

*In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel to the Authority ("Bond Counsel"), based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "Tax Exemption" herein, (A)(1) interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes, and (2) interest on the Series 2018A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the "Code") on individuals and, for taxable years beginning before January 1, 2018, on corporations (however, interest on the Series 2018A Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax, applicable only to taxable years beginning before January 1, 2018), and (B)(1) interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the exclusion from gross income of interest on any Series 2018B Bond during any period when such Series 2018B Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2018B Bonds, or a "related person" thereto, as those quoted terms are used in Section 147(a) of the Code, and (2) interest on the Series 2018B Bonds is an "item of tax preference" for purposes of the federal alternative minimum tax imposed by the Code on individuals and, for taxable years beginning before January 1, 2018, on corporations. Bond Counsel is further of the opinion that interest on the Series 2018 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). For a more complete discussion, including certain other tax considerations, see "TAX EXEMPTION" herein.*



**ALBANY COUNTY AIRPORT AUTHORITY  
AIRPORT REVENUE BONDS  
\$22,590,000 SERIES 2018**

**\$14,770,000 Series 2018A (Non-AMT)**

**\$7,820,000 Series 2018B (AMT)**

**Dated: Date of Delivery**

**Due: December 15, as shown on inside cover**

The Albany County Airport Authority's \$14,770,000 Airport Revenue Bonds, Series 2018A (Non-AMT) (the "Series 2018A Bonds") and \$7,820,000 Airport Revenue Bonds, Series 2018B (AMT) (the "Series 2018B Bonds" and collectively with the Series 2018A Bonds, the "Series 2018 Bonds") are being issued under and pursuant to the Albany County Airport Authority Act, constituting Title 32 of Article 8 of the Public Authorities Law of the State of New York (the "Act"), a master resolution adopted by the Authority on January 6, 1997 (the "Master Resolution") and a Fourteenth Supplemental Resolution adopted by the Authority on November 5, 2018 (the "Fourteenth Supplemental Resolution") (the Master Resolution, as amended and supplemented, and the Fourteenth Supplemental Resolution are collectively referred to herein as the "Resolution").

The Series 2018A Bonds and the Series 2018B Bonds (collectively the "Series 2018 Bonds") are being issued to provide funds for (i) a portion of the cost of the Upstate Airport Development & Revitalization Project at the Albany International Airport (the "Airport") and other projects in the Authority's 2015-2019 Capital Plan, (ii) the required deposit into the account in the Bond Reserve Fund established with respect to the Series 2018 Bonds, and (iii) the costs of issuance of the Series 2018 Bonds. See "SECURITY AND SOURCE OF PAYMENT".

Interest on the Series 2018 Bonds will be payable on each June 15 and December 15, commencing June 15, 2019. The Series 2018 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as "Securities Depository," as herein described, for the Series 2018 Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Series 2018 Bonds. Principal and interest will be paid by the Authority to DTC which will in turn remit such principal and interest to its Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Series 2018 Bonds. See "THE SERIES 2018 BONDS-Book-Entry-Only System" herein. The Series 2018 Bonds are subject to redemption prior to maturity, as more fully described herein.

The Series 2018 Bonds will be payable from and secured by a lien on Net Revenues derived by the Authority from the operation of the Airport all as described herein. The Series 2018 Bonds are not a debt of the State of New York, or any other political subdivision thereof including the County of Albany, and neither the State of New York nor any other political subdivision thereof including the County of Albany shall be liable thereon. The Series 2018 Bonds shall not be payable from any other funds of the Authority. The Authority has no taxing power.

The Series 2018 Bonds are offered when, as, and if issued and received by the Underwriters and are subject to the approval of legality by Hodgson Russ LLP, Albany, New York, Bond Counsel. Certain legal matters will be passed upon for the Authority by Peter F. Stuto, Esq., General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Barclay Damon LLP, Albany, New York. Public Resources Advisory Group is acting as financial advisor to the Authority in connection with the issuance of the Series 2018 Bonds. It is expected that the Series 2018 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about November 29, 2018.

**RBC Capital Markets**

**Siebert Cisneros Shank & Co. L.L.C.**

**Roosevelt & Cross, Incorporated**

## MATURITY SCHEDULE

### \$22,590,000 Series 2018 Airport Revenue Bonds

### \$14,770,000 Series 2018A (Non-AMT) Airport Revenue Bonds

<u>Maturity</u> <u>December 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2034	\$195,000	5.00%	3.56%	012123KY0
2035	745,000	5.00%	3.61%	012123KZ7
2036	780,000	5.00%	3.66%	012123LA1
2037	820,000	5.00%	3.70%	012123LB9
2038	860,000	5.00%	3.74%	012123LC7

\$5,000,000 - 5.00% Series 2018A Term Bonds due December 15, 2043 Yield 3.83%, CUSIP No. 012123LD5

\$6,370,000 - 5.00% Series 2018A Term Bonds due December 15, 2048 Yield 3.88%, CUSIP No. 012123LE3

### \$7,820,000 Series 2018B (AMT) Airport Revenue Bonds

<u>Maturity</u> <u>December 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2019	\$295,000	5.00%	2.27%	012123LF0
2020	360,000	5.00%	2.46%	012123LG8
2021	375,000	5.00%	2.59%	012123LH6
2022	395,000	5.00%	2.71%	012123LJ2
2023	415,000	5.00%	2.82%	012123LK9
2024	435,000	5.00%	2.93%	012123LL7
2025	455,000	5.00%	3.07%	012123LM5
2026	480,000	5.00%	3.20%	012123LN3
2027	505,000	5.00%	3.30%	012123LP8
2028	530,000	5.00%	3.42%	012123LQ6
2029	555,000	5.00%	3.53%	012123LR4
2030	580,000	5.00%	3.60%	012123LS2
2031	610,000	5.00%	3.66%	012123LT0
2032	640,000	5.00%	3.70%	012123LU7
2033	675,000	5.00%	3.75%	012123LV5
2034	515,000	5.00%	3.80%	012123LW3

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**ALBANY COUNTY AIRPORT AUTHORITY**  
**Albany, New York**

**MEMBERS**

Rev. Kenneth Doyle

Patricia M. Reilly

Anthony Gorman

Lyon M. Greenberg, MD

Kevin R. Hicks, Sr.

Steven H. Heider

Samuel A. Fresina

**POSITION**

Chair

Vice Chair

Treasurer

Secretary

Member

Member

Member

**SENIOR STAFF MEMBERS**

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Chief Financial Officer

General Counsel

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LeighFisher  
Cincinnati, Ohio

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This Official Statement is being used in connection with the sale of the Series 2018 Bonds and may not be reproduced or be used, in whole or in part, for any other purpose. Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the Authority from DTC and other sources that are deemed reliable. No guaranty is made, however, as to the accuracy or completeness of information obtained from such other sources by the Authority, the Financial Advisor or the Underwriters. The delivery of this Official Statement at any time does not imply that information in it is correct as of any time subsequent to its date.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**No dealer, salesperson or other person is authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2018 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.** This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or holders of any Series 2018 Bonds.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY BONDS OTHER THAN THOSE DESCRIBED ON THE COVER PAGE AND INSIDE COVER PAGE, NOR SHALL THERE BE ANY OFFER, SALE OR SOLICITATION OF THE SERIES 2018 BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SALE OR SOLICITATION, AND NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED OR IS AUTHORIZED BY THE AUTHORITY OR THE UNDERWRITERS TO MAKE SUCH OFFER, SALE OR SOLICITATION.

THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

This Official Statement contains certain projections and estimates, as well as assumptions made by and information currently available to the Authority. When used in this Official Statement, the words “anticipate,” “estimate,” “expect” and similar expressions are intended to identify projections and estimates. Such statements are subject to certain risks or uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

## OFFICIAL STATEMENT

*relating to*

### ALBANY COUNTY AIRPORT AUTHORITY AIRPORT REVENUE BONDS

**\$14,770,000 Series 2018A (Non-AMT)**  
**\$7,820,000 Series 2018B (AMT)**

## INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish certain information concerning the Albany County Airport Authority (the “Authority”), the Albany International Airport (the “Airport”), and the Authority’s \$14,770,000 Airport Revenue Bonds, Series 2018A (Tax-Exempt) (the “Series 2018A Bonds”) and \$7,820,000 Airport Revenue Bonds, Series 2018B (AMT) (the “Series 2018B Bonds”; and, collectively with the Series 2018A Bonds, the “Series 2018 Bonds”).

The Series 2018 Bonds are being issued pursuant to (i) the Albany County Airport Authority Act, constituting Title 32 of Article 8, as amended, of the Public Authorities Law of the State of New York (the “Act”); (ii) a resolution (the “Master Resolution”) adopted by the Authority on January 6, 1997; and (iii) a Fourteenth Supplemental Resolution (the “Fourteenth Supplemental Resolution”) adopted by the Authority on November 5, 2018. The Master Resolution, as amended and supplemented, and the Fourteenth Supplemental Resolution are collectively referred to herein as the “Resolution.” The Series 2018 Bonds together with all other bonds of the Authority heretofore or hereafter issued pursuant to the Master Resolution on a parity as to security and payment are collectively referred to herein as the “Bonds.”

The principal of, interest on, and any premium due on the Series 2018 Bonds will be equally and ratably secured by Net Revenues derived by the Authority from the operation of the Airport as defined and described under “SECURITY AND SOURCE OF PAYMENT.”

THE BONDS, INCLUDING THE SERIES 2018 BONDS, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SOLELY FROM THE SOURCES PLEDGED THEREFOR UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE BONDS, INCLUDING THE SERIES 2018 BONDS, ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY, AND NEITHER THE STATE OF NEW YORK NOR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY, SHALL BE LIABLE THEREON. THE BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Resolution. See “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE FOURTEENTH SUPPLEMENTAL RESOLUTION-Definitions”.

## **The Authority**

The Authority is a public benefit corporation established and existing pursuant to the Albany County Airport Authority Act, constituting Title 32 of Article 8 of the New York State Public Authorities Law (the “Act”). The State of New York created the Authority in 1993 and empowered it, among other things, to promote the strengthening and improvement of the Airport and to facilitate the financing and construction of the Terminal Improvement Program (“TIP”) and other capital improvement programs, and gave the Authority the power to manage, operate, maintain, and improve the Airport.

The Authority consists of seven board members, four appointed by the majority leader of the Albany County Legislature and three by the Albany County Executive, who jointly designate one of the seven board members as chairperson, all with the approval of the County Legislature. The chairperson and each of the board members of the Authority are appointed for a four year term and serve until their successor is appointed. See “THE AUTHORITY.”

## **The Airport**

The Airport is owned by the County of Albany (the “County”) and is occupied and operated by the Authority under an Airport Lease Agreement with the County dated December 5, 1995, as amended (the “County-Authority Lease”), pursuant to which the County leased the Airport to the Authority for a term of forty (40) years commencing May 16, 1996. On November 5, 2018 the term of the Lease was extended through December 31, 2049. In the County-Authority Lease, the Authority has covenanted to operate and maintain the Airport on behalf of the County in accordance with the Act. The County has covenanted in the County-Authority Lease, among other things, that the County will not impair the rights of the Authority to fulfill the terms of any agreements made with the holders of the Bonds. See “AIRPORT ACTIVITY - The County-Authority Lease” and “APPENDIX C - SUMMARY OF THE COUNTY-AUTHORITY LEASE.”

The Airport is the primary provider of commercial air transportation serving the east central region of New York State, including the City of Albany, the Capital of the State of New York. The Airport’s primary air trade area (the area from which the Airport draws the majority of its passengers) encompasses 13 counties in east central New York State, including the Albany-Schenectady-Troy and Glens Falls Metropolitan Statistical Areas, as well as Berkshire County, Massachusetts and Bennington County, Vermont. As of November 5, 2018, the Airport had scheduled passenger service provided by twenty-three airlines including five mainline or network airlines and numerous regional affiliate and commuter airlines. Allegiant Airlines has announced new service to start in December 2018. Two all-cargo airlines, FedEx and UPS, provide air cargo service at the Airport. In addition, the Airport provides service to military aircraft and general aviation. In 2017, passenger enplanements at the Airport were 1,417,835 of which substantially all were originating and destination (“O&D”) passengers. Enplanements for the first nine months of 2018 through September 30, 2018, were 1,097,862, or 3.1% above the enplanement levels for the first nine months ended September 30, 2017. See “AIRPORT ACTIVITY - Historical Activity.”

## **Use of Proceeds**

The proceeds of the Series 2018 Bonds together with \$22.1 million in grant funds from the State of New York (the “State”) and other funds of the Authority are being used to provide funds for (i) a portion of the cost of the Upstate Airport Development & Revitalization Project at the Airport and other projects in the Authority’s 2015-2019 Capital Plan, (ii) making the required deposit into the account in the Bond Reserve Fund established with respect to the Series 2018 Bonds, and (iii) paying the costs of issuance of the Series 2018 Bonds. See “THE SERIES 2018 BONDS - Use of the Series 2018A Bond Proceeds” and

“-Use of the Series 2018B Bond Proceeds”. See “SECURITY AND SOURCE OF PAYMENT” - “Application of Proceeds of the Series 2018 Bonds”.

### Security and Source of Payment

The Bonds, including the Series 2018 Bonds, will be secured by a pledge of the Net Revenues derived by the Authority from the operation of the Airport together with certain of the funds and accounts held under the Resolution. **THE BONDS, INCLUDING THE SERIES 2018 BONDS, DO NOT CONSTITUTE A DEBT OF THE STATE OF NEW YORK OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY, NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NEW YORK OR ANY SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY.** See “SECURITY AND SOURCE OF PAYMENT”.

### Outstanding Bonds

The Authority has previously issued Bonds pursuant to the Resolution as follows:

<u>Original Issue Amount</u>	<u>Series</u>	<u>Dated</u>	<u>Supplemental Resolution</u>	<u>Outstanding October 31,2018</u>
\$ 96,305,000	1997A	February 1, 1997	First	\$ -
7,895,000	1999A	September 23, 1999	Second	699,000
18,455,000	1998B	November 15, 1998	Third	-
12,240,000	1998C	November 15, 1998	Third	-
2,374,936	2000A	July 27, 2000	Fourth	-
14,500,000	2000B	December 1, 2000	Fifth	-
8,885,000	2003A	May 15, 2003	Sixth	-
388,316	2004	March 4, 2004	Seventh	-
6,315,000	2006A	June 14, 2006	Eighth	-
7,915,000	2006B	June 14, 2006	Eighth	-
6,330,000	2006C	December 13, 2006	Ninth	-
83,200,000	2008A	January 31, 2008	Tenth	-
105,745,000	2010A	July 29, 2010	Eleventh	62,845,000
4,110,000	2010B	July 29, 2010	Eleventh	-
7,795,000	2017A	March 31, 2017	Thirteenth	7,470,000
<u>6,600,000</u>	2017B	March 31, 2017	Thirteenth	<u>5,875,000</u>
<u>\$389,053,252</u>				<u>\$76,889,000</u>

The Series 2018 Bonds will be secured on a parity with the Outstanding Bonds.

See “APPENDIX A – 2017 FINANCIAL STATEMENTS OF THE AUTHORITY - MANAGEMENT DISCUSSION AND ANALYSIS - LONG-TERM DEBT” for a summary of the amount outstanding for each Series of Bonds Outstanding as of December 31, 2017.

## **Additional Bonds**

The Authority may in the future issue one or more series of Additional Bonds on a parity as to security and payment with the Series 2018 Bonds, and any other series of Bonds then outstanding, subject to the \$285,000,000 statutory cap contained in the Act. See “SECURITY AND SOURCE OF PAYMENT - Additional Bonds”. The Authority is also permitted to incur subordinate indebtedness under the Master Resolution. See “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND FOURTEENTH SUPPLEMENTAL RESOLUTION-Subordinate Lien Obligations”. The Authority has no subordinate debt currently outstanding.

## **Redemption**

The Series 2018 Bonds are subject to redemption prior to maturity, as provided in the Resolution and described under “THE SERIES 2018 BONDS-Redemption of Series 2018 Bonds.”

### **THE SERIES 2018 BONDS**

#### **General**

The Series 2018 Bonds are being issued pursuant to the Act, the Master Resolution and the Fourteenth Supplemental Resolution.

The Series 2018 Bonds will be dated as of their date of delivery and will mature on December 15 of the years and in the amounts shown on the inside front cover hereof. The Series 2018 Bonds will bear interest payable on June 15, 2019 and semiannually thereafter on June 15 and December 15 in each year, at the rates per annum set forth on the inside front cover hereof. Interest on the Series 2018 Bonds will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The Series 2018 Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as the securities depository (the “Securities Depository”) for the Series 2018 Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2018 Bonds. See “Book-Entry-Only System” below.

#### **Redemption of Series 2018 Bonds**

##### *Optional Redemption*

The Series 2018 Bonds maturing on and after December 15, 2029 shall be subject to redemption prior to maturity at the option of the Authority on December 15, 2028 and thereafter, as a whole or in part at any time and from time to time in such order of maturity as the Authority shall determine and by lot within a maturity, from any available moneys in accordance with the terms of the Resolution, at the redemption price equal to the principal amount of each Bond so redeemed plus accrued interest to the date fixed for redemption.

##### *Mandatory Sinking Fund Redemption*

The Series 2018A Bonds maturing on December 15, 2043 are subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount of such Series 2018A Bonds, plus

accrued interest, without premium, in the following principal amounts on December 15 of the years set forth below:

<u>Year</u>	<u>Principal Amount</u>
2039	\$ 905,000
2040	950,000
2041	1,000,000
2042	1,045,000
2043*	1,100,000

\* Final maturity.

The Series 2018A Bonds maturing on December 15, 2048 are subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount of such Series 2018A Bonds, plus accrued interest, without premium, in the following principal amounts on December 15 of the years set forth below:

<u>Year</u>	<u>Principal Amount</u>
2044	\$1,155,000
2045	1,210,000
2046	1,270,000
2047	1,335,000
2048*	1,400,000

\* Final maturity.

*Purchase in Lieu of Mandatory Redemption*

In lieu of redemption from mandatory sinking fund redemptions, the Authority may surrender for cancellation Series 2018A Bonds purchased by it, and such Series 2018A Bonds shall be cancelled. If any Series 2018 Bonds are so cancelled, the Authority will effect a pro rata reduction in the Sinking Fund Installments that are to be allocated to such cancellation.

*Notice of Redemption*

Notice of redemption of the Series 2018 Bonds shall be mailed not less than thirty (30) days prior to a redemption date, by registered or certified mail, to the registered owner of such Series 2018 Bonds at the address as it appears on the registration books. If at the time of the giving of any notice of optional or mandatory redemption there shall not be on deposit with the Paying Agent moneys sufficient to redeem all the Series 2018 Bonds called for redemption, the notice of redemption shall state that the redemption of such Series 2018 Bonds is conditional and subject to deposit of moneys with the Paying Agent sufficient

to redeem all such Series 2018 Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Series 2018 Bonds for which moneys are not on deposit. If the amount on deposit with the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Series 2018 Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Series 2018 Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Series 2018 Bonds to be redeemed and Series 2018 Bonds within a maturity to be redeemed by lot.

For so long as the 2018 Bonds are in book-entry only form, the Securities Depository, as registered owner of all the Series 2018 Bonds, shall receive any such notice. The Securities Depository provides notice of such redemption to its Direct Participants and, in turn, the Direct Participants provide such notice to Indirect Participants. The Direct Participants and the Indirect Participants thereafter provide notice to the Beneficial Owners, all as defined and further described herein under the caption "Book-Entry-Only System." Any notice given in accordance with the provisions of the Resolution is conclusively presumed to have been duly given, whether or not the Beneficial Owner of such Series 2018 Bond receives such notice or otherwise has actual notice of such call for redemption.

### **Use of the Series 2018A Bond Proceeds**

The Series 2018A Bonds are being issued to (i) finance a portion of the cost of the Upstate Airport Development & Revitalization Project (the "Project") at the Airport and other projects in the Authority's 2015-2019 Capital Plan (the "Capital Plan"), (ii) make the required deposit to the Bond Reserve Account for the Series 2018A Bonds, and (iii) pay the costs of issuing the Series 2018A Bonds. See "SECURITY AND SOURCE OF PAYMENT-Application of Proceeds of the Series 2018 Bonds".

The Capital Plan approved by the County of Albany, as amended in 2017, includes the issuance of up to \$38.5 million of bonds to fund projects included in the plan. On August 14, 2018 the State announced a \$92 million Albany International Airport Modernization Project. The Project includes an Airport Highway Access Project funded solely by the State at an estimated cost of \$50 million and a \$42.2 million Airport Modernization Project to which the State is contributing \$22.1 million in grant funding. The Authority intends to use \$14.15 million of the proceeds of the Series 2018A Bonds and other available funds to fund a portion of the Airport Modernization Project. The Project includes:

- Construction of a 1,000 unit, multi-level parking garage, expanding airport parking capacity. The pre-cast concrete garage will provide a heated pedestrian walkway to the airport terminal.
- Energy-efficient LED lights illuminating that bridge to enhance visibility as well as vehicular and pedestrian safety.
- Parking Access Improvements -- The Project will install new LED electronic signage, car counting devices, and interactive access control devices that utilize advanced GPS technology to locate available parking spaces and provide wayfinding messages that direct motorists to them.
- The Project will rehabilitate portions of the terminal, including escalators, restrooms, waiting rooms and the food court. Improvements will include new carpets, wall finishes, tile floors, energy-efficient lighting fixtures and better Internet connectivity.

The Authority will use \$900,000 of the proceeds of the Series 2018A Bonds to fund other capital expenditures included in the Capital Plan.

## **Use of the Series 2018B Bond Proceeds**

The Series 2018B Bonds are being issued to (i) finance \$8 million of project costs in the Capital Plan, (ii) make the required deposit to the Bond Reserve Account for the Series 2018B Bonds, and (iii) pay the costs of issuing the Series 2018B Bonds. See "SECURITY AND SOURCE OF PAYMENT-Application of Proceeds of the Series 2018 Bonds".

The Series 2018B Bonds will be used to fund capital renovations and improvements to general aviation and commercial aviation hangars, fund equipment acquisitions for its Fixed-Base of Operations and fund other capital improvements to the Passenger Terminal buildings.

## **Book-Entry-Only System**

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or other such name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2018A Bonds and the Series 2018B Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interest in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such a maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and redemption premium, if any, and interest on, the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC for further delivery to the record owners of such Series 2018 Bonds.

The information contained in this subsection “Book-Entry-Only System” concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS; (III) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

## **SECURITY AND SOURCE OF PAYMENT**

### **Pledge of Revenues**

The Bonds, including the Series 2018 Bonds, are payable by the Authority from, and are equally and ratably secured by a lien on, Net Revenues derived by the Authority from the operation of the Airport. The Authority has covenanted in the Resolution to duly and punctually pay, or cause to be paid, but solely from Net Revenues pledged under the Resolution, principal of, premium, if any, and interest on the Bonds.

The term “Airport” means the terminal buildings, runways and ramps, public parking facilities and public roads, general aviation area, including all fueling facilities and fixed base operations, and related facilities and land located within the boundaries of the Airport on the date of adoption of the Resolution and such other facilities, properties or airport(s) that are included in the definition of Airport by resolution of the Authority.

Subject to certain exclusions, Revenues are defined under the Resolution to include the total of (a) all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport, including the rates, charges, rentals, fees and any other compensation, and investment income earned by the Authority and (b) the amount on deposit from a prior Fiscal Year in the Development Fund under the Resolution which is transferred or credited by the Authority to the Revenue Fund. Pursuant to the Resolution, passenger facility charge revenues (“PFCs”) can be included in the definition of Revenues by resolution of the Authority. With respect to the Series 2018 Bonds, PFCs are excluded from the definition of Revenues and are not pledged to Bondholders. However, the Authority expects to apply PFCs to Debt Service on its Bonds as described under “Rate Covenant” below. Net Revenues are defined under the Resolution as the aggregate of the Revenues less the aggregate Operation and Maintenance Expenses for any period or year.

THE BONDS, INCLUDING THE SERIES 2018 BONDS, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SOLELY FROM SOURCES PLEDGED THEREFORE UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE BONDS, INCLUDING THE SERIES 2018 BONDS, ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY, AND NEITHER THE STATE OF NEW YORK NOR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF ALBANY, SHALL BE LIABLE THEREON. THE BONDS, INCLUDING THE SERIES 2018 BONDS, SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

For a complete definition of Debt Service, Net Revenues, Operation and Maintenance Expenses and Revenues, see “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE FOURTEENTH SUPPLEMENTAL RESOLUTION-Definitions”.

### **Rate Covenant**

The Authority has covenanted and agreed in the Resolution to impose and prescribe such schedules of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other monies derived therefrom, so that the Airport shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Revenues at least sufficient (i) to pay the principal of and interest and premium, if any, on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Revenues, and (iv) to carry out all provisions and covenants of the Resolution. Without limiting the provisions of the preceding sentence, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected in an amount which will yield Net Revenues in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all Bonds Outstanding.

Pursuant to the Resolution, with respect to any Bonds then Outstanding, Debt Service excludes amounts credited to a Construction Interest Account in the Construction Fund, amounts credited to an Interest Account or Principal Account for the Series of Bonds, including PFCs irrevocably deposited or to be irrevocably deposited in a segregated subaccount therein, and any other available amounts irrevocably deposited under the Resolution for the payment of interest or principal. For the purpose of determining compliance with the rate covenant, Debt Service with respect to the Bonds shall not include an amount equal to PFCs which the Authority has irrevocably deposited in segregated subaccounts in the Interest Account or Principal Account for the Bonds. See “THE AIRPORT-Funding Sources-Passenger Facility Charges.”

None of the projects being financed with the proceeds of the Series 2018 Bonds are eligible to be secured by PFCs. However, the Authority has irrevocably committed to apply at least \$2.5 million toward Debt Service on its Series 2010A Bonds, and it is the Authority’s intention to utilize up to \$5.0 million annually to pay for eligible Debt Service at its discretion. See Consultant’s Report, “APPENDIX F – REPORT OF THE AIRPORT CONSULTANT – Passenger Facility Charges, Debt Service”.

The failure to comply with the rate covenant described above does not constitute an Event of Default under the Resolution if the Authority promptly (i) causes an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport in order to provide funds for all the payments and other requirements specified in the rate covenant, (ii) considers the recommendations of the Airport Consultant, and (iii) takes such action as the Authority, in its discretion, may deem necessary to comply with the rate covenant.

In the event that the rates, rentals, fees and charges imposed by the Authority are insufficient to produce Net Revenues in amounts sufficient to pay the principal of and interest and premium, if any, on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise), the Authority shall implement the recommendations of the Airport Consultant contained in its study; provided that, in preparing its study and making its recommendations, the Airport Consultant shall not make any recommendations that would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is a party.

### **Bond Reserve Fund**

A separate account in the Bond Reserve Fund has been established under the Resolution for the Series 2018 Bonds. This account will be maintained at, and proceeds of the Series 2018 Bonds will be deposited in an amount equal to, the Bond Reserve Fund Requirement for the Series 2018 Bonds. Unless otherwise provided in a Supplemental Resolution with respect to a particular Series of Bonds, amounts on deposit in an account in the Bond Reserve Fund may be disbursed by the Authority solely for the purpose of paying principal of and interest on Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Bond Fund. The holders of any other Series of Bonds shall have no right to payment of principal of or interest on Bonds from or lien on amounts on deposit in such account.

“Bond Reserve Fund Requirement” for the Series 2018 Bonds shall mean the lesser of (i) the greatest amount of principal and interest payable on the Series 2018 Bonds Outstanding, in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2018 Bonds (calculated by dividing the sum of the principal and interest payments on the applicable Series 2018 Bonds by the number of years to the final maturity of such Series of Bonds) or (iii) 10% of the original principal amount of the then currently outstanding Series 2018 Bonds.

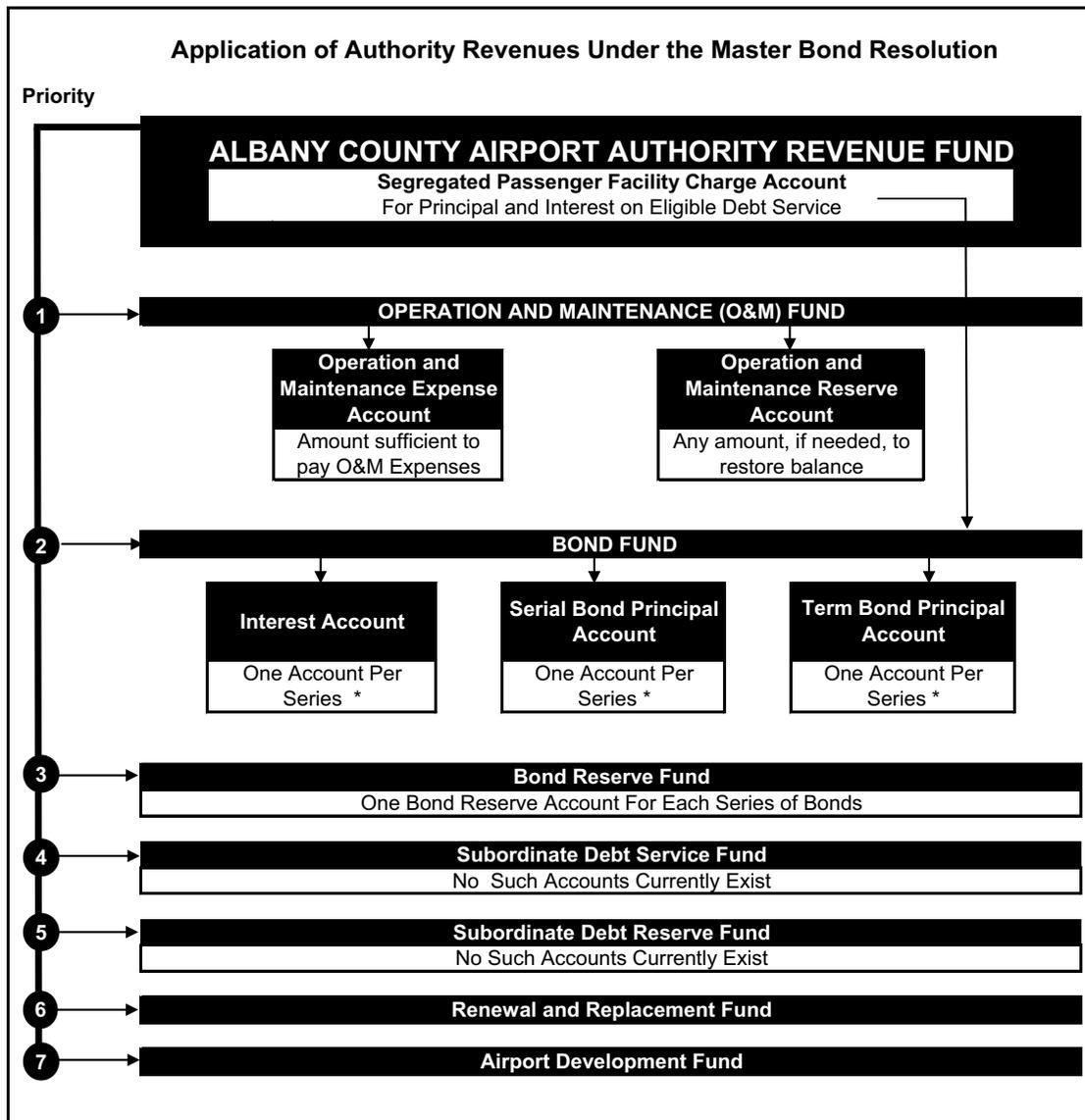
In lieu of the deposit of monies in the Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy for the benefit of the holders of the applicable Series of Bonds or a letter of credit in an amount equal to the difference between the Bond Reserve Fund Requirement and the amounts then on deposit in the Bond Reserve Fund with respect to the applicable Series of Bonds.

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## Flow of Funds

A special fund is created under the Master Resolution and designated the Albany County Airport Authority Revenue Fund (the “Revenue Fund”). The Authority is required to deposit all Revenues, upon receipt thereof, into the Revenue Fund. The Master Resolution requires that monies on deposit in the Revenue Fund be applied solely at such times and in accordance with the priorities established by the Master Resolution.

In addition to the Revenue Fund, the Master Resolution creates Funds and Accounts defined therein and provides for their funding in the following priority:



\* Excludes Passenger Facilities Charge Revenues deposited in a segregated subaccount.

The money in the Revenue Fund shall be used and applied as follows:

First, there shall be deposited each month into the separate Operation and Maintenance Account within the Operation and Maintenance Fund the amount required under the Master Resolution to be used for the purpose of paying the reasonable and necessary expenses of the Authority in administering, operating, maintaining, and repairing the Airport, including the rent required under the County Authority Lease for such month. In each month, there shall be deposited into the separate Operation and Maintenance Reserve Account within the Operation and Maintenance Fund one twenty-fourth (1/24) of the amount estimated by the Designated Financial Officer to be equal to two months Operation and Maintenance Expenses (the "Operating Reserve"), until the Operating Reserve is fully funded and thereafter any amount necessary to maintain the Operating Reserve. The Operating Reserve was fully funded as of November 5, 2018. Deficiencies, if any, in the Operating Reserve will be transferred from monies available in the Development Fund.

Second, there shall be deposited each month into the Bond Fund and the Accounts therein the amount required by the Master Resolution to be used solely for the payment of principal and interest and premium, if any, due upon the Bonds.

Third, there shall be applied each month the amount, if any, required to be deposited in the Bond Reserve Fund with respect to each Series of Bonds under the Master Resolution, except as may be provided in a Supplemental Resolution with respect to a particular Series of Bonds.

Fourth, there shall be deposited each month in the funds and accounts established therefor, the amount necessary to pay principal of, premium, if any, and interest on subordinate bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport. The Authority has not issued any subordinate debt, and no such account currently exists under the Resolution.

Fifth, there shall be applied each month the amount required, if any, to be deposited in any reserve fund or account established with respect to any subordinate bonds, notes, certificates, warrants or other evidences of indebtedness. The Authority has not issued any subordinate debt, and as such no such account currently exists under the Resolution.

Sixth, there shall be applied each month, the amount required, if any, to be deposited in the Renewal and Replacement Fund so that there shall be \$500,000 on deposit in such fund. As of November 5, 2018, the Renewal and Replacement Fund was fully funded. Deficiencies, if any, in the Renewal and Replacement Fund will be made up from transfers of monies available in the Development Fund.

Seventh, after making all deposits and credits required as described in "First" through "Sixth" above, all moneys remaining on deposit in the Revenue Fund shall be deposited in the Development Fund. Amounts in the Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Resolution and thereafter shall be applied to any corporate purpose of the Authority.

The Accounts established under the Bond Fund and the Bond Reserve Fund for the Series 2018 Bonds are pledged as additional security for the Series 2018 Bonds and shall be invested only in Investment Securities, as defined in the Resolution and the Act.

## **Additional Bonds**

Under the Resolution, and subject to the statutory cap described below, the Authority may issue additional Series of the Bonds (the “Additional Bonds”) from time to time for any Airport Purpose by means of a Supplemental Resolution. The following are conditions precedent to the authorization and issuance by the Authority of any Additional Bonds:

(1) The Designated Financial Officer of the Authority shall have found and determined that no Event of Default exists; and

(2) Either (i) the Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority the Net Revenues for that Fiscal Year as derived from said audited financial statements shall have equaled not less than one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or amounts on deposit in the Construction Interest Account with respect to such project or projects are fully expended, whichever is later, or (b) Refunding Bonds or Bonds that are not issued to fund Project Costs are issued, shall equal not less than the greater of either one hundred twenty-five percent (125%) of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds or one hundred percent (100%) of all claims, charges or obligations to be payable from Net Revenues.

The Supplemental Resolution authorizing the issuance of such Series of Additional Bonds shall provide for the disposition of the proceeds thereof.

For the purpose of determining compliance with the requirements for the issuance of Additional Bonds, Debt Service shall not include an amount equal to PFCs which the Authority has irrevocably deposited in segregated accounts in the Interest Account or Principal Account for the Bonds. See “THE AIRPORT-Funding Sources-Passenger Facility Charges”.

The Authority may, at any time and from time to time, issue one or more Series of Additional Bonds to complete any project for which Bonds have been previously issued, in an amount not to exceed fifteen (15%) of the principal amount of the initial Series of Bonds issued to finance such project without complying with the provisions described above.

The Authority may, at any time and from time to time, issue one or more Series of Refunding Bonds upon compliance with the provisions described above. The Authority need not comply with these provisions with respect to Refunding Bonds issued for the purpose of refunding at any time only part of the Bonds, provided that the aggregate Debt Service on the Refunding Bonds shall not be greater than the aggregate Debt Service on the Bonds refunded.

See “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE FOURTEENTH SUPPLEMENTAL RESOLUTION-Additional Obligations of the Authority,” “-Additional Bonds of the Authority,” “-Completion Bonds,” and “-Refunding Bonds” therein.

The Act authorized the Authority to issue bonds in the aggregate principal amount not to exceed \$285,000,000, the statutory cap in effect as of the date of this Official Statement. In addition, the Authority is authorized to issue refunding bonds, provided that upon a refunding, the aggregate principal amount of bonds outstanding under the Act may be greater than \$285,000,000 only if the present value of the aggregate debt service of the refunding bonds does not exceed the present value of the aggregate debt service of the refunded bonds. Upon issuance of the Series 2018 Bonds, the Authority's remaining borrowing capacity for non-refunding purposes under the Act will be approximately \$185,521,000.

**Application of Proceeds of the Series 2018 Bonds**

The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2018 Bonds.

Estimated Sources and Uses of Funds

<u>Sources of Funds*</u>	Series 2018A <u>(Non-AMT)</u>	Series 2018B <u>(AMT)</u>	<u>Total</u>
Principal Amount	\$14,770,000	\$7,820,000	\$22,590,000
Original Issue Premium	<u>1,448,542</u>	<u>827,384</u>	<u>2,275,926</u>
 Total Sources	 \$16,218,542	 \$8,647,384	 \$24,865,926
 <u>Uses of Funds</u>			
Deposit to Project Accounts*	\$15,000,000	\$8,000,000	\$23,000,000
Deposit to Bond Reserve Fund	962,543	513,207	1,475,750
Underwriters' Discount	77,774	40,777	118,551
Cost of Issuance **	<u>178,225</u>	<u>93,400</u>	<u>271,625</u>
 Total Uses	 \$16,218,542	 \$8,647,384	 \$24,865,926

\* The Series 2018 Bonds represent one source of funding for the Project and other capital projects. The State has agreed to provide \$22,131,900 under an Aviation Project Funding Agreement, which will be used along with \$14,150,000 of the Series 2018A Bond proceeds and other funds of the Authority to fund the Project.

\*\* Includes legal fees, airport consultant fees, financial advisor fees, rating agency fees and miscellaneous fees and expenses.

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## Debt Service Schedule

The following schedule sets forth the Debt Service requirements for the Authority's Outstanding Bonds as of November 15, 2018 and the Debt Service requirements for the Series 2018 Bonds.

Year Ending December 31,	Outstanding Debt Service *	Series 2018A Debt Service	Series 2018B Debt Service	Combined Series 2018 Debt Service	Total Debt Service
2018	\$10,754,566	\$ -	\$ -	\$ -	\$10,754,566
2019	10,385,696	771,322	703,378	1,474,700	11,860,396
2020	9,686,381	738,500	736,250	1,474,750	11,161,131
2021	9,694,381	738,500	733,250	1,471,750	11,166,131
2022	9,699,881	738,500	734,500	1,473,000	11,172,881
2023	9,707,881	738,500	734,750	1,473,250	11,181,131
2024	9,600,881	738,500	734,000	1,472,500	11,073,381
2025	9,594,631	738,500	732,250	1,470,750	11,065,381
2026	9,608,463	738,500	734,500	1,473,000	11,081,463
2027	1,089,575	738,500	735,500	1,474,000	2,563,575
2028	1,096,950	738,500	735,250	1,473,750	2,570,700
2029	1,084,925	738,500	733,750	1,472,250	2,557,175
2030	1,085,431	738,500	731,000	1,469,500	2,554,931
2031	358,863	738,500	732,000	1,470,500	1,829,363
2032	363,056	738,500	731,500	1,470,000	1,833,056
2033	361,450	738,500	734,500	1,473,000	1,834,450
2034	253,800	933,500	540,750	1,474,250	1,728,050
2035	244,400	1,473,750	-	1,473,750	1,718,150
2036	-	1,471,500	-	1,471,500	1,471,500
2037	-	1,472,500	-	1,472,500	1,472,500
2038	-	1,471,500	-	1,471,500	1,471,500
2039	-	1,473,500	-	1,473,500	1,473,500
2040	-	1,473,250	-	1,473,250	1,473,250
2041	-	1,475,750	-	1,475,750	1,475,750
2042	-	1,470,750	-	1,470,750	1,470,750
2043	-	1,473,500	-	1,473,500	1,473,500
2044	-	1,473,500	-	1,473,500	1,473,500
2045	-	1,470,750	-	1,470,750	1,470,750
2046	-	1,470,250	-	1,470,250	1,470,250
2047	-	1,471,750	-	1,471,750	1,471,750
2048	-	1,470,000	-	1,470,000	1,470,000
<b>Total</b>	<b>\$94,671,211</b>	<b>\$32,656,072</b>	<b>\$11,517,128</b>	<b>\$44,173,200</b>	<b>\$138,844,411</b>

\* Interest requirements have been reduced by estimated subsidies with respect to future interest payments on the Series 1999A Bonds issued through the NYS Environmental Facilities Corporation with a final maturity in 2019. Debt Service for the Year Ending 2018 does not include debt service payments made prior to November 15, 2018.

## THE AUTHORITY

### General

The Authority was created in 1993 as a body corporate and politic constituting a public benefit corporation existing pursuant to the provisions of the Act. The Authority consists of seven (7) board members, four (4) appointed by the majority leader of the County Legislature and three (3) by the County Executive, who jointly designate one of the seven (7) board members as chairperson, and all with the approval of the County Legislature. The chairperson and each of the board members of the Authority are appointed for a four (4) year term and serve until their successor is appointed.

The present board members of the Authority, their occupations and the dates on which their terms expire are set forth below.

<u>Name</u>	<u>Occupation</u>	<u>Expiration of Term*</u>
Rev. Kenneth J. Doyle	Chancellor, Roman Catholic Diocese of Albany	December 31, 2019
Patricia M. Reilly	Patricia Reilly Consulting	December 31, 2016
Anthony Gorman	Vice President, The Gorman Group	December 31, 2020
Lyon M. Greenberg, MD	Founder of Capital Region Head & Neck Group	December 31, 2021
Kevin R. Hicks, Sr.	Retired President Regional Council of Carpenters	December 31, 2020
Steven H. Heider	Retired Colonie Chief of Police	December 31, 2017
Samuel A. Fresina	President, New York State Professional Firefighters Association	December 31, 2020

\* Members continue to serve until reappointed or replaced.

### Senior Management

The senior staff of the Authority consists of the following individuals:

<u>Staff</u>	<u>Title</u>	<u>In Position Since</u>
John A. O'Donnell, PE	Chief Executive Officer	September 2003
William J. O'Reilly, CPA	Chief Financial Officer	June 2008
Peter F. Stuto, Esq.	General Counsel	October 1996

JOHN A. O'DONNELL, PE, is the Chief Executive Officer of the Authority, responsible for the oversight of the affairs of the Authority including the oversight of the two management companies (AFCO AvPorts Management, LLC ("AFCO AvPorts") and Million Air Go-Albany, Inc. (d/b/a "Million Air-Albany") contracted by the Authority to manage the day-to-day operations of the Airport. Mr. O'Donnell

was hired by the Authority in 1996 to oversee the Airport's redevelopment and was later promoted to Chief Operating Officer. Mr. O'Donnell was previously Director of Consultant Services for the Office of General Services for the State of New York. Before that, Mr. O'Donnell was Assistant to the Chief Engineer of Callanan Industries.

WILLIAM J. O'REILLY, CPA, is the Chief Financial Officer of the Authority, responsible for financial planning, budgeting, operating and capital accounting procedures and controls, financial policies and procedures, cash and debt management, issuance of debt, post debt issuance compliance, financial reporting, original and continuing disclosure, procurement, insurance, information technology, and air service development. Mr. O'Reilly was previously employed from 1986-2008 by the Office of the State Comptroller for the State of New York where he held positions in accounting, auditing, public authority administration, debt issuance & management, and budget and policy analysis.

PETER F. STUTO, Esq., is the General Counsel, responsible for the day-to-day legal affairs of the Authority. Mr. Stuto was most previously Senior Assistant Counsel in the Office of the Majority Counsel of the New York State Assembly. Mr. Stuto has held positions of financial consultant with Merrill Lynch, attorney with Hiscock & Barclay, LLP, and Floor Counsel to New York State Senate Minority Leader.

### **Airport Management**

The Authority is responsible for the efficient planning, development, administration, operation and financial condition of the Airport. The Authority, as landlord, rents space and assesses fees and charges to the airlines and businesses providing goods and services to the traveling public and to the civilian, business, governmental and military users of the Airport. The Authority is responsible for all financial matters, grant management, environmental affairs, construction, planning, engineering, marketing, advertising, economic development, concession oversight, contract management and all legal services. Pursuant to a contract, the Authority employs the services of AFCO AvPorts and Aviation Facilities Company, Inc. to manage the daily operations and maintenance of the Airport and the services of Million Air-Albany to manage the daily operations of the fixed base operator (the "FBO"). The Authority has a revenue and expense sharing agreement with AFCO Cargo ALB Limited Partnership ("AFCO") to manage and promote the Air Cargo Facility.

#### *Airport Operations*

AFCO AvPorts is an aviation management company holding contracts at eight airports in the northeast providing varying levels of airport management services. At the Airport, AFCO AvPorts has the daily responsibility, under the policies and direction from the Authority, for airport operations, airside security, Aircraft Rescue and Fire Fighting ("ARFF"), terminal and vehicle maintenance and the parking facilities. AFCO AvPorts has been under contract with the Authority since 2005 and its contract expires December 31, 2021. The Authority intends to award a contract for a term of service that begins January 1, 2022 by competitive procurement. AFCO AvPorts is reimbursed by the Authority for its actual payroll expenditures based on an employment level approved annually by the Authority and is paid a fixed management fee by the Authority. Almost all of the employees hired by AFCO AvPorts at the inception of its contract were previously employed at the Airport by the Airport's previous management company which AFCO AvPorts succeeded. Most of the AFCO AvPorts employees at the Airport are represented by collective union agreements that would likely remain in the place if there were a change in the Airport management company.

### *Fixed Base Operations- FBO*

The Authority owns the only FBO and fuel tank farm at the Airport. The FBO provides into-plane fueling via truck and aircraft de-icing to the commercial airlines serving the Airport and general aviation customers as well as aircraft parking and storage (hangar/tie-down). The Authority also owns and provides self-service general aviation fueling facilities.

The Authority contracted with REW Investments, Inc. d/b/a Million Air – Albany (hereinafter, “Million Air-Albany”) to manage and operate the FBO and fuel farm. Million Air Interlink has provided a Guarantee of the Performance of Million Air-Albany under the contract. Million Air Interlink, Inc. is a nationally recognized company that provides upscale aviation services at 31 locations in the United States, Canada, Caribbean and China. Million Air Interlink generally provides FBO Services to airports under three types of arrangements: franchise agreements, direct ownership and management agreements. Million Air-Albany and the Authority have entered into a management agreement (“FBO Agreement”) pursuant to which Million Air-Albany has daily responsibility, under policies and direction from the Authority, for the fixed based operations including commercial into-plane fueling, de-icing, fuel farm management, and general aviation handling and fueling.

The Authority owns all of the general aviation assets which comprise the fuel farm, hangars and offices. Under the FBO Agreement, Million Air-Albany provides the staff, training and operating plan while all financial aspects of the operation are borne by the Authority. The Authority controls all pricing, including setting fuel prices for private aviation and into-plane fueling fees for the commercial airlines. Pursuant to the FBO Agreement, Million Air-Albany is reimbursed for its actual payroll expenditures based on an employment level approved by the Authority and receives a fixed fee from the Authority with added incentives based on the growth in revenues associated with FBO services.

Million Air-Albany is in its sixth year of contract at the Airport. The current Agreement with Million Air-Albany began September 1, 2013 and ends August 31, 2019.

### *Cargo Facility Operations*

The Authority has entered into an Operating Agreement with AFCO for a 25 year term commencing October 1, 1998 for the operation of the Air Cargo Facility. With the Authority’s approval, AFCO has executed Cargo Carrier Lease Agreements with FedEx, UPS, and GAT Airline Ground Support.

## **AIRPORT ACTIVITY**

### **The Air Trade Area**

The Federal Aviation Administration (“FAA”) defines the Airport as a small air traffic hub which is an airport with enplaned passengers between 0.05% to 0.249% of the total enplaned passengers by all U.S. air carriers nationwide.

The Authority defines the area within a 60 to 70 mile radius of the Airport as the primary air trade area (“Primary Air Trade Area”). This area encompasses a total of 13 counties, including the Albany-Schenectady-Troy Metropolitan Statistical Area (“MSA”), consisting of the New York counties of Albany (the county in which the Airport is located), Saratoga, Schenectady, and Rensselaer; the Glens Falls MSA, consisting of the New York counties of Warren and Washington; the additional New York counties of Columbia, Fulton, Greene, Montgomery, and Schoharie; Berkshire County, Massachusetts; and Bennington County, Vermont. The Airport is the primary provider of commercial air transportation in the Primary Air

Trade Area. The Airport serves the City of Albany, the capital of the State of New York, and the major neighboring cities of Rensselaer, Saratoga Springs, Schenectady and Troy.

The population of the Primary Trade Area was estimated by the U.S. Census Bureau in 2017 to be approximately 1.4 million people. The area includes approximately 30 employers with more than 1,000 employees, the largest employer being the State with approximately 51,800 employees. The area includes 33 colleges and universities and 16 general-care hospitals and offers a rich variety of cultural, recreational, and educational resources and activities. In 2017, there were 136,000 college students registered in the Primary Air Trade Area. The Primary Air Trade Area, with the College of Nanoscale Science and Engineering at the SUNY Polytechnic Institute campus in Albany, is a leader in nanotechnology. Albany County is at the center of a 19-county region in eastern New York State branded as “Tech Valley”. Computer chip manufacturer GlobalFoundries began production at a \$4.2 billion computer chip manufacturing complex in the town of Malta located 20 miles north of the Airport in 2012. The plant is located in the Luther Forest Technology Campus and is named “FAB 8” and is one of two chip fabrication facilities operated by GlobalFoundries inside the United States. GlobalFoundries operates 10 other chip fabrication facilities, 9 of which are outside the United States.

The 2016 per capita personal income in the Albany-Schenectady-Troy MSA was \$53,727, compared to \$49,820 nationally. The unemployment rate in the Albany-Schenectady-Troy MSA was 3.7% in August of 2018 as compared to 4.2% for New York State and 3.9% for the United States.

### **Competing Airports**

Portions of the Authority’s Primary Air Trade Area are served by other airports. There are a number of factors that affect passengers’ choice of airport including number of destinations, flight frequency, nonstop services, airfare levels and convenience. The closest competing airports to the Airport are Stewart International in Newburgh, New York (92 driving miles from Albany; 6 cities served nonstop), Bradley International in Hartford, Connecticut (107 driving miles from Albany; 32 cities served nonstop), Westchester County Airport (142 miles, 13 destinations served nonstop); Hancock International in Syracuse, New York, (143 driving miles from Albany; 13 cities served nonstop) and Greater Binghamton in Binghamton, New York (149 driving miles from Albany; 4 cities served nonstop). The Airport currently serves 20 cities nonstop.

### **Airline Use and Lease Agreement**

American, Cape Air, Delta, JetBlue, Southwest, and United, (each a “Signatory Airline”) are each a party to an Airline Use and Lease Agreement (the “Use Agreement”) in effect as of January 1, 2016. The Use Agreement has a 5-year term expiring on December 31, 2020, with an option to extend the term for an additional 5 years. The Signatory Airlines are required to give formal notice of their intent to extend the term of the Use Agreement by June 30, 2020. For the Use Agreement to be extended, a minimum of two Signatory Airlines must give notice of intent to renew.

