

AIRPORT FACILITIES IMPROVEMENTS

AIRPORTS MASTER PLAN

Most of the projects begun under the expanded Houston Airport System CIP that began in FY 1997 are now nearing completion. The CIP is projected to reach just over \$2.4 billion in the FY 2004-FY 2008 CIP. In review, the expanded CIP was prompted by (1) the decision by Continental Airlines in 1996 to begin a major expansion of hub operations at Bush Intercontinental Airport (IAH), (2) the decision by HAS in 1997, supported by Southwest Airlines, to expand and modernize terminal facilities at Hobby Airport (HOU), (3) a request by Continental Airlines 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 (referred to as the "Airside Improvement Program"), and (4) increased international traffic creating the need for the international services expansion program (ISEP) to build new federal inspection services (FIS) building, international terminal, and associated infrastructure. With the completion of many of the expanded CIP projects annual CIP totals will begin to decrease until new capital projects identified in upcoming master plans are programmed. Master plans for HOU and Ellington Field (EFD) are scheduled for completion in the summer of 2003 and implementation projects stemming from those master plans will begin appearing in the FY 2005 – FY 2009 CIP. The comprehensive plan for IAH will begin in the summer of 2003 and be substantially completed by December 2004, with implementation projects stemming from that plan appearing in the FY 2006-2010 CIP.

Phase I

At IAH the expansion of Continental's hub operation necessitated additional gate space for Continental. The airline expanded from Terminal C and part of Terminal D into all of Terminal C and moved their Continental Express operation to Terminal B. This precipitated the need to move Terminal B carriers to 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 renovations to supporting facilities. In addition, renovations at Terminal C were also initiated in Phase I. The north and south concourses of Terminal A are complete, the flight stations have been removed, most of the supporting facilities have been renovated, and Terminal C renovations are in process.

Other Phase 1 projects now complete includes the A/B Parking Garage, Economy Lot expansion, and various roadway improvements. Land acquisition for Runway 8L/26R was also started under Phase 1 and has two remaining properties to acquire to complete all necessary land for the new runway. The new Central Concourse at HOU rounds out the Phase 1 projects. Six gates are already available and in use and the remaining gates will be available next year.

Phase II

Phase II projects at IAH include a significant portion of the airside improvements and other airfield projects, the next phase of the Terminal C rehabilitation program, a consolidated rental car facility, additional cargo areas, and ISEP design. Work on the 15/33 runway complex is complete and the runways and associated taxiway system is operational. The consolidated rental car facility will open in Summer 2003. The cargo apron opened for use in October 2002 and now all three third-party cargo buildings are operational plus the addition of UPS to the cargo ramp. Work on Terminal C is progressing but may be hindered by other construction activity and recent downturn in profitability by the airlines. Finally, design of the Federal Inspection Station building (FIS), part of the ISEP, is complete.

Phase III

Phase III projects are proceeding in spite of the recent economic downturn in the airline industry. The cornerstone project, construction of Runway 8L/26R and all associated taxiways at IAH, is scheduled for completion in October 2003 with first use of the runway in November 2003. Also, construction of the FIS is underway and will be ready in 2005. Terminal E, Continental's new international terminal, will be complete in 2003 and will connect with to FIS when it is completed.

At HOU, Phase III projects include design and construction of the East Concourse and renovation of the existing terminal building. Due to a request from Southwest Airlines, an additional four gates will be added to the Central Concourse and constructed at the same time the East Concourse is constructed. The East Concourse is expected to be ready by 2009. The construction of a new parking garage, shown in last year's CIP, has been deferred until the completion of the master plan can better determine when a new garage will be needed.

FUNDING FOR THE AIRPORT FACILITIES CIP

The FY 2004- 2008 Airport Facilities CIP (primarily Phase III) is being funded from various sources including the Airport Improvement Fund (AIF, Fund #561), Airports Renewal and Replacement Fund (R&R, Fund #553), Grants-in-Aid from the FAA Airports Improvement Program (AIP) which includes a letter of Intent (LOI) for an additional \$100 million in discretionary funds over a 10-year period, 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

September 2003: 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.