiway/apron system (the airside improvement program) and (4) increases in international traffic creating the international services expansion program (ISEP) to build a new federal inspection service building, international terminal and associated infrastructure.

Phase I

At IAH, the expansion of Continental's hub operation necessitated additional gate space for Continental. Continental expanded from using Terminal C and approximately one-half of the Terminal D space into Terminal B for their Continental Express operation, necessitating the relocation of certain carriers into Terminal A. Terminals A and B, both 30-year old facilities, required major renovation and expansion including construction of new north and south concourses at Terminal A, demolition of the flight stations at Terminal A, and major renovation to the landside buildings at Terminals A and B including code and safety upgrades. At the same time, rehabilitation of Terminal C was initiated

Associated with the expanded passenger activity, a new A/B parking garage, expansion of the economy parking lot, and roadway and access improvements were also required. All of these facilities have been completed. The new facilities at Terminal A and B, as well as the Terminal C improvements and the new international service expansion program (ISEP)

necessitated the expansion of the central plant. Phase I also implemented a land acquisition program at IAH for the new runway to be constructed. Land acquisition is almost complete. At HOU, the initial phase of the terminal expansion program began with the construction of a new Central Concourse to consolidate Southwest's operations onto a single concourse. This project began in September 2000 and is expected to be complete in the early part of 2003.

Phase II

At IAH, Phase II includes a significant portion of the airside improvement program and certain other airfield projects, the next phase of the Terminal C rehabilitation program, the design phase of the ISEP, other infrastructure improvements, and exterior renovations of the terminals. Phase II also includes a consolidated rental car facility to accommodate all rental car operators in one location, thus decreasing congestion at the terminal buildings and reducing emissions levels at IAH. This change will make the current rental car service facility areas available for airfield improvements and parking areas. Additional cargo operation areas, including new taxiways and aircraft parking are nearing completion. In addition, three new cargo buildings are being constructed by third party developers and will be ready when the airside cargo facilities are complete.

At Ellington Field, major reconstruction of the main runway was complete in During 2002.

Phase III

At IAH, this phase, which began in the second quarter of FY 2002, will complete the airside improvement program including the construction of a new parallel runway and associated taxiways and the upgrade of the current parallel runway. Also included are construction of the ISEP (including the construction of a new terminal by Continental), and completion of the Terminal C improvements including additional concession areas, circulation areas and modification of utilities to the area. The majority of these projects are expected to be complete by the summer of 2004.

At HOU, this phase, which is scheduled to begin in October 2003, will complete the Hobby terminal expansion program with the construction of the new East Concourse and a major renovation to the terminal building and construction of a new parking garage facility. Due to a request by Southwest Airlines additional four gates have been added to this program to be completed with East Concourse construction but added to central concourse. The East Concourse, terminal, and these four gates are expected to be completed by April 2006.

Overall, approximately 80% of the \$2.8 billion CIP will be used for projects at IAH, 15% for projects at HOU, and 5% for projects at Ellington Field and for system-wide projects. For the next five years (FY2003 - 2007), the CIP is projected to be approximately \$1.28 billion.

FUNDING FOR THE AIRPORT FACILITIES CIP

The FY 2003 – 2007 Airport Facilities CIP program (primarily Phase III) is being funded from various sources including the Airports Improvement Fund (AIF, Fund #561), Airports Renewal and Replacement Fund (R&R, Fund #553), Grants-in-Aid from the FAA Airport Improvement Program (AIP) which now includes a Letter of Intent (LOI) for an additional \$100 million over a 10-year period of discretionary funds, General Airport System Revenue Bonds (GARBS), and \$300 million of Commercial Paper (CP) used for interim financing for appropriation purposes.

Timing and Estimated Amounts of Bonds

June 2002: Issue approximately \$690 million additional GARBS. These GARBS will refund any outstanding CP, replace outstanding CP appropriation balances, and cover additional appropriations of \$335 million through November 2002. This issue should include a portion of variable rate debt to further facilitate early calls due to AIP grants including the LOI. This amount may vary based on grant anticipation dates that may be able to be identified as a funding source at the time of the appropriations, and additional balances in the AIF.

December 2002: Begin appropriating against the CP program again.

June 2004: May issue another series of bonds to refund outstanding CP appropriation balances. This depends on the receipt of AIP grants, LOI and AIF balances.

Various terms used in the CIP are defined in the appendix