The Airport’s financial structure includes fourteen (14) cost centers: Terminal, Loading Bridges, Airfield, Landside, Parking, Fixed Based Operations-Commercial, Fixed Based Operations-General Aviation and Facilities (direct cost centers), Operations, Vehicle/Equipment Maintenance, ARFF, Security, AvPorts Administration, Million Air Administration and Authority Administration (indirect cost centers). In general, the rate formulas under the Use Agreement provide that the total financial requirement of each cost center be determined first with specific offsets applied to each requirement. The net requirement is then divided by an appropriate usage factor to determine the landing fee rate, the terminal rental rate, the aircraft loading bridge rate, and the aircraft apron fee applicable to each of the Signatory Airlines.

The Use Agreement provides an income sharing mechanism by which Signatory Airlines will receive a percentage of Airport income (as defined in the Use Agreement) (i.e., the Net Revenues remaining after paying all operating and maintenance expenses and debt service, and funding all Resolution requirements) during the term of the Use Agreement in the form of rate offsets. The Authority has also committed to fund Debt Service Coverage (as defined in the Use Agreement) to the extent funds are available, but the Signatory Airlines are committed to pay such Debt Service Coverage if funds are not otherwise available. An Extraordinary Coverage Protection (as defined in the Use Agreement) provision provides that rates for rentals, fees and charges can be adjusted at any time to ensure that the Authority complies with its obligations under the Resolution to collect Net Revenues at least equal to one hundred twenty five percent (125%) of Debt Service on all Bonds Outstanding. The Authority has not included Extraordinary Coverage Protection in the calculation of airline rates and charges in the past. The Signatory Airlines have collective rights under the Use Agreements to disapprove certain Airport capital expenditures in the future, provided the disapproving Signatory Airline individually or in the aggregate represents a majority-in-interest (“MII”) as defined under the Use Agreement. See “APPENDIX D - SUMMARY OF THE AIRLINE USE AND LEASE AGREEMENT”.

### **Cargo Carrier Airfield Use Agreement**

The Authority has entered into a Signatory Cargo Carrier Airfield Use Agreement (the “Cargo Carrier Agreement”) with each of FedEx and UPS (each a “Signatory Cargo Carrier”). The Cargo Carrier Agreement, as defined herein, is similar to the Use Agreement, but with some notable exceptions. The Cargo Carrier Agreement is purely a use agreement. There are no real estate provisions included, as cargo leasing arrangements are addressed under separate cargo airline lease agreements. Airport rentals, fees and charges addressed in the Cargo Carrier Agreement relate primarily to the Airfield Cost Center. Landing fees payable by the Signatory Cargo Carriers are calculated in the same manner as the landing fee rates under the Use Agreement. The Signatory Cargo Carriers participate in revenue sharing only with respect to the twenty percent (20%) allocation of the airlines’ share of revenue sharing applicable to the airfield. The Signatory Cargo Carriers are also subject to the Extraordinary Coverage Protection and MII project voting provisions described above for Signatory Airlines, but only with respect to the Airfield Cost Center. The Cargo Carrier Agreement has a 5-year term expiring December 31, 2020, with an option to extend the term for an additional 5 years. The Signatory Cargo Carriers are required to give formal notice of their intent to extend the term of the Cargo Carrier Agreement by June 30, 2020.

The Authority has also entered into an Operating Agreement with AFCO effective October 1, 1998 with a 25 year term for the operation of the Air Cargo Facility. The Operating Agreement provides that operating income shall first be applied to the payment of Debt Service on the Series 1998C Bonds, which are fully retired. The Operating Agreement provides that 50% of the net income from operation of the Air Cargo Facility, after payment of all operating expenses, including management fees to an affiliate of AFCO, shall be paid to AFCO as its operating fee. With the Authority’s approval, AFCO has executed cargo carrier lease agreements with FedEx and UPS (each, a “Cargo Carrier Lease Agreement”). GAT Airline Ground Support, a ground handling company servicing receipt and delivery of belly freight for the commercial airlines, leased 7,500 square feet of space in the Air Cargo Facility.

### **Airlines Serving the Airport**

As of August 31, 2018, scheduled passenger service at the Airport was provided by twenty-three airlines and express carriers, including five (5) major airlines, American, Delta, JetBlue, Southwest, and United. Three of the five major airlines provide mainline carrier service along with affiliated express or regional carrier service. Frontier Airlines began service in September 2018. Allegiant Airlines announced it will begin service at the Airport in December 2018. See “INVESTMENT CONSIDERATIONS - Effect

of Airline Industry Consolidation and Affiliation.” As of August 31, 2018, two all-cargo carriers (i.e. FedEx and UPS) provide regular scheduled cargo service at the Airport.

Enplanements are diverse across the full group of major and regional airlines servicing the Airport. A table listing the airlines providing passenger and cargo service at the Airport as of December 2016, December 2017 and August 2018 is included in the section entitled “Historical Airline Traffic” appearing in the Report of the Airport Consultant. See “APPENDIX F - REPORT OF THE AIRPORT CONSULTANT”.

### **Historical Activity**

The following table presents historical data on enplaned passengers at the Airport and the nation for 2005 through 2017. From 2005 through 2013, enplanements at the Airport decreased by 21.6% due to a loss of service by a regional airline generating “micro-hub” activity and the economic recession and its impact on airline solvency. Beginning in 2013, enplanements at the Airport increased 15.7%. The Airport ranked 80th in total passenger enplanements among airports nationwide in 2017, the most recent year for which such rankings are currently available from the FAA.

The Authority’s budget adopted for 2018 projects enplanements for 2018 to be 1,400,000. The Authority currently forecasts enplanements will equal or exceed 2017 based on year-to-date activity through September 30, 2018 and available airport seat capacity announced thus far for 2018. See “APPENDIX F - REPORT OF THE AIRPORT CONSULTANT”.

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## Historical Enplanements

Airport Fiscal Year	Airport Enplanements <sup>1,2</sup>	Growth	United States Enplanements	Growth	Market Share
2005	1,550,402	-0.4	737,186,789	-0.4	0.21
2006	1,447,553	-6.6	739,308,556	0.3	0.20
2007	1,440,385	-0.5	763,505,561	3.3	0.19
2008	1,380,483	-4.2	736,470,443	-3.5	0.19
2009	1,318,819	-4.5	697,998,338	-5.2	0.19
2010	1,264,381	-4.1	713,762,041	2.3	0.18
2011	1,242,399	-1.7	726,007,934	1.7	0.17
2012	1,244,976	.02	732,953,948	1.0	0.17
2013	1,215,987	-2.3	740,180,186	1.0	0.16
2014	1,231,385	1.2	762,183,111	3.0	0.16
2015	1,298,210	5.5	800,136,728	5.0	0.16
2016	1,407,434	8.5	830,075,201	3.7	0.17
2017	1,417,835	0.7	857,678,137	3.3	0.17

<sup>1</sup> Decrease in enplanements in 2006 is principally due to loss in service by regional airline generating “micro-hub” activity. Decrease in enplanements from 2007-2013 is the result of economic recession and airline bankruptcy and consolidations during that period.

<sup>2</sup> Enplanements include total revenue passenger enplanements for U.S. mainline and regional carriers.  
Sources: Bureau of Transportation Statistics T-100 Market data.

## The County-Authority Lease

The Authority occupies and operates the Airport under an Airport Lease Agreement with the County dated December 5, 1995 (as amended, the “County-Authority Lease”). The lease term was forty (40) years, commencing May 16, 1996. On November 5, 2018 the lease term was extended to December 31, 2049. At expiration of the County-Authority Lease, the Airport and any improvements, including land acquired by the Authority during that term become the property of the County. In addition, the Authority has replaced the County as the sole sponsor for purposes of entering into grant agreements with and receiving any grant moneys from the FAA and the State, and the Authority has been granted authority to impose and use PFCs. The County-Authority Lease provides that certain payments made by the Authority to the County will be treated as rent payable as a cost of operation and maintenance of the Airport, including debt service on County obligations issued to finance improvements at the Airport made prior to the County-Authority Lease. The final payments for the County obligations issued to finance improvements at the Airport were timely made in 2014. All revenues generated from the operation of the Airport are under the exclusive use and control of the Authority under the County-Authority Lease. Additionally, as a recipient of federal grants the Authority and the County are bound by certain grant assurances and limitations on the use of Airport revenue that prohibit diversion of the Airport’s revenue to other governmental entities including the County. See “APPENDIX C - SUMMARY OF THE COUNTY-AUTHORITY LEASE”.

## New York State Police Land and Facility Lease Agreement

The Authority and the Division of New York State Police (the “Division”) entered into a Land and Facility Lease Agreement (the “Lease Agreement”) effective April 1, 2000 with a thirty (30) year term for land and improvements (the “Leased Premises”) on the Airport which provides for an absolute net lease with remaining net annual rental payments of \$1,247,083 in monthly installments through March 31, 2030. The Division uses the Leased Premises for the maintenance and operations of the Division’s aircraft and

related equipment, and for other necessary office and maintenance and incidental purposes related to the Division's aircraft operations. The obligations of the Division to pay rental payments under the Lease Agreement constitute a current expense of the Division subject to annual appropriation by the State of New York. The obligation under the Lease Agreement does not constitute a debt of the Division or the State of New York under any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the State of New York, nor does the Lease Agreement constitute a pledge of general tax revenues, funds or monies of the State of New York.

## **THE AIRPORT**

The Airport encompasses approximately 1,200 acres located in the Town of Colonie, New York in the northernmost township in Albany County. Located seven miles from downtown Albany, the Airport is bounded by several major roadways which provide highway access to the four cities of Albany, Rensselaer, Schenectady and Troy. Primary highway access is currently provided via I-87 Exit 4 and NYS Route 7, via Route 155 (Albany-Shaker Road), both less than a quarter mile from the Airport. Direct access to I-87 is anticipated in the future with the construction of a new Exit 4 on I-87 (currently in design by the New York State Department of Transportation).

### **Airfield Facilities**

The airfield includes two intersecting runways. The primary north/south runway, Runway 1/19, is 8,500 feet long and 150 feet wide. The secondary (cross-wind) runway, Runway 10/28, is 7,200 feet long and 150 feet wide. The Airport routinely handles narrow body aircraft including A319s, A320s, 727s, 737s, 757s and DC-9s. Navigational aids include an airport and enroute navigational system on the Airport. The airfield also has air surveillance radar (ASR-9) and two transmissometer facilities to measure runway visibility. Both runway ends on Runway 1/19 are equipped with precision instrument landing systems and medium intensity approach lighting systems with runway alignment indicator lights and high intensity runway edge lights.

### **Passenger Terminal Facilities**

The three level passenger terminal facility was completed in 1998 and encompasses approximately 290,000 square feet of terminal and concourse space with 17 gates and 21 aircraft parking positions. Currently, fourteen gates are equipped with jetways for enclosed passenger loading and unloading. The ground level of the terminal houses airline ticketing and office areas, baggage make-up and claim, and rental car and other ground transportation facilities. On the second floor, passengers pass through a central security screening point to departure lounges in three concourses. Passenger concessions and a business center are located within the second floor passenger area. The third level accommodates the Airport Manager offices and a conference facility. HMS Host Corporation operates six of the eight food and beverage concession locations and Paradies operates the four retail store locations.

### **Airport Concessions**

#### *On-site Airport Concessions*

The Authority receives a percentage of gross sales from on-Airport concessionaires. Revenue is primarily derived from concessions including: car rental, food and beverage, retail, advertising, and less significantly bank ATM machines, foreign currency exchange, vending machines and baggage cart rentals. Many, but not all, of the current concession contracts provide the Authority with a minimum of annual

guaranteed revenue if the concession fees based upon a percentage of sales falls below the minimum guaranteed amount. The following table presents a summary of the current minimum annual guarantee from the major on-site concessionaires and contract termination dates.

<u>Concessionaire</u>	<u>Type of Concession</u>	<u>Minimum Annual Guarantee (MAG) for 2018</u>	<u>Contract Termination Date</u>	<u>MAG as a percentage of Total</u>
Hertz Corporation <sup>1</sup>	Car Rental	\$1,447,800	12/31/2018	23.8%
Avis <sup>1</sup>	Car Rental	828,000	12/31/2018	13.6
The Paradies Shops	Retail Sales	667,000	12/31/2023	11.0
Budget <sup>1</sup>	Car Rental	644,155	12/31/2018	10.6
HMS Host Corporation	Food	501,000	12/31/2024	8.2
Enterprise <sup>1</sup>	Car Rental	478,975	12/31/2018	7.9
Alamo <sup>1</sup>	Car Rental	396,350	12/31/2018	6.5
National Car Rental <sup>1</sup>	Car Rental	382,498	12/31/2018	6.3
OHM Concessions Group	Food	342,800	02/29/2028	5.6
Lamar Advertising	Advertising	300,000	04/30/2022	4.9
McDonalds Corporation <sup>2</sup>	Food	72,725	12/31/2018	1.2
Travelex	Foreign Currency	26,000	04/30/2019	0.4
<b>Total</b>		<b>\$6,087,303</b>		<b>100%</b>

1 Avis and Budget, and Enterprise, Alamo and National Car Rental, are related companies operating with different product lines. The Authority is in negotiations and expects to extend these contracts for a new ten year term.

2 The Authority is conducting a Request for Proposals for the location currently occupied by McDonalds.

### *Airport Operating Permit Fees*

In addition to on-site Airport concession fees, the Airport also imposes airport operating permit fees on off-airport businesses that derive substantial benefit from accessing the Airport. The most significant of these types of business are off-Airport parking operations, off-Airport car rentals and taxi service operations. These businesses do not provide any guaranteed revenue. There is currently only one off-Airport parking shuttle operator, one off-Airport car rental, and one Airport-based taxi service. The off-Airport parking operator and the off-Airport car rental pay a fee of 10% of all gross revenues. The Airport-based taxi service pays a fee of \$2.00 per entrance. In 2017, off-Airport parking permit fees paid were approximately \$196,000, off-Airport car rental fees paid were approximately \$93,000 and the Airport-based taxi service fees paid were approximately \$70,000. On June 29, 2017, the effective date of the New York Transportation Network Company Services Act, applicable to all areas of the State other than the City of New York, the Authority began issuing Transportation Network Company (“TNC”) operating permits which, among other things, require a TNC operator to pay a fee of \$2 per drop-off and a \$2 fee per pickup. Lyft signed the permit effective June 29, 2017 and paid \$114,000 in TNC permit fees for the twelve months ended September 30, 2018. RASIER-NY, LLC, operating under the trade dress of Uber, recently signed the TNC operating permit effective November 5, 2018. Permits for Lyft and RAISER-NY, LLC expire in June of 2019 and the Authority anticipates thereafter issuing TNC permits for one- year terms. The Airport also charges permit or entrance fees to hotel shuttle operators and limousines. These fees promote preservation of on-Airport parking revenue as well as generate additional revenue.

## **Public Parking and Access Roads**

The five level parking garage has 2,219 spaces which includes 307 spaces used by the rental car companies. In addition, the Airport has 222 short-term and 1,792 long-term ground level parking spaces in close proximity to the parking garage. The parking garage is connected to the terminal by a second floor pedestrian bridge. The Airport also has a remote parking lot which includes 2,763 parking spaces. Shuttle buses provide transportation from the remote parking lot to the terminal. There are 355 additional parking spaces set aside for visitors, flight crew and employees. As of September 30, 2018, there are 6,814 parking spaces. There will be no reduction in parking spaces during construction of the new parking garage as the above counts do not include the parking spaces at the site of construction of the new garage and access road. Prior to September 30, 2018 the Authority reduced public parking spaces by 188 long-term surface spaces. Due to the use of long-term parking valet operations in the long-term lot potential reduction in parking revenues has been minimized.

The Airport's access-exit road intersects with Albany-Shaker Road, a four-lane road which runs between I-87 Exit 4 and NYS Route 7. The Airport also has access from I-87 Exit 5 through the rear of its remote economy lot served by airport shuttle. Direct access to I-87 is anticipated in 2020 with the construction of a new Exit 4 on I-87 (currently in design by the New York State Department of Transportation).

## **Air Cargo Facilities**

The 50,500 square foot Air Cargo Facility opened in October of 1998. The Air Cargo Facility is operated under an agreement with AFCO. See "AIRPORT ACTIVITY-Cargo Carrier Airfield Use Agreement."

## **General Aviation Facilities**

The general aviation facilities consist of four T-hangars with 10 units each and 17 tie-down parking spaces located in the southeast quadrant of the Airport as well as a self-service fueling station for use by general aviation pilots. One T-hangar also has a 5,000 square foot general aviation hangar attached.

In September 2005, the Authority purchased the fixed assets and fuel inventory located on the Airport previously owned by Aircraft Services International Group (ASIG). The Authority has employed the services of a contractor that is a Related Party to and guaranteed by Million Air Interlink to perform the daily operations of the general aviation facilities which include a 30,000 square foot office/hanger facility plus an additional 100,000 square feet of hangar facilities for storage of aircraft, into-plane fuel delivery and deicing and the management and operation of the Airport Fuel Farm which is classified as a Major Oil Storage Facility under State Regulations.

## **Airport Rescue and Fire Fighting Facility ("ARFF Facility")**

The current ARFF Facility opened in 2002 and is located in the southwest quadrant of the Airport. The Authority's administrative offices are located in the old ARFF facility.

## **Airport Capital Improvement Programs**

### *Capital Improvement Programs (“CIPs”)*

The Authority, similar to other airport operators, regularly undertakes capital improvements to maintain the Airport and comply with statutes and regulations (e.g., environmental, ADA, etc.). Pursuant to the Act, the Authority prepares and submits to the Albany County Legislature for approval a five-year capital improvement program (“CIP”). Each CIP sets forth the goals and objectives for capital spending for the applicable five-year period, describes proposed capital projects and sets forth estimated project costs and expected funding sources for each proposed capital project described in the CIP. Certain projects in the CIPs also are subject to a disapproval by a Majority-In-Interest of the Signatory Airlines and Cargo Carriers in accordance with the Use Agreement and Cargo Carrier Airfield Use Agreement.

The total effect any CIP will have on future operating budgets is evaluated at the time a specific project is authorized by the Authority to be started. Other than a project mandated for safety or health purposes, all other projects are undertaken based upon a cost-benefit analysis. All projected additional operating costs and related revenues for capital projects commenced in 2018 have been incorporated into the Authority’s 2018 operating budget.

The five-year CIP for years 2015 through 2019 (the “2015-19 CIP”) totaling \$120,520,000 was approved by the Authority on September 22, 2014 and adopted by the Albany County Legislature in Resolution No. 411 on November 10, 2014. On May 8, 2017 the Albany County Legislature approved an Amendment to the 2015-19 CIP resulting in a new plan totaling \$142,520,000. The 2015-19 CIP, as amended, relies upon \$67,320,000 million in Federal funding, \$28,050,000 in Authority pay-as-you-go funds, \$6,600,000 in State funds, and \$38,500,000 in new borrowing contingent upon a need for additional facilities and supported by additional revenues. On August 14, 2018 the State announced a \$22,131,900 Upstate Airport Economic Development and Revitalization grant to the Airport.

The 2015-19 CIP includes projects that could be potentially undertaken during the term of the plan, but only those that were determined to be needed based upon passengers, cargo and general aviation activity at the Airport were and will be initiated. These determinations of need are made periodically by the Authority based upon changing activity levels and industry developments. Many of the projects are dependent on their eligibility for available Federal and State funding or if necessary, on the ability of the Authority to issue debt. The actual timing for starting each project will be determined based upon growth and the availability of funding.

Based upon currently known circumstances, the Authority anticipates that additional funding sources for projects proposed in the 2015-19 CIP will be required, and could result in additional borrowing other than the Series 2018 Bonds to fund such projects. The actual amount of additional bonds to be issued, if any, will depend upon final design and construction costs of the Airport Modernization Project currently in design. The Authority has agreed to fund any project costs in excess of the original Airport Modernization Grant budget. The Authority would raise additional funds needed through a combination of additional bonds and other available capital project funds derived from discretionary use of capital funding built into its Rates and Charges in its Use Agreement and available Passenger Charge Facilities Funds. The Authority is seeking a \$10 million bank line of credit to fund expenditures while it is waiting for reimbursement from State grant funding for the Airport Modernization Project.

## **Funding Sources**

### *Federal Grants*

Federal legislation affects the Federal funding that the Airport receives and expects to receive. Grants under the Airport Improvement Program (“AIP”) are dependent upon the reauthorization by Congress from time to time. On September 26, 2018 the United States Congress passed a five-year reauthorization that extends the FAA through September 30, 2023. The United States Senate passed this bill on October 3, 2018 and it awaits the President’s Signature. AIP entitlement grants are distributed by the FAA based upon a formula based on the number of enplanements and landed weight of cargo at individual airports. The Authority is eligible to receive FAA discretionary grants that can be used to fund a portion of the 2015-2019 CIP.

### *State Grants*

The Authority also receives grants from the State of New York. These grants are administered through the New York State Department of Transportation (“NYSDOT”), and are available to reimburse the Authority as payments are made. These grants include the State AIP matching share and other discretionary non-federal state-funded grant programs. The NYSDOT also from time to time awards grants that are not based upon federal matching. On August 14, 2018 the State of New York announced an Upstate Airport Development and Revitalization grant to the Authority of \$22,131,900. This grant requires the Authority to contribute \$18,250,000 of funds and the Federal Government to award \$1,800,000 in Federal AIP funding. The Authority intends to fund approximately \$14,150,000 from proceeds of the Series 2018A Bonds proceeds, \$3,250,000 from Passenger Facility Charge funds on hand and the remainder from other Capital Project Funds on hand. The Authority has agreed to provide additional funding for any project costs in excess of \$42,181,900 that could be required to complete the project.

### *Signatory Airline Capital Contributions*

The current five-year Use Agreement, which became effective January 1, 2016 provides for the Passenger Airline Rates and Charges to include a minimum amount of \$3,000,000 annually to fund Capital Projects. The prior agreement, which was in effect from 2006-2015, provided for a minimum aggregate airline capital contribution of \$1,500,000.

### *The Airport Development Fund*

The Airport Development Fund (the “ADF”), established under the Master Resolution, may be used to fund a deficiency in any other fund established under the Master Resolution and also fund any corporate purpose of the Authority. The ADF is funded from the Airport’s share of the annual Net Revenue calculated pursuant to the Use Agreement. The ADF provides a source of funds for accumulated liquidity and also a source of funds for capital spending. The Authority has not utilized funds of the ADF for capital spending since 2004. The Authority also funds the cost of any Airline Service Incentives from its share of annual Net Revenues which otherwise would have gone to the ADF.

### *Airport Revenue Bonds*

From time to time the Authority issues Airport Revenue Bonds pursuant to the terms and conditions of its Master Resolution. The Authority has not issued Airport Revenue Bonds to fund new capital projects since 2006, although it did issue \$109 million of its Airport Revenue Refunding Bonds in 2010 and \$14 million of Airport Revenue Refunding Bonds in 2017. In accordance with the Use Agreement and also the

Cargo Carrier Airfield Use Agreement, issuance of Additional Bonds to fund capital spending is subject to a majority in interest disapproval process.

*Passenger Facility Charges*

The Aviation Safety and Capacity Expansion Act of 1990 (as amended in 1994) authorized the Secretary of Transportation to approve locally imposed PFCs between \$1.00 and \$4.50 per qualified enplaned passenger. The proceeds from PFCs are to be used to finance capital development projects that meet eligibility criteria established by statute and (i) preserve or enhance the capacity, safety, or security of the national air transportation system, (ii) reduce noise resulting from an airport, (iii) furnish opportunities for enhanced competition among air carriers, or (iv) meet other criteria. PFCs may also be used to pay debt service on bonds and other indebtedness incurred to carry out eligible projects, allowing PFCs to be “leveraged” to provide capital for airport development programs. Under certain circumstances, the FAA grants approval to commence collection of PFCs (“impose only” approval) before approval to spend the PFCs on approved projects (“use” approval) is granted. Approval to both collect and spend PFCs is referred to as an “impose and use” approval.

The Authority’s initial PFC application in the amount of \$40.7 million was approved for collection on December 6, 1993. The Authority initiated PFC collections at the Airport in March, 1994. Through an amendment to the initial application, the Authority requested an increase in PFC collections to the amount of \$116.9 million. On September 28, 1996, the FAA gave its final approval for the Authority to collect through January 1, 2020 and spend \$116.7 million in PFCs. In July 2009, the Authority received approval from the FAA to increase its collection rate from \$3.00 to \$4.50 effective September 1, 2009. The Authority currently contemplates filing an application with the FAA to obtain approval to apply PFCs to other past and future projects that will increase both the aggregate amount of PFCs it will be authorized to collect and the expected duration of time it will collect PFCs at the currently approved \$4.50 per enplaned passenger rate.

Between March of 1994 and December 2017, the Authority has received \$98.3 million of PFCs and interest thereon. The following chart shows PFCs actually received, together with interest earnings on such amounts but net of fees payable to the Airlines in years 2013 through 2017:

**Passenger Facility Charges Received**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Enplanements	1,215,076	1,230,376	1,297,749	1,407,005	1,417,835
Total PFCs	\$4,727,884	\$4,745,287	\$4,939,384	\$5,356,286	\$5,338,722
% of Enplanements paying	88.6%	87.9%	86.7%	86.7%	86.4%

Pursuant to its application, as amended, the Authority may use PFCs to pay for both the capital and financing costs of approved PFC projects. With the exception of \$2.4 million, all approved PFC projects were part of prior Terminal Improvement Projects originally funded with the proceeds of the Series 1997 Bonds. The Authority expended \$8.2 million of PFCs on a pay-as-you-go basis during the 1998 Terminal Improvement Project.

The Authority irrevocably commits \$2.5 million annually in PFCs to be applied to Debt Service on the Series 2010A Bonds throughout the forecast period, but it is the Authority's intention to utilize up to \$5.0 million annually (including the \$2.5 million irrevocably committed) to pay for eligible debt service at its discretion. See “APPENDIX F - REPORT OF THE AIRPORT CONSULTANT”.

At the beginning of each Fiscal Year, the Authority deposits PFCs collected in the previous Fiscal Year in segregated subaccounts in the Bond Fund created under the Resolution. Pursuant to the Resolution, the amount of PFCs that has been irrevocably deposited in the Bond Fund for payment of debt service on the Bonds will be excluded from the definition of Debt Service. See “SECURITY AND SOURCE OF PAYMENT – Pledge of Revenues”, and “INVESTMENT CONSIDERATIONS – Passenger Facility Charges.”

## **AUTHORITY FINANCIAL INFORMATION**

### **Management Discussion of Recent Financial Performance**

The Authority continues to undertake various actions to enhance the services provided to the airlines, the traveling public and other users of the Airport, while stabilizing its own finances and lowering rates and charges paid by the airlines. Initiatives the Authority has completed since 2008 include:

- In 2018 the Authority received \$1.5 million settlement from its former bank counterparty for interest rate manipulation related to a LIBOR-indexed Interest Rate Swap agreement.
- From the fourth quarter of 2015 to the fourth quarter of 2018, the Authority introduced new air service from one Low Cost Carrier and two Ultra Low Cost Carriers, one seasonal carrier and two daily regional airlines resulting in growth in enplanements.
- The Authority increased its customer parking rates in November 2008 and again in November 2015, allowing it to double the capital contribution from Airlines while lowering Airline cost per enplaned passenger and improving Debt Service Coverage in future years.
- In 2010 the Authority developed an Air Service Development Program that successfully promoted both incentivized and non-incentivized Air Service expansion. Recently, non-incentivized service destination markets promoted by the Airport include new service to Denver, Colorado and Fort Myers, Florida. New incentivized service includes the entry of JetBlue in 2015 and expanded service to the City of Chicago, Illinois, by American Airlines. The Authority funded new daily service to cities of Pittsburgh, Pennsylvania, and Buffalo New York on OneJet (although OneJet no longer serves the Airport) and seasonal service to Myrtle Beach, South Carolina, on Elite Airways. In September 2018, Frontier Airlines began service with a new Airline Entrant incentive. Allegiant Travel Company has also announced it will begin service in December 2018 to previously unserved Airports and is expected to receive two years of incentives. The terms of the Airports Air Service Incentive Programs change from time to time and the offer can be terminated prior to acceptance by an Airline.
- In 2015 the Authority negotiated new agreements with its Signatory Airlines and Signatory Cargo Carriers that provide for substantially increased discretionary capital funding in the Airport Rates and Charges.
- The Authority raised the collection rate on its PFC fee from \$3.00 to \$4.50 effective September 1, 2009.
- The Authority has been successful in obtaining several competitively awarded state-capital grants that have funded the majority of the cost of certain discretionary capital projects since 2012 including fuel farm improvements, aircraft apron drainage, ground transportation alternative fuel filling station and expansion of an Aircraft Maintenance and Overhaul facility for a regional airline. Most recently, it was awarded a \$22,131,900 Upstate Airport Development & Revitalization Grant that will be used to build a 1,000 space public parking garage, fund Parking Customer Access Improvements, fund Terminal Rehabilitation Projects and install Solar Panels.
- The Authority was awarded \$6.7 million in American Recovery and Reinvestment Act funds to provide 100% funding of the final phases of the Runway 10/28 obstruction removal project consisting of the relocation of the Latham Water Tower.

- In 2009 the Authority created and has annually funded an Other Post Employment Benefit (“OPEB”) trust to fund its obligation for the cost of health insurance provided to retirees.

As a result of these initiatives, the Authority was able to lower its cost of per enplaned passenger (“CPE”) from \$8.89 in 2008 to \$6.57 in 2017. The Authority utilizes a conservative budget formulation strategy that has consistently produced final airline rates and charges that are below budgeted amounts. The Airport’s CPE in the adopted budget for 2018 is \$7.17. The Authority anticipates the final 2018 CPE will be below the adopted budget rate of \$7.17.

### **Comprehensive Annual Financial Report**

Each year, the Authority publishes a Comprehensive Annual Financial Report (the “CAFR”). A copy of the CAFR is available by request from the Chief Financial Officer of the Authority. The Authority retained the firm of Marvin & Company, P.C. as its independent certified public accountants to audit the financial statements for the year ending December 31, 2017. The financial statements and their report thereon are included in “APPENDIX A - 2017 FINANCIAL STATEMENTS OF THE AUTHORITY.”

### **Quarterly Financial Performance**

The Authority, following the end of each quarter of the Fiscal Year, publishes an unaudited Quarterly Financial Performance Report. This report can also be obtained upon request from the Chief Financial Officer of the Authority. Monthly unaudited financial reports are presented at the monthly meeting of the Authority Board.

### **Historical Operating Results**

The following table presents summary financial information concerning the fiscal periods ending December 31, 2015, 2016, 2017, which are derived from and should be read in conjunction with Appendix A. See “APPENDIX A - 2017 FINANCIAL STATEMENTS OF THE AUTHORITY.” The table also includes Year to Date (YTD) results for September 30, 2018 with a comparison to same YTD period in 2017.

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## GAAP Summary Financial Information

	2015	2016	2017	2017	2018
	Audited	Audited	Audited	Unaudited YTD As of 9/30/17	Unaudited YTD As of 9/30/18
<b>Operating Revenues</b>					
Airfield	\$ 6,457,974	\$ 5,882,274	\$ 6,678,085	\$ 5,385,597	\$ 5,856,779
Fixed Based Operations	8,570,119	8,300,218	8,572,457	6,260,198	7,736,099
Terminal	5,000,721	4,777,241	5,019,779	5,167,942	5,380,813
Concessions	7,268,718	7,540,431	8,070,379	6,029,644	6,128,096
Ground transportation	13,089,872	15,163,022	15,325,640	11,593,911	11,804,691
Other revenue	3,850,200	4,075,479	4,360,796	3,220,314	3,213,634
<b>Total Operating Revenues</b>	<b>44,237,604</b>	<b>45,738,665</b>	<b>48,027,136</b>	<b>37,657,606</b>	<b>40,120,112</b>
<b>Operating Expenses</b>					
Airfield	2,588,916	3,072,752	3,166,201	2,318,557	2,481,455
Fixed Based Operations	7,147,195	6,170,676	6,597,625	4,843,432	5,969,222
Terminal	4,857,303	5,542,086	5,202,732	3,947,582	4,302,886
Loading bridges	327,047	272,130	309,227	175,099	249,143
Landside	4,508,757	4,885,754	5,653,834	3,962,609	4,036,181
Public safety	3,284,919	3,354,937	3,356,287	2,841,691	3,002,665
Aircraft Rescue and Fire Fighting	1,759,315	2,022,328	1,922,809	1,429,181	1,432,196
Vehicle maintenance	1,411,109	1,164,857	1,373,378	994,414	1,104,207
Administration	5,485,750	5,628,093	5,812,919	4,506,579	4,659,370
<b>Total Operating Expenses</b>	<b>31,370,311</b>	<b>32,113,613</b>	<b>33,395,012</b>	<b>25,019,144</b>	<b>27,237,325</b>
Revenues in excess of expenses before depreciation	12,867,293	13,625,052	14,632,124	12,638,462	12,882,787
Depreciation	13,893,673	14,396,008	14,761,280	10,580,625	10,580,625
Income/(loss) Before Non-Operating Income and Expenses	(1,026,380)	(770,956)	(129,156)	2,057,837	2,302,162
<b>Non-Operating Income and (Expenses)</b>					
Passenger Facility Charges	5,080,183	5,385,946	5,431,444	4,003,784	4,182,883
Grant income	292,000	222,772	138,700	103,740	277,817
Improvement charges	368,400	368,400	368,400	276,300	276,300
Interest income	20,739	12,280	10,676	6,387	87,901
Insurance recoveries	-	-	-	-	76,654
Insured expenses	-	-	-	-	(76,654)
Interest expense	(5,463,254)	(5,002,200)	(4,261,394)	(3,458,054)	(2,949,284)
Bond issuance costs	-	-	(252,877)	-	-
Amortization of bond insurance premiums	(109,988)	(100,347)	(76,280)	(57,210)	(51,231)
<b>Total Non-Operating Income and (Expenses)</b>	<b>188,080</b>	<b>886,851</b>	<b>1,358,669</b>	<b>874,947</b>	<b>1,824,386</b>
Income/(loss) before Capital Contributions	(838,300)	115,895	1,229,513	2,932,784	4,126,548
<b>Capital Contributions, Special and Extraordinary Items</b>					
Capital Contributions	8,942,652	2,389,827	4,616,709	486,417	1,450,264
Special Item - LIBOR settlement	-	-	-	-	1,496,915
Extraordinary Item - sale of land	-	-	-	-	148,595
<b>Total Capital Contributions, Special and Extraordinary Items</b>	<b>8,942,652</b>	<b>2,389,827</b>	<b>4,616,709</b>	<b>486,417</b>	<b>3,095,774</b>
<b>Net Position</b>					
Increase in Net Position	8,104,352	2,505,722	5,846,222	3,419,201	7,222,322
Net Position, Beginning of Year	199,845,370	207,948,796	210,454,518	210,454,518	216,300,740
Cumulative change in accounting principle	(926)	-	-	-	(5,187,196)
Net Position, Beginning of Year, as restated	199,844,444	207,948,796	210,454,518	210,454,518	211,113,544
Net Position, End of Year	\$ 207,948,796	\$ 210,454,518	\$ 216,300,740	\$ 213,873,719	\$ 218,335,866

## **INFORMATION CONCERNING SIGNATORY AIRLINES**

Each of the Signatory Airlines operating at the Airport (or its respective parent corporation) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the “SEC”). Certain information, including financial information, as of particular dates concerning each such Signatory Airline or its respective parent corporation is disclosed in certain reports and information filed with the SEC. In addition, certain non-signatory airlines may also file reports and information with the SEC. Such reports and information can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, NW, Washington, D.C. 20549 and at the SEC’s regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 233 Broadway, New York, N.Y. 10279, and copies of such reports and statements can be obtained from the Public Reference Section of the SEC, 450 Fifth Street, NW, Washington D.C. 20549, at prescribed rates. In addition, each Signatory Airline and non-signatory airline operating at the Airport is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the “U.S. DOT”). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates. Such reports and the information contained therein are not incorporated by reference in, and are not a part of, this Official Statement.

## **INVESTMENT CONSIDERATIONS**

### **General**

The following section describes certain risk factors affecting the payment of and security for all Bonds outstanding under the Master Resolution, including the Series 2018 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2018 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the risks described under the following specific factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the Series 2018 Bonds.

### **Uncertainties of the Airline Industry**

The Authority’s ability to derive Net Revenues depends upon numerous factors, many of which are not subject to the control of the Authority. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Use Agreements.

Since the economic deregulation of the airline industry in 1978, the industry has undergone significant changes. The financial results of the airline industry periodically have been subject to volatility and accumulation of substantial losses. The recession of 2007 to 2009 had a significant, negative impact on U.S. airline industry profitability to which the industry responded by consolidating airlines, exercising greater passenger capacity discipline, and introducing new fees. The Bureau of Transportation Statistics reported that the U.S. scheduled passenger airlines reported an after-tax net profit of \$15.5 billion in 2017, up from \$14.0 billion in 2016. The 23 U.S. scheduled service passenger airlines reported an after-tax net profit as a group for the fifth consecutive year based on net income reports.

The revenues of both the Authority and the airlines serving the Airport may be materially affected by many factors including, without limitation, the following: the availability and costs of aviation fuel and other necessary supplies; declining demand; national and international disasters and hostilities; service and fare competition; mergers; high fixed costs; high capital requirements; the cost and availability of financing;

technological changes; the cost and availability of employees; strikes and employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; acts of terrorism; world health concerns such as Severe Acute Respiratory Syndrome and influenza A (H1N1“Swine Flu);” availability of satisfactory travel substitution such as video conference; and other risks. Many airlines, as a result of these factors, have operated at a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines. See “INVESTMENT CONSIDERATIONS - Effect of Bankruptcy on Use Agreements” and “- Effect of Airline Industry Consolidation and Affiliation” herein.

The financial strength and stability of airlines serving the Airport are key determinants of future airline traffic. In addition, individual airline decisions regarding level of service at the Airport, together with the unwillingness of certain potential passengers to fly in light of actual and potential terrorist attacks, and enhanced security measures will affect total enplanements. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at the Airport. It is possible that any significant financial or operational difficulties incurred by any of the Signatory Airlines may, whether directly or indirectly, have an adverse impact on Revenues or Airport operations, the effect of which may be material.

There is no assurance that the Airport will continue to maintain historical operation levels in the future. The continued presence of the airlines serving the Airport, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic of the Airport will be affected by, among other things, the growth in the population and the economy of the Airport’s Primary Trade Area served by the Airport and by national and international economic conditions, acts of war and terrorism, federal and state regulatory actions, airline service and routes, air fare levels, aviation fuel prices, the capacity of facilities at the Airport and the operation and capacity of the air traffic control system.

### **General Financial Condition of Certain Airlines Serving the Airport**

The Authority derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, influence the level of aviation activity at the Airport and Revenues of the Authority. Since September 11, 2001, substantially all airlines have been downgraded by the rating agencies, several have restructured through Chapter 11 bankruptcy and some have ceased service altogether, and many airlines have implemented service reductions and employee layoffs in response to a reduction in passenger demand. None of the Signatory Airlines are currently involved in bankruptcy proceedings. See “- Uncertainties of the Airline Industry” above.

This Official Statement does not contain financial information about any airline or about any entity other than the Airport and the Authority. As a result, in making an investment decision with respect to the Series 2018 Bonds, a potential purchaser can have no assurance, based upon the information contained herein, that any entity will be capable of meeting its responsibilities or will perform as expected.

### **General Factors Affecting Airline Activity**

Numerous factors affect air traffic generally and air traffic at the Airport specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentrations of industrial and commercial activity in the service area, willingness of certain potential passengers to fly in light of actual and potential terrorist attacks, aviation accidents, and enhanced security measures and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing

strategies of the airlines serving the airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport. A shortage in aircraft pilots and mechanics as well as the introduction of aircraft with longer service ranges have caused increased competition between airports for airline service. In addition, the onset of war and the threat of renewed terrorist attacks may dampen air traffic. Moreover, environmental factors, such as the oil spill in the Gulf of Mexico, may adversely affect tourism in certain destinations, which, in turn, may decrease air traffic at the Airport. In 2014, an outbreak of Ebola in West Africa and the discovery of a patient and health care worker infected with Ebola in the United States raised concerns about the spread of communicable disease through air travel. In January 2016, the Center for Disease Control (“CDC”) issued a travel alert warning to pregnant women to avoid travel to areas where the Zika virus, which has been linked to a type of birth defect called microcephaly, and was spreading. The list included over 50 countries and territories, primarily in the Caribbean, Central America, South America, and certain Pacific Islands, as well as the State of Florida. In November of 2016, the World Health Organization declared the Zika virus was no longer a global emergency but remained a significant long-term problem. Currently the CDC travel advisory no longer lists the State of Florida as an area with risk of the Zika virus. Natural disasters, such as hurricanes, resulting in long-term recovery efforts and/or creating new environmental health hazards, effect travel. Although the Authority has developed contingency plans that make assumptions as to the factors described above and suggest a prudent response to such events, the Authority may anticipate but can never predict the occurrence of any particular event or trend that could adversely impact airline activity and/or Net Revenues.

### **Effect of Airline Industry Consolidation and Affiliation**

The airline industry is dynamic and has undergone a period of fundamental change. In addition to restructuring or liquidations, some airlines consolidated, merged or otherwise combined to address economic uncertainties they faced. Airline combinations at the airport between 2009 and 2012 included: Delta and Northwest; United and Continental; American and US Airways; and Airtran and Southwest. Prior to these consolidations the Airport was not served by American or AirTran. Airline alliances, joint ventures, and other marketing arrangements can provide the airlines with many of the benefits of mergers. Airline consolidation led to decreased seat capacity and higher air fares both of which resulted in growing market penetration of Ultra Low Cost Carriers. Ultra Low Cost Carriers serve mainly leisure travelers, may provide one single destination service, often provide less than daily service and can stimulate competition or further injure service from an airline providing daily service connecting through another airport hub. The potential impact of further consolidation and/or affiliation of airlines and market penetration by Ultra Low Cost Carriers serving the Airport could include decreased flights resulting in fewer passengers and less Airport Revenue. The Airlines are not permitted to return preferential use space rented under the Use Agreement prior to the end of the current term of the agreement which is December 31, 2020.

### **Economic Conditions**

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. The recession that began in late 2007, combined with reduced discretionary income, contributed to reduced airline travel demand in 2008 and 2009. Starting in September 2008 there were significant and dramatic changes in the financial markets. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought huge infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore consumer confidence in the nation’s

financial markets. These government intervention efforts are generally credited with stimulating national economy recovery marked by slow growth. There can be no assurances that the national economic growth will continue or that other developments and trends will not have an adverse effect on the air transportation industry.

### **Cost of Aviation Fuel**

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest item of airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Increased prices have been an important contributor to recent airline industry losses. In the second half of 2008, fuel prices fell sharply as aviation demand declined worldwide, although prices rose somewhat through 2009. During the second half of calendar year 2014, an imbalance between worldwide supply and demand resulted in a significant drop in the price of oil and aviation fuel. In early November of 2018, the Brent Crude Oil price index was under \$73 per barrel compared to approximately \$145 per barrel in July 2008.

Airlines generally did not respond with significant changes in fares or capacity in response to falling fuel costs since 2009 and generally realized higher profitability. Aviation fuel prices will continue to affect future airline service, airfares, and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on air travel and the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

### **Cyber Security**

The Airlines, the Airport and their service providers are reliant on technology systems that remain vulnerable to cyber security threats. Such threats include computer viruses, email phishing, malware and hackers that may engage in targeted or untargeted attacks on technology systems essential to the operation of the airline, the airport or both. While the Airport and the Airlines have implemented cyber security programs and plans, it remains possible that cyber security breaches could result in interruption of service by an airline or operations at the Airport and could result in claims by third parties, unanticipated legal expenses and loss of revenue beyond the limits of its cyber security insurance.

### **Federal Security Measures**

As a result of the September 11, 2001 terrorist attacks, the Federal Aviation and Transportation Security Act (“ATSA”) was enacted on November 19, 2001. This legislation makes airport security the responsibility of the Transportation Security Administration (the “TSA”). The TSA was originally made an administrative agency of the United States Department of Transportation, but was subsequently made an administrative agency within the new United States Department of Homeland Security in the Homeland Security Act of 2002 (“HSA”). Provisions of the HSA and subsequent directives issued by the TSA called for, among other things, stronger cockpit doors on commercial aircraft, an increased presence of armed federal marshals on commercial flights, establishment of 100% checked bag screening, and replacement of all passenger and baggage screeners with federal employees, who must undergo criminal history background checks and be U.S. citizens. Failed plots to attack flights with explosives in the summer of 2006, and in December 2009, have led to further changes in security screening procedures.

Airports have the option of “opting out” of using federal screeners and contracting with TSA-approved private screening companies, but most large airports including the Airport, utilize TSA screeners. Airports may now use state or local law enforcement personnel and airport employees to provide security services not related to passenger or baggage screening. Under ATSA as amended, the federal government pays for the federal security screening services by charging passengers a security service fee of \$5.60 per departure or connection, not to exceed \$11.20 per round-trip, which is collected by air carriers and remitted to the federal government. To the extent that such fees are deemed to be insufficient by the TSA, ATSA also authorizes the imposition of an Aviation Security Infrastructure Fee on air carriers.

ATSA also mandates that certain security measures be undertaken at airports, including the Airport. Among other things, the following security measures are required: (1) screening or inspection of all individuals, goods, property, vehicles and equipment before entry into a secured area of the airport, (2) security awareness programs for airport employees, and (3) screening all checked baggage for explosives with explosives detection systems or other means or technology approved by the Undersecretary of the United States Department of Transportation, deployment of sufficient explosive detection systems for all checked baggage, and operation of a system to screen, inspect or otherwise ensure the security of all cargo to be transported in all-cargo aircraft.

In addition to the aforementioned security requirements resulting from the ATSA and subsequent legislation, the TSA has issued additional unfunded mandates by way of TSA security directives. These include: (1) transmittal to the TSA of personal information on all employees holding an airport-issued identification badge for the performance of Security Threat Assessment (“STA”) and retrieval of STA results prior to issuing badges and other forms of identification, (2) performance of inspections of all vendors and vendor products entering the sterile areas of the airport, and (3) reduction of the number of airport employees authorized to escort visitors in the secured areas. Thus far, the Airport has been able to meet these requirements without significant financial or operational impact. However, there could be additional unfunded security directives that may have a financial impact on the Authority.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding for capital projects for the Airport, whether additional requirements will be funded by the federal government or whether such restrictions or legislation or regulations would adversely affect Revenues.

### **Effect of Bankruptcy on Use Agreements**

When a Signatory Airline seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the Authority (1) within 60 days or later, if ordered by the court, with respect to its Use Agreement or other leases of real property, or (2) prior to the confirmation of a plan of reorganization with respect to any other agreement. In the event of assumption, the Signatory Airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the applicable Use Agreement or other agreements. Rejection of a Use Agreement or other agreement or executory contract would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of a Use Agreement or other agreement is limited by the Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (a) one year of rent or (b) 15 percent of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of the applicable Use Agreement or other agreement could be considerably less than the maximum amounts allowed under the Bankruptcy Code.

Additionally, during the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority’s stream of payments from a debtor airline would be interrupted to the

extent of pre-petition goods and services, including accrued rent and landing fees. See “INFORMATION CONCERNING THE SIGNATORY AIRLINES” herein.

### **Passenger Facility Charges**

Currently, the Authority has not pledged PFCs to the payment of the Series 2018 Bonds. The Authority has pledged to the Series 2017 Bondholders to annually use between \$2.5 million and \$4.5 million PFCs to the payment of a portion of the debt service on the Series 2010A Bonds. Historically the Authority used, on a discretionary basis, a portion of its PFCs to pay debt service on Bonds that funded projects approved to be paid with PFCs pursuant to an FAA Record of Authorization. None of the Series 2018 Bonds annual debt service may be funded with PFCs because the proceeds are not planned to be spent on projects that may be funded with PFC funds. Currently only a portion of the Debt Service related to the Series 2010A Bonds is eligible to be funded from PFCs and the Authority intends to apply PFCs toward that debt service in amounts and for the periods as shown in the Consultant’s Report.

Termination of PFCs. The Authority’s legal authority to impose and use PFCs is subject to certain terms and conditions provided in the Aviation Safety and Capacity Expansion Act of 1990, as amended (the “PFC Act”), as implemented by the FAA pursuant to published regulations (the “PFC Regulations”) and each PFC application. If the Authority fails to comply with these requirements, the FAA may take action to terminate or to reduce the Authority’s legal authority to impose or to use PFCs. Some of the events that could cause the Authority to violate these provisions are not within the Authority’s control. In addition, failure to comply with the provisions of certain federal noise pollution acts may lead to termination of the Authority’s authority to impose PFCs.

Amendments to PFC Act or PFC Regulations. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or any PFC application will not be amended in a manner that would adversely affect the Authority’s ability to collect and use PFC revenues.

Collection of the PFCs. The ability of the Authority to collect PFCs depends upon a number of factors including the operation of the Airport by the Authority, the use of the Airport by air carriers, certain foreign air carriers and their agents that collect PFCs on behalf of airports (the “Collecting Carriers”), the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the Authority and the number of enplanements at the Airport. The Authority relies upon the Collecting Carriers’ collection and remittance of PFCs, and both the Authority and the FAA rely upon the airlines’ reports of enplanements and collection statistics. Notwithstanding provisions of the PFC Act and the PFC Regulations requiring Collecting Carriers to account for PFC collections separately and indicating that those PFC collections are to be regarded as funds held in trust by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC, past bankruptcy decisions suggest that in a bankruptcy proceeding involving a Collecting Carrier, the PFC collections in the Collecting Carrier’s custody may not be treated as trust funds and that the Authority may not be entitled to any priority over other creditors of the Collecting Carrier to such funds.

### **Competition**

In 2007, the Port Authority of New York and New Jersey (the “Port Authority”) assumed responsibility for the operation of New York Stewart International Airport (“Stewart”) in Newburgh, New York in an effort to address congestion at the three major airports serving the New York and New Jersey metropolitan area, Newark Liberty International, John F. Kennedy International and LaGuardia. Under Port Authority management, Stewart has received enhanced capital funding and began new international service to Europe in the summer of 2017 resulting in an approximately 100% increase in travelers using Stewart between July 2017 and July 2018. During this same period the number of travelers using the Airport grew by 1.5%, in-line with changes in air service capacity. Stewart is located within 92 driving

miles of the Airport. It is possible that further increased flights at Stewart could have an adverse effect on revenues or aviation activity at the Airport.

### **Loss of Federal Tax Exemption**

Interest on the Series 2018 Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2018 Bonds that violate the requirements and limitations prescribed by the Code. Although the Authority has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2018 Bonds may be deemed to be taxable from the date of issuance. The Series 2018 Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the bondholders or former bondholders to compensate the bondholders for any losses they may incur as a result of the interest on the Series 2018 Bonds becoming subject to federal income taxation. See “TAX EXEMPTION” below.

### **Growth of Transportation Network Companies**

Transportation Network Companies (“TNCs”) such as Uber and Lyft connect paying ground transportation passengers with drivers who provide transportation using their own commercial and non-commercial vehicles. The popularity of this type of ground transportation to Airport passengers has increased because of the convenience of requesting a ride through a mobile device application the ability to pay for this service without providing cash or other payment directly to the hired driver and pricing that is competitive to traditional ground transportation services. Additionally, TNCs may develop the ability to use their services without a mobile device. Increased use of TNCs may result in lowering parking, rental car, and other ground transportation access fees. TNCs began to operate at the Airport pursuant to state legislation effective June 29, 2017. Lyft began operations under TNC permit effective June 29, 2017. Rasier-NY LLC, operating under the trade dress Uber, signed the Airport TNC permit on November 2, 2018 and will begin operations under the permit on November 5, 2018.

## **AGREEMENT OF THE STATE OF NEW YORK**

Section 2790 of the Act provides that the State agrees with the registered owners of the Series 2018 Bonds that it will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreement made with the registered owners of the Series 2018 Bonds, or in any way impair the rights and remedies of such registered owners until the Series 2018 Bonds, together with the interest thereon, and all costs and expenses for which the Authority is liable in connection with any action or proceeding by or on behalf of such registered owners, are fully met and discharged.

## **TAX EXEMPTION**

All quotations from and summaries and explanations of provisions of laws appearing under this caption do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

### **Opinion of Bond Counsel**

**Series 2018A Bonds.** In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel to the Authority (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, (1) interest on the Series 2018A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and (2) interest on the Series 2018A Bonds is not an “item of tax preference” for

purposes of the federal alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”) on individuals and, for taxable years beginning before January 1, 2018, on corporations (however, interest on the Series 2018A Bonds is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax, applicable only to taxable years beginning before January 1, 2018). Further, (a) the Authority or another Person, by failing to comply with the requirements contained in the Code, may cause interest on the Series 2018A Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Series 2018A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

**Series 2018B Bonds.** In the opinion of Bond Counsel, under existing law, (1) interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the exclusion from gross income of interest on any Series 2018B Bond during any period when such Series 2018B Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2018B Bonds, or a “related person” thereto, as those quoted terms are used in Section 147(a) of the Code, and (2) interest on the Series 2018B Bonds is an “item of tax preference” for purposes of the federal alternative minimum tax imposed by the Code on individuals and, for taxable years beginning before January 1, 2018, on corporations. Further, (a) no opinion is expressed as to the exclusion from gross income of interest on any Series 2018B Bond during any period when such Series 2018B Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2018B Bonds, or a “related person” thereto, as those quoted terms are used in Section 147(a)(2) of the Code, (b) the Authority or another Person, by failing to comply with the requirements contained in the Code, may cause interest on the Series 2018B Bonds to become subject to federal income taxation from the date of issuance thereof, and (c) interest on the Series 2018B Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes, but is not a guaranty of that conclusion. The opinion is not binding upon the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (1) the effect of future changes in the Code and the applicable regulations under the Code or (2) the interpretation and enforcement of the Code or such regulations by the IRS.

**Tax Requirements.** The Code prescribes a number of qualifications and conditions for the interest on state and local governmental obligations to be and remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations, including the applicable requirements of Sections 141, 142, 146, 147, 148 and 149 of the Code and the regulations thereunder (collectively, the “Tax Requirements”). Noncompliance with these Tax Requirements by the Authority may cause loss of such status and result in the interest on the Series 2018 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018 Bonds. The Authority has covenanted to take the actions required of it for the interest on the Series 2018 Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. In the opinion of Bond Counsel, the Tax Regulatory Agreement and the other Financing Documents establish requirements and procedures, compliance with which will satisfy the Tax Requirements. Bond Counsel will not independently verify the accuracy of the certifications and representations of the Authority, or the continuing compliance with the covenants by the Authority.

In the Tax Regulatory Agreement the Authority has covenanted to comply with the Tax Requirements, and refrain from taking any action which would cause the interest on the Series 2018 Bonds to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Series 2018 Bonds to be included in gross income for federal income tax purposes from the date of issuance of the Series 2018 Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2018 Bonds.

After the date of issuance of the Series 2018 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds or the market value of the Series 2018 Bonds.

### **Information Reporting and Backup Withholding**

Interest paid on the Series 2018 Bonds will be subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2018 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

### **Certain Collateral Federal Tax Consequences**

Interest on the Series 2018A Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). In addition, interest on the Series 2018 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Prospective purchasers of the Series 2018 Bonds should be aware that, under the Code, ownership of, accrual or receipt of interest on, or disposition of, the Series 2018 Bonds may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2018 Bonds. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Series 2018 Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

### **Future Legislation or Other Post-Issuance Events**

Current and future legislative proposals, if enacted into law, or administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to State or local income taxation, or

otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2018 Bonds for federal or state income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the New York State Legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of the Series 2018 Bonds. There can be no assurance that legislation enacted or proposed or actions by a court after the date of issuance of the Series 2018 Bonds will not have an adverse effect on the tax status of the interest on the Series 2018 Bonds or the market value or marketability of the Series 2018 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in benefit) of the exclusion of the interest on the Series 2018 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2018 Bonds.

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for tax years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Additionally, investors in the Series 2018 Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Series 2018 Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2018 Bonds may be affected and the ability of holders to sell their Series 2018 Bonds in the secondary market may be reduced. The Series 2018 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2018 Bonds, are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2018 Bonds. Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Prospective purchasers of the Series 2018 Bonds at other than their original issuance at the respective prices set indicated on the inside cover of this Official Statement should also consult their own financial and tax advisers regarding other considerations such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

Certain requirements and procedures contained or referred to in the documents or certificates to be entered into by the Authority and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Series 2018 Bond or the interest thereon if any such change occurs or action is taken or omitted without such advice or approval or upon the advice or approval of counsel other than themselves.

As indicated above, Bond Counsel's engagement with respect to the Series 2018 Bonds ends with the issuance of the Series 2018 Bonds. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2018 Bonds may affect the tax status of interest on the Series 2018 Bonds.

Unless separately engaged, Bond Counsel is not obligated to defend the Authority or the owners of the Series 2018 Bonds regarding the tax status of the interest thereon in the event of an audit examination by the IRS. If the IRS does audit the Series 2018 Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2018 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action

by the IRS, including but not limited to the selection of the Series 2018 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may alter the market value for, or the marketability of, the Series 2018 Bonds, and may cause the Authority or the Bondholders to incur significant expense.

### **Premium Bonds**

The excess, if any, of the tax adjusted basis of a maturity of any of the Series 2018 Bonds purchased as part of the initial public offering by a purchaser (other than a purchaser who holds such Series 2018 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Owners of a maturity of the Series 2018 Bonds with bond premium (a “Premium Bond”) will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring such Premium Bonds. In general, bond premium is amortized over the term of a Premium Bond for Federal income tax purposes in accordance with constant yield principles based on the owner’s yield over the remaining term of such Premium Bond (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). The Owner of a Premium Bond is required to decrease such Owner’s adjusted basis in such Premium Bond by the amount of amortizable bond premium attributable to each taxable year such Premium Bond is held. The amortizable bond premium on such Premium Bond attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price or yield for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earliest call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Prospective purchasers of any Premium Bond should consult their tax advisors with respect to the determination for purposes of federal income taxation of the treatment of bond premium upon the sale or other disposition of such Premium Bond and with respect to the state and local tax consequences of acquiring, owning, and disposing of such Premium Bond.

### **New York State Taxes**

In the opinion of Bond Counsel, interest on the Series 2018 Bonds is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

### **Forms of Opinion of Bond Counsel**

The proposed forms of the approving opinion of Bond Counsel for each series of the Series 2018 Bonds are attached hereto as Appendix E. See “Forms of Approving Opinion of Bond Counsel” in APPENDIX E. The legal opinions to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. Each opinion will speak only as of its date, and subsequent distribution of an opinion by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in such opinion subsequent to its date.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, and sale of the Series 2018 Bonds by the Authority and with regard to the tax-exempt status of interest of the Series 2018 Bonds are subject to the final approving opinion of Hodgson Russ LLP, Bond Counsel, Albany, New York. The opinion of Bond Counsel will be substantially in the forms attached hereto as APPENDIX E. Certain legal matters will be passed upon for the Authority by Peter F. Stuto, Esq., Airport General Counsel to the Authority, Albany, New York. Certain legal matters will be passed upon for the Underwriters by Barclay Damon LLP, Albany, New York, counsel to the Underwriters.

## **LITIGATION**

There are various lawsuits in which the Authority is involved. The Authority's management, including Airport General Counsel, estimate that the potential claims against the Authority not covered by insurance or self-insurance in the form of reserve funds with respect to such litigation if decided adversely to the Authority would not materially affect the Authority's financial condition or its obligations with respect to the Series 2018 Bonds, other outstanding Bonds, or other outstanding obligations.

To the knowledge of the Authority, no litigation, inquiry, or investigation, at law or in equity, is pending or threatened against the Authority wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by this Official Statement, the Bond Purchase Agreement, the Resolution or the validity of the Series 2018 Bonds.

## **RATINGS**

Moody's Investors Service and S&P Global Ratings have assigned their municipal bond ratings of "A3" and "A", respectively, to the Series 2018 Bonds. Each such rating reflects only the views of the respective rating agency and an explanation of the significance of such ratings may be obtained from such agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2018 Bonds. Other than with respect to its continuing disclosure obligations, set out below, the Authority has undertaken no responsibility either to bring to the attention of the owners of the Series 2018 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

## **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018 Bonds from the Authority at an aggregate purchase price of \$24,747,375.15 (representing the aggregate principal amount of \$22,590,000.00 of the Series 2018 Bonds less the Underwriters' discount of \$118,551.05, and plus original issue premium of \$2,275,926.20) and to make a public offering of the Series 2018 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Series 2018 Bonds may be offered and sold to certain dealers (including the Underwriters), at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their

respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

### **BONDS LEGAL INVESTMENTS FOR FIDUCIARIES**

Under the provisions of Section 2789 of the Act (and with any special or additional filing or registration), the Series 2018 Bonds are securities in which all public officials and bodies of the State and all of its municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or who may hereafter be authorized to invest in bonds or in obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Pursuant to such section, the Series 2018 Bonds are also securities which may be deposited with and shall be received by all public officials and bodies of the State and all municipalities and political subdivisions for any purposes for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

### **FINANCIAL ADVISOR**

The Authority has retained the services of Public Resources Advisory Group as Financial Advisor, in connection with the authorization and delivery of the Series 2018 Bonds. As Financial Advisor to the Authority, Public Resources Advisory Group is not contractually obligated to undertake, and has not undertaken, either to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **INDEPENDENT PUBLIC ACCOUNTANTS**

The financial statements of the Authority as of and for the fiscal year ending December 31, 2017 attached as Appendix A to this Official Statement have been audited by Marvin and Company, P.C., independent Certified Public Accountants, as stated in their report appearing in Appendix A.

### **AIRPORT CONSULTANT**

The Report of the Airport Consultant (the "Report") attached as Appendix F has been prepared by LeighFisher, an independent consulting firm engaged by the Authority in connection with the authorization and delivery of the Series 2018 Bonds. The Report includes forecasts prepared by the Authority as to Net Revenues and Debt Service coverage for the fiscal years 2018 through 2023. In the Report, the Airport Consultant concluded that the Net Revenues for the fiscal years 2018, 2019, 2020, and 2021, 2022 and 2023 are forecast to be sufficient to meet the requirements under Section 5.02 in the Master Resolution. See "APPENDIX F - REPORT OF THE AIRPORT CONSULTANT."

As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts may not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and these differences may be material. The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the airline activity and financial forecasts contained therein.

### CONTINUING DISCLOSURE

At the time of delivery of the Series 2018 Bonds, the Authority will provide an executed copy of its Undertaking to Provide Continuing Disclosure (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Authority for the benefit of holders of and owners of beneficial interests in the bonds, to provide, or cause to be provided:

(1) to the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system ("EMMA"), (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings: "AIRPORT ACTIVITY" and "AUTHORITY FINANCIAL INFORMATION-Historical Operating Results", including historical debt service coverage experience, on or prior to June 30<sup>th</sup> following the end of each fiscal year, commencing with the fiscal year ending December 31, 2018, and (ii) the audited financial statement, if any, of the Authority for each fiscal year commencing with the fiscal year ending December 31, 2018, unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be delivered to EMMA within 60 days after it becomes available and in no event later than June 30<sup>th</sup> after the end of each fiscal year;

(2) to EMMA, timely notice not in excess of the (10) business days of the occurrence of any of the following events:

(1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018 Bonds, or other material events affecting the tax-exempt status of the Series 2018 Bonds; (7) modifications to the rights of the holders of the Series 2018 Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2018 Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Authority may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Series 2018 Bonds; but the Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

- (3) to EMMA, in a timely manner, notice of a failure to provide the annual financial information by the date specified.

The Authority's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Authority, and no person or entity, including a holder the Series 2018 Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Authority to comply with the Undertaking will not constitute a default with respect to the Series 2018 Bonds.

The Authority reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12.

As of the date of this Official Statement the Authority has not failed to comply, in any material respect, with any previous undertakings made pursuant to Rule 15c2-12.

The Authority is in compliance with its continuing disclosure obligations under Rule 15c2-12 for each of the past five (5) Fiscal Years of the Authority.

#### **ADDITIONAL INFORMATION**

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the Series 2018 Bonds that there has been no change in the affairs of the Authority or the Airport from the date hereof. This Official Statement contains summaries of the terms of and security for the Series 2018 Bonds and other summaries and descriptions of the Airport and its operations. All references to agreements and documents are qualified in their entirety by reference to the definitive forms of the agreements or documents. All references to Bonds or the Series 2018 Bonds are further qualified by references to the information with respect to them contained in the Resolution. Reference is made to the complete documents relating to such matters for further information. Copies of documents may be obtained from the Chief Financial Officer at the Albany County Airport Authority, Administration Building, Suite 204, Albany International Airport, Albany, New York 12211-1057, by calling (518) 242-2204 or by E-mail at boreilly@albanyairport.com.

Dated: November 15, 2018

**ALBANY COUNTY AIRPORT AUTHORITY**

**By: /S/ William J. O'Reilly  
Chief Financial Officer**

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**APPENDIX A**

**2017 FINANCIAL STATEMENTS OF THE AUTHORITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Albany County Airport Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary funds of the Albany County Airport Authority (the Authority), a component unit of the County of Albany, New York, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary funds of the Albany County Airport Authority as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB Trust Schedule of Funding Progress, schedules of proportionate share of net pension liability (asset) and schedule of authority contributions on pages 19 through 34, 70 and 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Albany County Airport Authority's basic financial statements. The introductory section on pages 1 through 14, the schedules of debt service requirements to maturity and of governmental payments and services on pages 74 and 75, the statistical section on pages 78 through 102, and the biographies of the Authority's members and senior staff on pages 117 through 120 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal and New York State Department of Transportation Financial Assistance for the year ended December 31, 2017, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and by the New York State Department of Transportation *Preliminary Draft Part 43 of the New York State Codification of Rules and Regulations* and are also not a required part of the basic financial statements. The accompanying Schedule of Passenger Facility Charges Collected and Expended for the year ended December 31, 2017, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

The schedule of debt service requirements to maturity, the schedule of government payments and services, the Schedule of Expenditures of Federal and New York State Department of Transportation Financial Assistance, and the Schedule of Passenger Facility Charges Collected and Expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section and biographies have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018 on our consideration of the Albany County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany County Airport Authority's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Latham, NY  
March 19, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Albany County Airport Authority (the Authority) provides an introduction of the basic financial statements for the year ended December 31, 2017 with selected comparative information for the year ended December 31, 2016 and December 31, 2015. Management prepared this unaudited MD&A, which should be read in conjunction with the financial statements, and the notes thereto, which follow in this section.

### BASIC FINANCIAL STATEMENTS

The Authority is a business-type activity and the Authority's basic financial statements include: the *Statements of Net Position*, the *Statements of Revenues, Expenses and Changes in Net Position* and the *Statements of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Also included are the *Statements of Fiduciary Fund Net Position*; and the *Statements of Changes in Fiduciary Fund Net Position* for the Authority's Fiduciary Fund which also has a December 31st year end.

The *Statements of Net Position* depict the Authority's financial position at December 31, 2017 and December 31, 2016, the end of the Authority's previous fiscal year. The Statements report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted.

The *Statements of Revenues, Expenses and Changes in Net Position* report total operating revenues, operating expenses, non-operating income and expenses, capital contributions and the changes in net position during the year ended December 31, 2017 and 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The *Statements of Cash Flows* present information showing how the Authority's cash and cash equivalents position changed during the year ended December 31, 2017 and 2016. The Statements classify cash receipts and cash payments by Operating Activities, Noncapital Financing Activities, Investing Activities, and Capital and Related Financing Activities.

The *Statements of Fiduciary Fund Net Position* is a snapshot of account balances of the Authority's fiduciary fund at December 31, 2017 and December 31, 2016. It indicates the assets available for future payments for retiree benefits and any current liabilities that are owed at this time.

The *Statements of Changes in Fiduciary Fund Net Position*, on the other hand, provides a view of current period additions to and deductions from the net position held in the Trust during the year ended December 31, 2017 and 2016.

## AIRPORT ACTIVITIES HIGHLIGHTS

The County of Albany owns the Albany International Airport (the Airport) and entered into an Airport Lease Management Agreement, pursuant to which the County leased the Airport to the Authority for a 40 year term commencing May 16, 1996. The Authority employs two firms to manage the daily operations of the Airport:

→ AFCO AvPorts Management LLC, (d/b/a Avports) manages the daily operations of the airport including airfield, terminal, security, ARFF, landside, building and vehicle maintenance and public parking pursuant to a management services agreement.

→ REW Investments, Inc., (d/b/a Million Air) manages the daily operations of the Fixed Based Operations (FBO) of the airport including fuel farm management, commercial aviation into-plane fueling, and ground handling, fueling and hangaring of general aviation aircraft pursuant to a management services agreement.

The Authority's revenues are derived primarily from: Airline rates and charges for the use of the Airport's facilities in the form of landing fees, terminal rentals, apron fees and loading bridge charges received from airlines using the Airport; concession fees from vendors serving the passengers including food and beverage, retail and rental cars; public parking fees including surface and garage parking; and FBO activities from general aviation activities.

## AIRPORT REVENUES

Five major factors impact airport revenues: commercial operations, enplanements, FBO operations, concessions and parking:

### COMMERCIAL OPERATIONS

The following shows the major indicators of the total commercial airline activities during the past three years:

	2017	2016	2015
Enplanements	1,417,835	1,407,434	1,297,749
<i>% increase/(decrease)</i>	<i>0.7%</i>	<i>8.5%</i>	<i>5.5%</i>
Aircraft Landed Weight (lbs)	1,575,581,523	1,590,691,408	1,412,705,423
<i>% increase/(decrease)</i>	<i>-0.9%</i>	<i>12.6%</i>	<i>3.3%</i>
Operations (take-offs and landings)			
Commercial (inc corporate operations)	47,168	47,346	43,570
General Aviation	14,018	14,328	13,950
Military	2,974	3,057	2,481
Total	64,160	64,731	60,001
<i>% increase/(decrease)</i>	<i>-0.9%</i>	<i>7.9%</i>	<i>-2.1%</i>

Regular scheduled daily passenger flights departing from Albany remained steady at 57 in December 2017 and December 2016 and increased from 55 in September 2015.

	2017		2016		2015	
	Carriers	Flights	Carriers	Flights	Carriers	Flights
Jet Service						
Major Carriers	5	22	5	23	5	24
Regional Carriers	7	25	10	19	7	15
Commuter Service						
Regional Carriers	3	10	3	15	3	16
Foreign Carriers	-	-	-	-	-	-
Total	15	57	18	57	15	55

Published available seats for 2017 decreased by 10,324 or 0.6% while the passenger load factor increased to 83% from 82%, resulting in an increase in enplanements for 2017. The published available seats and the yearly load factors for the last three years are below:

	2017	2016	2015
Total Available Seats	1,704,994	1,715,318	1,527,294
Passenger Load Factor	83%	82%	85%

Landing fee revenues are not sensitive to the number of operations or landed weight because the agreements with the airlines and cargo carriers provides for the Signatory Passenger and Cargo Airlines to fund the operating costs of the Airfield after receiving credit for all airfield revenue. Accordingly, landing fee revenue is sensitive to changes in the annual cost of operating the airfield that fluctuate with the weather and maintenance needs. The change in airline operations and gross landed weight by airline for 2017 compared to 2016 and 2016 compared to 2015 is as follows:

	2017 vs. 2016		2016 vs. 2015	
	Change in Operations	Change in Landed Weight	Change in Operations	Change in Landed Weight
American (formerly US Airways)	(4)	1,598,622	1,974	57,197,408
Boutique Air	978	4,934,982	-	-
Cape Air	(1,308)	(4,479,907)	(180)	(616,492)
Delta	(86)	1,150,662	150	(1,695,127)
JetBlue	(30)	(2,328,165)	1,388	98,699,808
OneJet	424	3,336,049	-	-
Southwest	(36)	(6,168,399)	268	22,114,000
United	164	(14,537,728)	(152)	2,438,388
Charters	22	1,384,000	16	(152,000)
Total	124	(15,109,884)	3,464	177,985,985

As of December 31, 2017, two regularly scheduled express mail and various special cargo carriers serve this Airport.

	2017	2016	2015
Mail and Express Cargo Tons	18,739	18,692	19,373
% increase/(decrease)	0.3%	-3.5%	-0.7%

**ENPLANEMENTS**

Enplanements for 2017 compared to 2016 increased by 10,401 passengers, compared to an increase of 109,685 for 2016 vs. 2015. The changes in enplanements by airline, including their express carriers is as follows:

	2017 Market Share	Total 2017 Enplanements	2017 vs. 2016	Total 2016 Enplanements	2016 vs. 2015
American (formerly US Airways)	21.6%	306,571	8,271	298,300	23,838
Boutique Air	0.1%	1,852	1,852	-	-
Cape Air	0.9%	12,966	(3,124)	16,090	(29)
Delta	15.8%	223,945	1,571	222,374	(2,820)
JetBlue	6.4%	90,744	3,708	87,036	81,544
OneJet	0.1%	989	989	-	-
Southwest	40.0%	566,801	(2,300)	569,101	11,918
United	15.0%	212,851	(1,253)	214,104	(5,195)
XTRA Airways	0.1%	1,116	687	429	429
<b>Total</b>	<b>100.0%</b>	<b>1,417,835</b>	<b>10,401</b>	<b>1,407,434</b>	<b>109,685</b>

**FBO OPERATIONS**

REW Investments, Inc. (d/b/a Million Air) manages the daily operations of the FBO. A summary of the operating revenues and expenses, the gallons of Jet A and Aviation Gasoline sold, gallons of glycol sold and sprayed and the Jet A transferred to the commercial and cargo airlines is as follows for 2017, 2016 and 2015:

	2017	2017 vs. 2016	2016	2016 vs. 2015	2015
Revenues	\$ 8,572,457	3.3%	\$ 8,300,218	-3.1%	\$ 8,570,119
Expenses (inc. cost of sales and administration)	\$ 7,237,327	7.1%	\$ 6,759,573	-13.5%	\$ 7,813,160
Retail Gallons Sold					
Jet A	996,302	-3.4%	1,031,066	6.6%	967,345
AvGas	62,710	-9.3%	69,156	-1.8%	70,438
Commercial AvGas	109,593	-28.2%	152,586	-12.2%	173,843
Glycol Gallons - Consortium	95,079	12.2%	84,737	-1.5%	86,068
Glycol Gallons - Sprayed	62,560	43.5%	43,583	16.1%	37,536
Jet A Fuel Into-Plane Gallons	19,495,122	4.8%	18,602,032	10.5%	16,835,885

**CONCESSIONS**

Concession revenues for 2017 were \$8,070,379, a 7.0% increase from 2016. Concession revenues for 2016 were 3.7% higher than 2015.

Concession revenue highlights for 2017 compared to 2016 and 2015 are as follows:

	2017	2017 vs. 2016	2016	2016 vs. 2015	2015
Rental Car Revenues					
Sales	\$ 51,978,497	6.3%	\$ 48,885,882	-3.0%	\$ 50,417,217
Authority Revenues	\$ 5,427,741	7.3%	\$ 5,057,260	0.1%	\$ 5,053,412
Food & Beverage					
Sales	\$ 8,158,604	1.2%	\$ 8,063,285	13.6%	\$ 7,100,827
Authority Revenues	\$ 803,939	2.4%	\$ 785,197	17.6%	\$ 667,539
Retail					
Sales	\$ 3,810,221	4.1%	\$ 3,661,638	21.7%	\$ 3,009,051
Authority Revenues	\$ 802,534	2.0%	\$ 787,075	11.3%	\$ 707,000
Total Authority Concession Revenues	\$ 8,070,379	7.0%	\$ 7,540,431	3.7%	\$ 7,268,718
Concession Revenue per Enplanement	\$ 5.69	6.2%	\$ 5.36	-4.3%	\$ 5.60

**PARKING**

The Airport directly manages all on-airport parking operations which at December 31, 2017 consisted of 222 short-term garage/surface, 1,912 long-term garage, 1,789 long-term surface, and 2,763 remote shuttle served parking spaces. Revenue for 2017 compared to 2016 and 2015 are as follows:

	2017	2017 vs. 2016	2016	2016 vs. 2015	2015
Public Parking					
Revenues	\$ 14,985,272	0.8%	\$ 14,870,476	16.1%	\$ 12,810,052
# of Vehicles Parked	638,570	-1.4%	647,332	4.7%	618,304
Parking Revenue per Enplanement	\$ 10.57	0.0%	\$ 10.57	7.0%	\$ 9.87

## SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The changes in net position over time may serve as a useful indicator of changes in the Authority's financial position. A summary of the Authority's change in net position for the year ended December 31 is below:

	2017	2016	2015
Operating revenues	\$ 48,027,136	\$ 45,738,665	\$ 44,237,604
Operating expenses	<u>(33,395,012)</u>	<u>(32,113,613)</u>	<u>(31,370,311)</u>
Revenues in excess of expenses			
before depreciation	14,632,124	13,625,052	12,867,293
Depreciation	<u>(14,761,280)</u>	<u>(14,396,008)</u>	<u>(13,893,673)</u>
Loss before non-operating income			
and expenses	(129,156)	(770,956)	(1,026,380)
Non-operating income and (expenses), net	<u>1,358,669</u>	<u>886,851</u>	<u>188,080</u>
Income/(loss) before capital contributions	1,229,513	115,895	(838,300)
Capital contributions	<u>4,616,709</u>	<u>2,389,827</u>	<u>8,942,652</u>
Net position			
Increase in net position	5,846,222	2,505,722	8,104,352
Total net position, beginning of year	<u>210,454,518</u>	<u>207,948,796</u>	<u>199,845,370</u>
Total net position, end of year	<u>\$ 216,300,740</u>	<u>\$ 210,454,518</u>	<u>\$ 207,948,796</u>

The Authority's operating revenues and expenses include the sales and cost of sales of fuel purchased and sold to general aviation customers through the FBO and also revenues for deicing activities. Gallons of jet fuel sold were 967,345, 1,031,066, and 996,302 for 2015 to 2017, respectively. The FBO provides fueling services for all commercial airlines at the Airport. Some of the airlines provide their own aircraft deicing services. Accordingly, commercial aircraft deicing service revenue is sensitive to both demand for services and need for services based upon weather conditions. The total gallons of sprayed deicing services delivered in 2015 through 2017 were 37,536, 43,583 and 62,560 gallons, respectively. The table below summarizes FBO revenues, expenses and net revenues for 2017, 2016 and 2015:

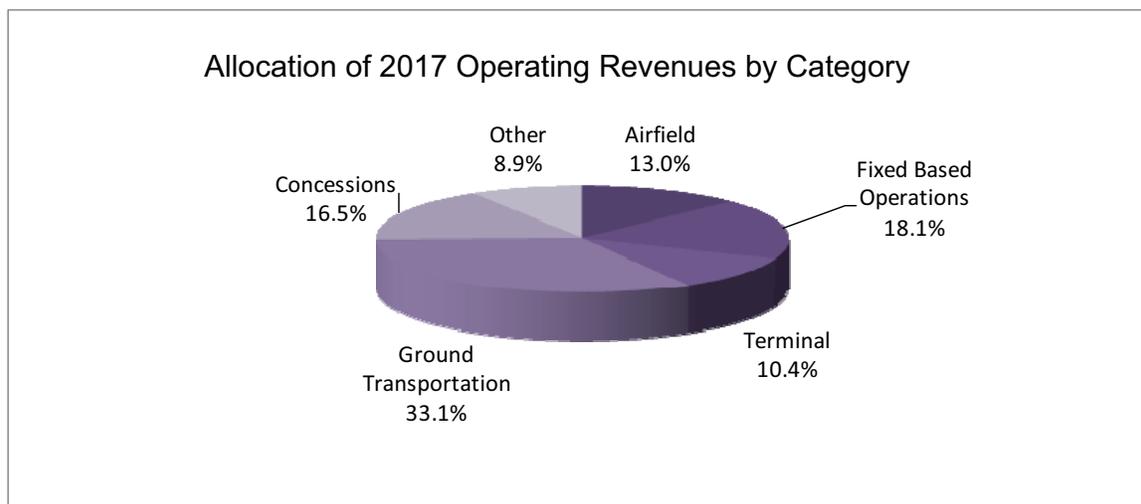
	2017	2016	2015
FBO revenues	\$ 8,572,457	\$ 8,300,218	\$ 8,570,119
FBO expenses	7,237,327	6,759,573	7,813,160
FBO net revenues	<u>\$ 1,335,130</u>	<u>\$ 1,540,645</u>	<u>\$ 756,959</u>

### OPERATING REVENUES AND NON-OPERATING INCOME HIGHLIGHTS

Total revenues for 2017 were \$2.2 million or 4.3% greater than 2016. Fixed Based Operations revenues increased in 2017 due to higher airfield and terminal revenues, deicing revenues, ground transportation and concession revenues increased due to higher rental car revenues.

Under the signatory airline use and lease agreement, the airfield is a “residual cost center” requiring signatory airlines to pay the residual cost after all airfield and certain non-airfield revenues allocable to the airfield have been applied which include all interest income and PFCs applicable to airfield related debt service. Accordingly airfield revenues are sensitive to airfield cost, interest earnings, PFC revenues applied to airfield debt service, and the amount of airfield debt service. The terminal revenue is sensitive to the amount of rented space and terminal operating costs used to determine the annual rental rate. FBO revenues are sensitive to the price of purchased fuel and the volume of fuel sold. Ground transportation revenue is sensitive to airline passenger activity. Concession and Other revenue are based upon passenger and other activity but are generally reinforced with minimum annual revenue guarantees and property leases.

Airfield revenues are sensitive to airfield operating cost because the revenue center is a residual cost center. Variations in airfield revenue from year to year reflect variations in cost which are impacted by variations in the cost of snow removal and maintenance required based upon conditions that change from year to year. The signatory landing fee rate is also sensitive the volume of landed weight in any given year and its allocation to signatory airlines and other aircraft.

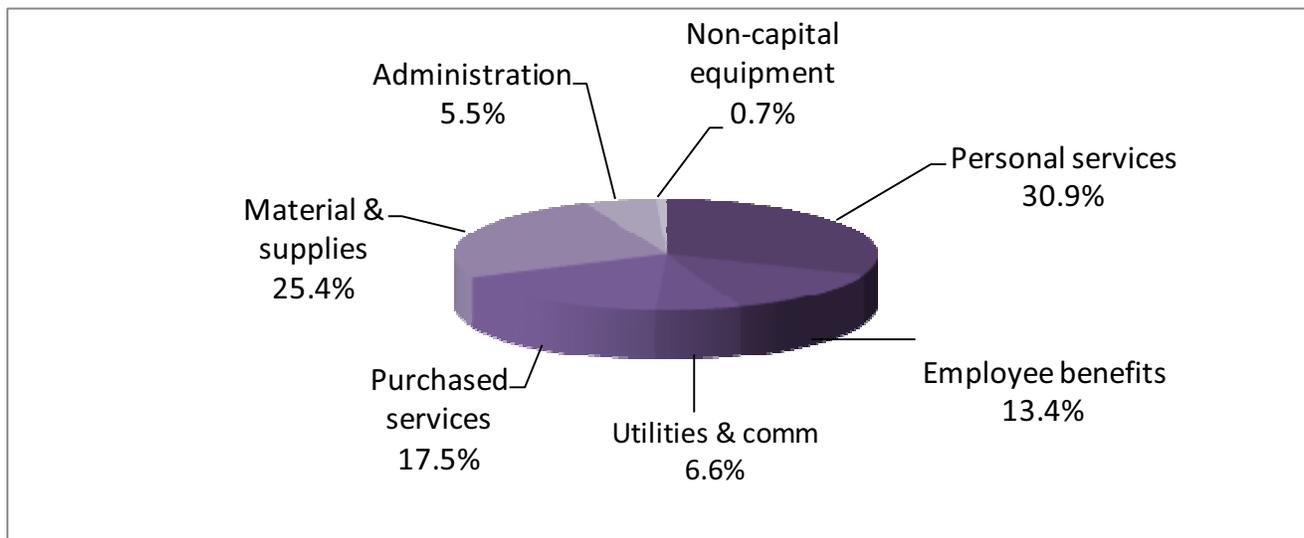


	2017	2016	2015
<b>Operating Revenues</b>			
Airfield	\$ 6,678,085	\$ 5,882,274	\$ 6,457,974
Fixed Based Operations	8,572,457	8,300,218	8,570,119
Terminal	5,019,779	4,777,241	5,000,721
Ground Transportation	15,325,640	15,163,022	13,089,872
Concessions	8,070,379	7,540,431	7,268,718
Other	4,360,796	4,075,479	3,850,200
<b>Non-Operating Income</b>			
Passenger Facility Charges	5,431,444	5,385,946	5,080,183
Grant Income	138,700	222,772	292,000
Improvement Charges	368,400	368,400	368,400
Interest Income	10,676	12,280	20,739
<b>Total</b>	<b>\$ 53,976,356</b>	<b>\$ 51,728,063</b>	<b>\$ 49,998,926</b>
<i>Percentage of Increase</i>	<i>4.3%</i>	<i>3.5%</i>	<i>1.9%</i>

## OPERATING EXPENSES AND NON-OPERATING EXPENSES HIGHLIGHTS

Total expenses for 2017 increased \$1.1 million or 2.2% as compared to the 2016. Higher costs for Fixed Based Operations deicing supplies, higher overtime, higher snow removal supplies and services all accounted for the increase in expenses during 2017 as compared to 2016.

Allocation of 2017 Operating Expenses by Category



	2017	2016	2015
Operating Expenses			
Personal services	\$ 10,187,245	\$ 9,913,293	\$ 9,250,876
Employee benefits	4,827,227	4,296,313	4,268,547
Utilities & communications	2,004,109	2,112,135	2,403,839
Purchased services	5,891,496	5,621,321	5,268,213
Material & supplies	9,020,199	8,171,161	8,684,849
Administration	1,284,572	1,770,835	1,104,200
Non-capital equipment	180,164	228,555	389,787
Depreciation	14,761,280	14,396,008	13,893,673
Non-Operating Expenses			
Interest	4,514,271	5,002,200	5,463,254
Amortization of Bond insurance premiums	76,280	100,347	109,988
<b>Total</b>	<b>\$ 52,746,843</b>	<b>\$ 51,612,168</b>	<b>\$ 50,837,226</b>
<i>Percentage of Increase/(Decrease)</i>	<i>2.2%</i>	<i>1.5%</i>	<i>-2.8%</i>

## FINANCIAL POSITION SUMMARY

The Statements of Net Position depict the Authority's financial position as of one point in time – December 31 – and reflects the residual difference between all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. Net position represents the residual interest in the Authority's assets after deducting liabilities. The Authority's net position was \$216.3 million at December 31, 2017, a \$5.8M increase from December 31, 2016.

A condensed summary of the Authority's total net position at December 31, 2017 and December 31, 2016 and 2015 is set forth below:

	2017	2016	2015
<b>ASSETS</b>			
Capital assets	\$ 245,397,366	\$ 249,869,538	\$ 260,437,317
Other assets	55,013,670	53,736,552	46,790,027
Total Assets	<u>300,411,036</u>	<u>303,606,090</u>	<u>307,227,344</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>4,722,111</u>	<u>5,918,434</u>	<u>6,547,308</u>
<b>LIABILITIES</b>			
Current (payable from unrestricted assets)	6,017,006	7,063,124	4,654,674
Current (payable from restricted assets)	11,366,663	9,721,183	9,733,622
Noncurrent liabilities	70,583,675	81,509,179	90,548,839
Total Liabilities	<u>87,967,344</u>	<u>98,293,486</u>	<u>104,937,135</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>865,063</u>	<u>776,520</u>	<u>888,721</u>
<b>NET POSITION</b>			
Net investment in capital assets	172,661,198	170,626,920	171,751,795
Restricted	22,238,003	21,191,423	19,387,387
Unrestricted	21,401,539	18,636,175	16,809,614
Net Position	<u>\$ 216,300,740</u>	<u>\$ 210,454,518</u>	<u>\$ 207,948,796</u>

Net position is comprised of three components as follows:

*Investment in capital assets* (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets, represents the largest portion of the Authority's net position (79.8% at December 31, 2017). The Authority uses these capital assets to provide services to the airlines, passengers and to service providers and users located at the Airport; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is net of related debt, the resources required to repay this debt annually are paid from operations, since it is unlikely that the capital assets will be liquidated to pay liabilities.

*Restricted net position* (10.3% at December 31, 2017), principally representing bond reserves and PFC funds, are restricted as to use pursuant to bond resolutions and Federal regulations. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted net position* totaling \$21.4 million (9.9% at December 31, 2017) are available to meet any of the Authority's ongoing obligations. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

## AIRLINE SIGNATORY RATES AND CHARGES

The Authority and airlines entered into a Use and Lease Agreement ("Agreement") effective January 1, 2016 for five years, with an option for a five-year renewal, which establishes how the airlines that signed the Agreement will be assessed annual rates and charges for their use of the Airport. In the Agreement, signatory airlines have the option to designate some or all of their affiliate carriers as signatory airlines. This entitles the affiliates to signatory rates and charges for use of the Airport. As of December 31, 2017, signatories in the Agreement include six commercial, nineteen affiliate carriers and two cargo airlines.

The Agreement with the signatory airlines is based on a hybrid rates and charges methodology. A residual cost methodology is used for the airfield and a commercial rental rate methodology for the terminal. The apron charge is based on a 10% allocation of total airfield costs and loading bridge rental rates is based on total actual operating costs for all the loading bridges. The resulting funds remaining each year are split fifty/fifty between the Authority and the signatory airlines. Each year the Authority prepares and issues an actual airline rates and charges analysis report in accordance with the Agreement and financial statements prepared in accordance with GAAP as audited by independent public accountants as of December 31. The Authority has the ability under the Agreement to adjust airline rates and charges at any time throughout the year to ensure adherence to all financial covenants in its bond resolutions. The Authority can impose a "Capital Charge Coverage" equal to 25% of its required debt service and also apply the Airline Share of Revenue sharing to meet debt service coverage if needed. Capital Charge Coverage provides for revenues less expenses, to be not less than one-hundred twenty-five percent (125%) of annual debt service. If needed to meet debt service coverage, the Airline Revenue Sharing is first suspended. The Authority may also impose "Extraordinary Coverage Protection", if necessary to meet the covenant debt service coverage ratio. The final rates and charges, after all year-end settlement adjustments and the revenue sharing allocations in accordance with the definitions and formulas contained in the Agreement with the signatory airlines are as follows:

	2017	2016	2015
Landing Fees (per 1,000 lbs. MGLW)	\$ 3.12	\$ 2.73	\$ 3.27
Terminal Rental Rate (per square foot)	\$ 79.86	\$ 81.11	\$ 74.63
Apron Fees (per square foot)	\$ 1.33	\$ 1.19	\$ 1.52
Loading Bridge (annual rate)	\$ 47,237	\$ 40,383	\$ 44,761
Airline Cost per Enplanement	\$ 6.57	\$ 6.00	\$ 7.12
Rate Settlement/Revenue Sharing Credits	\$ 2,439,847	\$ 3,137,355	\$ 1,683,274

The Authority has from time to time adopted Air Service Development Incentive programs which can provide qualifying airlines with credits that maybe used to offset Airport rates in charges after the qualification period ends. In 2017 and 2016 the Authority provided air service development incentive credits to Airlines totaling \$67,041 and \$539,720 respectively. The incentive credits are reported as an expense in the financial statements in the year earned and is funded from the Authority's portion of Revenue Sharing under the Agreement.

## CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

All cash receipts are initially deposited daily into collateralized or insured bank accounts. After initial deposit of receipts, all funds are transferred to various segregated bank accounts comprising the various funds defined in the Authority's Master Bond Resolution. The Authority's temporarily idle cash is maintained in collateralized or insured bank accounts consistent with the Authority's liquidity, available short-term investment opportunities, and desired level of risk. The Authority's maintains some debt service reserves in United States Treasury obligations. All deposits and investments are in compliance with the laws of the State and the Cash Management and Investment Policy adopted by the Authority.

Cash equivalents represent cash-on-hand, bank deposits and liquid investments with a maturity of three months or less. The following shows a summary of the major sources and uses of cash and cash equivalents for 2017, 2016 and 2015:

	2017	2016	2015
Cash flows from (used):			
Operating activities	\$ 12,937,136	\$ 16,164,746	\$ 11,790,097
Noncapital financing activities	138,700	222,772	292,000
Investing activities	29,152	27,221	32,427
Capital and related financing activities	(13,223,722)	(8,528,941)	(9,883,169)
Net increase/(decrease) in cash	(118,734)	7,885,798	2,231,355
Beginning of period	48,024,342	40,138,544	37,907,189
End of period	<u>\$ 47,905,608</u>	<u>\$ 48,024,342</u>	<u>\$ 40,138,544</u>

The Authority's available cash and cash equivalents decreased during 2017 by \$118,734. Cash and cash equivalents as of December 31, 2017, 2016 and 2015 are composed of:

	2017	2016	2015
Funds available for unrestricted operations	\$ 23,090,998	\$ 22,020,622	\$ 17,654,367
Restricted for:			
Capital projects	2,484,987	4,735,041	2,774,677
PFCs available for debt service payments	10,439,296	8,692,358	6,929,341
Revenue bond reserves	10,909,819	11,703,502	11,694,581
Other restrictions	980,508	872,819	1,085,578
Total	<u>\$ 47,905,608</u>	<u>\$ 48,024,342</u>	<u>\$ 40,138,544</u>

## CAPITAL ACTIVITIES

The enabling legislation creating the Authority set forth that every five years the Authority must submit to the County legislature for approval a capital plan for the subsequent five year period. The plan for 2015 – 2019 was approved by the County on December 1, 2014. The original plan provided for total spending of up to \$120.5 million over five years of which \$61 million is eligible for 95% grant funding. On May 8, 2017, the County of Albany approved an amendment to the capital plan to reallocate certain projects and increase total authorized by \$22 million to a new total of \$142.5 million. The plan does not represent a firm commitment of the Authority. The Authority has included every known possible project that could conceivably occur during the five year period for disclosure purposes. During the remainder of the 2014-2019 capital plan, as amended, the Authority may issue additional debt for projects not eligible for grant funding. There is no assurance that future Federal or State grant funds will be awarded to the Authority as anticipated in the plan. At December 31, 2017, the Authority has \$8.5 million outstanding capital commitments. Approved projects requiring additional financing in the plan are very likely to be deferred.

The following is a summary of the approved 2015 – 2019 capital plan including the activity through December 31, 2017:

	Total 2015- 2019 Plan	Total 2015- 12-31-17 Activity
Approved Projects		
Airfield	\$ 34,520,000	\$ 6,576,836
Terminal	14,000,000	7,892,214
Landside	60,000,000	15,310,303
Major Equipment	12,000,000	3,081,686
Total	<u>\$120,520,000</u>	<u>\$ 32,861,039</u>
Projected Funding Sources		
Federal Funds	\$ 61,020,000	\$ 1,710,207
State Funds	6,250,000	5,287,319
Debt Issuances	34,500,000	-
Authority Funds	18,750,000	25,863,513
Total	<u>\$120,520,000</u>	<u>\$ 32,861,039</u>

## LONG-TERM DEBT ADMINISTRATION

The Authority issued Airport Revenue Bonds to provide funds for the acquisition and construction of major capital facilities. Airport Revenue Bonds are direct obligations and are pledged by the full faith and credit of the Authority. Certain outstanding bonds may be redeemed prior to their normal maturity dates in accordance with the terms of the related bond indentures. The Authority has never defaulted on any principal or interest payments.

In accordance with Section 2785 of the New York Public Authorities Law, the Authority may issue Bonds, Notes and Other Obligations up to \$285 million outstanding at any time plus certain amounts issued for refunding purposes. The total Authority principal debt outstanding at December 31, 2017 for General Airport Revenue Bonds (GARB) was \$77,318,000 as compared to \$88,216,000 as of December 31, 2016. The

aggregate par amount of bonds issued by the Authority and bond related debt owed to the County of Albany outstanding as of December 31, 2017 and 2016 is summarized in the following table:

	Issued	Outstanding at 12-31-16	Outstanding at 12-31-17
Authority Revenue Bonds			
1999 NYS EFC	\$ 7,895,303	\$ 1,546,000	\$ 1,128,000
2003 GARB Series A	8,885,000	2,685,000	-
2006 GARB Series A & B	14,230,000	8,795,000	-
2006 GARB Series C	6,330,000	5,010,000	-
2010 Refunding Series A & B	109,855,000	70,180,000	62,845,000
2017 Refunding Series A & B	14,395,000	-	13,345,000
Total Authority Debt Obligations	<u>\$ 147,195,303</u>	<u>\$ 88,216,000</u>	<u>\$ 77,318,000</u>

In the table above, the bonds and debt obligation are presented on a stated par-amount basis. Under generally accepted accounting principles certain items associated with the debts above are deferred and amortized into future periods by subtracting or adding the deferred items to the stated par amounts outstanding and expensing those deferred items in future periods as the debt matures using a systematic and rational method that conforms with generally accepted accounting described in Note 2 to the Financial Statements. The reported amount of bonds issued by the Authority that was outstanding as of December 31, 2016, additions and/or deletions during 2017, and the balances reported at December 31, 2017 with adjustments to the reported value required by generally accepted accounting principles is summarized in the following table:

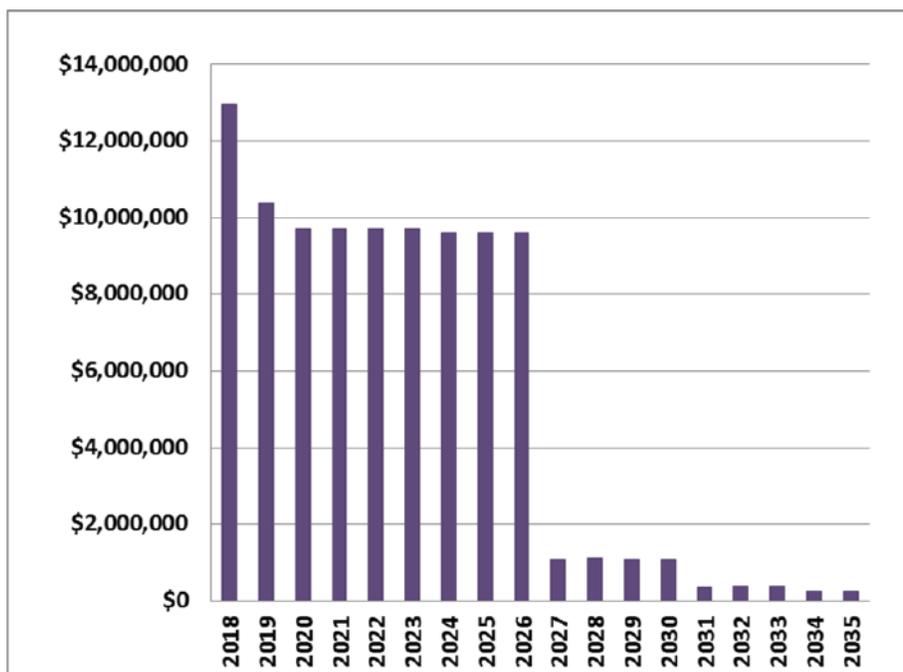
	Outstanding at 12-31-16	Additions	Deletions	Outstanding at 12-31-17
Authority Revenue Bonds/Debt Obligations				
Bonds Payable				
Series 1999 NYS EFC	\$ 1,546,000	\$ -	\$ (418,000)	\$ 1,128,000
Series 2003A GARB	2,685,000	-	(2,685,000)	-
Series 2006A & B GARB	8,795,000	-	(8,795,000)	-
Series 2006C GARB	5,010,000	-	(5,010,000)	-
Series 2010A Refunding	70,180,000	-	(7,335,000)	62,845,000
Series 2017A & B Refunding	-	14,395,000	(1,050,000)	13,345,000
Total Bonds Payable	88,216,000	14,395,000	(25,293,000)	77,318,000
Deferred Loss on Refunding	(4,862,137)	(412,455)	1,190,280	(4,084,312)
Unamortized Premiums/Discounts (net)	1,483,693	1,431,250	(666,338)	2,248,605
Net Bonds Payable	<u>\$ 84,837,556</u>	<u>\$ 15,413,795</u>	<u>\$ (24,769,058)</u>	<u>\$ 75,482,293</u>

### REFUNDING BONDS ISSUED IN 2017

On April 13, 2017 the Authority completed the marketing and pricing for the sale of its Series 2017 Bonds in the total par amount of \$14,395,000 of which \$7,795,000 were sold as Series 2017A Non-AMT (not subject to any Federal Tax) and \$6,600,000 were sold as Series 2017B AMT (subject to the Federal Alternative Minimum Tax). The Series 2017 Bonds were used, along with other funds of the Authority, to fully refund the Authority's Series 2003A, Series 2006A, Series 2006B, and Series 2006C Bonds in the aggregate amount of \$16,490,000 (the Refunded Bonds).

At December 31, 2017 the Authority maintained debt service reserve funds in the amount of \$11.1 million and Passenger Facility Charge Funds in the amount of \$10.4 million, both of which are restricted to repayment of debt. Thus, the Authority's direct obligations outstanding, net of funds restricted for the repayment of debt, was \$55.8 million in aggregate par amount of bonds outstanding.

The graph and table below presents combined annual debt service to maturity as of December 31, 2017:



#### Year/Debt Service

<b>2018</b>	\$12,966,335	<b>2024</b>	\$ 9,600,881	<b>2030</b>	\$ 1,085,431
<b>2019</b>	10,385,696	<b>2025</b>	9,594,631	<b>2031</b>	358,863
<b>2020</b>	9,686,381	<b>2026</b>	9,608,463	<b>2032</b>	363,056
<b>2021</b>	9,694,381	<b>2027</b>	1,089,575	<b>2033</b>	361,450
<b>2022</b>	9,699,881	<b>2028</b>	1,096,950	<b>2034</b>	253,800
<b>2023</b>	9,707,881	<b>2029</b>	1,084,925	<b>2035</b>	244,400

## PASSENGER FACILITY CHARGE (PFC)

The Authority initially received approval from the FAA to impose a PFC of \$3.00 per enplaned passenger beginning March 1, 1994, not to exceed \$40,726,364, principally to finance the Terminal Improvement Program. During 1996, the Authority requested and received approval to increase the amount of PFCs to \$116,888,308 to be collected through the year 2022. Effective September 1, 2009, the Authority implemented an approved change in the PFC collection from \$3.00 per passenger to \$4.50 per passenger, with a current estimated collection period through 2020. Through December 31, 2017, the Authority has collected PFCs, including interest earnings thereon, totaling \$98,317,928, or 84.1% of the total authorized. Passengers pay PFCs on the first two and last two portions of any trip. No PFCs are collected from non-revenue passengers such as a passenger using a frequent flier award ticket. The Authority calculates that it is collecting PFCs on approximately 86.7% of its enplanements. Additional information about PFC activity can be found under "Note 2 – Summary of Significant Accounting Policies" in the Notes to the Financial Statements.

## CREDIT RATINGS AND BOND INSURANCE

The table below presents the enhanced and underlying ratings on each of the Authority's outstanding bonds.

Series *	Bond Insurer	Moody's/Fitch/S&P/Kroll Enhanced Rating	Moody's/Fitch/S&P Underlying Rating
Series 2010A	AGMC	A2/NR/AA/AA+	A3/A-/A-
2017A	uninsured	N/A	A3/A-/A-
2017B	uninsured	N/A	A3/A-/A-

\* Not all maturities within a Series are insured.

NR = Not Rated

Fitch Ratings has withdrawn its insured rating of all bonds insured by AGMC effective February 25, 2010. Moody's lowered their rating of AGMC from "A3" to "A2" on January 17, 2013. Standard and Poor's upgraded their enhanced rating of AGMC from "AA-" to "AA" on March 18, 2014. On March 24, 2017, Standard and Poor's raised the Authority's underlying credit rating from "BBB+" to "A-". On January 23, 2018 AGMC received a rating of AA+ from Kroll Bond Rating Agency. The Authority's underlying credit ratings are: Moody's Investors Service "A3", Fitch Ratings "A-" and Standard and Poor's "A-".

## RESERVES AND DEBT SERVICE COVERAGE

Under the Authority's master bond resolution adopted in 1997, it is required to maintain an operating reserve equal to two months operating expenses. At December 31, 2017 the reserve requirement was \$5.6 million and for which the Authority had \$11.0 million on hand. The Authority also had \$11.0 million in its airport Development Fund which can be used to restore a deficiency in any other fund and it had a repair and replacement reserve fund of \$500,000. Also provided for in the bond resolution for each bond issue, the Authority maintains debt service reserve funds. As of December 31, 2017 the debt service reserve funds totaled \$11.1 million.

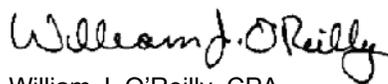
## FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority operates as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their estimated useful lives. Certain funds are reported as restricted based upon constraints placed on their use by contributors, grantors and debt covenants. See the Notes to the Financial Statements for a summary of the Authority's significant accounting policies.

## REQUEST FOR INFORMATION

The Authority's basic financial statements are designed to provide detailed information on the Authority's operations and to the Authority's Board, management, investors, creditors, customers and all others with an interest in the Authority's financial affairs and to demonstrate the Authority's accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Chief Financial Officer by e-mail: [boreilly@albanyairport.com](mailto:boreilly@albanyairport.com) or in writing to, Albany County Airport Authority, Administration Building, Suite 204, Albany, NY 12211-1057.

Respectfully submitted,



William J. O'Reilly, CPA  
Chief Financial Officer

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Albany County Airport Authority  
Statements of Net Position  
As of December 31, 2017 and December 31, 2016

<u>ASSETS</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 23,090,998	\$ 22,020,622
Accounts receivable - net	2,262,330	2,076,893
Due from County of Albany	303,478	262,136
Prepaid expenses	1,061,507	678,418
Total Unrestricted Assets	<u>26,718,313</u>	<u>25,038,069</u>
Restricted Assets:		
Capital Funds:		
Cash and cash equivalents	2,484,987	4,735,041
Grant funds receivable	1,688,826	869,839
Passenger Facility Charge Funds:		
Cash and cash equivalents	10,439,296	8,692,358
Passenger Facility Charges receivable	563,712	489,467
Revenue Bond Funds:		
Cash and cash equivalents	10,909,819	11,703,502
Investments	277,389	277,389
Accrued interest receivable	1,809	1,809
ANCLUC Funds:		
Cash and cash equivalents	196,857	196,857
Concession Improvement Funds:		
Cash and cash equivalents	783,651	675,962
Total Restricted Assets	<u>27,346,346</u>	<u>27,642,224</u>
Total Current Assets	<u>54,064,659</u>	<u>52,680,293</u>
<b>NON-CURRENT ASSETS</b>		
Bond Insurance Premiums	369,098	553,285
Net Assets held in trust for OPEB	308,505	216,131
Prepaid expenses	271,408	286,843
Capital Assets:		
Land and easements	48,812,345	48,005,527
Buildings, improvements and equipment, net of depreciation	193,044,204	199,684,753
Construction in progress	3,540,817	2,179,258
Total Capital Assets	<u>245,397,366</u>	<u>249,869,538</u>
Total Non-Current Assets	<u>246,346,377</u>	<u>250,925,797</u>
Total Assets	<u>300,411,036</u>	<u>303,606,090</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Refunding	4,084,309	4,862,134
Pension Expenses	637,802	1,056,300
Total Deferred Outflows of Resources	<u>4,722,111</u>	<u>5,918,434</u>

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority  
Statements of Net Position  
As of December 31, 2017 and December 31, 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Payable from Unrestricted Assets:		
Accounts payable	\$ 609,926	\$ 594,249
Accrued expenses	5,407,080	6,468,875
Total Payable from Unrestricted Assets	<u>6,017,006</u>	<u>7,063,124</u>
Payable from Restricted Assets:		
Construction contracts payable	1,478,791	332,956
Construction contract retainages	317,993	230,268
Accrued interest payable	150,879	169,959
Current maturities of long - term debt	9,419,000	8,988,000
Total Payable From Restricted Assets	<u>11,366,663</u>	<u>9,721,183</u>
Total Current Liabilities	<u>17,383,669</u>	<u>16,784,307</u>
<u>NON-CURRENT LIABILITIES</u>		
Bonds and other debt obligations	70,147,604	80,711,693
Net pension liability - proportionate share	436,071	797,486
Total Non-Current Liabilities	<u>70,583,675</u>	<u>81,509,179</u>
Total Liabilities	<u>87,967,344</u>	<u>98,293,486</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Concession Improvement funds	783,651	675,962
Pension	81,412	100,558
Total Deferred Inflows of Resources	<u>865,063</u>	<u>776,520</u>
<u>NET POSITION</u>		
Net investment in capital assets	172,661,198	170,626,920
Restricted:		
Bond reserve funds	11,038,138	11,812,741
Passenger facility charge funds	11,003,008	9,181,825
Other restricted funds	196,857	196,857
Total Restricted:	<u>22,238,003</u>	<u>21,191,423</u>
Unrestricted	<u>21,401,539</u>	<u>18,636,175</u>
Net Position	<u>216,300,740</u>	<u>210,454,518</u>

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended December 31, 2017 and December 31, 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Operating Revenues		
Airfield	\$ 6,678,085	\$ 5,882,274
Fixed Based Operations	8,572,457	8,300,218
Terminal	5,019,779	4,777,241
Concessions	8,070,379	7,540,431
Ground transportation	15,325,640	15,163,022
Other revenue	4,360,796	4,075,479
Total Operating Revenues	<u>48,027,136</u>	<u>45,738,665</u>
Operating Expenses		
Airfield	3,166,201	3,072,752
Fixed Based Operations	6,597,625	6,170,676
Terminal	5,202,732	5,542,086
Loading bridges	309,227	272,130
Landside	5,653,834	4,885,754
Public safety	3,356,287	3,354,937
Aircraft Rescue and Fire Fighting	1,922,809	2,022,328
Vehicle maintenance	1,373,378	1,164,857
Administration	5,812,919	5,628,093
Total Operating Expenses	<u>33,395,012</u>	<u>32,113,613</u>
Revenues in excess of expenses before depreciation	14,632,124	13,625,052
Depreciation	<u>14,761,280</u>	<u>14,396,008</u>
Loss Before Non-Operating Income and Expenses	<u>(129,156)</u>	<u>(770,956)</u>
Non-Operating Income and (Expenses)		
Passenger Facility Charges	5,431,444	5,385,946
Grant income	138,700	222,772
Improvement charges	368,400	368,400
Interest income	10,676	12,280
Interest expense	(4,261,394)	(5,002,200)
Bond issuance costs	(252,877)	-
Amortization of bond insurance premiums	(76,280)	(100,347)
Total Non-Operating Income and (Expenses)	<u>1,358,669</u>	<u>886,851</u>
Income before Capital Contributions	1,229,513	115,895
Capital Contributions	<u>4,616,709</u>	<u>2,389,827</u>
Net Position		
Increase in Net Position	5,846,222	2,505,722
Net Position, Beginning of Year	<u>210,454,518</u>	<u>207,948,796</u>
Net Position, End of Year	<u>\$ 216,300,740</u>	<u>\$ 210,454,518</u>

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority  
Statements of Cash Flows  
For the Years Ended December 31, 2017 and December 31, 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash Flows From Operating Activities		
Cash received from providing services	\$ 47,814,646	\$ 45,592,581
Cash paid to suppliers	(33,640,390)	(28,236,989)
Cash paid to employees	(1,237,120)	(1,190,846)
Net Cash Provided By Operating Activities	<u>12,937,136</u>	<u>16,164,746</u>
Cash Flows From Noncapital Financing Activities		
Grant income	138,700	222,772
Net Cash Provided By Noncapital Financing Activities	<u>138,700</u>	<u>222,772</u>
Cash Flows From Investing Activities		
Interest received	10,676	12,280
Interest on passenger facility charges	18,476	14,941
Net Cash Provided by Investing Activities	<u>29,152</u>	<u>27,221</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of property and equipment	(9,055,546)	(4,244,291)
Principal payments made on bonds and notes payable	(8,803,000)	(8,567,000)
Payments to refunding agent	(16,794,552)	-
Proceeds from issuance of bonds	15,826,250	-
Cost of issuance	(336,179)	-
Interest paid	(3,673,229)	(4,394,462)
Concession improvement funds	107,689	(212,759)
Improvement charges	368,400	368,400
Capital Grants	3,797,722	3,164,885
Passenger facility charges	5,338,723	5,356,286
Net Cash Used By Capital and Related Financing Activities	<u>(13,223,722)</u>	<u>(8,528,941)</u>
Net increase/(decrease) in cash and cash equivalents	(118,734)	7,885,798
Cash and cash equivalents, beginning of year	48,024,342	40,138,544
Cash and cash equivalents, end of year	<u>\$ 47,905,608</u>	<u>\$ 48,024,342</u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:		
Loss before non-operating income and expenses	\$ (244,416)	\$ (770,956)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	14,761,280	14,396,008
Decrease/(increase) in assets:		
Accounts receivable	(185,437)	(146,084)
Due from County of Albany	(41,342)	30,457
Net Assets held in trust for OPEB	(4,167)	(34,155)
Prepaid expenses	(367,654)	228,369
Deferred pension expenses	37,937	52,657
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(1,019,065)	2,408,450
Net Cash Provided By Operating Activities	<u>\$ 12,937,136</u>	<u>\$ 16,164,746</u>
Noncash Capital and Related Financing Activities:		
Capital Assets and related receivables	\$ (818,987)	\$ 775,058
Total Noncash Capital and Related Financing Activities	<u>\$ (818,987)</u>	<u>\$ 775,058</u>

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority OPEB Trust  
 Statements of Fiduciary Fund Net Position  
 As of December 31, 2017 and December 31, 2016

	December 31, 2017	December 31, 2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,058,413	\$ 1,900,888
Total Assets	2,058,413	1,900,888
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Outflows of Resources	-	-
 <u>LIABILITIES</u>		
Total Liabilities	-	-
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Total Deferred Inflows of Resources	-	-
 <u>NET POSITION</u>		
Net Position - Restricted for OPEB	\$ 2,058,413	\$ 1,900,888

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority OPEB Trust  
 Statements of Changes in Fiduciary Fund Net Position  
 For the Years Ended December 31, 2017 and December 31, 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Additions to Net Position Attributed to:		
Contributions		
Employer	\$ 155,615	\$ 86,738
Interest Income	1,910	1,821
Total Additions	<u>157,525</u>	<u>88,559</u>
Deductions from Net Position Attributed to:		
Retirement benefits	-	-
Administrative expenses	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Increase in Net Position	<u>157,525</u>	<u>88,559</u>
Net Position - Restricted for OPEB, Beginning of Year	<u>1,900,888</u>	<u>1,812,329</u>
Net Position - Restricted for OPEB, End of Year	<u>\$ 2,058,413</u>	<u>\$ 1,900,888</u>

The accompanying notes are an integral part of these financial statements

Albany County Airport Authority  
Notes to Financial Statements

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# ALBANY COUNTY AIRPORT AUTHORITY

## Notes to Financial Statements

December 31, 2017 and December 31, 2016

### **NOTE 1 - Organization and Reporting Entity**

#### **Organization:**

The Albany County Airport Authority (Authority), a body corporate and politic, constituting a public benefit corporation, was established by the State of New York (State) August 4, 1993, pursuant to the provisions of Chapter 686 of the Laws of 1993 as set forth in Title 32 of the State's Public Authorities Law. As a public benefit corporation, the Authority is independent, distinct from, and not an agent of the State or any other of the State's political subdivisions, including the County of Albany (County).

The Authority consists of seven members, four appointed by the majority leader of the County Legislature and three by the County Executive, who jointly designate one of the seven members as chairperson, and all with approval of the County Legislature. The Authority members serve for a term of four years or until their successor is appointed, except that any person appointed to fill a vacancy will be appointed to serve only the unexpired term. Members of the Authority are eligible for reappointment.

On March 15, 1994, the Authority and the County entered into an Interim Agreement, whereby the County granted, and the Authority accepted, sole possession, use, occupancy and management of the Albany International Airport (Airport), including all rights, interest, powers, privileges and other benefits in each and every contract relating to the maintenance, operation, leasing, management or construction of the Airport, and all other rights, privileges or entitlement necessary to continue to use, operate and develop the Airport.

The Authority and the County entered into a permanent Airport Lease Agreement, dated December 5, 1995, which upon its approval by the Federal Aviation Administration (FAA) became effective on May 16, 1996 for a term of forty (40) years, whereby the Authority has the exclusive right to operate, maintain and improve the Airport and do anything else permitted by law, subject only to the restrictions and conditions stated in such Airport Lease Agreement and in accordance with applicable Federal, State and local laws.

Pursuant to the State enabling Legislation, the Authority may not undertake any capital project (see Note 15), other than the redevelopment project described in the enabling legislation, known as the Terminal Improvement Program, unless the project has first been approved by the County as part of a five-year Capital Improvement Program. For these purposes, the term "capital project" is defined as the construction, reconstruction or acquisition of airport or aviation facilities.

Prior to March 15, 1994, the Airport operated as a fund of the County. As of March 15, 1994 the County transferred the use of all assets and substantially all liabilities of the County's Airport Enterprise Fund to the Authority. These assets and liabilities were recorded by the Authority at a Net Asset value equal to \$46,824,500.

The Authority is not subject to Federal, State or local income, property or sales taxes, except for property taxes due on properties acquired by the Authority until they are removed from the tax rolls as of the next assessment date. However, the Authority may agree to make certain payments in lieu of taxes for real property owned or used by the Authority for purposes other than public aviation purposes and under other limited circumstances.

The Authority has contracted with AFCO AvPorts Management LLC, (d/b/a Avports), to manage the daily operations of the airport under a three year term expiring December 31, 2018. The Authority has also contracted with REW Investments, Inc., (d/b/a Million Air), to manage the fixed based operations of the airport under a three year term expiring August 31, 2019. Both agreements are renewable with the approval of both parties.

**Reporting Entity:**

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the County's basic financial statements based on the County's responsibility for the appointment of the Authority members, and their approval of capital programs and certain debt issuances. As such, the Authority is included in the County's basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Authority only. The Authority is not involved in any joint ventures.

The Authority has established a written, single employer, defined benefit plan to provide healthcare benefits to eligible former employees and/or their qualifying dependents. The Authority also established a legally separate trust known as the Albany County Airport Authority OPEB Trust to receive and manage contributions from the Authority to fund its obligations for retiree health care benefits under the written plan. The Albany County Airport Authority OPEB Trust is included in the Authority's financial statements as a separate Fiduciary Fund of the Authority under accounting principles promulgated by GASB.

**NOTE 2 - Summary of Significant Accounting Policies****Basis of Accounting:**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

The Authority's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from airlines, FBO operations, concessions, property rentals, operating permits, and parking fees are reported as operating revenues. All expenses related to operating the Airport are reported as expenses. Passenger facility charges, noncapital grants, capital improvement charges, interest and investment income

are reported as non-operating income. Interest expense, financing costs and grant expenses are reported as non-operating expenses. Capital contributions, special and extraordinary items are reported separately after non-operating revenues and non-operating expenses.

**Cash, Cash Equivalents and Investments:**

The deposit and investment of Authority monies is governed by provisions in its enabling legislation and by a Cash Management and Investment Policy adopted by the Authority on September 13, 1994 and last amended March 26, 2014. Any bank or trust company with a full service office in the County is authorized for the deposit of monies.

Monies not needed for immediate expenditure may be invested in (1) United States Treasury obligations with maturities of seven years or less, (2) obligations backed by the United States Government full faith and credit, (3) New York State, New York State agency or New York State subdivisions (cities, towns, villages, counties) obligations with, (4) certificates of deposit fully collateralized from a bank or trust company in New York State, (5) notes, bonds, debentures, mortgages and other evidences of indebtedness of certain agencies sponsored by the United States government provided at the time of investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, and (6) repurchase agreements using United States Treasury obligations with maturities of seven years or less. Investments are stated at fair value or amortized cost.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents, which are stated at cost, consist of certificates of deposit, and treasury notes. Investments are reported at fair value.

Note 3 sets forth information about the use of federal depository insurance (FDIC) and collateralization to insure the Authority's deposits.

**Receivables:**

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

**Restricted Assets:**

Restricted assets consist of monies and other resources which are restricted legally as described below:

*Capital Funds* - These assets represent capital debt proceeds and grant funds that are restricted for designated capital projects and cannot be expended for any other item.

*Passenger Facility Charges Funds* - These assets represent Passenger Facility Charges (PFC) collections based on an approved FAA application to "Impose" such charges on enplaned passengers at the Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction

of those projects. The Authority recognizes and reports as other income PFCs earned when all conditions have been met that entitles the Authority to retain the PFCs. PFCs received prior to this time are reported as restricted net position.

*Revenue Bond Funds* - These assets represent Series 2010 and 2017 general airport revenue bond (GARB) proceeds and Series 1999 Environmental Facilities Corporation (EFC) bond proceeds held in Bond Reserve Accounts. Bond reserve accounts for the Series 2010 and Series 2017 Bonds equal 125% of the average annual debt service due on bonds at the time of issuance.

*ANCLUC Funds* - These assets represent Airport Noise Control and Land Use Compatibility (ANCLUC) program funds. These Airport funds were generated through the sale or rental of airport noise abatement properties acquired with Federal and State aid and interest earnings thereon. The use of such revenues is restricted to Airport Improvement Program eligible project costs contingent upon FAA concurrence.

*Concession Improvement Funds* - These assets represent 1% of gross revenues of all food and beverage and retail concessions held in escrow to potentially fund the planning, developing, construction, remodeling, renovating or replacing of any of the concessionaire's leased area during the term of the concession agreement. Use of the funds during the term of the lease is subject to the Authority's sole approval. Funds remaining at the end of a concession agreement are retained by the Authority.

#### **Capital Assets:**

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, equipment and all other tangible assets that are used in operations and have useful lives extending beyond a single reporting period. Capital Assets assumed by the Authority on March 15, 1994 are carried at historical cost, net of accumulated depreciation. Acquisitions of new assets costing \$50,000 or more are recorded at cost.

Maintenance and repairs are expensed as incurred. When depreciable assets are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to an expense. Capital Assets are written off when fully depreciated unless clearly identified as still being in use. Capital Assets are written-down due to impairment if circumstances indicate a significant or unexpected decline in an assets service utility has occurred. Impaired Capital assets are written down using an approach that best reflects the decline in service utility. Assets to be disposed of and assets held for sale are reported at the lower of carrying value or fair value less costs to dispose of.

Depreciation of capital assets is computed using the straight-line method at various rates considered adequate to allocate costs over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings and improvements .....	5-30
Vehicles, machinery and equipment .....	5-15

**Capitalization of Interest:**

Interest costs incurred that relate to the acquisition or construction of capital assets acquired with tax-exempt debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. No interest was capitalized in 2016 or 2017.

**Bond Issue Costs, Original Issue Discount and Deferred Loss on Bond Refundings:**

Bond insurance (an issuance cost) is deferred and amortized over the life of the respective issue on an effective interest method. Original issue discounts and deferred loss on refundings on long-term indebtedness are amortized using the effective interest method over the life of the debt to which it relates. Interest on capital appreciation debt is accreted using the effective interest method.

**Capital Contributions:**

Certain expenditures for Airport capital assets are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the State and the Authority, or from various State allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the *Statements of Revenues, Expenses and Changes in Net Position*, after other income and expenses, as capital contributions.

**Revenue Recognition:**

*Airfield Landing Fee Charges* - Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the gross landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Authority and the signatory airlines based on the adopted operating budget of the Authority and is adjusted at year end for the actual landed weight of all aircraft. Landing fees are recognized as revenue when the related facilities are utilized.

*FBO, Terminal Rents, Concessions and Ground Transportation* - FBO revenues are generated from commercial and general aviation users, rental and concession fees are generated from airlines, parking lots, food and beverage, retail, rental cars, advertising and other commercial tenants. Leases are for terms from one to ten years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concessionaire revenue.

*Other* - All other types of revenues are recognized when earned.

**Special Items and Extraordinary Items:**

*Special Items* - Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. The Authority did not report any Special Items in 2016 or 2017.

*Extraordinary Items* - Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. The Authority did not report any Extraordinary Items in 2016 or 2017.

**Passenger Facility Charges:**

Passenger Facility Charges (PFC) at the rate of \$3 per enplaned passenger have been levied by the Airport since March 1, 1994 under an FAA approved application to impose \$40,726,364 with collection thereof estimated to be complete in the year 2005. During 1996, the Authority received approval to increase the amount of PFC collections to \$116,888,308 extending the estimated collection period through the year 2022. In 2009, the Authority received approval to change the PFC collection from \$3.00 per passenger to \$4.50 per passenger, with a current estimated collection period through 2020. Through December 31, 2017, the Authority has collected PFCs including interest earnings thereon totaling \$98,317,928.

PFC funds, along with related interest earnings, are recorded as restricted net position until they are applied against future debt service payments under an FAA approved Application to Use. PFC receipts are recognized and recorded as non-operating revenues in the year they are collected.

The Authority previously expended \$11.2 million of PFCs on projects funded on a pay-as-you-go basis. The Authority also covenanted in the Resolution authorizing the Series 2010A Refunding Bonds to apply future PFC collections to pay a portion of the debt service related to the FAA approved projects included in the Applications. Pursuant to the Resolution, PFCs collected and deposited in a segregated account, together with the interest earned thereon, are applied towards the subsequent debt service payments reducing the amount of debt to be funded from net operating revenue. Through December 31, 2017, the Authority has applied \$85.4 million of PFC's towards the payment of debt service.

**Compensated Absences:**

Employees accrue vacation in varying amounts based on length of service. Employees can accumulate up to 300 hours, or 37.5 days of vacation time. Unused vacation time can be liquidated for cash upon separation, retirement or death.

Sick leave is earned by regular, full-time employees at the rate of one day per month. Employees can accumulate up to 1,320 hours or 165 days of sick leave. Any sick leave hours unused at the time of an employee's retirement can be applied as additional service credit in calculating retirement benefits in the New York State Employees' Retirement System. It is the policy of the Authority not to pay accumulated sick leave to employees who terminate prior to retirement.

The liability for compensated absences earned through year-end, but not yet taken, is accrued by charging the expense for the change in the liability from the prior year.

**Pension Plan:**

The Authority applies GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the cost-sharing, multiple employer, defined benefit pension plan. The Authority also applies GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 71) to report additional deferred outflows. The Authority participation in the plans is mandated by State law and includes the New York State and Local Employees' Retirement System (ERS) and the Optional Voluntary Defined Contribution (VDC) (the Systems). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. More information on pension activity for the Systems is included in Note 12.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, through subsequent events, actual results could differ from those estimated. Some estimates, such as the liability for Net Pension (Note 12) and Other Post-Employment Benefits (OPEB) (Note 13) have the potential to vary more significantly over time than other estimates.

**Adoption of New Accounting Standards:**

Governmental Accounting Standards Board Statements No. 80 *Blending Requirements for Certain Component Units*, No. 81 *Irrevocable Split-Interest Agreements*, and No. 82 *Pension Issues*, became effective for the fiscal year ended December 31, 2017. The adoption of these accounting standards did not have a significant effect on the Authority's financial statements.

**NOTE 3 - Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments of the Authority at December 31 consist of the following:

	Book Balance		Bank Balance	
	2017	2016	2017	2016
Cash and Cash Equivalents				
Cash on hand	\$ 6,750	\$ 6,750		
Cash in bank accounts	48,017,592	48,017,592	\$ 49,603,591	\$ 49,879,432
Total Cash and Cash Equivalents	<u>48,024,342</u>	<u>48,024,342</u>		
Investments				
U.S. Treasury SLGS note maturing 2019 at 3.093%				
	277,389	277,389		
Total Investments	<u>277,389</u>	<u>277,389</u>		
Total cash, cash equivalents and investments	<u>\$ 48,301,731</u>	<u>\$ 48,301,731</u>		

The U.S. Treasury State and Local Government Note represent the investment of the required debt reserve for the bonds issued to the 1999 NYS Environmental Facilities Corporation (NYS EFC) bonds discussed in Note 8. The Note is not marketable and is reported at cost. The interest earned is received by a trustee appointed by NYS EFC and remitted by the trustee to the Authority. The underlying bonds are not subject early redemption and the Note remains under the management of NYS EFC trustee.

The Authority's deposits were secured by insurance from the Federal Depository Insurance Corporation (FDIC) covering \$500,000 on December 31, 2017 and December 31, 2016 plus \$49,603,591 and \$49,879,432 of pledged collateral held by a third party trustee bank at December 31, 2017 and 2016, respectively. The FDIC bank insurance program Permanent Rule provides up to \$250,000 in coverage for the Authority's Savings Accounts and up to \$250,000 for the Authority's Demand Accounts. Collective balances in excess of these amounts are collateralized at 102% of the prior day closing bank balance.

#### NOTE 4 - Receivables

Accounts receivable is recorded net of allowances for probable uncollectible accounts.

	As of 12-31-17	As of 12-31-16
Airlines	\$ 1,260,815	\$ 1,151,451
Concessions	93,137	182,387
Other	999,154	743,055
Sub-Total	2,353,106	2,076,893
Less Allowances	(90,776)	-
Net Accounts Receivable	<u>\$ 2,262,330</u>	<u>\$ 2,076,893</u>

#### NOTE 5 - ANCLUC Funds

Changes in the Federal Airport Noise Control Land Use Compatibility (ANCLUC FAR150) funds are as follows:

	As of 12-31-17	As of 12-31-16
Opening Balance	\$ 196,857	\$ 196,857
Interest received	-	-
Ending Balance	<u>\$ 196,857</u>	<u>\$ 196,857</u>

#### NOTE 6 - Due from County of Albany

The net amount from the county consists of the following:

	As of 12-31-17	As of 12-31-16
Reimbursement of expenses due from County	\$ 303,478	\$ 262,136
	<u>\$ 303,478</u>	<u>\$ 262,136</u>

The County provides certain services to the Authority including sheriff officers for public safety, code enforcement inspections, sewer district charges, and salt for the winter roadways. The total expenditures incurred by the Authority during the years ended December 31, 2017 and 2016 for these services totaled \$2,824,527 and \$2,286,147, respectively.

## NOTE 7 - Capital Assets

Capital Assets balances and activity for the years ended December 31, 2017 and 2016 were as follows:

	Total 12-31-15			Total 12-31-16			Total 12-31-17		
		Additions	Deletions		Additions	Deletions		Additions	Deletions
Capital Assets that are not depreciated:									
Land and Easements	\$ 48,005,527			\$ 48,005,527	\$ 806,818		\$ 48,812,345		
Construction in Progress	11,916,635	\$ 3,828,228	\$ (13,565,605)	2,179,258	10,289,108	\$ (8,927,549)	3,540,817		
Total	59,922,162	3,828,228	(13,565,605)	50,184,785	11,095,926	(8,927,549)	52,353,162		
Capital Assets that are depreciated:									
Buildings	203,520,852			203,520,852			203,520,852		
Improvements, other than buildings	209,679,248	13,565,605		223,244,853	7,806,626		231,051,479		
Machinery and Equipment	15,343,878			15,343,878	314,105		15,657,983		
Sub-total	428,543,978	13,565,605	-	442,109,583	8,120,731	-	450,230,314		
Less accumulated depreciation:									
Buildings	(109,745,534)	(6,621,010)		(116,366,544)	(6,593,798)		(122,960,342)		
Improvements	(106,870,381)	(7,195,463)		(114,065,844)	(7,577,058)		(121,642,902)		
Machinery and Equipment	(11,412,908)	(579,534)	-	(11,992,442)	(590,424)	-	(12,582,866)		
Sub-total	(228,028,823)	(14,396,007)	-	(242,424,830)	(14,761,280)	-	(257,186,110)		
Total depreciable Capital Assets, net	200,515,155	(830,402)	-	199,684,753	(6,640,549)	-	193,044,204		
Total Capital Assets, Net	\$ 260,437,317	\$ 2,997,826	\$ (13,565,605)	\$ 249,869,538	\$ 4,455,377	\$ (8,927,549)	\$ 245,397,366		

## NOTE 8 - Long-Term Indebtedness

A summary of the changes in the Authority's long-term indebtedness outstanding during 2017 and 2016 were as follows:

	Outstanding at 12-31-15			Outstanding at 12-31-16			Outstanding at 12-31-17		
		Additions	Deletions		Additions	Deletions		Additions	Deletions
Authority Revenue Bonds/Debt Obligations									
Bonds Payable									
Series 1999 NYS EFC	\$ 1,958,000	\$ -	\$ (412,000)	\$ 1,546,000	\$ -	\$ (418,000)	\$ 1,128,000		
Series 2003A GARB	3,030,000	-	(345,000)	2,685,000	-	(2,685,000)	-		
Series 2006A & B GARB	9,455,000	-	(660,000)	8,795,000	-	(8,795,000)	-		
Series 2006C GARB	5,180,000	-	(170,000)	5,010,000	-	(5,010,000)	-		
Series 2010A Refunding	77,160,000	-	(6,980,000)	70,180,000	-	(7,335,000)	62,845,000		
Series 2017A & B Refunding					14,395,000	(1,050,000)	13,345,000		
Total Bonds Payable	96,783,000	-	(8,567,000)	88,216,000	-	(25,293,000)	77,318,000		
Unamortized Premiums	2,155,497	-	(671,804)	1,483,693	1,431,250	(666,338)	2,248,605		
Total Long-term Indebtedness	\$ 98,938,497	\$ -	\$ (9,238,804)	\$ 89,699,693	\$ 1,431,250	\$ (25,959,338)	\$ 79,566,605		

**Authority Outstanding Debt Issues:****Series 1999A NYS Environmental Facilities Corporation Bonds**

In 1998, the Authority, through the New York State Environmental Facilities Corporation (EFC), entered into a \$7.5 million Series A, no interest, loan agreement with the New York State Water Pollution Control Revolving Fund to finance the total construction of a new glycol wastewater treatment system. In July 1999, the loan was replaced with a new twenty year bond issued by the EFC. Under the Agreement with the EFC, the interest on the first \$3 million was and is 100 percent subsidized and the remaining \$4.5 million was and is 50 percent subsidized by the New York State Water Pollution Control Revolving Fund. During 2010, EFC refunded bonds they had previously issued to provide financing to the Authority and reduce the amount of the remaining debt service due from the Authority to EFC. On June 24, 2010 the Authority's obligation to EFC on the remaining partially subsidized bonds then outstanding was amended and restated to lower the Authority's cost of borrowing on the remaining bonds outstanding. The net carrying amount on the Series 1999A EFC Airport Revenue Bonds consists of the following:

	As of December 31, 2017	As of December 31, 2016
Series 1999A Airport Revenue Bond Issue:		
Principal paid annually on October 1, in payments of \$429,000 in 2018 to \$699,000 in 2019 with interest at 3.182% to 3.382% due semi-annually on April 15 and October 15	\$ 1,128,000	\$ 1,546,000
Less amortization of:		
Deferred Loss	(1,719)	(3,089)
Series 1999A Revenue Bond net carrying amount	1,126,281	1,542,911
Less current portion including amortization	427,965	416,630
Long - Term Portion	<u>\$ 698,316</u>	<u>\$ 1,126,281</u>

Maturities of the long-term Series 1999A Airport Revenue Bond issue will require the following principal and interest payments (excluding amortization of deferred items) based on the amounts outstanding at December 31, 2017:

Year Ended	Principal	Interest	Int. Subsidy
2018	\$ 429,000	\$ 27,445	\$ (9,241)
2019	699,000	18,567	(4,802)
TOTAL	<u>\$ 1,128,000</u>	<u>\$ 46,012</u>	<u>\$ (14,044)</u>

### **Series 2003A General Airport Revenue Bonds**

In May 2003, the Authority issued \$8,885,000 of General Airport Revenue Bonds to finance various land, hangars, and equipment acquisitions, apron and runway expansions, taxiway, runway and hangar rehabilitations, certain terminal expansion and leasehold improvements. These twenty year General Airport Revenue Bonds with principal payments due in the years 2004 through 2033 were sold at a net interest cost of 3.79%.

On March 31, 2017 the Series 2003A bonds that remained outstanding in the principal amount of \$2,685,000 were refunded by a portion of the Series 2017A (non AMT) Refunding bonds maturing over the same period as the original term on the bonds then outstanding.

### **Series 2006A&B General Airport Revenue Bonds**

In 2006, the Authority closed on the sale of two General Airport Revenue Bond issues totaling \$14,230,000. the bonds were sold to finance capital projects at the Albany International Airport:

The Series 2006A (non AMT) issue totaling \$6,315,000 was sold to finance certain property acquisitions, parking expansions and to purchase equipment used in the operation of the Airport. These twenty year Airport revenue bonds with principal payments due in the years 2020 through 2026 were competitively sold at a net interest cost of 4.57%.

On March 31, 2017 the Series 2003A bonds that remained outstanding in the principal amount of \$6,315,000 were refunded by a portion of the Series 2017A (non AMT) Refunding bonds maturing over the same period as the original term on the bonds then outstanding.

The Series 2006B (AMT) issue totaling \$7,915,000 was sold to finance certain terminal renovations, general aviation hangar renovations, construction of additional general aviation T-hangars, fuel farm upgrades and equipment for use by airport management contractors. These fourteen year Airport revenue bonds with principal payments due in the years 2007 through 2020 were competitively sold at a net interest cost of 4.70%.

On March 31, 2017 the Series 2003B bonds that remained outstanding in the principal amount of \$2,480,000 were refunded by a portion of the Series 2017B (AMT) Refunding bonds maturing over the same period as the original term on the bonds then outstanding.

### **Series 2006C General Airport Revenue Bonds**

In December 2006, the Authority issued \$6,330,000 General Airport Revenue Bonds to finance the construction of an aviation service and maintenance facility. These Airport revenue bonds with principal payments due in the years 2007 through 2035 were competitively sold at a net interest cost of 4.56%.

On March 31, 2017 the Series 2006C bonds that remained outstanding in the principal amount of \$5,010,000 were refunded by a portion of the Series 2017B (AMT) Refunding bonds maturing over the same period as the original term on the bonds then outstanding.

### Series 2010A General Airport Revenue Refunding Bonds

In August of 2010, the Authority issued \$105,745,000 (non AMT) of General Airport Revenue Refunding Bonds to refund the Series 1998B Airport Revenue Bonds, the Series 2000B Airport Revenue Bonds, and the Series 2008A Airport Revenue Bonds. The net carrying amount on the Series 2010A General Airport Revenue Refunding Bonds consists of the following:

	As of December 31, 2017	As of December 31, 2016
Series 2010A General Airport Revenue Refunding Bond Issue:		
Principal paid annually on December 15, in payments of \$7,625,000 in 2018 to \$690,000 in 2030 with interest at 4.00% to 5.00% due semi-annually on June 15 and December 15	\$ 62,845,000	\$ 70,180,000
Plus amortization of:		
Bond Premium	954,555	1,483,693
Less amortization of:		
Deferred Loss on Refunding	(3,709,602)	(4,859,048)
Bond Insurance	(369,098)	(445,378)
Series 2010A GARB net carrying amount	59,720,855	66,359,267
Less current portion including amortization	7,034,200	6,638,412
Long - Term Portion	<u>\$ 52,686,655</u>	<u>\$ 59,720,855</u>

Maturities of the long-term Series 2010A General Airport Revenue Refunding Bond issue will require the following principal and interest payments (excluding amortization of deferred items) based on the amounts outstanding at December 31, 2017:

Year Ended	Principal	Interest	Total
2018	\$ 7,625,000	\$ 2,932,831	\$ 10,557,831
2019	5,555,000	2,557,581	8,112,581
2020	5,835,000	2,281,231	8,116,231
2021	6,115,000	1,991,981	8,106,981
2022	6,410,000	1,703,731	8,113,731
2023-2027	29,315,000	3,858,181	33,173,181
2028-2030	1,990,000	180,550	2,170,550
TOTAL	<u>\$ 62,845,000</u>	<u>\$ 15,506,088</u>	<u>\$ 78,351,088</u>

The Facilities financed with Series 2010A included portions of the terminal, the New York State Police Aviation Facility, the FAA Control Tower, parking facilities and other Airport improvements. Lease agreements with the State of New York and the Federal Aviation Administration provide revenue to support a portion of the debt service and remain in effect through 2030 and 2019 respectively.

### Series 2017A&B General Airport Revenue Refunding Bonds

In March of 2018, the Authority closed on the sale of two General Airport Revenue Refunding Bond issues totaling \$14,395,000.

The Authority issued \$7,795,000 (non AMT) of Series 2017A General Airport Revenue Refunding Bonds to refund the Series 2003A and Series 2006A Airport Revenue Bonds. The net carrying amount on the Series 2017A General Airport Revenue Bonds consists of the following:

	As of December 31, 2017	As of December 31, 2016
Series 2017A General Airport Revenue Refunding Bond Issue:		
Principal paid annually on December 15, in payments of \$405,000 in 2018 to \$110,000 in 2033 with interest at 3.00% to 5.00% due semi-annually on June 15 and December 15	\$ 7,470,000	\$ -
Plus amortization of:		
Bond Premium	943,983	-
Less amortization of:		
Deferred Loss on Refunding	(209,933)	-
Series 2017A GARB net carrying amount	8,204,050	-
Less current portion including amortization	517,249	-
Long - Term Portion	\$ 7,686,801	\$ -

Maturities of the long-term Series 2017A General Airport Revenue Refunding Bond issue will require the following principal and interest payments (excluding amortization of deferred items) based on the amounts outstanding at December 31, 2017:

Year Ended	Principal	Interest	Total
2018	\$ 405,000	\$ 352,375	\$ 757,375
2019	90,000	340,225	430,225
2020	585,000	336,625	921,625
2021	880,000	307,375	1,187,375
2022	925,000	263,375	1,188,375
2023-2027	3,985,000	603,625	4,588,625
2028-2032	490,000	68,519	558,519
2033	110,000	3,850	113,850
TOTAL	\$ 7,470,000	\$ 2,275,969	\$ 9,745,969

### Series 2017A&B General Airport Revenue Refunding Bonds, Con't

The Authority issued \$6,600,000 (AMT) of Series 2017B General Airport Revenue Refunding Bonds to refund the Series 2006B and Series 2006C Airport Revenue Bonds. The net carrying amount on the Series 2017B General Airport Revenue Bonds consists of the following:

	As of December 31, 2017	As of December 31, 2016
Series 2017B General Airport Revenue Refunding Bond Issue:		
Principal paid annually on December 15, in payments of \$960,000 in 2018 to \$235,000 in 2035 with interest at 3.00% to 5.00% due semi-annually on June 15 and December 15	\$ 5,875,000	\$ -
Plus amortization of:		
Bond Premium	350,067	-
Less amortization of:		
Deferred Loss on Refunding	(163,058)	-
Series 2017B GARB net carrying amount	6,062,009	-
Less current portion including amortization	986,234	-
Long - Term Portion	\$ 5,075,775	\$ -

Maturities of the long-term Series 2017B General Airport Revenue Refunding Bond issue will require the following principal and interest payments (excluding amortization of deferred items) based on the amounts outstanding at December 31, 2017:

Year Ended	Principal	Interest	Total
2018	\$ 960,000	\$ 243,925	\$ 1,203,925
2019	915,000	215,125	1,130,125
2020	470,000	178,525	648,525
2021	245,000	155,025	400,025
2022	255,000	142,775	397,775
2023-2027	1,330,000	509,625	1,839,625
2028-2032	1,010,000	250,156	1,260,156
2033-2035	690,000	55,800	745,800
TOTAL	\$ 5,875,000	\$ 1,750,956	\$ 7,625,956

The facility financed by these refunding bonds was constructed for and initially leased to Eclipse Aviation. In late 2008 Eclipse Aviation filed for bankruptcy reorganization which in early 2009 was converted to a Chapter 7 liquidation. On August 31, 2009 the Authority received notice from the bankruptcy trustee that bankruptcy estate of Eclipse Aviation formally rejected its lease with the Authority. The Authority received \$133,750 in lease payments related to this facility in 2009. During 2016 and 2017 the Authority rented the hangar space to transient general aviation aircraft storage tenants, an aircraft and ground handling equipment maintenance company and a commercial airline.

The table below provides a summary of Authority Revenue Bonds net of unamortized amounts for cost of issuance, net premium/discount and deferred loss on refunding:

	Current	Long-Term	Total
Authority Revenue Bonds/Debt Obligations			
Series 1999 NYS EFC	\$ 427,965	\$ 698,316	\$ 1,126,281
Series 2010A Refunding	7,034,200	52,686,655	59,720,855
Series 2017A Refunding	517,249	7,686,801	8,204,050
Series 2017B Refunding	986,234	5,075,775	6,062,009
Total Long-term Indebtedness	<u>\$ 8,965,648</u>	<u>\$ 66,147,547</u>	<u>\$ 75,113,195</u>

### Refunding of Debt

On April 13, 2017 the Authority issued its Series 2017 Bonds in the total par amount of \$14,395,000 of which \$7,795,000 were sold as Series 2017A Non-AMT (not subject to any Federal Tax) and \$6,600 were sold as Series 2017B AMT (subject to the Federal Alternative Minimum Tax). The Series 2017 Bonds were used, along with other funds of the Authority, to fully refund the Authority's Series 2003A, Series 2006A, Series 2006B, and Series 2006C Bonds in the aggregate amount of \$16,490,000 (the Refunded Bonds). The result will produce an estimated gain of \$2,167,050 million in future cash flow savings, with an estimated present value of \$1,438,263. The difference between the reacquisition price of the refunded bonds and the net carrying values of the refunded bonds generated a deferred accounting loss of \$412,456. The deferred accounting loss will be amortized into interest expense over the life of the bonds using the Bonds Outstanding Method of Amortization which is a systematic and rational approach that approximates the Effective Interest Method.

The impact of the refunding is summarized below:

Description	Series 2017 Bonds Issued	Bonds Refunded	Cash Flow Gain	Present Value Gain
Refunding Bonds	\$14,395,000	\$16,490,000	\$2,167,050	\$1,438,263

### Debt Limit:

The Authority's debt limit was increased from \$175 million to \$285 million during 2004 by State legislation enacted (Chapter 500), amending the Albany County Airport Authority Act, Title 32 of Article 8, of the New York State Public Authorities Law. The Act authorizes the Authority to issue bonds, notes or other obligations in the aggregate outstanding principal amount not exceeding \$285,000,000. In addition, the Authority is authorized to issue refunding bonds, provided that upon a refunding the aggregate principal amount of bonds, notes or other obligations outstanding under the Act may be greater than \$285,000,000 only if the present value of the aggregate debt service of the refunding bonds, notes or other obligations does not exceed the present value of the refunded bonds, notes or other obligations (calculated as provided in the Act). As of December 31, 2017, the Authority had \$77.3 million of principal debt outstanding issued which does not include deferred losses, bond premiums and amortization of bond insurance costs.

The Authority adopted a Derivatives Policy which allows for the use of Derivative Financial products for capital financing. The Derivatives Policy prohibits the use of Derivative Financial products for either

investment or speculation. The Derivatives Policy recognizes derivatives as non-traditional financial products, including but not limited to, floating to fixed rate swaps, swaptions, caps, floors, collars and municipal warrants. The Derivatives Policy requires:

- that transactions entered into under the policy must be for a market transaction for which competing good faith quotations may be obtained at the discretion of the Authority and with the advice and recommendation of the Authority's swap advisor, and other financial professionals;
- that transactions should produce material economic benefit believed to not otherwise be attainable under the current existing market conditions, or existing conventional debt structures, and improve the flexibility of debt management strategies;
- employ a structure that will attempt to minimize any additional floating rate basis risk, tax law risk or credit risk to the Authority and justify the acceptance of these risks for a particular transaction, based on the additional benefits to the Authority; and
- limits the total amount of derivative financial product transactions so as not to exceed thirty-three percent (33%) of the total authorized debt limit of the Authority (currently \$285 million).

The Authority adopted a Variable Rate Debt Policy which allows for the use of variable rate debt within prescribed limitations. The Variable Rate Debt Policy recognizes permanent and interim uses of variable rate debt. Interim use of variable rate debt may occur during the construction phase of a project for which the Authority intends to obtain permanent financing at the conclusion of the construction phase. The Variable Rate Debt Policy provides that:

- "Permanent Variable Rate Debt Exposure" includes variable rate debt which the Authority does not intend to be refinanced by a long-term fixed rate debt;
- "Net Permanent Variable Rate Debt Exposure" is permanent variable rate debt that is not offset by the cash, cash equivalent and short-term investment assets of the Authority;
- permanent variable rate debt excludes, with some exceptions, variable debt that has been synthetically changed to fixed rate debt by the use of a financial derivative hedge product with a fixed-payer interest rate swap;
- net permanent variable rate debt, excluding synthetic fixed rate transactions, should not generally exceed twenty percent (20%) of the Authority's outstanding indebtedness;
- the Authority did not utilize any derivative or variable rate debt products in 2017 or 2016.

## NOTE 9 - Capital Contributions and Net Position

Since its inception, the Authority has received capital contributions from the County of Albany in the form of net assets transferred from the date of inception and from Federal and State grants as follows:

	Inception To Date	Year Ended 2017	Year Ended 2016
County of Albany	\$ 46,824,500	\$ -	\$ -
Federal	137,056,026	4,144,523	2,035,679
State	71,653,217	472,186	354,148
<b>Total</b>	<b>\$ 255,533,743</b>	<b>\$ 4,616,709</b>	<b>\$ 2,389,827</b>

Unrestricted net position consists of the following:

	2017	2016
Designation of unrestricted net position		
Operations and maintenance reserve	\$ 11,021,931	\$ 12,383,961
Renewal and replacement reserve	500,000	500,000
Total designations	11,521,931	12,883,961
Undesignated unrestricted net position	9,764,348	5,752,214
Total unrestricted net position	<u>\$ 21,286,279</u>	<u>\$ 18,636,175</u>

Under the master bond resolution adopted in 1997, the Authority agreed to create and maintain two reserves. Both were to be funded by depositing funds in separate bank accounts in accordance with the master bond resolution and are included as a component of unrestricted cash and cash equivalents on the statements of net position. The Operating and Maintenance Reserve is to be equal to two months operating and maintenance expenses and is to be used only if the Authority does not have sufficient funds in its current operating accounts to pay these expenses on a timely basis.

The Renewal and Replacement Reserve is to be equal to \$500,000 and can be used solely for non-recurring major maintenance, repairs, renewals, or replacements related to Airport facilities. Both reserves have been funded as required.

## **NOTE 10 - Airline Lease and Use Agreements**

Six commercial passenger airlines, fifteen affiliated commercial passenger airlines and two cargo airlines serving the Airport have executed the first five year renewal option on the Airline Use and Lease Agreement ("Agreement"). This Agreement has a five-year term effective January 1, 2016 with an option for one five year renewal to extend the Agreement to December 31, 2025. The Authority charges signatory rates to carriers who have executed the Agreement and non-signatory rates to all other airlines and Airport users.

In general, the rate formulas under the Airline and Cargo Carrier Agreements in effect provide that at the end of each year the total financial requirements for each of the Airport cost centers be determined by applying revenues related to that cost center before the rate required to be paid by Signatory Airlines and Cargo Carriers is determined. The landing fee calculation uses a residual cost methodology. The terminal rate is based upon calculation of the total cost per square foot subject to annual settlement based upon actual cost. The Agreement also contains a calculation of an amount for capital expenditures not subject to majority-in-interest (MII) approval by the Signatory Airlines in the rates and charges calculation. This amount is deducted after the net amount available for revenue sharing between the signatory airlines and the Authority is determined; therefore, not affecting the initial rates and charges established for billing the airlines. The net requirement is then divided by appropriate usage factors to determine the rates and fees applicable to signatory airlines.

The Agreements provide a net income sharing mechanism by which the Signatory Airlines and Cargo Carriers receive a percentage of the Airport's net income (as defined in the Agreements) during the term of the agreement in the form of a rate credit offset. The Agreements also provide for extraordinary coverage protection where the Signatory Airlines and Cargo carriers have agreed to provide additional revenue to the Airport should net revenues be less than the required amount under the Master Bond Resolution.

In 2017, the net revenue sharing was fifty percent to the airlines and fifty percent to the Authority. Under this formula, the airlines and cargo carriers received a charge of \$19,458 for the rates and charges settlements and they also received \$2,443,678 for their share of the revenue sharing; totaling \$2,463,136. In 2016, the airlines and cargo carriers were given total credits of \$3,137,355 for their share of the final settlement and revenue sharing. In 2015, the total credits were \$1,683,274.

### NOTE 11 - Airport Tenant Agreements

The Authority has entered into agreements with tenants for the use of certain Airport facilities including ready/return rental car parking areas, buildings, terminals, hangars and customer service areas. The Authority entered into concession agreements. These agreements include: advertising, food and beverage, retail, on-airport rental cars, vending machines, baggage delivery services, baggage cart management, ATMs, vending machines and foreign currency exchange. Normally the terms of the agreements include a fixed minimum annual guaranteed (MAG) payment to the Airport as well as additional contingent payments based on the tenants' annual sales volume of business. Revenues exceeded the MAG amounts due in 2017 of \$11,694,658 by \$1,348,383. In 2016 the revenues exceeded the MAG amounts due of \$11,174,508 by \$1,323,697. Some of the agreements provide for a periodic review and redetermination of the payment amounts.

Future MAG payments due to the Authority under non-cancelable agreements are as follows for the years ending December 31:

2018	\$ 10,329,311
2019	4,352,346
2020	3,895,801
2021	3,580,747
2022	2,950,313
2023-2031	<u>12,017,097</u>
Total	<u>\$ 37,125,615</u>

### NOTE 12 - Pension Plan

Plan Description - The Authority participates in the New York State and Local Employees' Retirement System (ERS) cost-sharing multiple-employee retirement system and the Public Employees' Group Life Insurance Plan (Systems). The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and amend rules and regulations for the administration and transaction of the business of the systems and for the custody and control of their funds. The Systems issue a publicly available annual financial report that includes audited financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12207.

Funding Policy - Contributory and noncontributory requirements depend upon the point in time at which an employee last joined the System. Most members of the ERS who joined the System on or before July 26, 1976 are enrolled in a non-contributory plan. Employees who last joined ERS subsequent to July 26, 1976

are enrolled in a contributory Plan. Tier 3 through Tier 5 employees must contribute 3 percent of their salary. Tier 3 and Tier 4 employees with more than ten years of membership or credited service within the System are not required to contribute. Tier 6 member contribution rates vary from 3 percent to 6 percent depending on salary. Tier 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the years ended December 31, 2017, 2016 and 2015 were \$252,468, \$260,201, and \$305,211 respectively, or approximately 15.5%, 16.0% and 19.9%, respectively of the covered employees' payrolls. The Authority's contributions made to the Systems were equal to 100% of the required contributions for each year.

Pension Liability - At December 31, 2017, the Authority reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for the System. The net pension asset/(liability) was measured as of March 31, 2017. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset/(liability) was based on a projection of the Authority's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the Authority. The net pension (liability) is included in the non-current liabilities on the Statement of Net Position for December 31, 2017 and 2016:

	2017	2016
Actuarial valuation date	April 1, 2016	April 1, 2015
Net pension asset/(liability)	(\$436,071)	(\$797,486)
Authority's portion of the Plan's total net pension asset/(liability)	0.0046409%	0.0049687%

Payables to the pension plan - ERS employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Payments to the ERS due February 1, 2018 were prepaid at a discounted amount of \$252,468 during the Authority's year ended December 31, 2017. Accordingly, the Authority did not owe any payables to the Pension System as of December 31, 2017 or 2016.

Pension Expense - For the year ended December 31, 2017, the Authority recognized its proportionate share of pension expense of \$249,719. For December 31, 2016, the Authority's pension expense was \$284,899.

Collective Pension Expense - Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period. The collective pension expense for the periods ended December 31, 2017 and 2016 were \$290,406 and \$312,872 respectively.

Deferred Outflows and Inflows of Resources Related to Pension - The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for December 31, 2017 and 2016:

	Outflows of Resources 2017	Outflows of Resources 2016	Inflows of Resources 2017	Inflows of Resources 2016
Differences between expected and actual experiences	\$ 10,928	\$ 4,030	\$ 66,220	\$ 94,529
Changes of assumptions	148,978	212,665	-	-
Net difference between projected and actual earnings on pension plan investments	87,101	473,112	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	138,327	106,278	15,192	6,029
Contributions subsequent to the measurement date	252,468	260,215	-	-
Total	<u>\$ 637,802</u>	<u>\$ 1,056,300</u>	<u>\$ 81,412</u>	<u>\$ 100,558</u>

The Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows as of December 31, 2017 and 2016:

Year ended:	2017	2016
2017	\$ -	\$ 179,438
2018	123,154	179,438
2019	123,154	179,438
2020	103,450	157,213
2021	(45,837)	-
Thereafter	-	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. 2017 was the second year of the current year experience study cycle and recommends that the current assumptions be maintained. The actuarial valuation used the same actuarial assumptions for December 31, 2017 and 2016 and are as follows:

Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Inflation rate	2.5%
Salary Scale	3.8%
Interest Rate	7% compounded annually, net of investment expense
Projected Cost of Living Adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Pensioner mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. 2017 was the second year of the current year experience study cycle and recommends that the current assumptions be maintained.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset class	Target allocation	Long-Term expected real rate of return
Domestic equity	36.0%	4.50%
International equity	14.0%	6.35%
Private equity	10.0%	7.75%
Real estate	10.0%	5.80%
Absolute return strategies	2.0%	4.00%
Opportunistic portfolio	3.0%	5.89%
Real assets	3.0%	5.54%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-Indexed bonds	4.0%	1.50%
	100.0%	

Discount rate - The discount rate used to calculate the total pension asset/(liability) was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption - The following presents the Authority's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$1,392,725	\$436,071	(\$372,778)

Optional Voluntary Defined Contribution (VDC) Plan - Under state legislation enacted in 2012, Authority Employees first hired after June 30, 2013 who earn least \$75,000 per year or more are eligible to join the New York State Voluntary Defined Contribution (VDC) Plan instead of the ERS Plan. The VDC Plan is administered by the State University of New York Optional Retirement Plan (SUNY OPR). SUNY OPR has contracted with TIAA-CREF to administer the VDC Plan. The VDC plan is portable among employers and eligible employees vest 366 days after first joining the plan or other employer funded contract with any of the VDC investment providers. The Authority's contribution rate is 8% of participating employee salary for the duration of employment. Participating employee contribution rates range from 5.75% to 6% based upon salary level. During the initial vesting period the Authority must contribute 4% interest to a vesting employee's contribution deduction not yet remitted to the Plan. The Authority has one employee who joined the plan in October 2015. The Authority's employer contributions to the VDC plan through December 31, 2017 and 2016 were \$8,721 and \$10,452 respectively.

### **NOTE 13 - Other Post Employment Benefits (OPEB)**

During 2009 the Authority adopted a formal written OPEB plan and created a legally separate trust to accumulate resources to fund the Authority's obligation to pay for OPEB benefits under the plan. The OPEB plan provides that all full-time and regular part-time employees with ten or more years of service with the Authority (including any years with the State of New York or County of Albany immediately preceding becoming an Authority employee) who retire from the Authority and are collecting retirement benefits through the New York State and Local Employees' Retirement System, shall receive health insurance benefits from the Authority as a retired employee. Such benefits shall be equal to the health insurance benefits received by the employee at the time of their retirement and the costs thereof to the retired employee shall be at the same rate or percentage sharing the employee was paying at the time of their retirement. A qualifying retiree's surviving spouse and eligible dependents can continue to receive OPEB benefits as long as they do remain otherwise eligible to be a dependent of the deceased employee. Retired employees are required to contribute to the cost of the plan benefit in proportion to the amount they contributed toward the cost of their health insurance prior to retirement. The Authority allows each employee to accumulate up to 1,320 hours of unused sick time and apply the value of this to fund their required contribution. The plan is a single-employer defined benefit plan. Effective January 1, 2008, the Authority implemented GASB Statement 45 prospectively which requires reporting, on an accrual basis, the liability associated with other postemployment benefits. The OPEB liability at transition was zero. The accrued liability is based upon an actuarial valuation that reflects a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Albany County Airport Authority OPEB Trust has issued a separate unaudited financial statement which may be obtained by contacting the Albany County Airport Authority OPEB Trustee c/o the Albany County Airport Authority, 737 Albany Shaker Road, Administration Building, Suite 204, Albany, NY 12211-1057.

The Authority used the following facts, actuarial methods and assumptions in determination of the OPEB liability and 2017 OPEB Expense:

- The plan is identified as a Single-Employer defined-benefit Plan.
- Premiums paid for coverage under the Community Rated Plan (insurance premiums are based upon multiple employers).
- The future Rate of Return on the Authority’s unrestricted funds deposits will be 3.04% equal to the Authority’s average rate of interest earned on deposits of money over the past five years.
- The future rate of Payroll growth will be 3%.
- The general rate of inflation will be 3% (the same as the future rate of payroll growth).
- Amortization period of Unfunded Accrued OPEB liability is 30 years commencing 2008.
- Amortization method chosen was “Level Percent of Payroll”, closed amortization period.
- The annual rate of health care costs increase would be 9% in 2017 and gradually decline to 5% in 2021 and thereafter.
- The actuarial cost method chosen was the “Entry Age Actuarial Cost Method”.
- The Unfunded Actuarial Accrued Liability and Annual Required Contribution were calculated using the Alternative Measurement Method.
- Actuarial table used was RP2000 Mortality Table for Males and Females Projected 10 years.

Based upon the above assumptions and methods the Authority’s Net OPEB Obligation was determined to be as follows:

Annual Required Contribution.....	\$ 203,346
Interest on Net OPEB Obligation.....	(6,570)
Adjustment to the Annual Required Contribution.....	<u>10,850</u>
Annual OPEB Cost (Expense).....	207,626
Age Adjusted Contributions Made.....	<u>(300,000)</u>
Change in Net OPEB Obligation (NOO).....	(92,374)
Net OPEB Obligation (NOO) (Asset) – Beginning of Year.....	<u>(216,131)</u>
Net OPEB Obligation (NOO) (Asset) – End of Year.....	<u><u>\$ (308,505)</u></u>

During 2017 the Authority made \$300,000 in contributions toward the OPEB plan. The following table provides a schedule of the Authority’s Funding Progress of the OPEB liability:

Actuarial Valuation Date.....	12/31/2017
Actuarial Value of Assets (a).....	\$2,058,413
Actuarial Accrued Liability (b).....	\$3,654,356
Unfunded Actuarial Accrued Liability (UAAL) (b-a).....	\$1,595,943
Funded Ratio (a/b).....	56.33%
Covered Payroll ( c).....	\$1,908,791
UAAL as a Percentage of Covered Payroll ((b-a)/c).....	83.61%

The following table presents the History of the Authority’s Net OPEB Obligation:

	2017	2016	2015
Annual OPEB cost	\$ 207,626	\$ 181,410	\$ 176,253
Age adjusted contribution	\$ 300,000	\$ 215,565	\$ 196,418
Percentage of annual OPEB cost contributed	144.5%	118.8%	111.4%
Net OPEB obligation (asset)	\$ (308,505)	\$ (216,131)	\$ (181,976)

The schedule of funding progress in the Required Supplemental Information following the notes to the financial statements presents multiyear trend information comparing the changes in the actuarial value of plan assets relative to the actuarial liability for benefits.

#### **NOTE 14 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts and named the operator of the Airport, AFCO AvPorts Management LLC (AvPorts) as an additional insured. In addition, the FBO, REW Investments (Million Air) and all tenants and users of the Airport are required to have insurance coverage naming the Authority and the County as additional insured.

No liability is recorded at December 31, 2017 for outstanding claims or for any potential claims incurred but not reported as of that date. Settled claims have not exceeded these commercial coverages by any material amounts during the three years ended December 31, 2017. There was no reduction in insurance coverage during 2017. Changes in the balance of claims paid directly by the Authority during the past two years are as follows:

	Year Ended 2017	Year Ended 2016
Unpaid claims, beginning of year	\$ -	\$ -
Claims incurred	90,549	4,249
Claims paid	(90,549)	(4,249)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

#### **NOTE 15 - Commitments and Contingencies**

*FBO Operations* – As of September 1, 2013 the Authority entered into an agreement with REW Investments, Inc., (Million Air) to manage the fixed based operations on airport. The Agreement has been modified and extended through August 31, 2019. Under the agreement Million Air is obligated to manage a full and complete general aviation support function including ground handling, apron services, repair and maintenance, and hangar storage. The agreement also provides for operating and managing the Airport's fuel farm and deicing program for all commercial and general aviation aircraft. Million Air receives full reimbursement of all their on-airport pre-approved related expenses plus a base management fee of \$165,000 per annum and various incentive fees based on certain revenue performance indicators.

*Airport Operations* – AFCO AvPorts Management LLC (d/b/a AvPorts) manages the daily operations and maintenance of the airport under an agreement dated October 11, 2005 and initially expiring December 31, 2010, subject optional extension. The agreement has been extended through December 31, 2018. Operational centers include the airfield, terminal, parking, ARFF, operations, security and vehicle and equipment maintenance. AvPorts receives full reimbursement of all their on-airport pre-approved related expenses plus a base management fee of not less than \$410,000. AvPorts may be entitled to an additional incentive fee of \$55,000 each year based on performance indicators negotiated between the parties.

*Capital Improvement Programs* - As of December 31, 2017, the Authority has outstanding contractual commitments for completion of certain capital improvement projects totaling \$8.5 million of which an estimated \$5.7 million is eligible for partial reimbursement from the FAA and the State. The remaining amount is expected to be funded from Airport funds.

*Concentration of Credit Risk* - The Authority leases facilities to the airlines under certain leases and/or use agreements and to other businesses under agreements to operate concessions at the Airport. Amounts due from airlines represent approximately 55.7% of accounts receivable and airline revenues represent 24.5% of operating revenues for the year ended December 31, 2017.

*Environmental Remediation* - Pursuant to the enabling legislation creating the Authority, the Airport completed an environmental audit in 1994. It is the opinion of the Authority that all audit findings have been resolved with no material adverse effect on the financial position of the Authority. In prior years, elevated levels of propylene glycol had been detected in Shaker Creek which runs through the Airport. The Authority now operates a glycol collection and disposal system completed in 1999 which successfully addresses this issue.

*Compliance Audits* - The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. An independent audit of these programs has been performed for the years ended December 31, 2017 and 2016 in compliance with: 1) requirements stated in the Single Audit Act of 1996 and Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards; 2) compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration; and 3) compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations applicable to state transportation assistance. The amounts, if any, of expenditures that may be disallowed by the granting government or agency cannot be determined at this time, although any such amounts, if any, are expected to be immaterial.

*Litigation* - The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business. The Authority is a defendant in various lawsuits. In the opinion of the Authority's counsel the resolution of any legal actions in the aggregate will not have a material adverse effect on the financial position of the Authority. In the opinion of the Authority's counsel, the resolution of these claims will not have a material adverse effect on the financial position of the Authority.

## **NOTE 16 – Subsequent Events and Related Party Transactions**

*Land Acquisition* – During 2017 the Authority and County of Albany came to an agreement in principle for the Authority to acquire from the County two parcels of land comprising approximately 13 acres for \$2,655,000 for future airport development. The land is presently developed with an ice hockey community recreational facility and an access road. The Airport currently uses a portion of the undeveloped portion of the parcels for Airport Valet Parking operations. Under the agreement the County would continue to operate the ice hockey facility as a community recreational facility for five years paying rent of \$1 per year. The acquired land parcels will be added to the Airport Layout Plan and become part of the Airport. The agreement to acquire the property is based upon consideration that approximated appraised fair value. The agreement to allow the County to continue to operate the hockey facility for five years for annual rent fee of one dollar is a

bargain price at less than fair value to the Airport but management believes it is permissible under federal regulations. The Authority intends to fund the acquisition of these parcels by using funds restricted for capital spending and other unrestricted funds if necessary. The Authority intends to issue additional debt to fund other committed and planned projects that it might otherwise have funded from cash on hand if this land acquisition did not occur. The agreement calls for the Authority lease with the County to be extended by 13 years to facilitate the Authority's contemplated borrowing plans as a result of this land acquisition.

*Grant Claim* – On January 3, 2018, the Authority certified a claim with the State of New York for Federal Emergency Management Administration disaster Aid in the amount of \$198,945 related to snow removal costs resulting from Super Storm Stella occurring March 13-14, 2017. If approved in full, the Authority would receive payment of \$149,209 to reimburse 75% of the storm related expenses claimed. The financial statements have made no provision for the inclusion of this potential grant income because the payment is considered possible but less than probable.

Required  
Supplemental  
Information



Albany County Airport Authority  
 Schedule for the Authority's Proportionate Share of Net Pension Liability  
 New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2017	2016	2015
Proportion percentage of net pension liability	0.00464%	0.00497%	0.00525%
Proportion amount of net pension liability	\$ 436,071	\$ 797,486	\$ 177,342
Covered-employee payroll	\$ 1,632,832	\$ 1,640,182	\$ 1,599,482
Authority's proportionate share of net pension liability as a percentage of covered-employee payroll	26.71%	48.62%	11.09%
Plan fiduciary net position as a percentage of total pension liability	94.70%	90.70%	97.90%

*Data prior to 2015 is unavailable.*

Albany County Airport Authority  
 Schedule for the Authority Contributions  
 New York State and Local Employees' Retirement System

As of December 31,	2017	2016	2015
Contractually required contribution	\$ 252,468	\$ 260,215	\$ 305,211
Contributions in relation to the contractually required contribution	(252,468)	(260,215)	(305,211)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,674,841	\$ 1,608,253	\$ 1,650,458
Contributions as a percentage of covered payroll	15.07%	16.18%	18.49%

*Data prior to 2015 is unavailable.*

Albany County Airport Authority OPEB Trust  
 Schedule of Funding Progress  
 December 31, 2017

Valuation date	Actuarial value of assets (AVA)	Actuarial accrued liability (AAL)	Unfunded actuarial accrued asset (liability) (UAAL)	Funded Ratio	Annual covered payroll	UAAL as a % of payroll
(1)	(2)	(3)	(2) - (3) (4)	(2) / (3) (5)	(6)	(4) / (6) (7)
December 31, 2017	\$2,058,413	\$3,654,356	(\$1,595,943)	56.33%	\$1,908,791	83.61%
December 31, 2016	\$1,900,888	\$3,331,358	(\$1,430,470)	57.06%	\$1,825,392	78.37%
December 31, 2015	\$1,812,329	\$3,131,944	(\$1,319,615)	57.87%	\$1,743,009	75.71%
December 31, 2014	\$1,707,380	\$3,131,218	(\$1,423,838)	54.53%	\$1,667,061	85.41%
December 31, 2013	\$1,595,499	\$3,075,878	(\$1,480,379)	51.87%	\$1,705,000	86.83%
December 31, 2012	\$1,462,710	\$3,079,341	(\$1,616,631)	47.50%	\$1,616,000	100.04%
December 31, 2011	\$1,207,190	\$3,267,283	(\$2,060,093)	36.95%	\$1,858,000	110.88%
December 31, 2010	\$1,051,859	\$3,157,605	(\$2,105,746)	33.31%	\$1,858,000	113.33%
December 31, 2009	\$777,295	\$2,506,648	(\$1,729,353)	31.01%	\$1,858,000	93.08%
December 31, 2008	\$0	\$3,226,067	(\$3,226,067)	0.00%	\$1,881,000	171.51%

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE FOURTEENTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Master Resolution and the Third Supplemental Resolution (collectively the “Bond Resolution”). The summary does not purport to be complete or to follow the exact language of the Bond Resolution and is subject in all respects to the detailed provisions of the Bond Resolution, copies of which are available upon request at the office of the Authority. The capitalization of any word or phrase which is not otherwise defined in this Official Statement or under this caption, or not conventionally capitalized, indicates that such word or phrase is defined in the Bond Resolution.

#### Definitions

“Airport” means the terminal building, runways and ramps, public parking facilities and public roads, general aviation area, including all fueling facilities and fixed base operations, and related facilities and land located within the boundaries of the Albany Airport on the date of adoption of the Master Resolution and such other facilities or properties which are hereafter included in the definition of the Airport by resolution of the Authority.

“Airport Consultant” means an independent person or firm or corporation (a) not under the control of the Authority or any airline or air carrier landing at the Airport on a routine basis, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport System.

“Airport Purpose” means any action or undertaking by the Authority reasonably related to the development and promotion of the Airport System as a destination for air commerce or as industrial or commercial sites at an Airport System facility or related to the development and promotion of air transportation and commerce by air.

“Airport System” means the Airport and such other airport(s) which may be included in the definition of the Airport System by resolution of the Authority.

“Bond” or “Bonds” means any Airport Revenue Bonds authorized pursuant to the Bond Resolution at any time Outstanding under the Resolution (but excluding Special Facility Bonds as defined in the Bond Resolution)

“Bond Reserve Fund Requirement” means, with respect to the Series of Bonds initially issued under the Master Resolution, and, unless otherwise provided in the Supplemental Resolution authorizing such Series, with respect to any Series of Bonds, the lesser of (i) the greatest amount of principal and interest payable on a Series of Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on a Series of Bonds (calculated by dividing the sum of the principal and interest payments on such Series of Bonds by the number of years to the final maturity of such Series of Bonds), or (iii) 10% of the initial public offering price of the Bonds of such Series currently outstanding.

“Debt Service” means, with respect to any Series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Bond Resolution to be deposited during such period or year in the Bond Fund (i) to provide for the payment of interest on the Bonds of such Series, (ii) to provide for the payment at maturity of any such Bonds of such

Series issued in serial form, and (iii) to provide for the retirement of any such Bonds of such Series issued in term form, Such interest and principal installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of the calculation will cease to be Outstanding except by reason of the payment of principal installments for the Bonds of such Series on the due date thereof or through operation of the Term Bond Principal Account in the Bond Fund. "Debt Service" shall not include the following with respect to any Bonds at the time of calculation then Outstanding, (a) interest on such Bonds to the extent such interest is to be paid from (i) amounts credited to a Construction Interest Account in the Construction Fund, (ii) amounts credited to any Interest Account for such Series, including PFC Revenues irrevocably deposited or to be irrevocably deposited in a segregated subaccount therein, or (iii) any other available amounts irrevocably deposited under the Master Resolution for the payment of interest, (b) principal on such Bonds to the extent such principal is to be paid from (i) amounts credited to any Principal Account for such Series, including PFC Revenues irrevocably deposited or to be irrevocably deposited in a segregated subaccount therein, or (ii) any other available amounts irrevocably deposited under the Master Resolution for the payment of principal. For the purposes of computing Debt Service with respect to a Series of Bonds issued as Variable Rate Bonds, or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum thereon shall be determined as follows: (1) with respect to a Series of Variable Rate Bonds or an Integrated Swap Agreement at the time of calculation then Outstanding or entered into, the interest rate shall be the higher of (i) the current interest rate per annum (if established and binding) to be borne by or the current variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement or (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, (2) with respect to Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be assumed to be either (x) the higher of (i) the initial interest rate per annum borne by or the initial variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement, (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under any Outstanding Series of Variable Rate Bonds or existing Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, (which is calculated in the same manner as the interest rate or variable rate payment on the Variable Rate Bonds or Integrated Swap Agreement then proposed to be issued or entered into) or (y) the Revenue Bond Index; provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement is in effect, the interest rate shall be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the Variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, whichever is highest, and (b) with respect to Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. With respect to any payment under any hedge, support or other financial agreement, which payments are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with a lien on and pledge of Net Revenues created for the payment and security of the Bonds, "Debt Service" shall include the full amount of any such payments.

"Designated Financial Officer" means the chief financial officer of the Authority.

"Fiscal Year" means the fiscal year for the Authority as established from time to time by the Authority, being on the date this Resolution becomes effective the twelve month period ending December 31.

“Hedge Agreement” means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

“Integrated Swap Agreement” means any interest rate swap agreement entered into by the Authority with respect to a Series of Bonds having a national amount equal to the principal amount of such Series of Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

“Integrated Swap Agreement Payments” means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination, payments, fees, expenses and other amounts payable under an integrated Swap Agreement not specifically made on the basis of interest rates.

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State of New York for the moneys held under the Bond Resolution then proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by the United States of America; (ii) obligations of any of the following which constitute the full faith and credit of the United States of America: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration; (iii) senior debt obligations rated “AAA” by Standard & Poor’s Ratings Services and “Aaa” by Moody’s Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s Ratings Services and “P-1” by Moody’s Investors Service and maturing not more than 360 days after the date of purchase; (v) commercial paper rated “A-1+” by Standard and Poor’s Ratings Services and “P-1” by Moody’s Investors Service at the time of purchase and maturing not more than 270 days after the date of purchase; and (vi) investments in a money market fund rated “AAAm” or “AAm-G” or better by Standard & Poor’s Ratings Services, (vii) repurchase agreements collateralized by Direct Obligations of the U.S. Treasury or GNMA, each at a collateral percentage of 103% or FNMA or FHLMCs each at a collateral percentage of 104% with any registered Broker/Dealer (a “Broker/Dealer”) or any commercial bank insured by the FDIC (a “Bank”), if at the time of the investment such Broker/Dealer (or its parent) has long-term uninsured, unsecured and unguaranteed debt rated “AT” or better by Moody’s Investors Service (“Moody’s”) or “A-” or better by Standard & Poor’s Ratings Services (“S&P”) or such Bank has long-term uninsured, unsecured and unguaranteed debt rated “Aa” or better by Moody’s and “AA” or better by S&P, provided:

- (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and
- (b) the securities are held free and clear of any lien by the Authority or an independent third party acting solely as agent (“Agent”) for the Authority, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

- (c) a security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Bondholders; and
- (d) the Authority will be provided with a valuation for the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuations and
- (e) the Authority has the option of terminating the repurchase agreement in the event that the long-term debt ratings of the provider, are reduced below “Baa3” by Moody’s and “BBB-” by S&P, respectively if such provider is a Broker/Dealer and below “AT” by Moody’s and “AS-” by S&P if such provider is a Bank;

and (viii) investment agreements with:

- (a) a Broker/Dealer (or its parent) which has long-term unsecured, uninsured and unguaranteed debt rated “A3” or better by Moody’s or “A-” or better by S&P; provided, that such Broker/Dealer collateralizes the obligations under the investment agreement with securities described above meeting the requirements of subparagraphs (b) through (d) above; provided further, that such agreement shall include a provision to the effect that if the long-term rating of the Broker/Dealer (or its parent, where applicable) is downgraded below “Baa3” by Moody’s and “BBB-” by S&P, the Authority shall have the option of terminating such agreement;
- (b) a Bank which has a long-term unsecured, uninsured and unguaranteed debt rating “Aa” or better by Moody’s and “AA” or better by S&P provided, that such Bank collateralizes the obligations under the investment agreement with securities described above meeting the requirements of subparagraphs (b) through (d) above; provided further that if such Bank’s rating falls below “A3” by Moody’s and “A-” by S&P, the Authority shall have the option to terminate such agreement; and
- (c) a corporation whose principal business is to enter into such investment agreements provided that such corporation has been assigned all “Aaa” counterparty rating by Moody’s or S&P has rated the investment agreements of such corporation “AAA” provided further that if such counterparty rating is downgraded below “Aaa” by Moody’s and the investment agreement of such corporation is downgraded below “AAA” by S&P the Authority shall have the option to terminate the agreement.

Notwithstanding the foregoing, the Authority may amend the definition of Investment Securities or the Authority or Trustee may invest in investments or securities not included within the definition of Investment Securities without bondholder consent; provided, however, the Authority shall obtain the consent of each company or financial institution which has provided a bond insurance policy guaranteeing the payment of principal and interest on any outstanding Bonds.

“Maximum Annual Debt Service” means, at the time of computation, the greatest amount of Debt Service payable on all Bonds of a Series Outstanding in the then current or any future fiscal year.

“Net Revenues” means (i) for any period or year which has concluded at the time a calculation is made, the aggregate of the Revenues minus for such past period or year the aggregate of the Operation and

Maintenance Expenses; and (ii) for any future period or year, the aggregate of the Revenues that is estimated for such future period or year, minus for such future period or year the aggregate of the estimated Operation and Maintenance Expenses in such future year or period.

“Operation and Maintenance Expenses” means the reasonable and necessary current expenses of the Authority paid or accrued (or to be paid or accrued) under generally accepted accounting principles in administering, operating, maintaining, and repairing the Airport System. The term “Operation and Maintenance Expenses” shall include, without limitation, the following items: (a) costs of collecting Revenues and making any refunds therefrom lawfully due others; (b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport System; (c) costs of all or a portion of salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing with respect to the officers and employees of or properly allocable to the Airport System; (d) costs of repairs, replacements, renewals and alterations occurring in the usual course of business of the Airport System; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport System or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport System or otherwise imposed on the Airport System or the operation thereof or income therefrom; (f) costs of utility services with respect to the Airport System; (g) costs and expenses of general administrative overhead of the Authority allocable to the Airport System; (h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property allocable to the Airport System; (i) contractual services and professional services for the Airport System, including, but not limited to, legal services, accounting services, and services of financial consultants and airport consultants; (j) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Revenues or any other moneys held under the Bond Resolution or required thereby to be held or deposited under the Bond Resolution; (k) costs of carrying out the provisions of the Bond Resolution, including paying agents’ fees and expenses, fees for remarketing Bonds and Support Facilities, costs of insurance required thereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Revenues, and costs of recording, mailing and publication; (l) all rent payable pursuant to Articles 3.6, 3.9 and 5.3 of the County-Authority Lease as of the date of delivery of the first Series of Bonds issued under the Master Resolution; and (m) all other costs and expenses of administering, operating, maintaining and repairing the Airport System arising in the routine and normal course of business; provided, however, that (A) for the purpose of meeting any test described under “Additional Bonds” or of meeting the covenant described under “Covenant as to Rates, Rentals, Fees and Charges”, the term “Operation and Maintenance Expenses” shall not include: (1) any allowance for depreciation or any amount of capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (B) for all purposes of the Bond Resolution, the term “Operation and Maintenance Expenses” shall not include any (i) operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Agreement, (2) properties or facilities financed, operated, managed or otherwise controlled by the property management department of the Authority which are not included in the definition of Airport, (3) any Separate Improvement, or (4) lands and properties not a part of the Airport System leased for industrial, governmental or other non-aviation purposes, or (ii) payments under a Hedge Agreement.

“PFC Revenues” means the proceeds of any passenger facility or analogous charge or fee that may after the date of the Master Resolution be levied which are received and retained by the Authority and any investment earnings thereon.

“Refunded Municipal Obligations” means non-callable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody’s Investors Service and Standard & Poor’s Ratings Services and provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and premium, if any, and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

“Refunding Bonds” means Bonds issued pursuant to Section 2.04 of the Master Resolution.

“Revenue Bond Index” means the Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index, or in the event ne Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

“Revenues” means the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport System, including all rates, charges, rentals, fees and other compensation, regardless of form, investment income earned by the Authority, except as hereinafter provided to the contrary, and that amount on deposit from a prior Fiscal Year in the Development Fund which is transferred or credited by the Authority to the Revenue Fund (and PFC Revenues to the extent specifically included in Revenues for the purpose of securing PFC Bonds as provided under the caption “Provisions Applicable to Bonds Secured by PFC Revenues and Net Revenues”). Revenues shall not include: (i) proceeds from Bonds issued by the Authority or proceeds from loans obtained by the Authority; (ii) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance; (iii) all income and revenue collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport; (iv) revenues (other than ground rents) derived from any Special Facility (defined in the Bond Resolution) including amounts which are assigned as security to liquidate indebtedness incurred to finance such Special Facility; (v) grants-in-aid or similar payments received from any state or federal entity; (vi) the proceeds of any passenger facility or analogous charge or fee that may hereafter be levied (whether on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority and any investment earnings thereon; (vii) moneys or securities received by the Authority as gifts or grants (viii) investment income derived from moneys or securities on deposit in the Construction Fund and investment income derived from any moneys or securities which may be placed in escrow or trust to deacease bonds of the Authority, including the Bonds, or to meet the Authority’s obligations under any consent decree; (ix) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder; (x) the proceeds of any Support Facility; and (xi) revenues derived from any Separate Improvement, including, but not limited to, payments under any contract or agreement with respect to such Separate Improvement.

“Special Facility” means a hangar, overhaul, maintenance or repair building or shop, or other aviation or aerospace or airport or air navigation facility, including, without limitation, any hotel, garage or other building or facility incident or related to the Airport System.

“Supplemental Resolution” means any resolution adopted under and pursuant to Article VI of the Master Resolution providing for the issuance of a Series of Bonds or amending or supplementing this

Resolution as originally enacted or as theretofore amended and supplemented in accordance with said Article.

“Support Agreement” means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“Support Facility” means any instrument, contract or agreement entered into or obtained in connection with an issue of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the remarketing agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Resolution and discount, if any, incurred in remarketing such Bonds, and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

“Variable Rate Bonds” means any Bonds issued bearing interest at a rate or rates per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed rate.

#### **Additional Obligations of the Authority**

Additional Bonds. The Authority may issue Additional Bonds upon compliance with the following conditions:

(1) A Designated Financial Officer of the Authority shall have found and determined that no Event of Default, as defined in the Bond Resolution, exists.

(2) Either (i) a Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority, the Net Revenues for that fiscal year as derived from said audited financial statements shall have equaled not less than 125% of Maximum Annual Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or amounts on deposit in the Construction Interest Account with respect to such project or projects are fully expended, whichever is later, or (b) Bonds which are not issued to fund Project Costs or Refunding Bonds are issued, shall equal not less than the greater of 125% of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds and 100% of all claims, charges or obligations to be payable from Net Revenues.

Completion Bonds. Without complying with the provisions under paragraph (2) of “Additional Bonds”, the Authority may at any time and from time to time issue one or more series of Additional Bonds for the purpose of completing any project specified and described in such supplemental resolution and for which Bonds have been previously issued in an amount not to exceed 15% of the principal amount of the initial Series of Bonds issued to finance such project.

Refunding Bonds. The Authority may at any time and from time to time issue one or more Series of Bonds (herein defined and referred to as “Refunding Bonds”) upon compliance with the provisions described under “Additional Bonds”; provided the Authority need not comply with the provisions described under “Additional Bonds” with respect to Refunding Bonds issued for the purpose of refunding at any time only part of the Bonds, provided that the aggregate Debt Service on the Refunding Bonds shall not be greater than the aggregate Debt Service on the Bonds refunded (calculated as provided in the applicable provisions of the Master Resolution)..

Subordinate Lien and Other Obligations. The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Revenues subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and interior, to the lien on and pledge of the Net Revenues created for the payment and security of the Bonds.

Subject to any other contractual obligations of the Authority, nothing contained in the Bond Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Revenues, and all income and revenues derived with respect to any Airport Purpose so financed shall constitute Revenues and shall be paid into the Revenue Fund. Nothing described in this paragraph shall be deemed to preclude the Authority from financing any Separate Improvements as described in the text under the caption “Separate Improvements” contained in this Summary.

Variable Rate Bonds. The Authority may issue Variable Rate Bonds. The Supplemental Resolution or Resolutions providing for the issuance of such Variable Rate Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into agreements in connection therewith, enter into Remarketing Agreements and appoint Remarketing Agents in accordance with standards specified in the Supplemental Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds, provide for the special redemption or purchase provisions for such Variable Rate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

Hedge, Support and Other Financial Arrangements. The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements under which payments (including, but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements set forth under “SECURITY AND SOURCE OF PAYMENT”. Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds.

#### **Application of Bond Proceeds; Construction Fund**

The Bond Resolution creates the Albany County Airport Authority Construction Fund (the “Construction Fund”) to be held and administered by the Authority. Two accounts in the Construction Fund

are to be created for each Series of Bonds issued for the purposes of paying Project Costs of additions, expansions and improvements to the Airport System, a Construction Account and a Construction Interest Account.

From the proceeds of each Series of Bonds issued for the purposes of paying Project Costs of additions, expansions and improvements to the Airport System, the Authority shall credit to the Construction Account for such Series such proceeds as are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Bonds is to be capitalized front Bond proceeds, the Authority shall credit the amount of such interest to the Construction Interest Account. The moneys on deposit front time to time in the Construction Fund shall be used and applied solely to the payment of Project Costs of additions, expansions and improvements to the Airport System.

“Project Costs” include the costs of acquisition, construction, reconstruction, purchase, establishment, development, expansion, renovating, adding to or improving of properties included or to be included in the Airport System, including the cost of acquiring any building or facility and the site thereof; the costs of acquiring such land or interest in land or other properties (real, personal, or mixed) as may be deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of acquiring any rights, interests or franchises deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of labor, services, material, supplies, machinery, equipment and apparatus; costs of installation of utility services or connections thereto or relocation thereof; costs and expenses of all preliminary work necessary or incidental to construction; costs and expenses of planning, engineering and other studies, architectural drawings, surveys, tests and specifications, whether preliminary or otherwise, costs of engineering and architectural and other consulting services; costs of supervision and inspection; costs of builders’ risk or other insurance on the buildings and facilities being constructed; costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction; the costs and expenses of financing, and costs incurred in issuing the Bonds; costs of the initial furnishings of any building or structure; costs of publication, advertising, filing and recording; taxes and assessments; expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of any default; costs or estimates of costs and economic feasibility reports; fees, costs and expenses of accounting and fiscal services, airport consultants, financial consultants and attorneys (including bond counsel); clerical help and other independent contractors, agents and employees; the payment and discharge of the principal of and interest and premium, if any, on any interim or temporary construction financing or loans, including the reimbursement to the Authority of moneys advanced for such construction from other funds; if and to the extent permitted by law and determined by the Authority, interest on the Bonds issued to finance the construction of any project during the estimated period of construction and for one year after the completion thereof; salaries of Authority personnel, overload and other costs properly chargeable to a project; and any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Authority.

Withdrawals of moneys on deposit in any Construction Account shall be made only in accordance with applicable law and upon a written requisition for such payment signed by a Designated Financial Officer and, with respect to certain costs, an engineer or architect supervising the construction of a project (who may be in the employ of the Authority) as to, among other things, the amounts to be paid, that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail.

Moneys deposited in each Construction Interest Account for a Series of Bonds shall be deposited in the Interest Account in the Bond Fund established with respect to such Series of Bonds in amounts sufficient to pay, to the extent such moneys are sufficient, the interest to become due on such Series of Bonds on each Interest Payment Date.

## **Application of Airport Revenues; Special Funds**

The Bond Resolution creates and establishes several special funds. Among them are (the Revenue Fund, the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Development Fund, all of which are held and administered by the Authority. The Bond Resolution also creates (the Bond Fund and the Bond Reserve Fund, which are held and administered by the Trustee. The Bond Resolution requires that a separate interest Account, Serial Bond Principal Account and Term Bond Principal Account be established in the Bond Fund, and a separate account be established in the Bond Reserve Fund, with respect to each Series of Bonds. Amounts on deposit in any account established with respect to a particular Series of Bonds in the Bond Fund or the Bond Reserve Fund may not be applied to the payment of Bonds of any other Series.

All Revenues and certain other moneys shall be set aside as collected and, except as otherwise provided in the Bond Resolution, shall be deposited in the Revenue Fund. The moneys in the Revenue Fund shall be used and applied for the following purposes and in the following order of priority.

**FIRST:** There shall be deposited into the Operation and Maintenance Account of the Operation and Maintenance Fund, on the first business day of each month, an amount determined by the Designated Financial Officer to be necessary to pay Operation and Maintenance Expenses. In addition, to the extent such moneys are insufficient for the payment of Operation and Maintenance Expenses, the Authority shall apply amounts credited to the Operation and Maintenance Reserve Account to such payments. In each month, commencing with the first business day of the month following the date of substantial completion of the project to be constructed with the proceeds of the first Series of Bonds issued under the Resolution, and on the first business day of each month thereafter, the Authority shall deposit to the Operations and Maintenance Reserve Account, one-twenty-fourth (1/24) of the amount estimated by the Designated Financial Officer to be equal to two months Operation and Maintenance Expenses (the "Operating Reserve"), until the Operating Reserve is fully funded; thereafter, in each month, commencing with the first business day of such month, the Authority shall deposit to the Operation and Maintenance Reserve Account an amount, if any, necessary to maintain a balance equal to the Operating Reserve as estimated by the Designated Financial Officer.

**SECOND:** In each month, commencing with the first business day of the month which follows the last month for which interest on such Series of Bonds, if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to each Series of Bonds (other than Variable Rate Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such first business day and continuing on the first business day of each month there-after so long as any of the Bonds of each such Series are Outstanding, the Authority shall credit to the Interest Account established for each such Series of Bonds an amount such that, if the same amount were so credited to each such Interest Account on the first business day of each succeeding month thereafter, the aggregate of such amounts or, credit to each such Interest Account of the first business day of the month preceding an Interest Payment Date would be equal to the installment of interest falling due on the Bonds of such Series on such Interest Payment Date or the amount required to reimburse a Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the first business day of the month prior to each Interest Payment Date the Authority shall credit to each Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse a Financial Institution for a draw on a Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Bonds on such Interest Payment Date.

In the event of the issuance of any Series of Bonds maturing at time customarily known as maturing serially, in order to provide for the payment of principal of such Bonds of such Series, or to reimburse a

Financial Institution for a draw on a Support Facility made to provide funds for the payment of such Series of Bonds maturing serially, commencing with the month which is twelve months prior to the first principal payment of any such Bond maturing serially and in each month thereafter so long as any of such Series of Bonds so maturing are outstanding, there shall be credited to the Serial Bond Principal Account established for such Series of Bonds an amount such that, if the same amount were so credited to such account on the first business day of each succeeding month thereafter prior to the next date upon which the principal of any of said Series of Bonds maturing serially become due and payable, the aggregate of the principal amounts on credit to such account would on each such next principal payment date be equal to the principal amount of said Series of Bonds becoming due on such principal payment date.

In the event of the issuance of any Series of Bonds pursuant to the Master Resolution in the form customarily known as “term bonds”, for the purpose of retiring such Bonds, or to reimburse a Financial Institution for a draw on the Support Facility made to provide funds for the payment of such term Bonds, commencing with the month which is twelve months immediately prior to the date upon which the first sinking fund installment to provide for the retirement of such term Bonds is due, and in each month thereafter so long as any such Bonds are Outstanding, there shall be credited to each Term Bond Principal Account an amount such that, if the same amount were so credited to this Account on the first business day of each succeeding month thereafter prior to the next date upon which a sinking fund installment fall due, the aggregate of the amounts on credit to each such Account would on each next date upon which a sinking fund installment fall due be sufficient to redeem such term Bonds in the principal amounts and at the times specified in the Supplemental Resolution authorizing the issuance thereof.

THIRD: Subject to the remaining provisions of this paragraph, if (a) at any time upon an optional valuation by the Authority during a Fiscal Year the moneys on deposit in the Bond Reserve Fund are less than the Bond Reserve Fund Requirements, the amount of the deficiency shall be restored from the first available Net Revenues; (b) at the end of any Fiscal Year, the moneys on deposit in the Bond Reserve Fund are less than the Bond Reserve Fund Requirements for all Series of Bonds Outstanding, the Authority shall deposit an amount in the Bond Reserve Fund from Net Revenues on deposit in the Revenue fund after making the deposits “FIRST” through “THIRD” so that there shall then be on deposit in the Bond Reserve Fund an amount equal to the Bond Reserve Fund Requirement for all Series of Bonds outstanding; (c) the deficiency in the Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Bond Reserve Fund, the Authority shall deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits “FIRST” through “THIRD” to the Bond Reserve Fund at least an amount which, if the same amount were so deposited to the Bond Reserve Fund in each month thereafter until the day which is thirty-six (36) months from the making of the first of such deposits, there shall be on deposit in the Bond Reserve Fund on such day an amount not less than the Bond Reserve Requirement for such Series of Bonds; and (d) at any time and for so long as the moneys on deposit in the Bond Reserve Fund are at least equal to the Bond Reserve Fund Requirement for all Series of Bonds Outstanding, no further deposits shall be made to the Fund, and, except as otherwise provided in a Supplemental Resolution providing for the issuance of a particular Series of Bonds, any amounts in excess of the Bond Reserve Fund Requirements for a particular Series of Bonds may be restored to the Revenue Fund for use and application as are all other moneys on deposit therein.

FOURTH: The Authority shall deposit the amount necessary to pay principal of, premium, if any, and interest on bonds, notes, certificates, warrants or other evidences of indebtedness referred to in the first paragraph under “Additional Obligations of the Authority - Subordinate Lien and Other Obligations” in the funds and accounts established therefor.

FIFTH: The Authority shall apply the amount required, if any, to be deposited in any reserve fund or account established with respect to the bonds, notes, certificates, warrants, or other evidences of

indebtedness referred to under “Additional Obligations of the Authority - Subordinate Lien and Other Obligations”.

SIXTH: In each month, commencing with the first business day of the month following the date of substantial completion of the project to be constructed with the proceeds of the first Series of Bonds issued under the Bond Resolution and on the first business day of each month thereafter, the Authority shall deposit to the Renewal and Replacement Fund the amount set forth in a report of the Airport Consultant so that there shall be on deposit in such fund \$500,000 by the end of the second year following such date of substantial completion of the project (including the year in which Such substantial completion occurs as a year for this purpose). Thereafter the amount on deposit in the Renewal and Replacement Fund shall be maintained in such amount as the Authority shall determine (the “Required Amount”); provided, however, such amount shall not be less than \$500,000. If, at any time during a Fiscal Year, the moneys on deposit in the Renewal and Replacement Fund are less than the Required Amount, the Authority, beginning with the first month of the Fiscal Year following the Fiscal Year in which said deficiency occurs and within a period of twenty-four (24) months thereafter, shall deposit, on the first business day of each month, amounts into the Renewal and Replacement Fund from Net Revenues on deposit in the Revenue Fund, after making the deposits “FIRST” through “FIFTH” above, so that not less than the Required Amount will be on deposit in the Renewal and Replacement Fund. The moneys on deposit in the Renewal and Replacement Fund shall be used solely for non-recurring major maintenance, repairs, renewals or replacements related to the Airport System.

SEVENTH: At the end of each Fiscal Year, after making all deposits and credits required by the provisions of which paragraphs FIRST through SIXTH above are summaries, the Authority shall deposit in the Development Fund all remaining Net Revenues. The moneys on deposit in the Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Master Resolution and thereafter may be used by the Authority for any corporate purpose of the Authority.

### **Bond Revenue Fund, Establishment of Bond Reserve Fund Requirement, Substitution of Surety or Insurance**

Except as otherwise provided in a Supplemental Resolution with respect to a Series of Bonds, the Bond Reserve Fund Requirement shall be determined with respect to a Series of Bonds at the time of the issuance of such Series of Bonds, as of the last day of each Fiscal Year and such other time or times as the Authority shall determine. The Supplemental Resolution providing for the issuance of a Series of Bonds shall provide for, among other things, the initial funding of a Bond Reserve Account for a Series of Bonds, which may be at such time or times and from such sources as specified in such Supplemental Resolution.

In lieu of the deposit of moneys in the Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Authority for the benefit of the Holders of the Bonds of a Series or a letter of credit in an amount equal to the difference between the Bond Reserve Fund Requirement and the amounts then on deposit in the Bond Reserve Fund with respect to the Bonds of a Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Bond Reserve Fund and applied to the payment of the principal of or interest on any Bonds of such Series and such withdrawals cannot be made by amounts credited to the Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by a Rating Agency, or any insurer who holds the highest policyholder rating accorded insurers by A. M. Best & Co. or any comparable service. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by either Standard

& Poor's Ratings Services or Moody's Investors Service, or their successors and the letter of credit itself shall be rated in the highest category of either such rating agency. If a disbursement is made pursuant to such a surety bond, an insurance policy or a letter of credit the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Bond Reserve Fund in accordance with clause (c) of paragraph THIRD, above, or a combination of such alternatives, as shall provide that the amount credited to the Bond Reserve Fund equals the Bond Reserve Fund Requirement for such Series of Bonds. If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by all issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Revenues in the Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit shall fully satisfy the Bond Reserve Requirement with respect to a particular Series of Bonds notwithstanding such decrease in rating.

### **Investment of Moneys**

Moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Bond Fund shall be invested and reinvested by the Authority to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Authority so that the payments required to be made from such Funds may be made when due. Moneys on credit to the Bond Reserve Fund shall be invested in Investment Securities so as to mature by no later than the earlier of eight years from the date of investment or the final maturity date of all Bonds then Outstanding. The Authority shall be authorized to sell any investment when necessary to make the payments to be made from the Funds (other than the Construction Fund). All earnings on and income from investments of moneys in the Funds (other than the Construction Fund and the Development Fund) shall be deposited in the Revenue Fund, for use and application as are all other moneys deposited in that Fund; provided, however, that prior to the completion date of any project the Project Costs of which will be paid from the proceeds of a particular Series of Bonds, earnings amounts in any account in the Bond Reserve Fund established with respect to such Series of Bonds shall be deposited in the Construction Fund and credit either to the construction account or construction interest account established with respect to such Series of Bonds as provided in the Supplemental Resolution providing for the issuance of such Series of Bonds. All earnings on and income from investments of moneys in the Development Fund shall be deposited therein.

All Investment Securities shall constitute a part of the respective Fund (other than the Construction Fund) and Account therein from which the investment in Investment Securities was made. For the purposes of making any calculations or computations at any time and from time to time of the amounts in any such Fund or Account, including the Bond Reserve Fund, which may be required for the purposes of this Resolution, all investments shall be valued at the then market value thereof or as otherwise required by the Act.

### **Annual Budget**

The Authority, before the beginning of each Fiscal Year, shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year, including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Bonds, to pay or provide for Operation and Maintenance Expenses, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide

for the payment of all other claims or obligations required to be paid from Revenues. A copy of the budget or of a summary thereof will be furnished to any Bondholder who files a written request therefor with the Authority.

### **Covenants as to Rates, Rentals, Fees and Charges**

The Authority shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Revenues at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due, (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Revenues, and (iv) to carry out all provisions and covenants of the Bond Resolution. Without limiting the foregoing provisions, at all times and in any and all events such rates, rentals, fees and charges, shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues in an amount at least equal to 125% of Debt Service on all Bonds Outstanding.

The failure to comply with the covenant in the preceding paragraph shall not constitute an Event of Default under the Bond Resolution if the Authority shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in the preceding paragraph, (ii) consider the recommendations of the Airport Consultant, and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with the preceding paragraph.

In the event that the rates, rents, fees and charges imposed by the Authority are insufficient to produce Net Revenues in the amounts referred to in clause (i) in the first paragraph above, the Authority shall implement the recommendations of the Airport Consultant provided that in preparing its study and makings its recommendations, the Airport Consultant shall not make any recommendation which would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is party.

### **Additional Covenants**

The Authority will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of any properties, the costs of which are to be paid from the proceeds of Bonds or from any other moneys held under the Bond Resolution.

The Authority will maintain, preserve, keep and operate, or cause to be maintained, preserved. kept and operated, the properties constituting the Airport System (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character, and will, from time to time, construct additions and improvements to and extensions and betterments of said properties which are economically sound, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted in an efficient manner and at a reasonable cost.

The Authority shall operate and maintain the Airport System as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the Bondholders.

The Authority shall cause its accounts relating to the Airport System to be audited by an independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing. Such audit shall be made annually and shall be completed within 150 days after the close of each fiscal year. A copy of each such annual audit shall be open for public inspection and shall be mailed to any Bondholder filing with the Authority a request for the same.

Except as set forth below, the Authority shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport System or upon Revenues and the moneys held hereunder, other than the liens, pledges and charges specifically created in or specifically permitted by the Bond Resolution.

The Authority shall not sell, lease or otherwise dispose of all, or substantially all, of the properties constituting the Airport System without simultaneously with such sale, lease or other disposition depositing cash or Governmental Obligations in an amount sufficient so that no Bonds are any longer deemed Outstanding under the Bond Resolution; provided, however, that (i) the Authority may exchange Airport System property for property of comparable value, (ii) the Authority may grant leases, licenses, easements and other agreements pertaining to the Airport System property in the normal and customary course of business, according to the Authority's policy regarding rates, rentals, fees and charges of the Airport System, properties constituting the Airport System, and the revenues from such leasing shall be part of the Revenues and such properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of the Bond Resolution and shall not impair or diminish the security of any payment for the Bonds, (iii) the Authority may enter into Special Facility Leases (iv) the Authority may sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System, the disposal of which will not impede or prevent the use of the Airport or its facilities for air transportation or air commerce and which the Authority has determined has become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue producing capability and of substantially equal utility for the conduct of air transportation or air commerce, and any moneys received by the Authority as the proceeds of any such sale, lease or any other disposition of said surplus properties shall become Revenues and deposited in the Revenue Fund, except as provided in the Bond Resolution, and (v) the Authority may enter into a tax benefit transfer or similar transaction with any person involving the lease and sublease back with respect to the Airport as provided in the Bond Resolution. In the event any Airport System properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Authority as a result of such taking shall be deposited in the Development Fund and applied to any Airport Purpose, including to the redemption or purchase of Bonds and to acquire or construct revenue-producing properties to constitute a part of the Airport System.

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating similar properties. The Authority may create and establish special funds for self-insurance. The Authority shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority shall take into consideration but will not be bound to follow the advice of such insurance consultant or consultants in the placement of insurance and the establishment of its self-insurance fund or funds.

In the event of any loss or damage to the properties constituting the Airport System covered by insurance or by self-insurance, the Authority will promptly repair and reconstruct the damaged or destroyed property, provided that to the extent permitted by the Airport Lease no such repair or reconstruction shall be required if the Authority finds that such is not in its best interest and, based on a certificate of an Airport

Consultant, the failure to repair or reconstruct will not (i) cause the Revenues in any future fiscal year to be less than an amount sufficient to comply with the Bond Resolution or (ii) impair the security or the payment of the Bonds. The Authority shall apply the proceeds of any insurance policy or policies or self-insurance fund or funds covering such damage or loss for that purpose to the extent required therefor.

With respect to any Series of Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Bonds shall be outstanding, the Authority shall comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

## **Amendments**

The Bond Resolution may be amended without the consent of the Bondholders for the purpose of providing for the issuance of Additional Bonds, to permit the Bond Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America and for any one or more of the following purposes, if such amendment shall not materially adversely affect the rights of the holders of the Bonds then outstanding: (i) to make any changes or corrections in the Bond Resolution or any supplemental resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained therein, or to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable; (ii) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds; (iii) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Bond Resolution or any Supplemental Resolution; (iv) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Bond Resolution or any Supplemental Resolution; (v) to grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; (iv) to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority payable from the Net Revenues; and (vii) to modify in any other respect any of the provisions of the Bond Resolution, or any Supplemental Resolution previously adopted, provided that such modifications shall have no material adverse effect as to any Bond or Bonds which are then Outstanding.

With the consent of the holders of not less than 51 % of the principal amount of the Bonds then Outstanding, the Authority may amend the provisions of the Bond Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Bond Resolution or any Supplemental Resolution, or modifying in any manner the rights of the Holders of the Bonds then Outstanding, provided that, without the specific consent of the Holder of each Bond which would be affected thereby, no such amendment shall: (i) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or any premium payable upon the redemption thereof, (ii) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any such amendment, (iii) give to any Bond or Bonds any preference over any other Bond or Bonds, (iv) authorize the creation of any pledge of the Net Revenues or any lien thereon, prior, superior or equal to the pledge and lien created by the Bond Resolution for the payment and security of the Bonds or (v) deprive any Holder of the Bonds of the security afforded by the Bond Resolution.

## **Events of Default; Remedies**

*Defaults.* Under the Bond Resolution, the happening of one or more of the following events constitutes an Event of Default: (i) payment of the principal and premium (if any) of or interest on any

Bond shall not be made when due, (ii) default in the due and punctual performance of the covenants and agreements contained in the Bond Resolution and summarized above under “Covenants as to Rates, Rentals, Fees and Charges” except as otherwise described under such caption (iii) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution or in any supplemental resolution on the part of the Authority to be performed after 90 days written notice to the Authority of such failure by the Trustee or to the Authority and the Trustee by the holders of not less than 20% of the principal amount of the Bonds then outstanding or any committee therefor, (iv) certain events in connection with the bankruptcy, insolvency or reorganization of the Authority, the appointment of receivers of the Airport System and the adjustment of claims of creditors of the Authority and (v) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Bond Resolution.

*Action of Trustee in Event of Default.* The Trustee in case of an Event of Default may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, shall, exercise any or all of the following remedies to the extent that the same shall then be legally available.

(a) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Bonds and/or the Bond Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under any lease or other agreement to which the-Authority is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the moneys adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority or any party to a lease or agreement with the Authority.

(b) The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Bonds to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver shall collect and dispose of Revenues in accordance with the terms and conditions of the Bond Resolution or as the court shall direct.

(c) The Trustee may exercise any of the remedies available under applicable law, including, but not limited to, Section 2786 of the Public Authorities Law, except the right to declare the principal and interest due on all Outstanding Bonds immediately due and payable.

**Suits or Actions by Bondholders.** No Bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the holders of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty (60) days to take such action.

## **Subordinate Lien Obligations**

The first Series of the Bonds and Additional Bonds, Completion Bonds and Refunding Bonds may be issued under the Master Resolution upon compliance with provisions of the Bond Resolution. Except as otherwise provided in the preceding sentence, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Bonds or prior to or on a parity with the payments and credits from Revenues to be made pursuant to the provisions of the Bond Resolution to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Bond Fund and Bond Reserve Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Revenues superior or equal to the lien and charge of the Bonds and the interest thereon, or superior or equal to the lien and charge on Net Revenues or the payments and credits therefrom to be made pursuant to the provisions of the Bond Resolution to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Bond Fund and Bond Reserve Fund.

Nothing in the Bond Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, are payable from Net Revenues after and subordinate to the payment from Net Revenues of the principal of and interest on the Bonds and after the subordinate to the payments and credits from Net Revenues to be made pursuant to the provisions of the Bond Resolution to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Bond Fund and Bond Reserve Fund and which are secured as to principal or interest, or both, by a lien and charge on Net Revenues junior and inferior to the lien and charge on Net Revenues of the Bonds and interest thereon and junior and inferior to the lien and charge on Net Revenues of the payments and credits therefrom to be made pursuant to the provisions of the Bond Resolution to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Bond Fund and Bond Reserve Fund.

## **Special Facility Bonds and Special Facility Agreements**

The Authority may issue bonds, notes or other evidences of indebtedness (“Special Facility Bonds”) for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility for use, lease or sublease thereof, as provided in the Bond Resolution, or for refunding other Special Facility Bonds. Such Special Facility Bonds (i) shall be payable solely from amounts payable by the user, lessee or sublessee under the Special Facility Agreement entered into with respect to such Special Facility to be financed front such Special Facility Bonds; (ii) shall not be a charge or claim against or payable front or secured by the Revenues or any other moneys held under the Master Resolution; (iii) will not result in a reduction of Net Revenues; and (iv) shall mature within the term of the Special Facility Agreement entered into with respect to such Special Facility.

A Special Facility lease, loan or other agreement (“Special Facility Agreement”) shall be entered into between the Authority and the user or occupier of such Special Facility pursuant to which the user, lessee or sublessee shall agree to pay or otherwise provide for the payment of (i) installment amounts which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest on all Special Facility Bonds to be issued to pay the cost of construction or acquisition of the Special Facility; (ii) amounts necessary or required to provide or maintain all reserves required for such Special Facility Bonds and to pay all trustees’, fiscal agents’ and paying agents’ fees and expenses in connection therewith; (iii) installment amounts equal to a properly allocable share of the administrative costs of the Authority arising out of such Special Facility Agreement and the issuance and servicing of such Special Obligation Bonds or, if the land on which the Special Facility is to be constructed constitutes a part of the

Airport System, a ground rental for the ground upon which such Special Facility is to be located payable in periodic installments in amounts not less than shall be required pursuant to the Authority's policy for rental of ground space in the Airport System as fixed from time to time by the Authority; any amount payable pursuant to clause (iii) shall be free and clear of all charges under said Special Facility Agreement; shall be in addition to the rentals required by clauses (i), (ii), and (iv); and shall constitute Revenues and be paid into the Revenue Fund; and (iv) all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the Special Facility (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

Special Facility Bonds may be refunded by an issue Of refunding Special Obligation Bonds. Special Facility Bonds may also be refunded by an issue of Additional Bonds if (i) all Special Facility Bonds then outstanding and unpaid pertaining to the particular Special Facility are refunded at one time from such Additional Bonds or are then otherwise retired and (ii) the conditions contained in the Bond Resolution for the issuance of Additional Bonds are complied with upon such refunding, and, for the purposes of any such refunding, such refunding shall be considered as though the Authority were acquiring such Special Facility by the issuance of such Additional Bonds.

If a Special Facility is located on land included in the Airport System, upon the retirement of the indebtedness evidenced by the Special Facility Bonds issued therefor or evidenced by refunding Special Facility Bonds, all rentals and other income thereafter received by the Authority from the Special Facility for which Special Facility Bonds were issued, shall, to the extent permitted by law, constitute Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein, and if such rentals and other income shall then constitute Revenues, such Special Facility shall, unless contrary to law, then constitute part of the Airport System for all purposes of the Bond Resolution, provided, however, that if any such Special Facility Bonds are retired through the refunding thereof from the proceeds of Additional Bonds, such Special Facility in all events shall thereafter constitute part of the Airport System for all purposes of the Bond Resolution.

### **Separate Improvements**

Subject to any other contractual obligations of the Authority, nothing contained in the Bond Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations Or evidences of indebtedness, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien of those revenues, proceeds, grants Or other sources specifically excluded front the definition of Revenues, or any combination of all or a portion of the foregoing for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement ("Separate Improvement") shall be any facility or improvement in the Airport System acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable and secured in the manner prescribed in the first sentence hereof which the Authority determines will (i) not materially adversely affect the Outstanding Bonds, and (ii) so long as any Bonds are Outstanding (a) produce revenue excluded from the definition of Revenues pursuant to clause (xi) of the definition thereof, or (b) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Revenues, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificates or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the Authority associated with any such Separate Improvement. Any amount attributable to administrative costs shall be free and clear of all charges under any agreement or obligation entered into or issued as

described herein, shall be in addition to all Other amounts required to be provided for as described herein; and shall constitute Revenues and be paid into the Revenue Fund. Nothing described under “Separate Improvements” shall be deemed to preclude the Authority from financing any Airport Purpose by the issuance of any bonds, note, certificates, warrants or other evidences of indebtedness secured by a lien and charge of Net Revenues junior and inferior to the lien and charge created for the payment and security of the Bonds.

### **Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Bond Resolution**

The obligations of the Authority under the Bond Resolution, including all Supplemental Resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding thereunder, when payment of the principal of and the applicable redemption premium, if any, on such bond, plus interest thereof either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a paying agent for such Bond, fit trust and irrevocably, appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the paying agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said paying agents. At such time as a Bond shall be deemed to be no longer outstanding under the Bond Resolution as aforesaid, such Bond shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Bond Resolution.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities and which the Authority elects to so redeem or prepay, no deposit under (b) above shall constitute such payment, discharge and satisfaction as aforesaid, (A) as to any such Bonds as are not at the time of making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Supplemental Resolution providing for their issuance and of such Bonds, until either (1) such Bonds shall have been irrevocably called or designated for redemption or prepayment on the first date thereafter such Bonds may be redeemed or prepaid in accordance with the provisions of the Supplemental Resolution providing for their issuance and of such Bonds, or (2) until ninety (90) days prior to the respective stated maturities of such Bonds; (B) as to any such Bonds as are at the time of the making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Supplemental Resolution providing for their issuance and of such Bonds, until (1) ninety (90) days prior to the date fixed for their redemption or prepayment, or (2) ninety (90) days prior to the respective stated maturities of such Bonds; and (C) as to all such Bonds which are to be redeemed or prepaid prior to their respective stated maturities, until proper notice of such redemption or prepayment shall have been given or provision shall have been irrevocably made for the giving of such notice.

The term “Governmental Obligations” shall mean (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least \$20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii) (A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political

subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under the Bond Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two nationally recognized bond rating agencies in the highest rating category or (iv) Refunded Municipal Obligations.

### **The Trustee**

The Bond Resolution contains provisions regarding the appointment and removal of the Trustee. Prior to the occurrence of an Event of Default, the Trustee shall have no duties or obligations, except if appointed as Paying Agent or Registrar. The Authority has appointed the Trustee as paying agent for the Series 2018 Bonds. Upon the occurrence of an Event of Default of which it has actual knowledge, all the estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee shall vest. The Authority may at any time remove the Trustee; provided that such removal is subject to revocation by 10% of the holders of Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred or there is any deficiency in any fund or account held under the Bond Resolution.

### **Provisions Applicable to Bonds Secured by PFC Revenues and Net Revenues**

Notwithstanding anything in the Master Resolution to the contrary, the Authority may by supplemental resolution, upon complying with the applicable additional bonds test heretofore described, (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of bondholders in, all or a portion of the PFC revenues to a particular Series of Bonds (“PFC Bonds”) issued under the Master Resolution, and (ii) provide that, upon compliance with such terms and provisions as may be set forth in the Supplemental Resolution providing for the issuance thereof, such Series of PFC Bonds will be secured solely by a pledge of and lien on such PFC Revenues. In the event the Supplemental Resolution providing for the issuance of a Series of PFC Bonds also contains provisions as set forth in (ii) above, the Authority will set forth in a separate resolution (a “PFC Resolution”) adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which will apply to such Series of PFC Bonds at such time as such PFC Bonds are no longer secured by the Net Revenues.

In the event the Authority issues a Series of PFC Bonds, the following provisions apply so long as such Series of PFC Bonds are Outstanding under the Master Resolution.

- (i) PFC Revenues will be segregated in a separate account in the Revenue Fund (the “Segregated Account”) and shall be disbursed solely as follows to the following accounts in the order of priority as set forth below and, to the extent any PFC Revenues remain in such Segregated Account at the end of a Fiscal Year, may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose:
  - (1) an interest account in the Bond Fund in which will be deposited PFC Revenues necessary to pay interest on such Series of PFC Bonds.
  - (2) a principal account in the Bond Fund in which will be deposited PFC Revenues necessary to pay principal of such Series of PFC Bonds.

- (3) an account in the Bond Reserve Fund in which will be deposited PFC Revenues necessary to maintain such account in amount established in the Supplemental Resolution providing for the issuance of such Series of PFC Bonds.
- (ii) The PFC Revenues shall be treated as Revenues for the purposes of meeting the Authority's covenants under the rate covenant and additional bonds tests of the Master Resolution with respect to PFC Bonds provided the PFC Revenues shall not constitute Revenues with respect to any other Series of Bonds for the purposes of such covenants.
- (iii) PFC Revenues consisting of investment earnings will be deposited in the Revenue Fund, credited to the Segregated Account and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the Proceeds of a Series of PFC Bonds (a) on deposit in the Construction Fund will be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any project financed said Series of PFC Bonds will be deposited in the Revenue Fund for credit to the Segregated Account, and (b) on deposit in the account in the Bond Reserve Fund will be deposited in the Revenue Fund for credit to the Segregated Account. All excess proceeds of any Series of PFC Bonds issued, whether in the Construction Fund or the Bond Reserve Fund, will be deposited in the Revenue Fund for credit to the Segregated Account.
- (iv) To the extent there is any deficiency in any account referred to in (i) above, PFC Revenues credited to the Segregated Account will be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Net Revenues will be credited to said account in an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Net Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Net Revenues, such Net Revenues will be immediately restored to the Revenue Fund.

At such time as such Series of PFC Bonds is no longer secured by the Net Revenues, such PFC Bonds will be deemed to be no longer outstanding under the Master Resolution and will be Outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the Series of PFC Bonds, whether on deposit in the Construction Fund or Bond Reserve Fund, held under the Master Resolution will be transferred to and applied in the manner provided in the PFC Resolution.

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## APPENDIX C

### SUMMARY OF THE COUNTY-AUTHORITY LEASE

#### Definitions

“Act” shall mean the Albany County Airport Authority Act, Title 32 of Article 8 of the New York State Public Authorities Law as amended from time to time.

“Airport” shall mean the Albany County Airport, including all real and personal property currently devoted by the County to Airport uses and all real and personal property acquired or constructed by the Authority after March 15, 1994.

“Bonds” shall mean bonds, notes or other evidences of indebtedness issued by or for the Authority.

“Bond Documents” shall mean resolutions, trust indentures, agreements or other instruments related to the issuance of Bonds.

“Capital Improvement Plan” shall mean each five-year capital improvement program plan, as amended from time to time, submitted to and approved by the County in accordance with § 2784.2 of the Act, the first such Plan (the “Initial Capital Improvement Plan”) having been adopted by the County legislature on September 11, 1995, pursuant to Resolution 280 for 1995, and approved by the County Executive on September 22, 1995.

“Capital Project” shall mean all capital projects as defined in § 2784.2 of the Act, including the Terminal Improvement Project.

“County approval” or “approval of the County” shall mean the adoption by the County legislature of a resolution approving, and the approval by the County Executive of, the act or matter referred to, or any other procedure or process as may be established by the County legislature and the County Executive in accordance with Applicable Law.

“County Debt” shall mean certain general obligation bonds and certain notes (including bond anticipation notes) of the County which were issued for or allocable to the use and benefit of the Airport.

“FAA Grant Agreement” shall mean the federal grant agreements between the County and/or the Authority and the FAA, as described in the Lease.

“FAA Obligations” shall mean all of the obligations imposed by the FAA Grant Agreements, the FAA approval to impose and use PFCs and the certifications made to the FAA regarding the operation of the Airport.

“Force Majeure” shall mean Act of God, strikes, lockouts or other industrial disturbances, orders issued by courts, the Government of the United States, the State of New York or any civil or military authority, wars, riots, epidemics, earthquakes, fires, storms, civil disturbances, or other events that are not reasonably within the control of the Authority.

“Grant Agreements” shall mean, collectively, the FAA Grant Agreements and state grant agreements between the County and/or the Authority and the New York State Department of Transportation, as described in the Lease.

“PFCs” shall mean “passenger facility charges” collected from passengers using the Airport pursuant to § II 13(a) of the Federal Aviation Act, as it has been and may be amended from time to time.

“Priority Mortgage” shall mean, collectively, (i) a mortgage granted by the Authority of all or part of its leasehold interest in the real and personal property constituting the Airport, the obligations secured thereby and any other instrument giving a Priority Mortgagee a security interest in all or part of the Authority’s leasehold interest in the real and personal property constituting the Airport and (ii) an assignment by the Authority of its rights under the Lease, as collateral security for any Authority indebtedness. A Priority Mortgage shall not include the grant of a lien or of a security interest in the Revenues.

“Priority Mortgagee” shall mean the holder of a Priority Mortgage, including a Trustee, if applicable.

“Required Reserves” shall mean any reserve funds that the Authority may establish from time to time, including any reserve funds established or required by Bond Documents, for debt service, operations and maintenance, insurance, and renewal and replacement of Airport facilities.

“Revenues” shall mean all rates, fees, rents, revenues, charges and other income derived by the Authority from the operation and leasing of the Airport or Airport related facilities, including but not limited to all moneys derived or to be derived by the Authority in payment of rates, fees, rentals and other charges for the use of, and for the services and facilities furnished by, the Airport, proceeds of use and occupancy; proceeds of liability insurance; proceeds of all leases, licenses, permits and concessions derived or to be derived with respect to the Airport, proceeds derived from federal grants or front [lie assessment of passenger facility charges proceeds derived from any eminent domain or condemnation award related to a taking or condemnation of the Airport, and income derived or to be derived by the Authority from the operation of the Airport.

“Terminal Improvement Project” shall mean the airport redevelopment program, submitted to the County in accordance with § 2784.1 of the Act and adopted by the County legislature on September 11, 1995, pursuant to Resolution 281 for 1995, and approved by the County Executive on September 22, 1995, as it may be refined or changed in final design and construction.

Lease Term. The term of the Lease is forty (40) years.

Rent. The Authority shall pay to the County as rent for each year during the term of the Lease, as reimbursement to the County for certain costs incurred by the County, the aggregate amount of the payments due the County under the Lease described under “County Services”; “Assumption of Contract Rights and Obligations” and “Payment of County Debt”. The Authority shall provide in the Bond Documents that rent payments to the County under the Lease shall be paid as a Cost of operation and maintenance of the Airport prior to the payments of Bonds of the Authority.

County Services. At the expense of the Authority, the County shall provide such services (i) as are requested by the Authority to assist the Authority in the effective, efficient and lawful operation and use of the Airport, or (ii) as may be required under any applicable federal or state law, rule or regulation, including, but not limited to (a) law enforcement, but only to the extent that the County Sheriff determines that the level of service requested is reasonable for the County to provide; (b) building code and environmental health inspections; (c) public works; and (d) wastewater treatment for treatment of Airport sewage, or (iii) that are neither requested by the Authority nor required by applicable federal or state law, rule or regulations, but which are nevertheless provided by the County to the Authority as of the effective date of

the Lease, with the Authority's knowledge, including but not limited to wastewater treatment services (provided, however, that the Authority may terminate such services upon reasonable notice to the County).

The Authority shall reimburse the County for the fair and reasonable costs of such services, or any other services that the County may agree to provide to the Authority at the request of the Authority, as rent, not to exceed the County's actual direct costs of providing such services and indirect costs reasonably allocable to the Airport in accordance with Applicable Law and the Grant Agreements.

In addition, the Authority shall reimburse the County, as additional rent, for County services, the costs (including the costs of facilities required to provide such services) of which are generally imposed on or allocated to other users of such County services. Notwithstanding the foregoing charges pursuant to this paragraph for services provided by the County to the Authority shall not exceed the actual direct costs to the County of providing the services plus actual indirect costs to the County to the extent that they are allocated to the Authority on the basis of a reasonable, transparent cost allocation formula calculated consistently for other units or cost centers within the control of the County.

**Assumption of Contract Rights and Obligations.** The Authority has agreed to assume and shall perform all of the County's obligations under and shall have the benefit of all of the rights of the County in all agreements relating to the Airport (except with respect to the County Debt) as of March 15, 1994, and the Grant Agreements. The Authority shall be responsible for making an, improvements, or the Authority shall reimburse the County for the costs incurred by the County in making any improvements (after credit for any grants or other moneys or reimbursements received by the County from all sources that are related to such improvements), that have been or may be required (of the County or of the Authority) to be undertaken in order to secure necessary approvals for the Terminal Improvement Project. The Authority also shall reimburse the County for the costs of any other Capital Projects (i) undertaken by the County at the request of the Authority, or (ii) required to be undertaken by the County in order to secure necessary approvals for any such Capital Project undertaken by the Authority- Such reimbursements for the Terminal Improvement Project or such Capital Projects shall constitute rent under the Lease.

**Operation and Maintenance of Airport by the Authority.** The Authority shall operate and maintain, or cause to be operated or maintained, the Airport on behalf of the Count), in accordance With the provisions of the Act, and to establish fares, rentals, rates, charges and fees in accordance with the provisions of § 2783.3 of the Act in order to permit the Authority to operate the Airport on a self sustaining basis, as required in accordance with said section. The Authority further covenants and agrees to operate and maintain the Airport in accordance with the requirements imposed on the County pursuant to the terms and conditions of the Grant Agreements.

**Keep Airport in Good Repair and to Make Improvements and Betterments Thereto.** The Authority shall operate and maintain the Airport in such a manner so as to keep all of the properties constituting the Airport in good and efficient repair, working order and operating condition, in conformity with standards customarily followed in the aviation industry for airports of like size and character.

**Use of Revenues.** The Authority shall use the Revenues exclusively to serve the public and to promote the development of the Airport in accordance with the provisions of the Act and all Grant Agreements.

**Prompt Completion of Acquisitions and Construction.** The Authority shall proceed with all reasonable dispatch to complete the acquisition, purchase, construction, improvement, betterment, extension, addition, reconstruction, restoration, equipping and furnishing of any properties on or to be made a part of the Airport, including, but not limited to, the Terminal Improvement Project, consistent with sound financial practices.

Employment of Competent Personnel. The Authority shall at all times employ, or cause to be employed, competent personnel to operate and maintain the Airport, and will establish and enforce, or cause to be established and enforced, reasonable policies, procedures, rules, regulations and standards governing the employment of personnel. All persons employed by the Authority shall be qualified or their respective positions and shall be provided with worker's compensation coverage to the extent required under applicable law.

Encumbrance of Airport Properties. Except as otherwise provided in the Lease, the Authority shall not create, give or grant, or cause to be created, given or granted, any mortgage, lien, pledge, charge or other encumbrance upon any real property constituting the Airport, without the approval of the County.

Payment of Taxes and Claims by the Authority. Subject to the right of contest as set forth in the Lease, the Authority shall duly pay and discharge, or cause to be paid or discharged, any taxes, assessments or other governmental charges lawfully imposed on the Airport or any part thereof, or any required payments in lieu thereof as well as all lawful claims for labor, materials and supplies furnished or supplied to the Airport or any part thereof, when the same shall become due and payable, and keep the Airport and all parts thereof free from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character (except for any of the foregoing that are the obligations of sub-tenants or other parties lawfully using the Airport).

Protection of Security. The Authority shall maintain, preserve and renew all the rights, powers, privileges and franchises now owned by it or hereafter acquired by it with respect to the Airport, as are necessary for the operation and maintenance of the Airport in accordance with the provisions set forth under "Operation and Maintenance of Airport by the Authority"; "Keep Airport in Good Repair and to Make Improvements and Betterments Thereto" and "Compliance with Applicable Law".

Compliance with Applicable Law. The Authority will operate and maintain the Airport in accordance with Applicable Law and all Grant Agreements, including those required in order that the Airport may be approved by any proper and competent federal governmental authorities for the landing and taking off of aircraft operating in scheduled service, and as a terminal for the receipt and dispatch of passengers, property and mail by aircraft.

Management of Hazardous Materials. To the extent the Authority, or any licensee, sublessee or other user or occupant of the Airport, must generate, handle, store, dispose of or transport hazardous materials in the operation or use of the Airport, the Authority shall undertake, or cause to be undertaken, such tasks with reasonable care and comply with all pertinent environmental laws, including, but not limited to, obtaining all necessary environmental permits required for the management, generation, handling, storage, disposition or transport of such hazardous materials.

Defense or Interest in Airport. The Authority shall at all times defend its interest created hereunder and, at the County's request, it shall defend the County's interest as owner of the Airport against the claims and demands of all persons whomsoever.

Payment of County Debt. County Debt shall not be assumed by the Authority; provided, however, that on and after the Effective Date the Authority shall reimburse the County for all payments made by the County on and after March 15, 1994 on account of principal and interest due on any County Debt. All reimbursement payments for County Debt shall constitute rent under this Agreement.

Right to Improve Airport. The Authority shall have the right, at its own cost and expense and subject to § 2784 of the Act and Applicable Law, to demolish, replace, or rebuild all or any part of the

Airport, and to construct any improvement of any nature as the Authority shall deem appropriate; provided that no such action shall be undertaken that would materially, reduce the value of the Airport for its intended purposes, as reasonably determined by the Authority. The Authority acknowledges that from time to time the County may approve under § 2784.2 of the Act future Capital Projects that are part of future Capital Improvement Plans.

**General Power.** The Authority has the right to issue Bonds (or otherwise engage in financings of all types) in accordance with the provisions of the Act in such amounts and for such purposes as are authorized by the Act and the Authority may issue such Bonds (or engage in such financings) in such manner and amount and under such terms as it may determine to be in the best interests of the Authority, subject to the provisions set forth under “Issuance of Bonds”, provided, however, that the Authority shall not issue Bonds with a final maturity that extends beyond the term of the Lease without the prior written approval of the County and provided, further, that the Authority shall not issue Bonds (or otherwise engage in financings) except in accordance with the provisions of the Lease, the Act and Applicable Law.

**Issuance of Bonds.** The Authority may issue Bonds, without the approval of the County either under this Agreement or the Act: (i) to finance the Terminal Improvement Project, (ii) to finance any Capital Project included in a Capital Improvement Plan, (iii) to finance any Capital Project required or mandated by Applicable law (iv) for any purpose in order to eliminate any dangerous or emergency conditions at the Airport, as reasonably determined by the Authority, or (v) to refund, reissue or renew any Bonds issued pursuant to the provisions of the Act or the other provisions of this Agreement.

Nothing contained in this paragraph shall be declared to be in limitation of the requirement contained in §2784.2 of the Act regarding the County’s approval of Capital Projects. The Authority may only issue Bonds (or otherwise engage in financings) for purposes not included in (i) through (v) above with the approval of the County.

**County Covenants.** The County has covenanted and warranted to the Authority for its own benefit and for the benefit of the holders of the Bonds that the County will not impair the rights of the Authority (i) to purchase, construct, operate, maintain or dispose of any improvement for which Bonds have been issued; (ii) to establish and collect fares, rates, rents, fees and other charges authorized by the Act; or (iii) to fulfill the terms of any agreements made with the holders of the Bonds or in any way impair the rights and remedies of the holders of the Bonds until the Bonds, together with interest thereon, including interest and any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on the behalf of such holders are fully met and discharged and such agreements are fully performed by the Authority.

**Power to Grant Leasehold Mortgages.** Subject to obtaining the County’s prior approval, the Authority shall have the right to enter into Priority Mortgages. Without the approval of the County, the Authority may provide the right to a lessee to mortgage or otherwise encumber or assign as collateral security its interest in its lease with the Authority, or any part or parts thereof.

**Public Liability Coverage.** The Authority shall maintain comprehensive broad form general public liability insurance, naming both the Authority and the County as insureds, against claims for bodily injury or death and damage to personal property occurring on the Airport with coverage limits reasonably adequate to protect against judgments from time to time being awarded in the Greater Albany, New York area for injury, death and property damage. At the date of the Lease, a combined single limit policy in the amount of One Hundred Million Dollars (\$100,000,000) for injury and death and for property damage shall be deemed adequate. The Authority agrees to review the liability limits set forth in this paragraph to determine if the limits are still adequate, every third (3rd) year during the term of this Agreement, commencing with the third (3rd) year following the effective date of the Lease. The Authority shall require its contractors to

carry liability insurance in such amounts and with such coverage as the Authority shall reasonably determine, naming the County and the Authority as additional insureds. In addition, my other agreement, contract, lease or other instrument with a third party with respect to which the Authority receives insurance protection (whether as a named insured or otherwise) shall provide the same benefits to the County.

**Policy Requirements.** The insurance provided for under “Public Liability Coverage” shall be purchased from insurers qualified in the State of New York and of recognized responsibility. Such insurance may be subject to reasonable deductibles. No such insurance shall be subject to cancellation or reduction without at least thirty (30) days’ prior written notice given by the insurance carrier to the Authority, the County and other insured parties.

**County Obligations as to Insurance.** The County shall, at the request and at the sole expense of the Authority and so long as the County is able to obtain the insurance required under “Public Liability Coverage” on behalf of the Authority, procure for the Airport such insurance if the Authority reasonably determines that the premiums for such coverage would be lower if it were Procured for the Airport by the County, rather than by the Authority directly. The County shall provide the Authority with reasonable documentation of its allocation of premiums for the coverage provided to the Airport from March 15, 1994 to the effective date of the Lease and the Authority shall reimburse the County for any payments made with respect to such premiums. The Authority shall reimburse the County for payments made after the effective date of the Lease of any premiums for insurance provided by the County on behalf of the Authority within thirty (30) days of the date of the County’s invoice therefore.

**Authority Indemnification of the County.** Except as otherwise provided in this Agreement, the Authority agrees at its sole cost and expense to indemnify and hold harmless the County and its officers, employees, agents and attorneys from all costs and liabilities of every kind whenever incurred, whether known or unknown, arising from, related to or connected with the use, occupancy, ownership or operation of the Airport. The Authority’s indemnification and hold harmless agreement shall not extend to any claim (i) resulting from the negligent acts or omissions of the County or its agents, contractors, or employees, (ii) covered by County liability insurance, or (iii) relating to the tax-exempt status of County Debt, except to the extent such claim arises from the acts or omissions of the Authority.

**Eminent Domain.** In the event of a taking of all or any of the part of the Airport by a public or quasi-public authority, whether by condemnation proceedings or otherwise, or any transfer made in anticipation of an exercise of the power of eminent domain during the term of this Agreement, the rights and obligations of the County and the Authority with regard to such taking, including the rights to the award therefrom, shall be governed by the Lease, except that so long as a Priority Mortgage or Bond is outstanding, the provisions of the applicable Priority Mortgage or Bond Documents shall govern. The County shall not attempt to take, by condemnation proceedings or otherwise, the Authority’s leasehold in all or any part of the Airport or any other property of the Authority during the term of this Agreement that would materially disrupt or adversely affect the Authority’s ability to maintain and operate the Airport. In the event of such a taking, subject to the rights of holders of Priority Mortgages or Bonds, the County shall have the right to the portion of the award for the County land and the improvements thereon so taken. The Authority shall have the rights to the remainder of the award.

**Damage and Use of Insurance.** In the event of damage to the Airport by fire, casualty or otherwise, this Agreement shall not terminate. In such event, the rights and responsibilities of the County and the Authority shall be governed by the Lease except that, so long as any Bonds or Priority Mortgages are outstanding, the provisions of the Bond Documents or Priority Mortgages shall govern. The Authority shall restore or replace the damaged or destroyed property and improvements, or make such other improvements of equal value, as it reasonably deems necessary to serve the needs of the users of the Airport. Subject to the provisions of an), Bond Documents or Priority Mortgage, the Authority shall be entitled to receive the

proceeds of insurance policies obtained by the Authority, which shall be applied to the restoration or replacement.

Events of Default by the Authority. The following events shall constitute Events of Default under the Lease:

Failure by the Authority to pay any sum required to be paid by the Authority to the County under this Agreement within thirty (30) days following the due date thereof, or ten (10) days after receipt by the Authority of written notice from the County specifying such failure, whichever is later; or

Failure by the Authority to observe and perform any obligation imposed in this Agreement under Article 10 for a period of one hundred twenty (120) days after receipt by the Authority of written notice front the County specifying such failure arid requesting that it be remedied.

Failure by the Authority to observe arid perform any other obligation imposed in this Agreement for a period of sixty (60) days after receipt by the Authority of written notice front the County specifying such failure and requesting that it be remedied; provided that there shall be no Event of Default if, within sixty (60) days from the receipt by the Authority of such written notice of default, the Authority institutes steps to cure such failure and proceeds diligently to cure such failure. It shall not be considered an Event of Default if by reason of Force Majeure the Authority is unable to carry out the Lease.

Remedies. Upon the occurrence of any Event of Default, or at any time thereafter during the continuance of such Event of Default and subject to the rights of any bondholders as provided in this Agreement and any Priority Mortgagees, the County shall have the right to terminate the Lease by giving not less than ninety (90) days' prior written notice thereof to the Authority and upon such termination, all rights and privileges of the Authority and under the Lease, including with respect to the Revenues, shall cease.

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## APPENDIX D

### SUMMARY OF THE AIRLINE USE AND LEASE AGREEMENT

The following is a brief summary of the Airline Use and Lease Agreement (the “Agreement”) between the AUTHORITY and each individual AIRLINE. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Agreement. Words used herein and not otherwise defined shall have the meaning ascribed thereto in the Agreement. Terms utilized in both the Agreement and the Resolution do not necessarily have the identical meanings as defined in the respective documents.

### DEFINITIONS

“Affiliate” shall mean a Signatory Airline that is operating its Air Transportation Business at the Airport or a Non-Signatory Airline that is operating its Air Transportation Business at the Airport under a Non-Signatory Operating Agreement with the AUTHORITY, and that (in either case) is (i) a parent or subsidiary of the AIRLINE or under the same parental control as the AIRLINE, or (ii) shares an International Air Transport Association (IATA) flight designation code with the AIRLINE at the Airport (Code-Sharing Partner), or (iii) otherwise operates under essentially the same trade name as the AIRLINE at the Airport and uses essentially the same livery as AIRLINE (except in the case of a maintenance spare substitute); provided that no major airline, as such term is defined by the Federal Aviation Administration, shall be classified as an Affiliate of another major airline, unless either clause (i) or (iii) above defines the relationship between such airlines at the Airport.

“Affiliate Operating Agreement” shall mean the agreement executed by the AUTHORITY, the AIRLINE and the Non-Signatory Airline designated by the AIRLINE as its Affiliate pertaining to the Affiliate’s use of any Airport facilities or services as an Affiliate of the AIRLINE.

“Agreement” shall mean the Airline Use and Lease Agreement between the AUTHORITY and each individual AIRLINE, as the same may be amended or supplemented from time to time pursuant to the terms therein.

“Air Transportation Company” shall mean a company engaged in the business of scheduled or nonscheduled commercial transportation by air of persons, property, mail, and/or cargo.

“Air Transportation Business” shall mean that business operated by the AIRLINE at the Airport for the commercial transportation by air of persons, property, mail and/or cargo.

“Aircraft Aprons” shall mean those parts of the Ramp Area adjacent to the Terminal that are used for the parking of aircraft and support vehicles, and the loading and unloading of aircraft.

“Airfield” shall mean the Landing Area and Ramp Area, and other facilities supporting the activity of military, general aviation, and commercial aircraft.

“AIRLINE” shall mean the Scheduled Air Carrier executing the Agreement.

“Airline Affairs Committee” or “AAC” shall mean collectively the authorized representatives of each Signatory Airline and Signatory Cargo Carrier which shall meet from time to time with representatives of the AUTHORITY to receive information and provide input from the Signatory Airlines and Signatory Cargo Carrier with regard to the operation and development of the Airport.

“Airline Premises” shall mean those areas assigned to the AIRLINE as Preferential Use and Joint Use Premises, as defined under the Agreement.

“Airport Lease” shall mean the Airport Lease Agreement between the AUTHORITY and the County, dated December 5, 1995 as such may be amended from time to time.

“AUTHORITY” shall mean the Albany County Airport Authority, a body politic and corporate constituting a public benefit corporation created and existing under the Act, and shall include such person or persons as may from time to time be authorized in writing by the AUTHORITY to act for the AUTHORITY with respect to all matters pertaining to the Agreement.

“Average Minimum Use Level” shall mean the average minimum number of Turns calculated by the AUTHORITY based on the rolling six-month average of an Air Carrier’s Turns at all of an Air Carrier’s Preferential Use Gates.

“Capital Charge Coverage” shall mean, for any Fiscal Year, an amount equal to twenty-five percent (25%) of Debt Service, if required by any Resolution(s) or other financing document(s) of the County or the AUTHORITY, plus such other amounts as may be established with respect to Other Indebtedness.

“Capital Charges” shall mean (i) Debt Service, (ii) Other Debt Service, and (iii) Amortization Requirements.

“Capital Expenditure” shall mean an expenditure made to acquire, purchase or construct a single capital item or project for the purpose(s) of improving, maintaining or developing the Airport and shall include expenses incurred for development, study, analysis, review or planning efforts. For the purposes of the Agreement, a Capital Expenditure shall exceed \$50,000 in net cost, after application of any applicable federal and state grants or PFC funds for such Capital Expenditure.

“Chargeable Landings” shall mean those aircraft landings for which landing fees shall be due and payable by the AIRLINE, as set forth in the Agreement. Such landings by the AIRLINE shall include all Revenue Landings during any period plus Non-Revenue Landings exceeding ten percent (10%) in number of the AIRLINE’s Revenue Landings during said period.

“Cost Centers” shall mean those areas or functional activities of the Airport grouped together for the purposes of accounting for Revenues, O&M Expenses, Capital Charges, Capital Charges Coverage, and any other requirements including reserves, established by any Resolution(s) or other financing document(s) of the County or the AUTHORITY.

“Enplaned Passenger” shall mean all local boarding, interline transfer, and interline transfer passengers at the Airport, other than the AIRLINE’s employees or the AIRLINE’s retirees traveling on the AIRLINE’s free passes. The total number of the AIRLINE’s Enplaned Passengers, as limited by the preceding sentence, shall include all local boarding, interline transfer, and interline transfer passengers boarded by the AIRLINE or by any Air Transportation Company ground-handled or otherwise accommodated by the AIRLINE.

“General Fund” shall mean any fund or account established by the AUTHORITY in any Resolution(s) or other financing document(s) of the AUTHORITY for the purpose of retaining the AUTHORITY’s share of Funds Remaining, under the Agreement.

“Joint Use Premises” shall mean those areas which may be assigned to two or more Scheduled Air Carriers, as shown in the Agreement.

“Landing Area” shall mean those portions of the Airport provided for the landing, taking off and taxiing of aircraft, including without limitations approach and turning zones, aviation or other easements, runways, taxiways, runway and taxiway lights, and other appurtenances in connection therewith.

“Low-Volume Air Carrier” shall mean a Non-Signatory Airline with seven or fewer scheduled revenue flights departing from the Airport with an aggregate of no more than 700 departing passenger seats each calendar week.

“Majority-in-Interest” or “MII for the Airfield” shall mean such group of Signatory Airlines and Signatory Cargo Carriers representing greater than fifty percent (50%) in number of all Signatory Airlines and Signatory Cargo Carriers, accounting for not less than fifty percent (50%) of Maximum Gross Landed Weight of all Signatory Airlines and Signatory Cargo Carriers for the most recent six (6) month period for which such statistics are available.

“Maximum Gross Landed Weight” shall mean the maximum gross certificated landed weight in one thousand pound units, as certified by the aircraft’s manufacturer and stated in the AIRLINE’s flight operations manual, at which each aircraft operated at the Airport by the AIRLINE is certificated by the FAA to land at the Airport.

“MII for the Terminal” shall mean such group of Signatory Airlines representing greater than fifty percent (50%) in number of all such Signatory Airlines accounting for not less than fifty percent (50%) of the total Signatory Airline Terminal rentals for the most recent six (6) month period for which such statistics are available.

“Other Debt Service” shall mean the amount required during any period for the payment of principal of, interest and premium on, and other fees and amounts associated with, Other Indebtedness of the AUTHORITY.

“Other Indebtedness” shall mean any obligation incurred by the AUTHORITY other than O&M Expenses, or reserves, for Airport purposes, and with respect to Capital Expenditures, all obligation incurred in accordance with the Agreement, and which is neither Bonds nor Subordinated Indebtedness, all as set forth in any Resolution(s) or other financing documents of the County or the AUTHORITY.

“Period of Use” shall mean, for a Scheduled Operation at a Preferential Use Gate:

(a) For arrivals of aircraft, the Period of Use shall commence thirty (30) minutes prior to the time scheduled for an arrival. The Period of Use shall terminate sixty (60) minutes after the time scheduled for an arrival or upon Airline’s completion of the deplaning process, whichever occurs first;

(b) For departures of aircraft, the Period of Use shall commence sixty (60) minutes prior to the time scheduled for a domestic departure and ninety (90) minutes prior to the time scheduled for an international departure; provided, however, that the scheduled departure time shall be extended if the originating aircraft is being boarded and actively prepared for departure, and in such instances, the extension shall extend only to the completion of the active boarding process. The Period of Use for an originating flight shall terminate upon the actual departure of the aircraft from the Gate or thirty (30) minutes after the time scheduled for the departure, whichever occurs first.

“Preferential Use Premises” shall mean those portions of the Terminal and Ramp Area assigned to the AIRLINE, to which the AIRLINE shall have priority over all other users, subject to the provisions of the Agreement.

“Preferential Use Gate Utilization Targets” shall mean each level of use or other criterion established by the AUTHORITY for each Air Carrier to meet in order to use or continue to use the Preferential Use Gate(s) assigned by the AUTHORITY to such Air Carrier as part of its Preferential Use Premises.

“Ramp Area” shall mean the aircraft parking and maneuvering areas adjacent to the Terminal, and shall include within its boundaries all Aircraft Aprons.

“Requesting Airline” shall mean a Scheduled Air Carrier requesting accommodation as set forth in under the Agreement.

“Resolution” shall mean any ordinance, resolution, indenture, or other instrument of the AUTHORITY or the County authorizing the issuance of and providing security for Bonds, Subordinated Indebtedness, or Other Indebtedness, as such may be supplemented or amended from time to time, provided, however, that any amendment or supplement to a Resolution which shall have a material, adverse effect on Signatory Airlines under the Agreement shall first be approved by air applicable MII. The issuance of debt pursuant to the provisions of a Resolution shall not be deemed to have air adverse effect on Signatory Airlines.

“Scheduled Air Carrier” shall mean any passenger Air Transportation Company performing or desiring to perform, pursuant to published schedules, commercial air transportation services over specified routes to and from the Airport and holding the necessary authority from the appropriate Federal or state agencies to provide such transportation.

“Scheduled Operation” shall mean a Scheduled Airline’s operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication thirty (30) days prior to the first day of the month in which the AIRLINE’s schedule would take effect, subject to the AIRLINE’s right to amend such schedule.

“Seat” shall mean a seat on an aircraft arriving or departing from the Airport other than those seats reserved in the flight deck or aircraft cabin for members of the flight crew.

“Signatory Airline” shall mean a Scheduled Air Carrier which has an agreement with the AUTHORITY substantially similar to the Agreement; provided, however, that such Scheduled Air Carrier shall, at a minimum, lease from the AUTHORITY, to the extent and when available, a Ticket Counter Bay or Gate.

“Special Purpose Facility” shall mean any capital improvement, equipment, or facility financed from proceeds or obligations not payable from revenues.

“Subordinated Indebtedness” shall mean any bonds or other financing instrument or obligation having a lien on Revenues subordinate only to Bonds.

“Term” shall mean the period of time during which the AIRLINE’s activities at the Airport shall be governed by the Agreement. Said Term shall begin on the Effective Date, and, except as otherwise set forth herein, terminate on the date set forth in the Agreement.

“Terminal” shall mean the airline passenger terminal and concourse building and related facilities at the Airport.

“Turn” shall mean the arrival and departure of an aircraft from a Gate, and may be measured in halves. The movement of an empty aircraft to or from a Gate shall not constitute half a Turn.

#### EFFECTIVE, DATE AND TRANSITION PROVISIONS

The Agreement shall be effective as of January 1, 2016; assuming that at least two Scheduled Air Carriers have executed the Agreement by December 31, 2015. Otherwise, the Agreement will not take effect for any Scheduled Air Carrier until the date on which at least two Scheduled Air Carriers have executed the Agreement.

#### TERM

The AIRLINE Agreement shall terminate at midnight on December 31, 2020. The Agreement may be renewed for one (1) additional five (5) year period (the “Renewal Term”) provided that the AIRLINE gives the AUTHORITY at least six (6) months’ written notice of its intention to renew the Agreement for the Renewal Term, and further provided that the parties mutually consent to such Renewal Term. If both parties mutually consent to the Renewal Term, such Renewal Term shall be on the same terms and conditions as are contained in the Agreement, except that, the Renewal Term shall not remain in effect for the AIRLINE or any other Scheduled Air Carrier), and shall be effective only if Signatory Airlines constituting an MII have executed such an Agreement with the AUTHORITY for the Renewal Term by December 31, 2020.

#### PREMISES

The AUTHORITY leases and demises to the AIRLINE, and the AIRLINE leases and accepts from the AUTHORITY, certain premises, privileges, rights, and uses of the Airport.

#### USE OF THE AIRPORT AND RELATED FACILITIES

In addition to all rights granted elsewhere in the Agreement, the AIRLINE shall have the right to use, in common with others so authorized by the AUTHORITY, areas (other than areas leased exclusively or preferentially to others or otherwise reserved for the exclusive use of the Authority), facilities, equipment, and improvements at the Airport for the operation of the AIRLINE’s Air Transportation Business and all activities reasonably necessary to such operations, subject to the rules and regulations of the AUTHORITY.

The AIRLINE acknowledges that the AUTHORITY has established a Preferential Use Gate Utilization Target applicable to each Preferential Use Gate assigned to the AIRLINE. The Preferential Use Gate Utilization Target applicable to each Preferential Use Gate assigned to the AIRLINE shall be an Average Minimum Use Level of two (2) daily Turns at each such Preferential Use Gate.

If the AIRLINE fails to meet one or more of its Preferential Use Gate Utilization Targets for six (6) consecutive months (each, a “Utilization Deficiency”), the AUTHORITY may, in its sole discretion and without any obligation to do so, issue to the AIRLINE a written notice stating the AUTHORITY’s intention to recapture one or more of the AIRLINE’s Preferential Use Gates.

Upon the AUTHORITY's delivery of the Initial Recapture Notice, the AIRLINE shall have ninety (90) days, commencing on the date of the AUTHORITY's delivery of the Initial Recapture Notice to the AIRLINE ("Cure Period"), to cure the Utilization Deficiency described in the Initial Recapture Notice.

If, following the expiration of the applicable Cure Period, the AIRLINE has not cured the Utilization Deficiency, the AUTHORITY may, in its sole discretion and without any obligation to do so, issue to the AIRLINE a written notice stating AUTHORITY's election to recapture one or more of the AIRLINE's Preferential Use Gates and designating the number of Preferential Use Gates that the AUTHORITY intends to recapture ("Final Recapture Notice"). The Preferential Gates so recaptured will be that number of Gates needed to allow the AIRLINE to meet the applicable Preferential Use Gate Utilization Target for three (3) consecutive months based on the data then available to the AUTHORITY.

#### OPERATION AND MAINTENANCE OF THE AIRPORT

The AIRLINE shall have the right, in addition to all rights granted elsewhere in the Agreement, subject to rules and regulations of the AUTHORITY, to use the Airport for the operation of an Air Transportation system and the conduct of an airline business, with authorization required from the AUTHORITY under certain circumstances.

The AUTHORITY shall, with reasonable diligence, prudently develop, improve, and at all times maintain and operate the Airport with adequate qualified personnel and keep the Airport in good repair unless such maintenance, operation, or repair shall be the obligation of the AIRLINE.

Each AIRLINE shall, at all times and at its own expense, preserve and keep its portion of the AIRLINE's Premises in an orderly, clean, neat, and sanitary condition.

#### RENTALS, FEES AND CHARGES

The AIRLINE shall pay the AUTHORITY rentals for use of the Airline Premises and fees and charges (the "Rates") for other rights, licenses, and privileges granted under the Agreement during the Term. The rates payable by all AIRLINES for the Landing Area, and with respect to the Terminal Building, the rates payable by each Signatory Airline leasing space in the Terminal Building, shall be payable at the rates calculated in accordance with the Agreement.

**Landing Fees.** Each AIRLINE shall pay monthly to the AUTHORITY fees for Chargeable Landings for the preceding month. The AIRLINE's landing fees shall be determined as the product of the landing fee rate for the period, calculated in accordance with the Agreement, and the AIRLINE's total landed weight for the month, based upon the Maximum Gross Landed Weight of each aircraft operated by the AIRLINE at the Airport during the preceding month. The AIRLINE's total landed weight for the month shall be determined as the sum of the products obtained by multiplying the Maximum Gross Landed Weight of each type of the AIRLINE's aircraft by the number of Chargeable Landings of each said aircraft during such month.

**Terminal Rentals.** Each AIRLINE's Terminal rentals in the period shall be the sum of the AIRLINE's rentals for Preferential Use and Joint Use Premises. The AIRLINE's Terminal rental payment for Preferential Use Premises shall be determined as the sum of the products obtained by multiplying the appropriate Terminal rental rate for the period calculated in accordance with the Agreement, by the amount of the corresponding type of space leased by the AIRLINE as Preferential Use Premises as set forth in the Agreement.

Total Terminal rentals for Joint Use Premises shall be calculated as the product of the Terminal rental rate for the period calculated, and the amount of each category of Joint Use Premises. Each AIRLINE's share of the total Terminal rentals due each month for Joint Use Premises shall be determined as follows:

- (1) Twenty percent (20%) of total rentals due monthly (one-twelfth (1/12) of annual amount) for each category of Joint Use Premises shall be prorated equally among the Scheduled Air Carriers using said category of Joint Use Premises, excluding Low-Volume Air Carriers.
- (2) The remaining eighty percent (80%) of total rentals due monthly for each category of Joint Use Premises shall be prorated among the Scheduled Air Carriers using said category of Joint Use Premises based upon each such Scheduled Air Carrier's Enplaned Passengers, and each Affiliate of any Signatory Airline's Enplaned Passengers, during the month as a percentage of total Enplaned Passengers of all Scheduled Air Carriers using said category of Joint Use Premises during such month.

For purposes of the above calculations, the AIRLINE shall include in its report of monthly enplaned Passengers the total number of Enplaned Passengers handled or otherwise accommodated by the AIRLINE for other Air Transportation Companies not having an agreement with the AUTHORITY that provides for the direct payment to the AUTHORITY of appropriate charges for the use of Joint Use Premises.

**Aircraft Apron Fees.** As of the effective date, each AIRLINE's fees for its Preferential Use Premises on the Ramp Area shall be determined as the product obtained by multiplying the square footage of the AIRLINE's Aircraft Apron(s) times the Aircraft Apron rate for the period calculated in accordance with terms set forth in the Agreement. If an Affiliate of the AIRLINE uses Aircraft Apron(s) separately from the AIRLINE, such Affiliate shall be required to pay Aircraft Apron fees to the AUTHORITY.

**Equipment Charges.** Each AIRLINE's charges for terminal equipment, including baggage claim conveyors and devices, shall be based on the annual Capital Charges, Capital Charge Coverage, any required reserves, and O&M Expenses incurred by the AUTHORITY for any such equipment leased by the AIRLINE from the AUTHORITY.

**Passenger Screening Charges.** If DHS, TSA, FAA or another governmental agency elects to impose or levy a charge upon the AUTHORITY for passenger screening activities at the Airport at any time during the Term of the Agreement, then the AUTHORITY shall have the right to recover such passenger screening charges on a prorated basis from the AIRLINE and every other Scheduled Air Carrier at the Airport, pursuant to a method of prorating such passenger screening charges among the Scheduled Air Carriers, including the AIRLINE, as may be approved by Signatory Airlines constituting an MII.

1.1 **Per Use Terminal Fee.** Each Low-Volume Air Carrier shall pay a Per Use Terminal Fee to the AUTHORITY based on the aggregate costs for use of the Terminal, Aircraft Aprons and the AUTHORITY-owned equipment, including without limitation passenger loading bridges, by Signatory Airlines and their Affiliates. The Per Use Terminal Fee shall be calculated by (a) dividing (i) the sum of the estimated total annual Aircraft Apron Fees, Terminal Rentals and Equipment Charges, by (ii) the total number of Enplaned Passengers at the Airport in the preceding year, and (b) multiplying that quotient by one hundred twenty-five percent (125%). The resulting Per Use Terminal Fee shall be due to the AUTHORITY for each Enplaned Passenger enplaned at the Airport by the Low-Volume Air Carrier.

**Other Fees and Charges.** The AUTHORITY expressly reserves the right to assess and collect (or in the case of (3), to charge the Airline or its employees) the following:

- (1) Certain concession and other services fees provided by the AIRLINE;
- (2) Certain non-enumerated fees, including, but not limited to, special maintenance of the Airline Premises, Federal Inspection Services (“FIS”) facility fees, or equipment/vehicle storage areas;
- (3) Pro rata shares of any charges for services or facilities which the AUTHORITY is required to provide by any governmental entity having jurisdiction over the Airport; and
- (4) Reasonable fees for the employee parking area(s) provided at the Airport.

The AIRLINE shall pay the required fees for all permits and licenses necessary for the conduct of its Air Transportation business at the Airport. The AIRLINE shall also pay all taxes, assessments, and charges, including water and pure water fees and charges, which during the term of the Agreement may become a lien or which may be levied by any other tax levying body, other than the AUTHORITY, upon any taxable interest by the AIRLINE acquired in the Agreement.

**Payments.** Terminal, Aircraft Apron, and equipment rentals for each AIRLINE’s Preferential Use Premises shall be due and payable in equal monthly installments in advance, without demand or invoice, on the first business day of each month and shall be deemed delinquent if payment is not received by the fifteenth (15) calendar day of the month. Payment of the AIRLINE’s and Affiliates’ landing fees, Joint Use Premises, and all other fees and charges due under the Agreement shall be due as of the date of the AUTHORITY’s invoice and shall be deemed delinquent if payment is not received within thirty (30) days of the date of such invoice.

**Information to be supplied by the AIRLINE.** The AIRLINE shall file with the AUTHORITY written reports on forms provided by the AUTHORITY for activity conducted by the AIRLINES during said month. The AIRLINES shall at all times maintain and keep books, ledgers, accounts, or other records wherein are accurately kept all entries reflecting the activity statistics to be reported. Such records shall be retained by the AIRLINE for a retention period as set forth in Federal Aviation Administration Regulation (“FAA”) Part 249.7 and made available at Albany, New York, for audit and/or examination by the AUTHORITY or its duly authorized representative during all normal business hours.

**Security for Payment.** The AUTHORITY shall have the right to charge new entrants, or carriers with a late payment history a contract bond, irrevocable letter of credit or other similar security acceptable to the AUTHORITY (“Contract Security”) in an amount equal to the estimated Rates for a three-month period. The AIRLINE shall maintain such Contract Security in effect until the expiration of eighteen consecutive months during which period the AIRLINE shall commit no Event of Default under the Agreement. The AUTHORITY shall have the right to waive such Contract Security requirement on the AIRLINE, provided the AIRLINE can demonstrate regularly scheduled passenger flights at six (6) other airports with activity levels and characteristics similar to the Airport during the most recent eighteen (18) month period.

#### CHANGES IN RATES FOR RENTALS, FEES, AND CHARGES

**Annual Rate Changes.** The AUTHORITY shall notify the AIRLINE in writing, no later than ninety (90) days prior to the end of each Fiscal Year, of the proposed budget and schedule Rates for the ensuing Fiscal year, as determined in accordance with the Agreement.

The AIRLINE, through the Airline Affairs Committee (“ACC”), shall have the right to review and comment on the proposed operating budget and meet with the AUTHORITY to discuss such Rates within thirty (30) days after the forwarding of the proposed budget. The AUTHORITY shall make available to the ACC any reasonably requested additional information relating to the determination of the proposed Rates and shall fully consider the comments and recommendations of the AIRLINES prior to finalizing its schedule of Rates. Following the said meeting, and before the end of the then current Fiscal Year, the AUTHORITY shall notify the AIRLINE of the schedule of the Rates to be established for the ensuing Fiscal Year.

If for any reason the calculation of the new Rates is not completed by the AUTHORITY and the above notice is not given on or prior to the end of the then current Fiscal Year, the Rates then in effect shall continue to be paid by the AIRLINE until such calculations are concluded and such notice is given. The new Rates shall then be made effective retroactive to the first day of such Fiscal Year.

**Other Rate Changes.** Rates may be changed at any other time that unaudited monthly Airport financial data indicates that total Rates payable pursuant to the then current rate schedules are estimated and anticipated by the AUTHORITY to vary by more than ten percent (10%) from the total Rates that would be payable based upon the use of the monthly financial data then available for said Fiscal Year.

**Annual Settlement Calculation.** Within one hundred eighty (180) days following the close of each Fiscal Year, fees and charges for the preceding Fiscal Year shall be recalculated using audited financial and actual statistical data. The AUTHORITY shall determine any difference(s) between the actual rentals, fees and charges paid by all Signatory Airlines during the preceding Fiscal Period and the rentals, fees and charges that would have been paid by Signatory Airlines using said recalculated rates.

The AUTHORITY shall include Extraordinary Coverage Protection payments in the calculation of rates for rentals, fees and charges at the Airport in any Fiscal Year in which the amount of Revenues, less O&M Expenses, is projected to be less than one hundred twenty-five percent (125%) of the amount of Debt Service. Payments will be allocated to the Airfield and Terminal Cost Centers on the basis of Total Landing Fee Requirement and Total Terminal Requirement.

**Funds Remaining.** The AUTHORITY and the AIRLINE estimate that certain funds will be generated from Airport operations each year and that a portion of such funds remaining (“Funds Remaining”) (i.e., funds not required for payments of Debt Service and Other Debt Service, O&M Expenses, other Capital Charges, deposits for Capital Charge Coverage, reserve deposits) shall be transferred (i) fifty percent (50%) to the AUTHORITY’s General Fund and (ii) fifty percent (50%) first applied to offset any Capital Charge Coverage and any remainder applied as a credit to the Signatory Airlines, provided, however, that the AUTHORITY shall not be required to apply said remainder as a credit to the Signatory Airlines if the AUTHORITY includes Extraordinary Coverage Protection payments in the calculation of rates for the then-current Fiscal Year.

**Settlement.** The AUTHORITY shall combine any amounts due from the Signatory Airlines under Annual Settlement Calculation with any credits due under Funds Remaining to determine the net amount due to or from the Signatory Airlines.

**General Fund.** Funds Remaining that are not applied as Transfers shall deposited into the General Fund and may be used at the discretion of the AUTHORITY for any lawful purpose related to the Airport, including, but not limited to, the payment of Other Debt Service.

## AIRLINE DISAPPROVALS; IMPROVEMENTS

The AIRLINE and the AUTHORITY recognize that Capital Expenditures to preserve, protect, enhance, expand, or otherwise improve the Airport will be required throughout the Term of the Agreement. The following Capital Expenditures undertaken by the AUTHORITY are not subject to MII consideration: (a) annual Capital Expenditures up to Three Million Dollars (\$3,000,000) in net costs. This limitation shall be adjusted as of January of each year by the same percentage as the increase or decrease, in non-airline revenues in the Fiscal Year over the amount of non-airline revenues in the next preceding Fiscal Year; (b) projects required by the FAA, TSA, DHS, DOT or similar governmental authority; (c) projects to repair casualty damage to Airport property; (d) Special Purpose Facilities for which the tenant(s) or user(s) shall pay directly to the AUTHORITY; (e) reasonable improvements or additions to settle claims, satisfy judgments, or comply with judicial orders against the AUTHORITY; (f) expenditures for an emergency which if not made would close any portion of the Airport within forty-eight (48) hours; (g) expansion of Airport facilities for increased requirements of any Signatory Airline(s) if such Signatory Airlines agree in writing to pay increased Rates; (h) Capital Expenditures that do not increase fees and charges to the AIRLINE during the Term; (i) projects undertaken in Airport Cost Centers other than the Airfield and Terminal Cost Centers; and (j) projects payable from the General Fund, provided that such costs shall not be charged to AIRLINE. No Capital Expenditure shall be subject to MII voting or approval to the extent such Capital Expenditure is financed by PFCs or PFC-backed bonds.

The AUTHORITY shall notify the AAC in writing of its intent to undertake Capital Expenditures which are subject to MII consideration and shall provide the AAC with a description of the proposed Capital Expenditure(s), a statement of the need for Capital Expenditure(s), the preferred means of financing, and the planned allocation of costs to the various Airport Cost Centers with the projected impact on Rates. In the event of disapproval by an MII of a proposed Capital Expenditure, the AUTHORITY shall have the option to request reconsideration of the proposed Capital Expenditure. All costs associated with Capital Expenditures shall be included in the calculation of Rates in accordance with the Agreement.

The AIRLINES will not make any alterations, additions, improvements to, or installations on the Leased Premises under the Airline Agreements without the prior written approval of the AUTHORITY. The AUTHORITY shall have the right to require that the AIRLINE obtain a contract surety bond equal to the full amount of any construction contract awarded by the AIRLINE for any improvements greater than Two Hundred and Fifty Thousand Dollars (\$250,000). The AUTHORITY further reserves the right to require the AIRLINE to acquire a payment bond with any contractors of the AIRLINE as principal, in a sum equal to the full amount of the construction contract awarded by the AIRLINE for the Improvements. Both contract and/or payment bonds shall name the AUTHORITY obligee thereunder.

All improvements made to the Airline Premises and additions and alterations thereto made by the AIRLINE, except those financed by the AUTHORITY, shall be and remain the property of the AIRLINES until the expiration of the Term of the Agreement. Upon termination or Cancellation of the Agreement prior to its expiration, such additions and alterations shall become the property of the AUTHORITY; provided, however, that any trade fixtures or moveable personal property of the AIRLINE not permanently affixed to the Airline Premises shall remain the property of the AIRLINE.

## AFFILIATE PRIVILEGES AND OBLIGATIONS

The AIRLINE may elect to designate an Affiliate of the AIRLINE at the Airport. No Scheduled Air Carrier which is then in default of its Signatory Agreement or Non-Signatory Operating Agreement with the AUTHORITY, as applicable, may be designated as an Affiliate.

The AIRLINE may not use an Affiliate at the Airport without first (i) designating the Affiliate on the “Designation of Affiliate” form; (ii) ensuring that the Affiliate has either entered into an Affiliate Operating Agreement with the AUTHORITY or is already a Signatory Airline; and (iii) confirming for the AUTHORITY in writing whether the AIRLINE will pay to the AUTHORITY or guarantee the Affiliate’s payment of all Landing Fees, Terminal Rentals and all other charges due to the AUTHORITY on account of the Affiliate’s use of any Airport facilities or services as an Affiliate of the AIRLINE.

Each Affiliate of the AIRLINE shall have the same privileges as the AIRLINE has under this Agreement to use the Airline Premises as an Affiliate of the AIRLINE. The Landing Fees, Terminal Rentals and all other charges due on account of each Affiliate’s use of Airport facilities or services as an Affiliate of the AIRLINE shall be calculated as if the Affiliate were a Signatory Airline; provided, however, that the Affiliate’s activity as an Affiliate of the AIRLINE shall be treated as activity of the AIRLINE and not as activity of the Affiliate; and provided, further, that in calculating Terminal Rentals for Joint Use Premises under Section 7.2C, such Affiliate shall be treated as if it were the AIRLINE, and shall not be counted as a separate Signatory Airline for purposes of proration applicable to the AIRLINE. The AIRLINE and its Affiliates shall be treated as a single Signatory Airline for purposes of determining a MII, and the Maximum Gross Landed Weight of, and payments of Terminal Rentals and other charges due on account of each Affiliate’s use of Airport facilities or services by, an Affiliate of the AIRLINE shall be included with those of the AIRLINE in determining or calculating any action by a MII. Each Affiliate’s activity at the Airport as an Affiliate of the AIRLINE shall be treated as activity of the AIRLINE at the Airport, and not as activity of the Affiliate, for purposes of reassignments of Airline Premises.

#### DAMAGE OR DESTRUCTION

If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be partially damaged by fire or other casualty, but said circumstances do not render the Airline Premises untenable, as reasonably determined by the AUTHORITY, the same shall be repaired to usable condition with due diligence by the AUTHORITY as hereinafter provided and limited. No abatement of rentals shall accrue to the AIRLINES so long as the Airline Premises remain tenable. If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be so extensively damaged by fire or other casualty as to render any portion of said Airline Premises untenable but capable of being repaired, as reasonably determined by the AUTHORITY, the same shall be repaired to usable condition with due diligence by the AUTHORITY as hereinafter provided and limited. In such case, the rentals payable under the Agreement shall be abated equitably. The AUTHORITY shall use reasonable efforts to provide the AIRLINE with alternate facilities to continue its operation while repairs are being completed at a rental rate not to exceed that provided for in the Agreement for comparable space.

If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be damaged by fire or casualty and is so extensively damaged as to render any portion of said Airline Premises incapable of being repaired, as reasonably determined by the AUTHORITY, the AUTHORITY shall notify the AIRLINE within a period of sixty (60) days after the date of such damage of its decision whether to reconstruct or replace said space; provided, however, that the AUTHORITY shall be under no obligation to replace or reconstruct such premises. The rentals payable under the Agreement shall abate until such time as replacement or reconstructed space becomes available for use by the AIRLINE.

In the event the AUTHORITY elects to reconstruct or replace affected Airline Premises, the AUTHORITY shall provide the AIRLINE with alternate facilities to the extent available for use by AIRLINE to continue its operation while reconstruction or replacement is being completed at a rental rate not to exceed that provided for in the Agreement for existing space of the same type.

In the event that due to the negligence or willful act or omission of an AIRLINE, its employees, agents, or licensees, the AIRLINE's Premises shall be damaged or destroyed by fire, other casualty, or otherwise, there shall be no abatement of rent during the repair or replacement of said AIRLINE's Premises. To the extent that the costs of repairs shall exceed the amount of any insurance proceeds payable to the AUTHORITY by reason of such damage or destruction, the AIRLINE shall pay the amount of such additional costs to the AUTHORITY.

The AUTHORITY shall maintain appropriate and adequate levels of insurance; provided, however, that the AUTHORITY's obligations to repair, reconstruct, or replace affected premises shall be limited to restoring the affected Airline Premises to substantially the same condition that existed at the date of damage or destruction.

#### INDEMNIFICATION AND INSURANCE

Each AIRLINE shall indemnify, save, hold harmless, and defend the AUTHORITY, its officials, agents, and employees, and the successors and assigns of each, individually or collectively, from and against any claim, action, loss, damage, injury, or liability and the cost and expense of whatsoever kind or nature (including, but not limited to, reasonable attorneys' fees, disbursements, court costs, and expert fees) based upon injury to persons or damage to property arising out of or resulting from the AIRLINE's use and occupancy of the Airline Premises or use of the Airport, except to the extent is caused by the negligence or willful misconduct of the AUTHORITY, its officers, employees, or agents.

The AUTHORITY shall indemnify, save, hold harmless, and defend the AIRLINE, its officials, agents, and employees, its successors and assigns, individually or collectively, from and against any claim, action, loss, damage, injury, or liability and the cost and expense of whatsoever kind or nature (including, but not limited to, reasonable attorneys' fees, disbursements, court costs, and expert fees) based on injury to persons or damage to property arising out of or resulting from AUTHORITY's failure to perform its obligations under the Agreement, except to the extent is caused by the negligence or willful misconduct of the AIRLINE, its officers, employees, or agents.

Without limiting the AIRLINE's obligation to indemnify the AUTHORITY, each AIRLINE shall procure and maintain in force at all times during the term of the Agreement, without expense to the AUTHORITY, liability insurance. Such insurance shall include, comprehensive general liability coverage, aircraft liability insurance, workers compensation, disability and employers liability insurance, commercial property insurance and automobile liability insurance coverage. The AUTHORITY shall be given not less than thirty (30) days notice prior to any changes in the coverage affecting the interest of the AUTHORITY provided by said policies.

#### DEFAULT BY THE AIRLINE, REMEDIES, CANCELLATION BY THE AUTHORITY

The events described below shall be deemed Events of Default by the AIRLINE under the Agreement and shall entitle the AUTHORITY to cancel the Agreement (subject to the lapse of any grace period).

The AUTHORITY may terminate the Agreement and all of its obligations thereunder upon written notice to the AIRLINE and may exercise all rights of entry and re-entry upon the Leased Premises, with or without process of law, if any of the events constituting a default shall have occurred (including the lapse of any specified grace period).

If the AIRLINE (a) fails to pay rent or any other payment past due hereunder within ten days (10) after receipt of written notice of a past due account; or (b) fails to commence immediately to keep and perform any of their other covenants and agreements within thirty (30) days after receipt of written notice; or (c) fails to continue with diligence to complete any of their covenants and agreements after the performance is commenced, or after the filing of any petition, proceedings, or action by, for, or against the AIRLINE under any insolvency, bankruptcy, or reorganization act or law; or (d) the AIRLINE voluntarily discontinues its Scheduled Service at the Airport (except by reason of strike or causes beyond control of the AIRLINE) for a period of thirty (30) days unless otherwise agreed to by the AUTHORITY and the AIRLINE, then at the election of the AUTHORITY:

- (a) Without terminating any Agreement, the AUTHORITY may re-enter and take possession of the space and improvement and relet all or any part of it to others, for the account of the AIRLINE, and the AIRLINE shall promptly reimburse the AUTHORITY for any deficiency in rentals or other payments received under such subletting, as compared to the AIRLINE's obligations hereunder.
- (b) At any time before or after a re-entry and reletting as provided in any of the Agreements, the AUTHORITY may terminate the Signatory Airline's right under such Agreement without any restriction upon recovery by the AUTHORITY for past due rentals and other obligations of the AIRLINE.
- (c) The AUTHORITY shall have all additional rights and remedies as may be provided to landlords by law.

#### DEFAULT BY THE AUTHORITY, REMEDIES, CANCELLATION BY THE AIRLINE

An AIRLINE may terminate its Agreement and all of its future obligations thereunder at any time that the AIRLINE is not in default in its payments or other obligations to the AUTHORITY by giving the AUTHORITY thirty (30) days advance written notice if:

- (a) The AIRLINE is prohibited by lawful authority from using the Airport for a period exceeding thirty (30) days because of any deficiency of the Airport or any unsafe condition existing at the Airport or in the surrounding airspace; or
- (b) The AUTHORITY is in breach of any material term, covenants or condition contained in the Agreement for that the AIRLINE for a period exceeding thirty (30) days after written notice of such breach.

#### SURRENDER OF AIRLINE PREMISES

Upon termination or cancellation of the Agreement, the AIRLINE shall promptly and peaceably surrender to the AUTHORITY its Airline Premises and all improvements thereon to which the AUTHORITY is entitled. Provided that the AIRLINE is not in default for payment of Rates under the Agreement, the AIRLINE shall have the right to remove from the Airport its aircraft, tools, equipment, trade fixtures, and other personal property within fifteen (15) business days following the termination of the Agreement. Any such property not removed within this time will become the property of the AUTHORITY.

## ASSIGNMENT, SUBLETTING, AND HANDLING AGREEMENTS

The AIRLINE shall not assign the Airline Agreement or any part thereof in any manner whatsoever or sublet the AIRLINE's Premises or any part thereof or any privileges recited therein without the prior written consent of the AUTHORITY. The AIRLINE shall have the right to assign all or any part of their rights and interests under the Agreement to any affiliated Air Transportation company without the consent of the AUTHORITY, except that notice of such assignment shall be given to the AUTHORITY within sixty (60) days after such assignment. A fully executed copy of such sublease or assignment shall be submitted to the AUTHORITY for final approval within ninety (90) days of the occupancy of the Airline Premises by the assignee or sublessee.

The Agreement shall be binding upon and inure to the successors and assigns of the parties hereto.

## ACCOMMODATION AND REASSIGNMENT

The AIRLINE and the AUTHORITY acknowledge that the objective of the AUTHORITY is to offer Air Transportation Companies desiring to serve the Airport access to the Airport, and to provide adequate Gate positions and space in its facilities. In furthering the objectives of providing access to the Airport, including the accommodation of new entrants, the AUTHORITY seeks to (1) provide Signatory Airlines with predictability and stability regarding the use of operational space at the Airport, and (2) provide reasonable accommodation to Air Transportation Companies seeking to serve the Airport and requesting Gates and other Terminal space at the Airport (each a "Requesting Airline").

The AUTHORITY shall have the right, upon reasonable notice to and in consultation with the AIRLINE, to schedule at a Preferential Use Gate arrivals and departures by a Requesting Airline at all periods of time other than the AIRLINE's Periods of Use of that Preferential Use Gate if and only if no unleased Gate is available to accommodate the Requesting Airline. The AIRLINE shall have a scheduling priority for a Period of Use with respect to any Scheduled Operation.

Any Requesting Airline that is accommodated at any of the AIRLINE's Preferential Use Gates shall be required to pay the AIRLINE the same charges for use of the Preferential Use Gate that it would have been required to pay AUTHORITY for use of a Gate other than a Preferential Use Gate, plus certain additional charges. As a condition of accommodation on any of the AIRLINE's Preferential Use Gates, the Requesting Airline shall have executed an agreement that is substantially in the form of this Agreement, the Affiliate Operating Agreement or the Non-Affiliate Non-Signatory Operating Agreement, as applicable, through which the Requesting Airline is bound by insurance and indemnification obligations that are substantially similar to the obligations set forth in this Agreement.

If the AUTHORITY receives a request for access to space in the Terminal (other than Gates) from a Requesting Airline, the AUTHORITY shall, whenever possible, accommodate such a request by providing access to existing common use space under AUTHORITY's control. If such common use space is unavailable or inadequate to meet the reasonable requirements of the Requesting Airline, as determined by the AUTHORITY, the AUTHORITY shall encourage Signatory Airlines voluntarily to accommodate the Requesting Airline, by subletting or otherwise making available for use by the Requesting Airline space within the Terminal that is subject to their exclusive use (if any) or preferential use. The AUTHORITY shall notify the Signatory Airlines in writing when the AUTHORITY has determined that a Requesting Airline cannot be accommodated in common use space. If a Requesting Airline is unable to meet its reasonable requirements, as determined by the AUTHORITY, by using common use space made available by the AUTHORITY or by using space voluntarily made available by Signatory Airlines, the AUTHORITY shall have the right to require the AIRLINE to accommodate the Requesting Airline in space designated by

the AUTHORITY by allowing the Requesting Airline to use the AIRLINE's Preferential Use Premises; provided, however, that if the Requesting Airline is a Signatory Airline, the Requesting Airline must show, to the AUTHORITY's satisfaction, that it cannot reasonably accommodate its own expanded service within the Terminal space already subject to its exclusive use or preferential use. If the AUTHORITY is unable to meet the reasonable requirements of the Requesting Airline, as determined by the AUTHORITY, after requiring the Signatory Airlines, including the AIRLINE, to accommodate the Requesting Airline in their preferential use space, the AUTHORITY shall consider whether the reasonable requirements of the Requesting Airline could be met in a reasonable, cost-effective way by constructing temporary or permanent new facilities. Only if all of these measures are inadequate to meet the reasonable requirements of the Requesting Airline, as determined by the AUTHORITY, the AUTHORITY may exercise its right to consolidate the AIRLINE's operations.

The AUTHORITY may not require the AIRLINE to accommodate a Requesting Airline in the AIRLINE's Preferential Use Premises if such accommodation would require the AIRLINE to reschedule one or more Scheduled Operations during the AIRLINE's Periods of Use. Any Requesting Airline that is accommodated at any facilities (other than Gates) used by the AIRLINE on an exclusive use or preferential use basis shall, in the absence of an agreement to the contrary with the AIRLINE, be required to pay the AIRLINE the same charges for use of the space that it would have been required to pay the AUTHORITY for use of such a facility, plus certain additional charges.

If the AUTHORITY is unable otherwise to meet the reasonable requirements of a Requesting Airline in accordance with certain specified priorities and the AUTHORITY determines that the AIRLINE is under-utilizing its Preferential Use Premises (other than Gates), the AUTHORITY may require the AIRLINE to vacate its under-utilized Preferential Use Premises and consolidate its operations in its remaining Preferential Use Premises.

#### GOVERNMENT INCLUSION

The Agreement is subordinate to the provisions of any existing or future agreements between the AUTHORITY and the United States Government and/or the State of New York relative to the operation or maintenance of the Aviation System. All provisions of the Agreement are subordinate to the rights of the United States of America to operate the Airport or any part thereof during time of war or national emergency. In addition, the Agreement shall be subordinate to the Airport Lease.

#### GENERAL PROVISIONS

The Agreement and all rights granted to the AIRLINE are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation, or assignment made at any time by the AUTHORITY pursuant to the terms, covenants, and conditions of present and future Resolutions. The AUTHORITY and the AIRLINE agree that, to the extent required by any Resolutions, other financing documents of the County or the Authority, or law, Subordinated Indebtedness, or Other Indebtedness, the holders of the Bonds or their designated representatives shall have the right to exercise any and all rights of the AUTHORITY under the Agreement.

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## APPENDIX E

### FORM OF BOND COUNSEL OPINION FOR SERIES 2018 BONDS

#### FORM OF BOND COUNSEL OPINIONS

Upon delivery of the Series 2018A Bonds, Hodgson Russ LLP, Albany, New York, Bond Counsel, proposes to issue its approving opinion as to the Series 2018A Bonds in substantially the following form:

[LETTERHEAD OF HODGSON RUSS LLP, BOND COUNSEL]

November \_\_, 2018

Albany County Airport Authority  
Albany International Airport  
Albany, New York 12211

Re: Albany County Airport Authority  
\$14,770,000 Airport Revenue Bonds, Series 2018A (Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance on the date hereof by Albany County Airport Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and by virtue of Title 32 of Article 8 of the Public Authority Law, Chapter 43-A of the Consolidated Laws of the State, as enacted by Chapter 686 of the Laws of 1993 of the State, as amended (the "Act"), in connection with the issuance of its Airport Revenue Bonds, Series 2018A (Non-AMT) in the aggregate principal amount of \$14,770,000 (the "Series 2018A Bonds"). The Series 2018A Bonds are authorized to be issued under (A) the Act, and (B) a resolution duly adopted by the Authority on January 6, 1997 (the "Master Resolution") and a Fourteenth Supplemental resolution duly adopted by the Authority on November 5, 2018 (the "Fourteenth Supplemental Resolution"). The Master Resolution and the Fourteenth Supplemental Resolution are collectively referred to herein as the "Resolution." The Series 2018A Bonds are being issued for the purposes of (A) the financing of a portion of the cost of the Upstate Airport Development & Revitalization Project at the Albany International Airport and other projects in the Authority's 2015-2019 Five-Year Capital Plan, (B) the funding of any bond reserve fund relating to the Series 2018A Bonds, and (C) the paying of costs and expenses relating to the issuance of the Series 2018A Bonds.

The Series 2018A Bonds are dated their date of delivery, are issued as fully registered bonds without coupons and mature and bear interest as set forth therein.

We have examined (A) such portions of the Constitution and statutes of the State, (B) such portions of the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department thereunder (collectively the “Code”), and (C) such applicable court decisions, regulations and published rulings as we have deemed necessary or relevant for the purposes of the opinions set forth below. We have also examined the Series 2018A Bonds as executed by the Authority and the transcript of proceedings of the Authority relating to the authorization and issuance of the Series 2018A Bonds and related matters (the “Transcript of Proceedings”), which Transcript of Proceedings includes a certain tax regulatory agreement dated the date hereof, executed by the Authority (the “Tax Regulatory Agreement”).

As to questions of fact material to our opinions, we have relied upon the Transcript of Proceedings of the Authority furnished to us without undertaking to verify the same by independent investigation. In our examination, we have assumed the genuineness of all signatures, the authenticity and completeness of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based upon our examination of the foregoing and in reliance upon the matters and subject to the limitations contained in the concluding paragraphs hereof, we are of the opinion under existing law that:

(A) The Series 2018A Bonds have been duly authorized and issued in accordance with the Constitution and the statutes of the State, including the Act, and constitute legal, valid and binding special limited obligations of the Authority enforceable in accordance with their terms payable, on a parity with all bonds hereafter issued under the Resolution, from, and secured equally and ratably with such bonds by, the Net Revenues (as defined in the Resolution) pledged to the payment thereof by the Resolution.

(B) The Resolution has been duly adopted by the Authority, the provisions of the Resolution are valid and binding upon the Authority and enforceable in accordance with their terms, and the holders of the Series 2018A Bonds are entitled to the security and benefits of the Resolution.

(C) Except as set forth below, (1) interest on the Series 2018A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and (2) interest on the Series 2018A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax imposed by the Code on individuals and, for taxable years beginning before January 1, 2018, on corporations (however, interest on the Series 2018A Bonds is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax, applicable only to taxable years beginning before January 1, 2018); it should be noted, however, that, (a) the Authority or another Person, by failing to comply with the requirements contained in the Tax Regulatory Agreement and in the Code, may cause interest on the Series 2018A Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Series 2018A Bonds may be subject to a federal

branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

(D) Except as set forth below, the Series 2018A Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code.

(E) Interest on the Series 2018A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

The opinions set forth in paragraphs (C) and (D) above are subject to the condition that the Authority comply with all requirements of the Tax Regulatory Agreement and of the Code that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2018A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2018A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2018A Bonds.

It is to be understood that the enforceability of the Series 2018A Bonds may be subject to or limited by (A) the exercise of judicial discretion, the sovereign police powers of the State and the Constitutional powers of the United States of America, (B) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors’ rights heretofore or hereafter enacted, to the extent applicable, and (C) the unavailability of equitable remedies or the application thereto of equitable principles.

We express no opinion with respect to (A) title to all or any portion of the property of the Authority, (B) the priority of any liens, charges, security interests or encumbrances affecting the property of the Authority or any part thereof (or the effectiveness of any remedy which is dependent upon the existence of title to such property or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or with respect to the requirement of filing or recording of any documents, or (D) the laws of any jurisdiction other than the State and other than the securities and tax laws of the United States of America.

The scope of our engagement has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. We have not been requested to examine and have not examined any documents or information other than specifically hereinabove referred to, and no opinion is expressed as to any other documents or any other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Series 2018A Bonds.

We have rendered this opinion solely for your benefit and this opinion may not be relied upon by, nor copies hereof delivered to, any other person without our prior written approval.

Very truly yours,

HODGSON RUSS LLP

By \_\_\_\_\_

Upon delivery of the Series 2018B Bonds, Hodgson Russ LLP, Albany, New York, Bond Counsel, proposes to issue its approving opinion as to the Series 2018B Bonds in substantially the following form:

[LETTERHEAD OF HODGSON RUSS LLP, BOND COUNSEL]

November \_\_, 2018

Albany County Airport Authority  
Albany International Airport  
Albany, New York 12211

Re: Albany County Airport Authority  
\$7,820,000 Airport Revenue Bonds, Series 2018B (AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance on the date hereof by Albany County Airport Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and by virtue of Title 32 of Article 8 of the Public Authority Law, Chapter 43-A of the Consolidated Laws of the State, as enacted by Chapter 686 of the Laws of 1993 of the State, as amended (the "Act"), in connection with the issuance of its Airport Revenue Bonds, Series 2018B (AMT) in the aggregate principal amount of \$7,820,000 (the "Series 2018B Bonds"). The Series 2018B Bonds are authorized to be issued under (A) the Act, and (B) a resolution duly adopted by the Authority on January 6, 1997 (the "Master Resolution") and a Fourteenth Supplemental resolution duly adopted by the Authority on November 5, 2018 (the "Fourteenth Supplemental Resolution"). The Master Resolution and the Fourteenth Supplemental Resolution are collectively referred to herein as the "Resolution." The Series 2018B Bonds are being issued for the purposes of (A) the financing of \$8 million of project costs in the Authority's 2015-2019 Five-Year Capital Plan, (B) the funding of any bond reserve fund relating to the Series 2018B Bonds, and (C) the paying of costs and expenses relating to the issuance of the Series 2018B Bonds.

The Series 2018B Bonds are dated their date of delivery, are issued as fully registered bonds without coupons and mature and bear interest as set forth therein.

We have examined (A) such portions of the Constitution and statutes of the State, (B) such portions of the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department thereunder (collectively the "Code"), and (C) such applicable court decisions, regulations and published rulings as we have deemed necessary or relevant for the

purposes of the opinions set forth below. We have also examined the Series 2018B Bonds as executed by the Authority and the transcript of proceedings of the Authority relating to the authorization and issuance of the Series 2018B Bonds and related matters (the “Transcript of Proceedings”), which Transcript of Proceedings includes a certain tax regulatory agreement dated the date hereof, executed by the Authority (the “Tax Regulatory Agreement”).

As to questions of fact material to our opinions, we have relied upon the Transcript of Proceedings of the Authority furnished to us without undertaking to verify the same by independent investigation. In our examination, we have assumed the genuineness of all signatures, the authenticity and completeness of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based upon our examination of the foregoing and in reliance upon the matters and subject to the limitations contained in the concluding paragraphs hereof, we are of the opinion under existing law that:

(A) The Series 2018B Bonds have been duly authorized and issued in accordance with the Constitution and the statutes of the State, including the Act, and constitute legal, valid and binding special limited obligations of the Authority enforceable in accordance with their terms payable, on a parity with all bonds hereafter issued under the Resolution, from, and secured equally and ratably with such bonds by, the Net Revenues (as defined in the Resolution) pledged to the payment thereof by the Resolution.

(B) The Resolution has been duly adopted by the Authority, the provisions of the Resolution are valid and binding upon the Authority and enforceable in accordance with their terms, and the holders of the Series 2018B Bonds are entitled to the security and benefits of the Resolution.

(C) Except as set forth below, interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes, except that (1) no opinion is expressed as to the exclusion from gross income of interest on any Series 2018B Bond during any period when such Series 2018B Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2018B Bonds, or a “related person” thereto, as those quoted terms are used in Section 147(a) of the Code, and (2) interest on the Series 2018B Bonds is an “item of tax preference” for purposes of the federal alternative minimum tax imposed by the Code on individuals and, for taxable years beginning before January 1, 2018, on corporations; it should be further noted, that, (a) the Authority or another Person, by failing to comply with the requirements contained in the Tax Regulatory Agreement and in the Code, may cause interest on the Series 2018B Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Series 2018B Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

(D) Except as set forth below, the Series 2018B Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code.

(E) Interest on the Series 2018B Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

The opinions set forth in paragraphs (C) and (D) above are subject to the condition that the Authority comply with all requirements of the Tax Regulatory Agreement and of the Code that must be satisfied subsequent to the issuance of the Series 2018B Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2018B Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2018B Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2018B Bonds.

It is to be understood that the enforceability of the Series 2018B Bonds may be subject to or limited by (A) the exercise of judicial discretion, the sovereign police powers of the State and the Constitutional powers of the United States of America, (B) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent applicable, and (C) the unavailability of equitable remedies or the application thereto of equitable principles.

We express no opinion with respect to (A) title to all or any portion of the property of the Authority, (B) the priority of any liens, charges, security interests or encumbrances affecting the property of the Authority or any part thereof (or the effectiveness of any remedy which is dependent upon the existence of title to such property or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or with respect to the requirement of filing or recording of any documents, or (D) the laws of any jurisdiction other than the State and other than the securities and tax laws of the United States of America.

The scope of our engagement has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. We have not been requested to examine and have not examined any documents or information other than specifically hereinabove referred to, and no opinion is expressed as to any other documents or any other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Series 2018B Bonds.

We have rendered this opinion solely for your benefit and this opinion may not be relied upon by, nor copies hereof delivered to, any other person without our prior written approval.

Very truly yours,

HODGSON RUSS LLP

By \_\_\_\_\_

**APPENDIX F**  
**REPORT OF THE AIRPORT CONSULTANT**

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Appendix F

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

ALBANY COUNTY AIRPORT AUTHORITY

AIRPORT REVENUE BONDS, SERIES 2018A AND SERIES 2018B

Prepared for

Albany County Airport Authority  
Albany, New York

Prepared by  
Leigh Fisher  
Cincinnati, Ohio

November 5, 2018

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November 5, 2018

Albany County Airport Authority  
Albany International Airport  
Albany, New York, 12211-1057

Re: Report of the Airport Consultant, Albany County Airport Authority,  
Airport Revenue Bonds, Series 2018A and Series 2018B

Dear Members of the Authority:

LeighFisher is pleased to submit this Report of the Airport Consultant (the Report) in connection with the proposed issuance by the Albany County Airport Authority (the Authority) of \$14,285,000 aggregate principal amount of Airport Revenue Bonds, Series 2018A (Non-AMT) (the "Series 2018A Bonds") and \$7,680,000 aggregate principal amount of Airport Revenue Bonds, Series 2018B (AMT) (the "Series 2018B Bonds" and collectively with the Series 2018A Bonds, the "Series 2018 Bonds"). This letter and the accompanying attachment and financial exhibits constitute our Report.

The County of Albany, New York (the County) owns Albany International Airport (the Airport) and entered into an Airport Lease Agreement with the Authority, pursuant to which the County has leased the Airport to the Authority for a term of 40 years commencing May 16, 1996. On November 5, 2018 the term of the lease was extended through December 31, 2049. The Authority has engaged the services of AFCO AvPORTS Management LLC. (doing business as AFCO AvPORTS) to manage the daily operations of the Airport.

The Series 2018 Bonds are being issued under the terms and conditions of the Albany County Airport Authority Act, constituting Title 32 of Article 8 of the Public Authorities Law of the State of New York (the "Act"); a Master Resolution, adopted by the Authority in January 1997 (the "Master Resolution"), authorizing the issuance of Airport Revenue Bonds (Bonds); and a Fourteenth Supplemental Resolution adopted by the Authority on November 5, 2018 (the "Supplemental Resolution", together with the Master Resolution, the "Resolution"). Capitalized terms not otherwise defined herein have the meanings set forth in the Resolution or the Airline Use and Lease Agreement (defined below).

The proceeds of the Series 2018 Bonds, together with \$22.1 million in grant funds from the State of New York and other funds of the Authority are being used to provide funds for (i) a \$42.2 million project to modernize the Airport and other expenditures in the Authority's 2015-2019 Capital Plan, (ii) making the required deposit into the account in the Bond Reserve Fund established with respect to the Series 2018 Bonds, and (iii) paying the costs of issuance of the Series 2018 Bonds.

The Authority may in the future issue one or more series of Additional Bonds on a parity as to security and payment with the Series 2018 Bonds, and any other series of Bonds then outstanding, subject to the \$285,000,000 statutory cap contained in the Act. The Authority is also permitted to incur subordinate indebtedness under the Master Resolution. The Authority has no subordinate debt currently outstanding.

The Report presents forecasts of Net Revenues demonstrating the ability of the Authority to meet the Rate Covenant under the Resolution during a 6-year forecast period beginning Fiscal Year 2018 and ending Fiscal Year 2023 (the Authority's Fiscal Year (FY) is January 1 through December 31, or the calendar year).

## **CIP AND PLANNED FUNDING**

The enabling legislation creating the Authority set forth that, every 5 years, the Authority must submit to the Albany County Legislature a capital improvement plan (CIP) for the subsequent 5-year period. The current CIP for FY 2015 through FY 2019 was approved by the County legislature in November 2014. The Authority submitted, and the County approved an amended CIP totaling \$142.5 million in May 2017. Total project costs in the CIP are \$142.5 million, of which \$38.5 million may be funded with the proceeds of Bonds, including the Series 2018 Bonds.

Based upon currently known circumstances, the Authority anticipates that additional funding sources for projects proposed in the 2015-19 CIP will be required and could result in additional borrowing other than the Series 2018 Bonds to fund such projects. The actual amount of potential any additional bonds to be issued will depend upon final design and construction costs of the Airport Modernization Project currently in design. The Authority has agreed in the grant to fund any project costs in excess of the original Airport Modernization Grant budget. The Authority would raise additional sources of funds needed through a combination of additional bonds and other available capital project funds derived from discretionary use capital funding built into its Rates and Charges in its Signatory Airline Use and Lease Agreement and available Passenger Charge Facilities Funds. The Authority also is seeking a \$10 million bank line of credit to fund expenditures for which it is waiting for reimbursement from State grant funding under the Airport Modernization Grant. Payments on any bank line of credit obtained would be on parity with or subordinate to payments to bondholders.

The CIP does not represent a firm commitment of the Authority. Many of the projects are dependent on growth in the number of enplaned passengers, cargo, and general aviation activities at the Airport, and on their eligibility for federal and state funding. For the purposes of this Report, no additional bonds are assumed to be issued in order to fund the CIP.

### **Series 2018 Bonds**

The Authority intends to use \$14.1 million of the proceeds of the Series 2018A Bonds and other available funds to fund a portion of the Airport Modernization Project (the "Project"). The Project includes:

- Construction of a 1,000-unit, multi-level parking garage, expanding airport parking capacity. The pre-cast concrete garage will provide a heated pedestrian walkway to the airport terminal.
- Energy-efficient LED lights illuminating that bridge to enhance visibility as well as vehicular and pedestrian safety.
- Parking Access Improvements -- The Project will install new LED electronic signage, car counting devices, and interactive access control devices that utilize advanced GPS technology

to locate available parking spaces and provide wayfinding messages that direct motorists to them.

- The Project will rehabilitate portions of the terminal, including escalators, restrooms, waiting rooms and the food court. Improvements will include new carpets, wall finishes, tile floors, energy-efficient lighting fixtures and better Internet connectivity.

The Authority will use \$900,000 of the proceeds of the Series 2018A Bonds to fund other capital expenditures included in the CIP. The proceeds of the Series 2018B Bonds are being used to fund \$8 million of project costs in the CIP including capital renovations and improvements to general aviation and commercial aviation hangars, fund equipment acquisitions for its Fixed-Base of Operations and fund other capital improvements to the Passenger Terminal buildings.

## KEY ASSUMPTIONS UNDERLYING THE FORECASTS

The section of the Attachment entitled "Basis for Airline Passenger Demand" describes the airport service region and the demographic and economic profile of the region. The section of the Attachment entitled "Airline Traffic Analysis" describes the role of the Airport, including airline service, passenger traffic, and top markets; the key factors affecting future airline traffic; and the air traffic forecasts. The section of the Attachment entitled "Financial Analysis" provides a summary of the legal framework governing the financial operation of the Authority, the Authority's CIP and planned funding sources, Debt Service requirements, Operation and Maintenance Expenses, and Airport Revenues.

Certain key assumptions relating to the forecasts are summarized here, and described more fully in the accompanying text:

- **Air Traffic.** Total enplaned passengers are projected to experience a 2.3% increase in FY 2018 and a 3.4% increase in FY 2019, based primarily on recent growth experienced by the Airport and published flight schedules. Thereafter, enplaned passengers are forecast to increase 1.0% per year through FY 2023.
- **Passenger Facility Charge (PFC) Program.** The Authority currently charges a \$4.50 PFC to fund portions of the CIP. The Authority plans to irrevocably commit \$2.5 million annually in PFC revenues to be applied to Debt Service on the 2010A Revenue Bonds throughout the forecast period, but it is the Authority's intention to utilize up to \$5.0 million (i.e., an additional \$2.5 million above what is irrevocably committed) in PFC revenues annually to pay for eligible debt service, at its discretion (see Exhibit D). The forecasts in this Report are based on the Authority's intentions to utilize a higher amount of PFCs than what is irrevocably committed.
- **Forecast Period.** As defined in Section 2.02(2)(ii) of the Master Resolution, the test period will be 3 fiscal years following completion of a substantial portion of the projects funded by the Series 2018 Bonds, or FY 2018 through FY 2023.

**MASTER RESOLUTION AND FOURTEENTH SUPPLEMENTAL RESOLUTION**

The Series 2018 Bonds are being issued pursuant to the Resolution. This Report relies primarily upon the Resolution as a basis for presentation. Except as otherwise defined herein, capitalized terms in this Report are used as defined in the Resolution or the Airline Use and Lease Agreement. Therefore, references to certain terms such as Operation and Maintenance Expenses and Revenues have meanings that are defined under the Resolution, unless otherwise defined herein. A more detailed description of the Resolution is contained in Appendix B of the Official Statement. The Resolution should be read in its entirety for an understanding of the defined terms, as references in this Report do not purport to be comprehensive.

**Rate Covenant**

Net Revenues are forecast to be sufficient to meet the requirements of Section 5.02 of the Resolution (the Rate Covenant), taking into consideration the Outstanding Bonds and the proposed Series 2018 Bonds. The Authority covenants that it will impose, prescribe and collect the rates, rentals, fees to produce Revenues at least sufficient:

... (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Revenues, and (iv) to carry out all provisions and covenants of this Resolution. Without limiting the provisions of the next preceding sentence of this section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all Bonds Outstanding.

**Additional Bonds Test**

The Series 2018 Bonds are subject to Section 2.02 of the Master Resolution (the Additional Bonds Test). Section 2.02 of the Master Resolution provides, among other things, that:

...(ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or amounts on deposit in the Construction Interest Account with respect to such project or projects are fully expended, whichever is later ... shall equal not less than the greater of one hundred twenty-five percent (125%) of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds and one hundred percent (100%) of all claims, charges or obligations to be payable from Net Revenues.

**AIRLINE USE AND LEASE AGREEMENT**

The Authority entered into separate, but substantially similar, Airline Use and Lease Agreements effective January 1, 2016 (collectively, the Airline Use and Lease Agreement) with various airlines (the Signatory Airlines) for a term of 5 years, ending December 31, 2020. The Airline Use and Lease Agreement may be renewed for one optional 5-year renewal period (the Renewal Term) provided that the airline gives the Authority at least a 6-month written notice of its intention and further provided that the parties mutually consent to such renewal term.

In October 2018, Signatory Airlines operating at the Airport were American Airlines, Cape Air, Delta Air Lines, JetBlue, Southwest Airlines, and United Airlines. FedEx and UPS Air Cargo also operated at the Airport in October 2018 as Signatory Cargo Carriers. Under the Airline Use and Lease Agreement and subject to approval from the Authority, a Signatory Airline may designate a non-signatory airline as an affiliate by providing a payment guarantee; thereby enabling its affiliate to enjoy the benefits of Signatory Airline rates. Collectively, these Signatory Airlines, Signatory Cargo Carriers and their affiliates accounted for 98.6% of total airline landed weight at the Airport in 2017. The remaining landed weight was primarily accounted for by regional carriers operating for the Signatory Airlines but not designated as affiliates. The Authority charges non-signatory airlines 125% of the Signatory Airline rates for landing fees and terminal rentals.

The Airline Use and Lease Agreement establishes a hybrid rates and charges methodology, under which the Signatory Airlines agree to pay landing fees, apron fees, terminal rentals, and loading bridge rentals. The Airline Use and Lease Agreement provides for an annual settlement as well as revenue sharing based on audited financial results and actual operating data.\* The agreement also contains provisions giving the Authority the right to adjust rates and to “include Extraordinary Coverage Protection payments in the calculation of rates for rentals, fees and charges at the Airport in any Fiscal Year in which the amount of Revenues, less Operation and Maintenance Expenses, is forecast to be less than one hundred twenty-five percent (125%) of the amount of Debt Service.” The Authority has never had to exercise this provision.

**SCOPE OF REPORT**

The purpose of this Report is to evaluate the ability of the Authority to produce Net Revenues sufficient to meet the requirements of the Rate Covenant taking into account the estimated Debt Service on all Bonds Outstanding, including the proposed Series 2018 Bonds. The Report covers a six-year forecast period through 2023.

In preparing the Report, we reviewed and analyzed:

- The status and estimated costs of the Authority’s CIP, including the facilities expected to be provided, anticipated funding sources, and the estimated completion dates of the projects.

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\*The Airline Use and Lease Agreement revenue sharing formulas allocate 80% of the net revenue sharing funds to the Terminal with the remaining 20% allocated to the Airfield.

- The forecast sources and uses of funds for the Series 2018 Bonds, and associated forecast annual Debt Service requirements, as prepared by the Authority and RBC Capital Markets.
- The Authority's forecast of airline traffic at the Airport, adopted for the purposes of this Report, considering the demographic and economic characteristics of the Airport's service region, historical trends in airline traffic, recent airline service developments and airfares, and other key factors that may affect future airline traffic.
- Authority policies and contractual arrangements relating to the use and occupancy of the Airport, including the calculation of airline rentals, fees, and charges under the Airline Use and Lease Agreement; the operation of concession privileges; and the leasing of buildings and grounds. The financial forecasts are predicated on the assumption that the Authority will collect all airline rentals and fees required by the provisions of the Airline Use and Lease Agreement through the forecast period.
- Historical results, FY 2018 projections, FY 2019 budgets, expected staffing requirements, and other operational considerations.
- The historical correlations between and among operating revenues, operating expenses, and passenger enplanements at the Airport.
- The anticipated correlations between and among future operating revenues, operating expenses, and passenger enplanements at the Airport.
- The Authority's approved PFC applications, historical and estimated future PFC revenues and the Authority's intended use of PFC revenues during the forecast period as a source for repayment of bonds and for reimbursement of certain Authority-funded PFC-eligible projects.

We also identified key factors upon which the future financial results of the Authority may depend and formulated assumptions about those factors with the Authority. On the basis of those assumptions, we assembled the financial forecasts presented in the accompanying exhibits provided at the end of this Report and summarized in this letter.

**SUMMARY OF FORECAST RESULTS**

As shown in Exhibit I, provided at the end of the Report, the Net Revenues of the Authority are projected to be sufficient to meet the requirements of the Rate Covenant during each year of the forecast period.

- Airline payments per enplaned passenger (costs per enplanement) are projected to gradually increase through the end of the forecast period to \$6.70 in FY 2023, a compound annual growth rate (CAGR) of 1.0% between FY 2018 and FY 2023 (see Exhibit G).
- Net Revenues are forecast to be sufficient to satisfy the requirements of the Rate Covenant in each year of the forecast period (see Exhibit I). Net Revenue Coverage on Bonds issued under the Master Resolution and Net Revenue Coverage on Bonds and Other Indebtedness are forecast to exceed the requirements of the Rate Covenant in each year of the forecast period.

<b>Summary of Forecast Results</b>						
<b>Albany International Airport</b>						
<b>(for the 12 months ending December 31)</b>						
The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.						
	2018	2019	2020	2021	2022	2023
Airline Payments	\$ 9,240,705	\$ 9,296,277	\$ 9,092,761	\$ 9,556,898	\$ 9,993,961	\$ 10,450,492
Airline Payments per Enplaned Passenger	\$ 6.37	\$ 6.20	\$ 6.00	\$ 6.25	\$ 6.47	\$ 6.70
<b>Net Revenues</b>	<b>\$ 14,524,082</b>	<b>\$ 13,189,572</b>	<b>\$ 12,703,495</b>	<b>\$ 13,204,097</b>	<b>\$ 13,158,101</b>	<b>\$ 13,120,522</b>
Total Airport Revenue Bonds	\$ 12,966,335	\$ 11,817,757	\$ 11,120,381	\$ 11,125,881	\$ 11,133,131	\$ 11,141,881
Less: PFCs Applied to Debt Service - 2010A Revenue Bonds	<u>(2,834,913)</u>	<u>(4,516,141)</u>	<u>(4,516,019)</u>	<u>(4,514,826)</u>	<u>(4,517,058)</u>	<u>(4,517,853)</u>
<b>Total Debt Service on Airport Revenue Bonds Less PFCs</b>	<b>\$ 10,131,422</b>	<b>\$ 7,301,616</b>	<b>\$ 6,604,363</b>	<b>\$ 6,611,055</b>	<b>\$ 6,616,073</b>	<b>\$ 6,624,028</b>
<b>Net Revenue Coverage on Bonds Issued Under The Master Resolution (must be &gt; 1.25)</b>	<b>1.43</b>	<b>1.81</b>	<b>1.92</b>	<b>2.00</b>	<b>1.99</b>	<b>1.98</b>
Claims, Charges, Obligations Payable from Net Revenues						
Deposits to the Operation and Maintenance Expense Reserve	\$ 200,381	\$ 320,399	\$ 155,446	\$ 159,332	\$ 163,316	\$ 167,399
Debt Service on Airport Revenue Bonds	<u>10,131,422</u>	<u>7,301,616</u>	<u>6,604,363</u>	<u>6,611,055</u>	<u>6,616,073</u>	<u>6,624,028</u>
<b>Total Claims, Charges, Obligations Payable from Net Revenues</b>	<b>\$ 10,331,803</b>	<b>\$ 7,622,014</b>	<b>\$ 6,759,809</b>	<b>\$ 6,770,387</b>	<b>\$ 6,779,389</b>	<b>\$ 6,791,427</b>
<b>Net Revenue Coverage on Bonds and and Other Indebtedness (must be &gt; 1.0)</b>	<b>1.41</b>	<b>1.73</b>	<b>1.88</b>	<b>1.95</b>	<b>1.94</b>	<b>1.93</b>

**ASSUMPTIONS UNDERLYING THE FORECASTS**

The forecasts in this Report are based on information and assumptions that were provided by or reviewed with and agreed to by Authority management. The forecasts reflect the Authority’s expected course of action during the Forecast Period and, in the Authority’s judgment, present fairly the expected financial results of the Authority. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, “Background, Assumptions, and Rationale for the Financial Forecasts.” The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. We have no responsibility to update this Report to reflect events and circumstances occurring after the date of the Report.

\* \* \* \* \*

We appreciate the opportunity to serve as Airport Consultant for the Authority’s proposed financing.

Respectfully submitted,



LEIGHFISHER

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

on the proposed issuance of

ALBANY COUNTY AIRPORT AUTHORITY

AIRPORT REVENUE BONDS, SERIES 2018A AND SERIES 2018B

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## **BASIS FOR AIRLINE PASSENGER DEMAND**

### **AIRPORT SERVICE REGION**

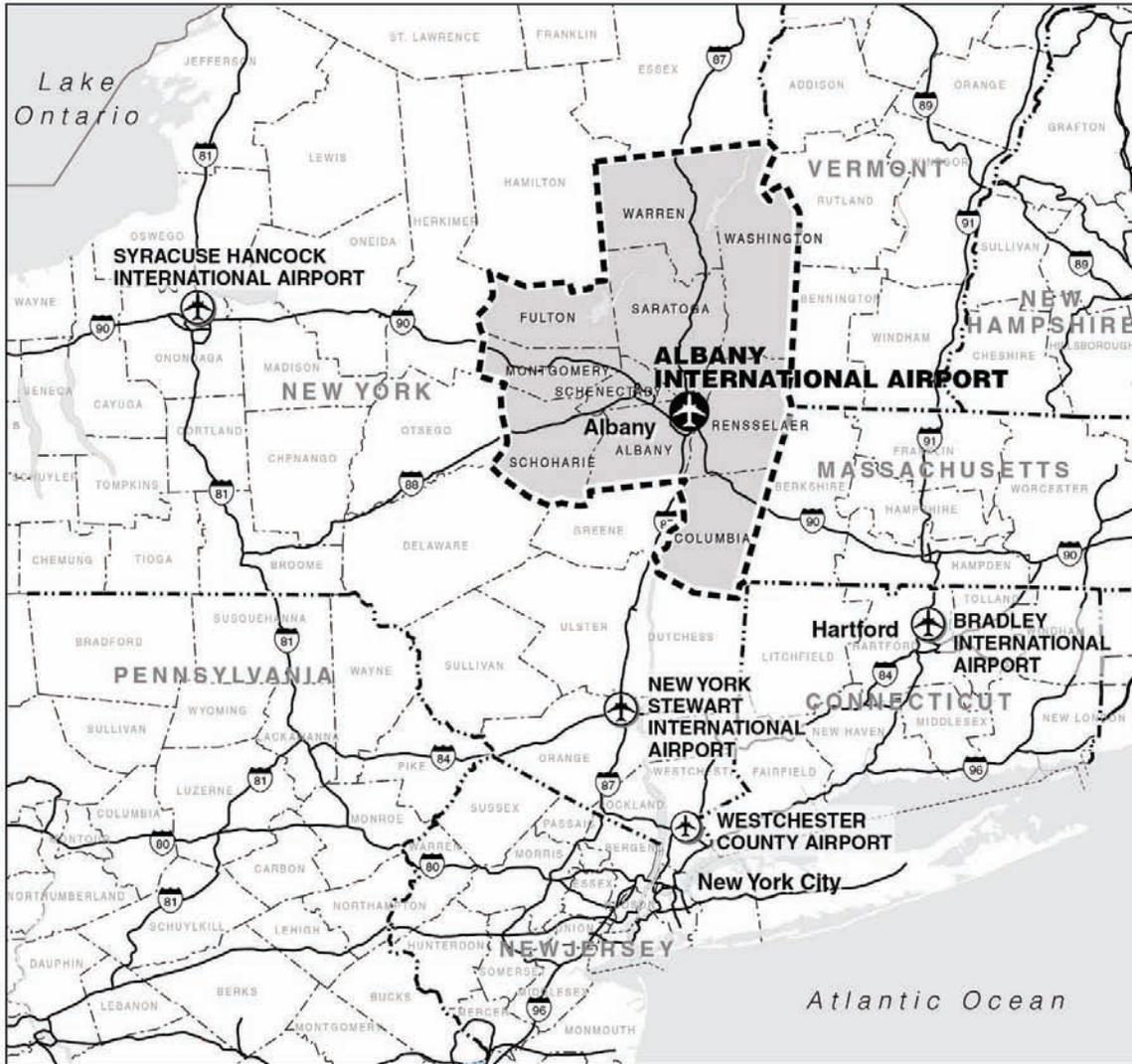
The Airport is the primary provider of commercial air transportation to Albany and the greater New York State Capital Region, which includes east-central New York, southern Vermont, and western Massachusetts, with scheduled nonstop passenger service to 18 destinations in October 2018. The closest competing airports are:

- New York Stewart International in Newburgh (92 driving miles from Albany; 13 destinations served nonstop as of October 2018; approximately 200,000 enplanements annually);
- Bradley International in Hartford, Connecticut (107 driving miles from Albany; 31 destinations served nonstop as of October 2018; approximately 3.2 million enplanements annually);
- Westchester County in White Plains (134 driving miles from Albany; 13 destinations served nonstop as of October 2018; approximately 800,000 enplanements annually); and
- Syracuse Hancock International (148 driving miles from Albany; 20 destinations served nonstop as of October 2018; approximately 1.0 million enplanements annually).

The Airport service region, as defined for purposes of this report, is the Albany-Schenectady, NY Combined Statistical Area (CSA). The CSA encompasses the 10 New York counties of Albany, Columbia, Fulton, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, and Washington and accounts for the majority of the Airport's 13-county primary catchment area (which also includes Greene County, New York, Berkshire County, Massachusetts, and Bennington County, Vermont). The CSA contains the state capital, Albany, and the cities of Schenectady and Troy. In 2017, the population of the CSA was approximately 1.2 million. Figure 1 shows a map of the Airport service region.

Albany is located at the junction of U.S. Interstate 87 (linking Albany to New Jersey and New York City to the south and to Montreal to the north), and east-west U.S. Interstates 88 and 90. Currently, 13 Amtrak trains run each day between Albany and New York City. The travel time by train is approximately 3 hours; about the same time as travel by automobile.

Figure 1  
**Airport Service Region**  
 Albany International Airport



**LEGEND**

	Primary Airport service region		International Airport		State boundary
	Regional Airport		County boundary		

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## DEMOGRAPHIC AND ECONOMIC PROFILE

In general, the population and economy of an airport's service region are the primary determinants of originating passenger numbers at the airport. The CSA has a diverse economic base and is a center for government, health care, education, and high-tech industries.

### Historical Socioeconomic Data

Table 1 shows data on historical population, per capita income, nonagricultural employment, and unemployment rates for the CSA and the nation.

**Population.** Between 2000 and 2017, the population of the CSA increased an average of 0.3% annually, compared with a 0.8% average annual increase for the nation.

**Per Capita Income.** The CSA's per capita personal income in 2016 (\$52,180) was higher than the national average (\$50,252). Between 2000 and 2016, per capita personal income in the CSA increased an average of 1.2% annually, compared with a 0.9% average annual increase for the nation.

**Nonagricultural Employment.** Between 2010 and 2017, nonagricultural employment in the CSA increased an average of 1.0% annually, compared with a 1.7% average annual increase for the nation.

**Unemployment Rates.** Civilian unemployment rates in the CSA have historically been lower than that of the United States, due in part to the CSA's relatively large public sector as New York's state capital. In 2017, unemployment in the CSA (4.5%) was similar to the national average (4.4%).

Table 1  
**Historical Socioeconomic Data**

	Population (thousands)		Per capita personal income (2017 dollars)		Nonagricultural employment (thousands)		Unemployment rate	
	United States		United States		United States		United States	
	CSA	States	CSA	States	CSA (a)	States	CSA	States
2000	1,119	282,162	43,454	43,561	487	132,024	3.6%	4.0%
2005	1,151	295,517	44,799	45,063	497	134,051	4.2	5.1
2010	1,169	309,338	47,843	45,277	488	130,362	7.7	9.6
2011	1,170	311,644	48,000	46,273	489	131,932	7.6	8.9
2012	1,171	313,993	48,810	47,278	496	134,175	7.7	8.1
2013	1,173	316,235	49,049	46,812	501	136,381	6.7	7.4
2014	1,173	318,623	49,855	48,132	505	138,958	5.4	6.2
2015	1,173	321,040	51,889	50,085	512	141,843	4.7	5.3
2016	1,173	323,406	52,180	50,252	520	144,352	4.3	4.9
2017	1,176	325,719	n.a.	50,392	525	146,624	4.5	4.4
Average annual percent increase (decrease)								
2000-2005	0.6%	0.9%	0.6%	0.7%	0.4%	0.3%		
2005-2010	0.3	0.9	1.3	0.1	(0.4)	(0.6)		
2010-2015	0.1	0.7	1.6	2.0	1.0	1.7		
2010-2017	0.1	0.7	1.5(b)	1.5	1.0	1.7		
2000-2017	0.3	0.8	1.2(c)	0.9	0.4	0.6		

Notes: Population numbers are estimated of as July 1 each year.

n.a. = not available.

(a) Excludes data for Columbia, Fulton, and Montgomery counties due to data unavailability.

(b) Percent increase based on 2010-2016.

(c) Percent increase based on 2000-2016.

Sources: U.S. Department of Commerce, Bureau of the Census website, [www.census.gov](http://www.census.gov), accessed August 2018; U.S. Department of Commerce, Bureau of Economic Analysis website, [www.bea.gov](http://www.bea.gov), accessed August 2018; U.S. Department of Labor, Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov), accessed August 2018.

## Largest Employers

Table 2 shows the top 25 private-sector employers in the Capital Region. Of these 25 employers, 12 are in the field of health services. With regard to the public sector, the New York State Department of Labor estimates 50,100 state government employees in the Capital Region—a figure greater than the top seven private-sector employers combined, primarily due to Albany’s status as the New York state capital.

Table 2  
**Major Private-Sector Employers in the CSA**  
(number of Albany Area employees as of July 2016)

Company	Employment	Type of business
St. Peter's Health Partners	12,133	Health services
Albany Medical Center	9,081	Health services
Golub Corp.	8,058	Retail trade
GE	7,000	Manufacturing
Hannaford Supermarkets	5,000	Retail trade
Ellis Medicine	3,501	Health services
Stewart's Shops Corp.	3,154	Retail trade
Bechtel Marine Propulsion Corp./Knolls Atomic Power Laboratory	3,000	Energy services
GlobalFoundries	3,000	Manufacturing
Glens Falls Hospital	2,762	Health services
Center for Disability Services Holding Corp.	2,500	Health services
Saratoga Hospital	2,389	Health services
Rensselaer Polytechnic Institute	1,860	Education
St. Mary's Healthcare, Amsterdam	1,632	Health services
Empire BlueCross	1,500	Health services
Regeneron Pharmaceuticals Inc.	1,400	Health services
Columbia Memorial Health	1,398	Health services
M+W U.S. Inc. - A Company of the M+W Group	1,379	Professional services
Northern Rivers Family of Services	1,200	Other services
Momentive Performance Materials Inc.	1,000	Manufacturing
Nathan Littauer Hospital and Nursing Home	939	Health services
Siena College	935	Education
The Ayco Co. LP	921	Professional services
Union College	865	Education
AngioDynamics	858	Health services

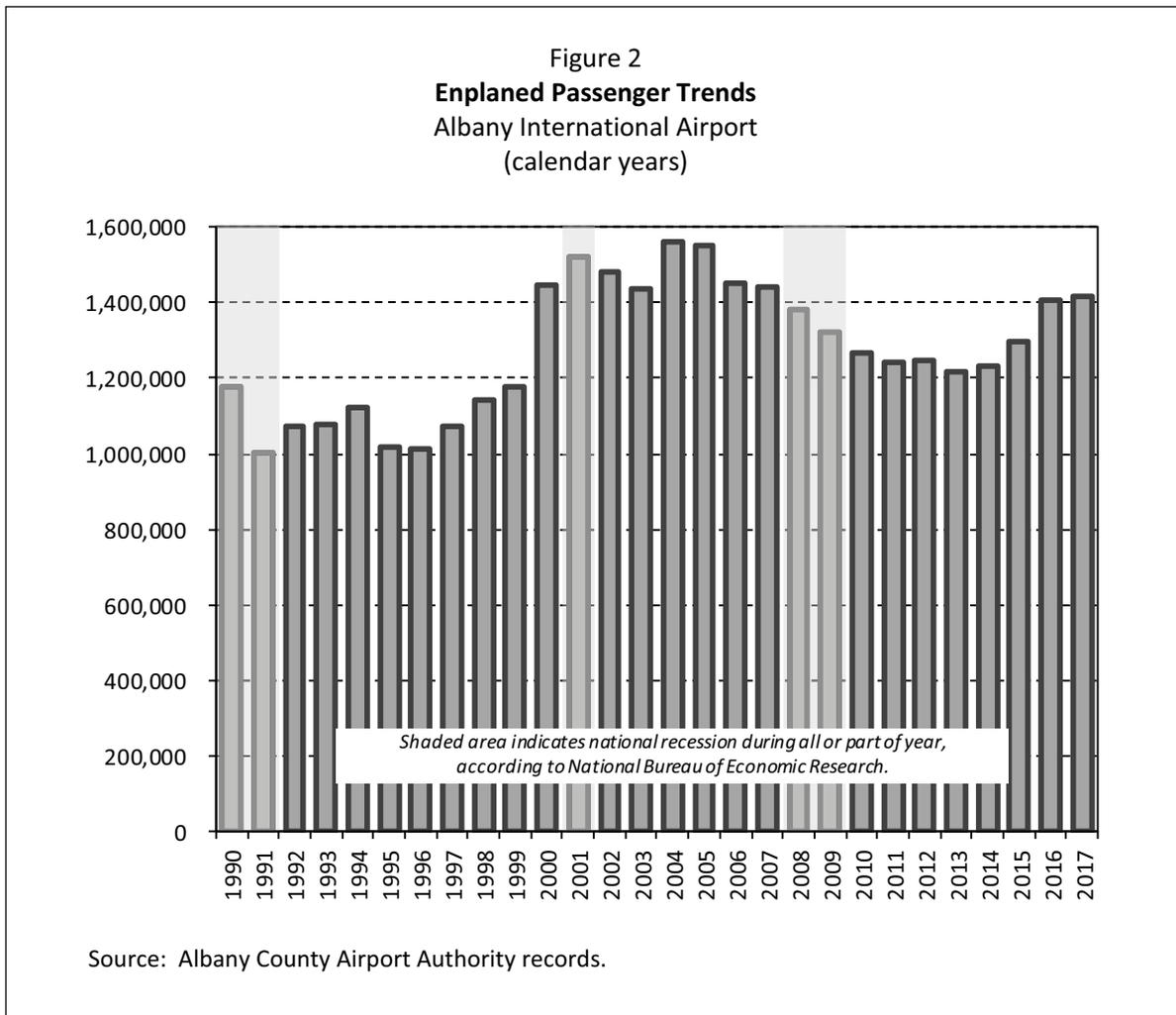
Source: Albany Business Review Book of Lists, 2017.

The CSA is also home to several high-tech employers, including GE, Global Foundries, the Rensselaer Polytechnic Institute, and the SUNY Polytechnic Institute's College of Nanoscale Science and Engineering (CNSE). CNSE's \$4.2 billion Albany NanoTech Complex is an integrated research, development, and educational facility hosting more than \$24 billion in high-tech investments.

## AIRLINE TRAFFIC ANALYSIS

The Airport is a small hub airport, as defined by the Federal Aviation Administration (FAA), and primarily serves travelers who are residents of, or visitors to, the Airport service region.\* Southwest had a 40.0% market share at the Airport, as measured by passenger numbers, in 2017. The second-largest airline, American, had a market share of 21.6%, indicating a relatively diverse and competitive air service market at the Airport.

Figure 2 shows that 1.4 million passengers enplaned at the Airport in 2017, a 0.7% increase from 2016. While passenger numbers in 2017 were the highest in a decade, the Airport is still below its peak activity year of 2004, during which time CommutAir had operated a “micro-hub” at the Airport. In 2017, more than 99% of the passengers originated or terminated their flights at the Airport, while fewer than 1% connected from one flight to another.



\*A small hub is defined by the FAA as an airport that enplanes between 0.05% and 0.25% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.

**AIRLINE SERVICE**

Table 3 lists the airlines that have served the Airport during 2018.

Table 3 <b>Airlines Serving the Airport</b> Albany International Airport (January-August 2018)		
Passenger airlines		All-cargo airlines
Mainline/Independent	Regional affiliates	
American Airlines	Air Wisconsin (AA)	Federal Express
Boutique Air	Commutair (UA)	United Parcel Service
Cape Air	Endeavor Air (DL)	
Delta Air Lines	Envoy Air (AA)	
Elite Airways	ExpressJet Airlines (UA)	
JetBlue Airways	GoJet Airlines (DL,UA)	
One-Jet	Mesa Airlines (UA)	
Southwest Airlines	Piedmont Airlines (AA)	
United Airlines	PSA Airlines (AA)	
	Republic Airline (AA,UA)	
	SkyWest Airlines (DL,UA)	
	Trans States Airlines (AA,UA)	

Notes: Excludes airlines providing charter service.  
AA=American Airlines, DL=Delta Air Lines, and UA=United Airlines.  
Source: Albany County Airport Authority records.

Figure 3 shows the 20 destinations with daily nonstop passenger service from the Airport, 18 scheduled for October 2018. While not served during October, the seasonal routes to Fort Myers and Myrtle Beach are also depicted. Of the 20 total destinations, 8 have low-cost carrier (LCC) service by either Southwest, Frontier, or JetBlue.

In December 2018, Allegiant is scheduled to begin nonstop service to three Florida leisure markets (Punta Gorda, St. Pete-Clearwater, and Orlando-Sanford).

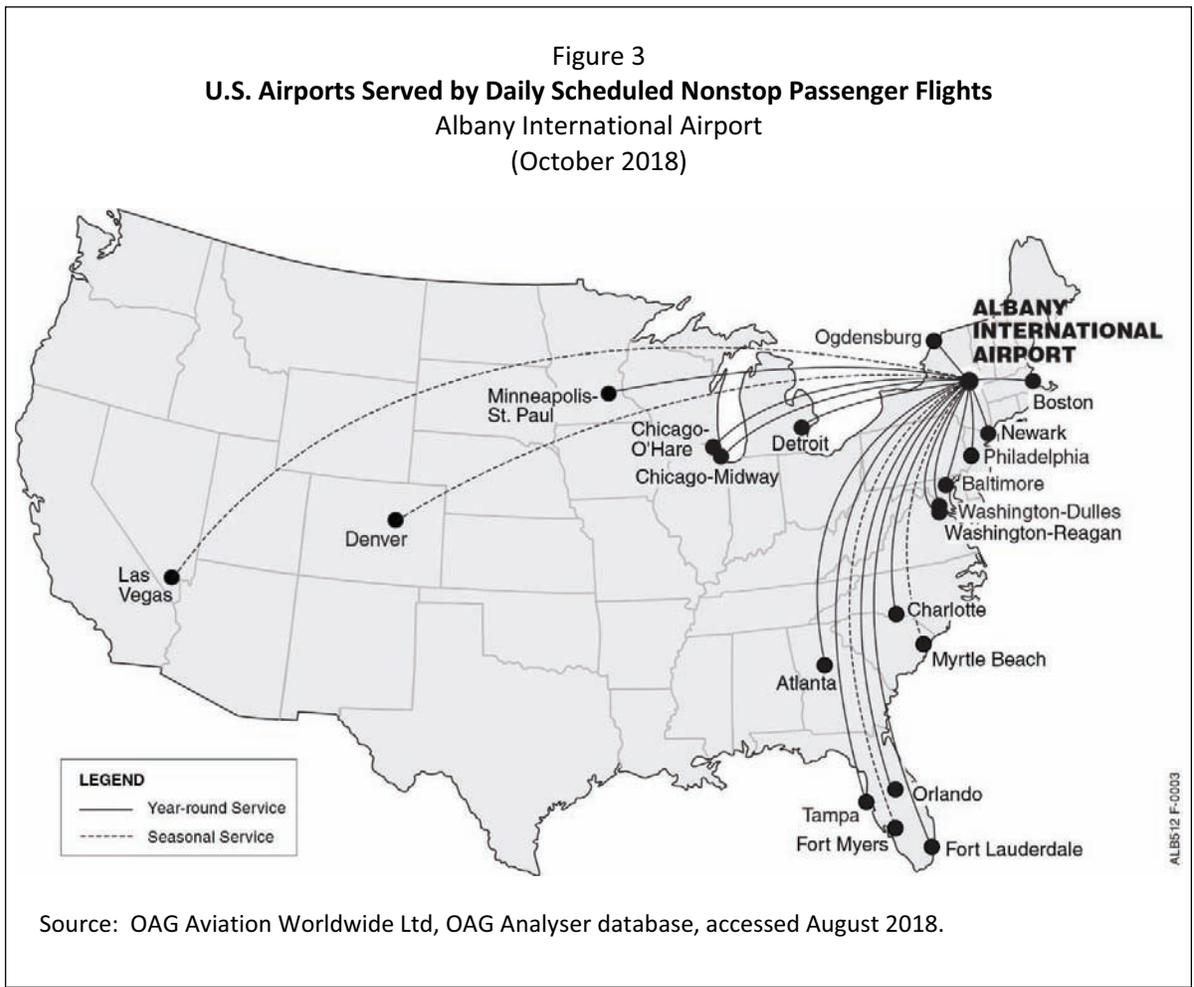


Table 4 details trends in passenger airline service at the Airport over the past 5 years. Between 2013 and 2018, the number of destinations served had no net change, while the number of airlines providing service increased from five to seven. The number of average daily departing seats increased, and average daily departing flights decreased slightly, as average seats per flight for aircraft serving the Airport increased from 74 in 2013 to 92 in 2018.

Table 4  
**Passenger Airline Service**  
 Albany International Airport  
 (for the month of October, for years shown)

	2013	2017	2018
Number of destinations served nonstop	18	19	18
<i>Change</i>		1	(1)
Number of airlines providing scheduled service	5	7	7
<i>Change</i>		2	-
Average daily departing seats	4,177	4,515	4,992
<i>Percent change</i>		8.1%	10.6%
Average daily departing flights	57	55	54
<i>Percent change</i>		(2.5)%	(1.5)%

---

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2018.

**PASSENGER TRAFFIC BY AIRLINE**

Table 5 presents the airline market shares of enplaned passengers at the Airport from 2013 through 2017, as well as for the first 8 months of 2018. In 2017, Southwest enplaned the largest share of passengers at the Airport (40.0%), followed by American (21.6%), Delta (15.8%), and United (15.0%). Since launching service at the Airport in late 2015, JetBlue grew to account for 6.4% of the passenger market in 2017. Cape Air, One-Jet, and charter airlines accounted for the remaining 1.2% of passengers.

Table 5  
**Airline Shares of Enplaned Passengers**  
 Albany International Airport

Airline (a)	2013	2014	2015	2016	2017	8 Months YTD	
						2017	2018
Southwest	504,095	525,585	557,183	569,101	566,801	390,659	387,605
American	262,306	268,065	274,462	298,300	306,571	203,997	209,442
Delta	195,912	213,489	225,194	222,374	223,945	145,636	148,425
United	232,575	206,435	219,299	214,104	212,851	143,018	158,010
JetBlue	-	-	5,492	87,036	90,744	61,343	60,329
Cape Air	16,752	16,802	16,119	16,090	12,966	9,090	7,966
Boutique	-	-	-	-	1,852	1,044	827
Charters	911	1,009	461	429	1,116	605	769
One-Jet	-	-	-	-	989	334	3,964
Elite Airways	-	-	-	-	-	-	917
Air Canada	3,436	-	-	-	-	-	-
<b>Total</b>	<b>1,215,987</b>	<b>1,231,385</b>	<b>1,298,210</b>	<b>1,407,434</b>	<b>1,417,835</b>	<b>955,726</b>	<b>978,254</b>
Southwest	41.5%	42.7%	42.9%	40.4%	40.0%	40.9%	39.6%
American	21.6	21.8	21.1	21.2	21.6	21.3	21.4
Delta	16.1	17.3	17.3	15.8	15.8	15.2	15.2
United	19.1	16.8	16.9	15.2	15.0	15.0	16.2
JetBlue	-	-	0.4	6.2	6.4	6.4	6.2
Cape Air	1.4	1.4	1.2	1.1	0.9	1.0	0.8
Boutique	-	-	-	-	0.1	0.1	0.1
Charters	0.1	0.1	0.0	0.0	0.1	0.1	0.1
One-Jet	-	-	-	-	0.1	0.0	0.4
Elite Airways	-	-	-	-	-	-	0.1
Air Canada	0.3	=	=	=	=	=	=
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(a) Regional code-sharing affiliates are included with their mainline partner.

Source: Albany County Airport Authority records.

## ENPLANED PASSENGER AND AIRFARE TRENDS

Figure 4 shows that the relative proportions of resident, visitor, and connecting enplaned passengers at the Airport have remained stable at approximately 58%, 41%, and 1%, respectively, since 2007.

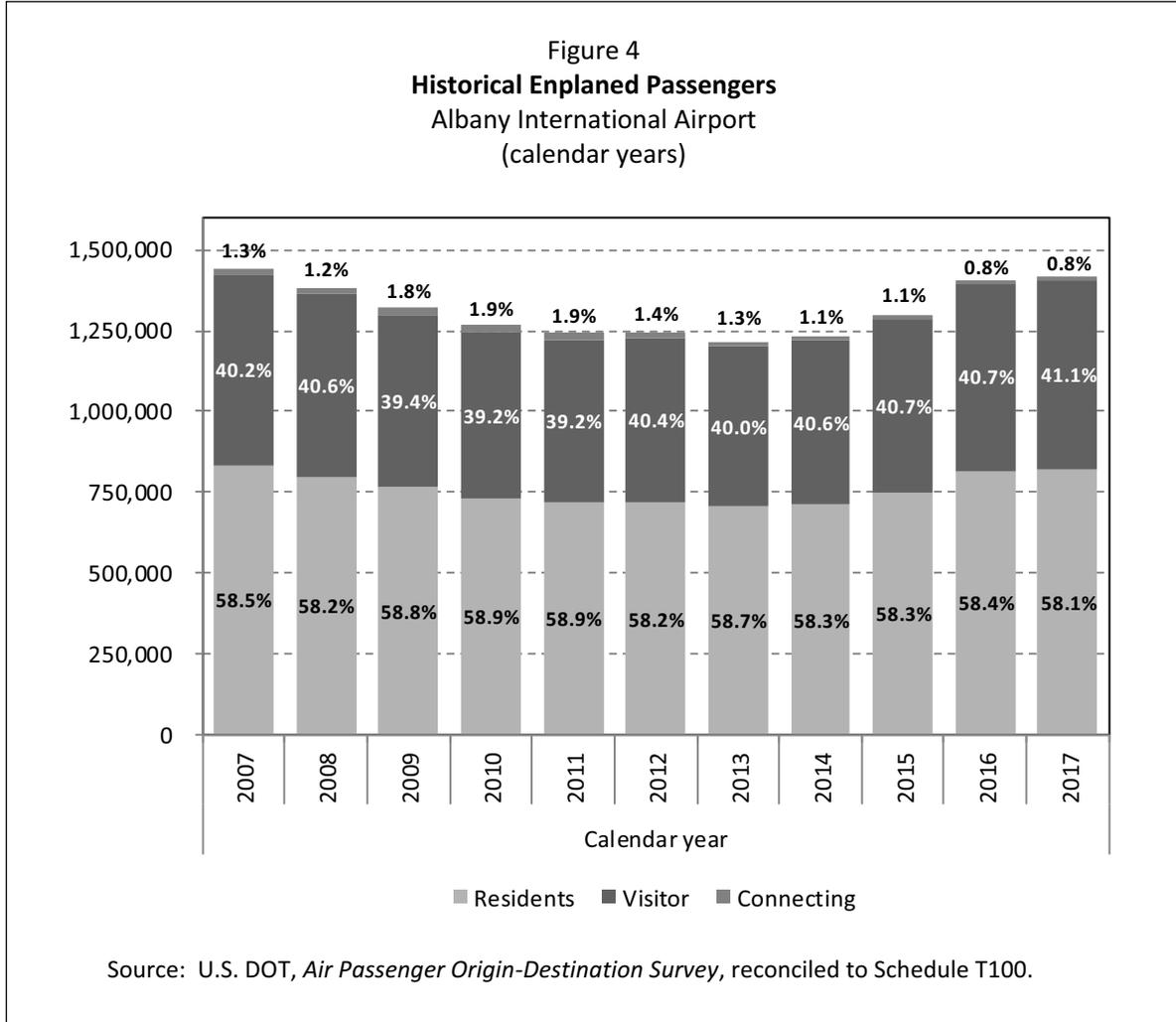


Figure 5 shows domestic originating passengers and average domestic airfares at the Airport from 2007 to 2017. In general, airfare increases dampen passenger traffic while decreases tend to stimulate traffic. In the years following the 2008-2009 economic recession, average airfares at the Airport increased steadily while the number of originating passengers decreased. Reduced capacity by the airlines at the Airport over this period led to increased pricing power and the ability to charge higher airfares. From 2015 to 2017, however, average airfares decreased 6% while the number of originating passengers increased 10%.

The average airfares shown in Figure 5, as reported by the airlines to the U.S. Department of Transportation (DOT), exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel, particularly for recent years. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline.

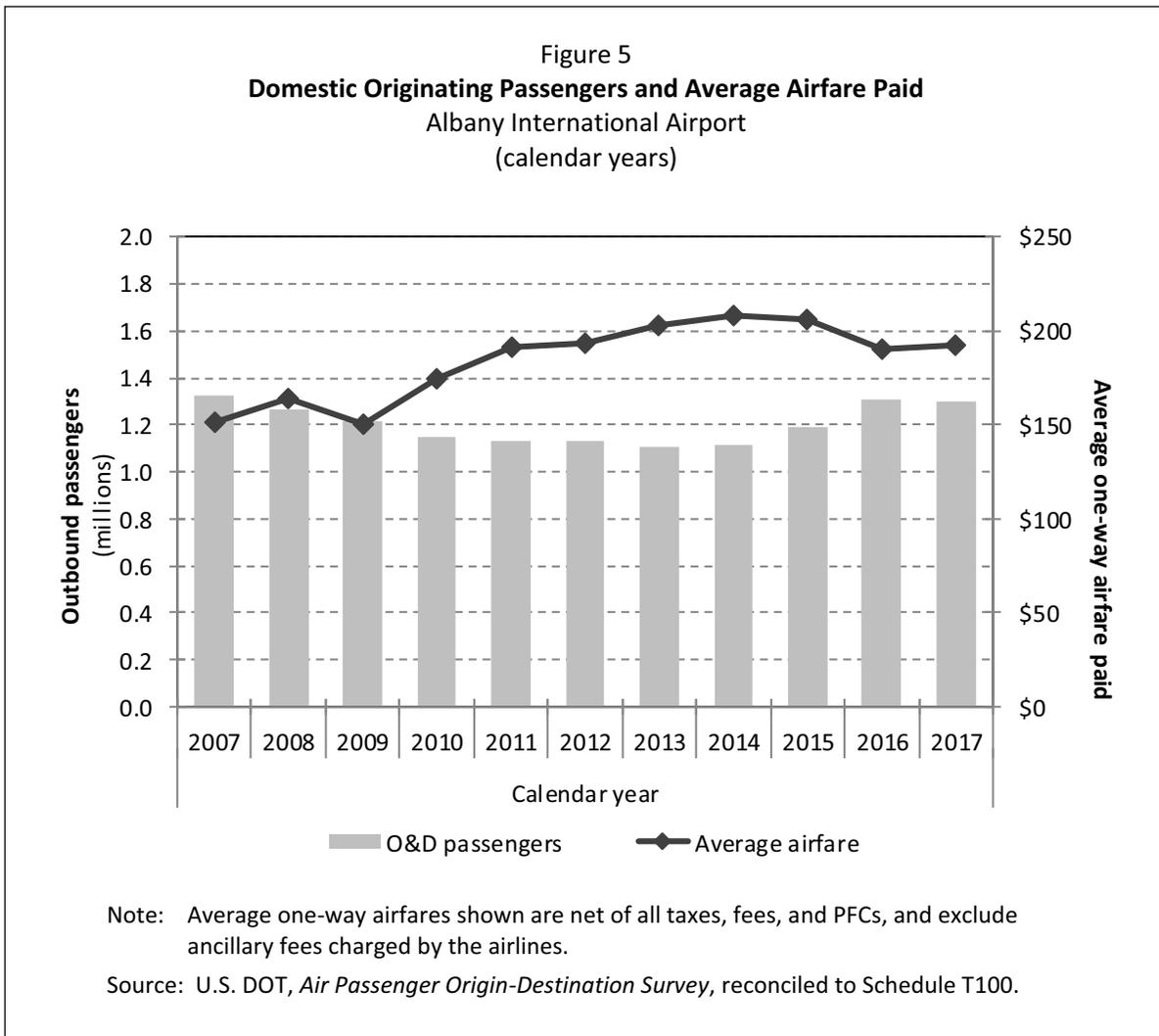


Table 6 presents data on nonstop airline service and passengers from the Airport to the top 15 domestic passenger destinations. As scheduled for October 2018, nonstop service is provided to 10 of the top 15 domestic destinations; 7 of the 15 destinations are served nonstop by LCCs (Southwest, Frontier or JetBlue); and 4 of the 15 have competing nonstop service by two or more airlines. Relatively frequent daily service is offered to connecting hub airports, particularly those in Washington DC/Baltimore and Chicago.

During 2017, the top 15 destinations accounted for 63.9% of all domestic originating passengers at the Airport. Orlando and Miami/South Florida were the top two destinations for originating passengers at the Airport, accounting for 11.3% and 8.5%, respectively. Growth between 2012 and 2017 was primarily attributable to an increase in passenger traffic to the top 15 destinations—a 19.6% increase compared to a 7.0% increase in all other markets. However, passenger traffic displayed markedly different trends by destination, ranging from a 44.4% increase to Orlando to a 21.3% decrease to Las Vegas.

Table 6  
**Passengers and Service in Top 15 Domestic Originating City Markets**  
 Albany International Airport  
 (calendar years, unless otherwise noted)

Rank	City market	Airports included	Scheduled nonstop service (October 2018)		Average daily enplaned originating passengers			
			Airlines serving	Average daily departing flights	2012	2017	As percent of total 2017	Percent increase (decrease) 2012-2017
1	Orlando	MCO,SFB	B6,F9,WN	3	278	402	11.3%	44.4%
2	Miami/South Florida	FLL,MIA,PBI	B6	1	218	304	8.5	39.5
3	Washington DC/Baltimore	BWI,DCA,IAD	AA,UA,WN	13	301	259	7.3	(13.8)
4	Tampa/St. Petersburg	PIE,TPA	WN	1	168	187	5.3	11.2
5	Chicago	MDW,ORD	AA,UA,WN	10	163	171	4.8	5.5
6	Denver	DEN	F9,WN	1	79	132	3.7	67.6
7	Atlanta	ATL	DL	3	95	129	3.6	35.4
8	Los Angeles	BUR,LAX,LGB,ONT,SNA	-	-	108	124	3.5	14.7
9	San Francisco	OAK,SFO,SJC	-	-	100	112	3.1	11.6
10	Las Vegas	LAS	WN	1	120	94	2.6	(21.3)
11	Charlotte	CLT	AA	3	71	88	2.5	25.0
12	Dallas/Fort Worth	DAL,DFW	-	-	50	74	2.1	47.7
13	Phoenix	AZA,PHX	-	-	56	73	2.0	30.8
14	Fort Myers	RSW	-	-	46	68	1.9	46.6
15	Minneapolis-St. Paul	MSP	DL	<u>1</u>	<u>47</u>	<u>56</u>	<u>1.6</u>	<u>17.8</u>
	Top 15 markets			35	1,900	2,273	63.9%	19.6%
	All other markets			<u>20</u>	<u>1,202</u>	<u>1,286</u>	<u>36.1</u>	<u>7.0</u>
	All markets			56	3,102	3,559	100.0%	14.7%

Note: Columns may not add to totals shown because of rounding. Percentages shown were calculated using unrounded numbers.

Carrier legend: AA=American, B6=JetBlue, DL=Delta, F9=Frontier, UA=United, WN=Southwest.

Airport legend: MCO=Orlando, SFB=Orlando Sanford, FLL=Fort Lauderdale, MIA=Miami, PBI=Palm Beach, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, PIE=St. Petersburg, TPA=Tampa, MDW=Chicago-Midway, ORD=Chicago-O'Hare, BUR=Burbank, LAX=Los Angeles, LGB=Long Beach, ONT=Ontario, SNA=Orange County, ATL=Atlanta, OAK=Oakland, SFO=San Francisco, SJC=San Jose, LAS=Las Vegas, CLT=Charlotte, DEN=Denver, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth, AZA=Phoenix Mesa Gateway, PHX=Phoenix Sky Harbor, RSW=Fort Myers, MSP=Minneapolis-St. Paul.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2018.

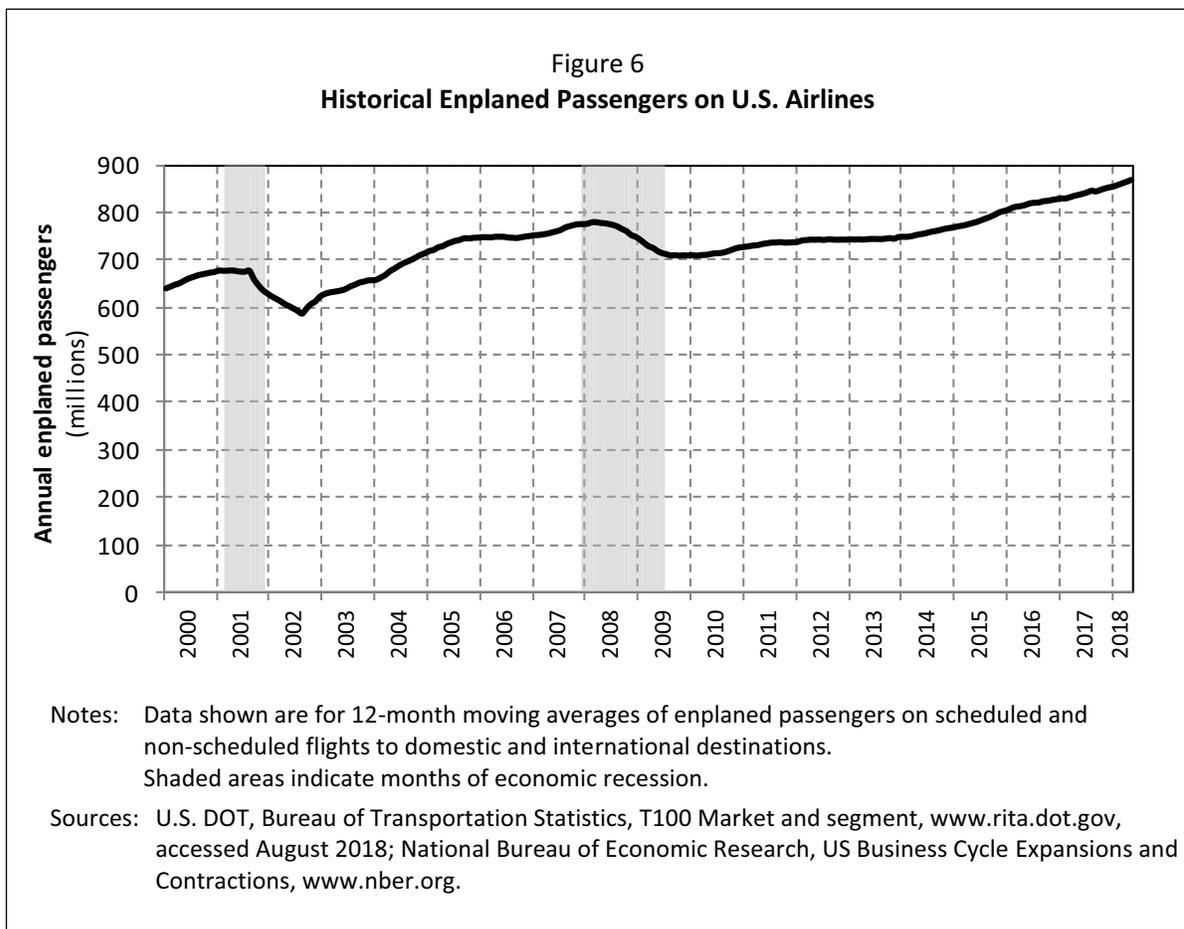
## KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the CSA, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

### Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 6, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel.



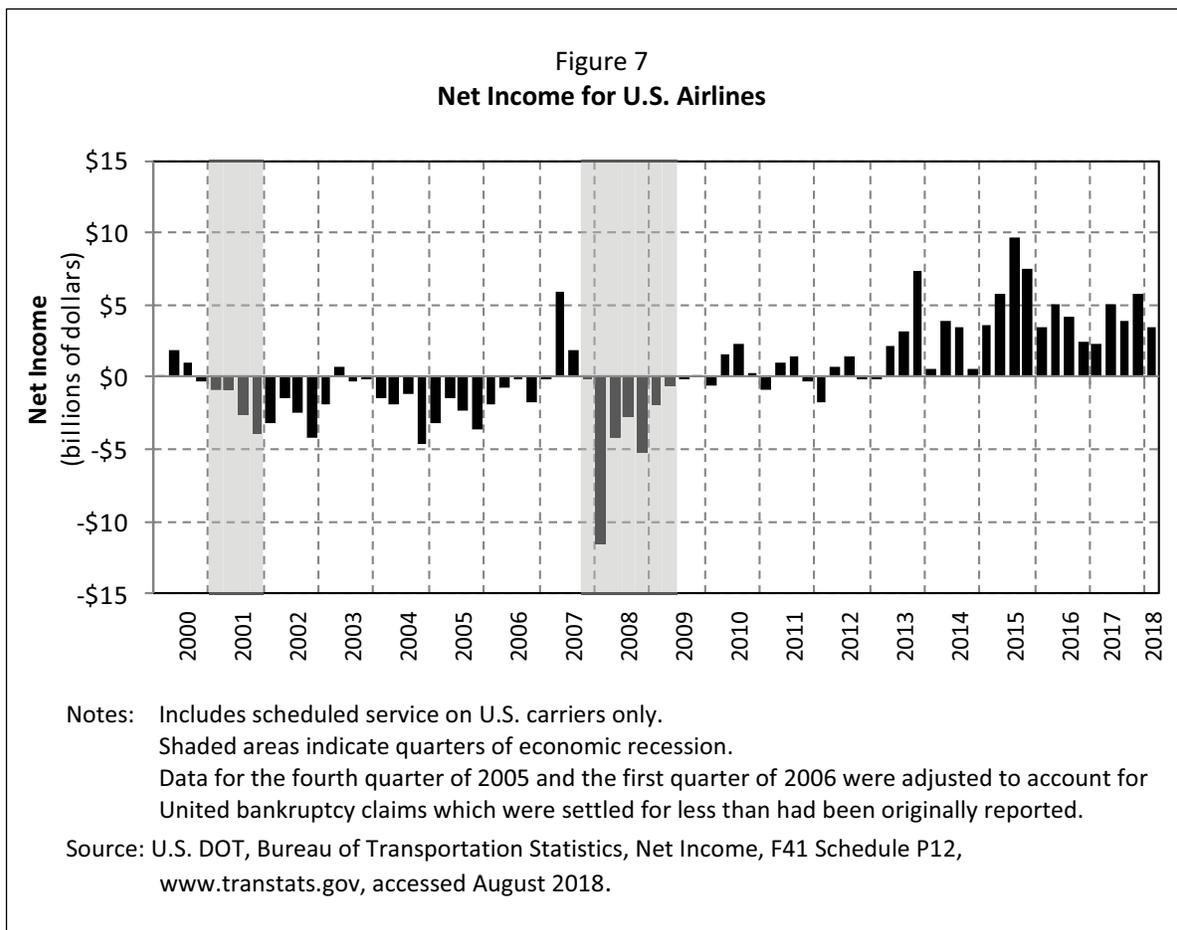
The globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and political relationships all influence passenger traffic at U.S. airports.

Concerns about hostilities, terrorist attacks, other security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018 the U.S. Supreme Court upheld the administration’s travel restrictions. While it remains to be seen how the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection could prevent or discourage some travel.

Sustaining current passenger traffic nationally and at the Airport, and achieving forecast increases at the Airport, will depend partly on global economic growth, stable and secure international conditions, and government policies that do not unreasonably restrict or deter travel.

### Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the investments necessary to provide service. Figure 7 shows historical net income for U.S. airlines.



As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately \$46 billion. To mitigate those losses, all the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for Chapter 11 bankruptcy and restructured their operations.

In 2007, the U.S. passenger airline industry was profitable, recording net income of approximately \$7 billion, but oil and aviation fuel prices increased to unprecedented levels in 2008. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately \$26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity by approximately 10%, as measured by available seat-miles.

From 2010 to 2013, the U.S. passenger airline industry recorded net income of approximately \$18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of \$9 billion, assisted by reduced fuel prices in the second half of the year (as discussed in the later section, "Availability and Price of Aviation Fuel"). In 2015, the industry achieved record net income of \$26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016, 2017, and early 2018. Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices.

Consolidation of the U.S. airline industry has resulted in the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation has contributed to industry profitability, a trend that is expected by airline industry analysts to continue over the near term. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide. However, the Airport is almost exclusively an origin-destination airport, so would be less directly affected by any such liquidations.

## **Airline Service and Routes**

The Airport serves as a gateway to the Albany CSA and the Capital Region. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airfares and service provided at the Airport and at other competing airports. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends primarily on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry consolidated, airline service has been drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2011), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). The Airport serves almost exclusively originating passengers and is not dependent on connecting passengers.

## **Airline Competition and Airfares**

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend in part on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S.-flag airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain airfare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 17.7 cents per passenger-mile by 2015. Between 2015 and 2017, domestic yields decreased to 16.6 cents per passenger-mile, reflecting lower aviation fuel prices and increased airline competition.

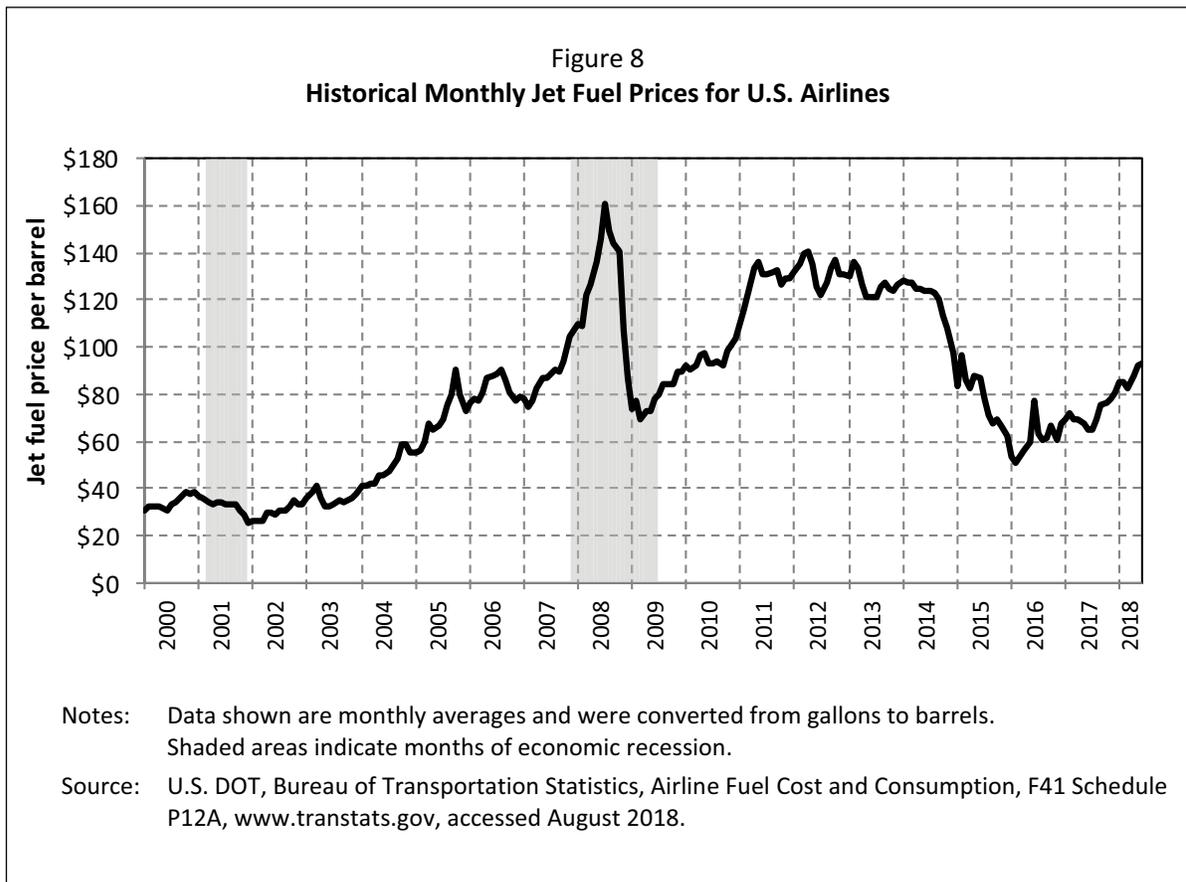
Beginning in 2006, charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than the yield figures indicate.

## **Availability and Price of Aviation Fuel**

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 17 shows the historical fluctuation in aviation fuel prices since 2000. Beginning in 2003, aviation fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries;

and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% for most airlines. Fuel prices decreased sharply in the second half of 2008 as demand for oil declined worldwide, but then increased beginning in early 2009 as demand increased.

Between 2011 and 2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production, made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times those at the end of 2003.



Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with the lifting of trade sanctions on Iran and a continued surplus in the worldwide supply resulted in reductions in fuel prices through early 2016. Fuel prices have since increased, but the average price of aviation fuel at mid-2018 was still approximately 75% of the price at mid-2014. Lower fuel prices are having a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although absent unforeseen disruptions, prices are expected to remain stable for some

time. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract, although some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and resulting downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.

### **Aviation Safety and Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 terrorist attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed federal air marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks. Concerns about the safety of air travel security were heightened in 2016 by gun and bomb attacks at Brussels Airport (in March) and Istanbul Ataturk Airport (in June).

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided there are no major events and precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation, without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, not safety or security, factors.

### **Capacity of the National Air Traffic Control System**

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays nationwide have decreased because of reduced numbers of aircraft operations (down approximately 17% between 2007 and 2017) but, as airline travel increases in the future, flight delays and restrictions can be expected.

## Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at the Airport will depend on the capacity of the Airport itself. The forecast is conditioned on the assumption that, during the forecast period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at the Airport.

## AIRLINE TRAFFIC FORECAST

The Authority projects that total enplaned passengers will increase 2.3% in 2018, 3.4% in 2019, and 1.0% per year thereafter, as shown in Table 7 and on Figure 9.

The number of enplaned passengers has increased 2.4%, year-over-year, in the first 8 months of 2018. Future published airline flight schedules, which are subject to change, indicate a 6.0% year-over-year increase in capacity during the final 4 months of 2018, and a 7.1% year-over-year increase in the first 6 months of 2019. Thus, even if airlines temper their growth at the Airport in late 2018 or in 2019, or if passenger load factors dip somewhat, the Authority's passenger projection could still be achieved.

Table 7  
**Enplaned Passenger Forecast**  
Albany International Airport  
(calendar years)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

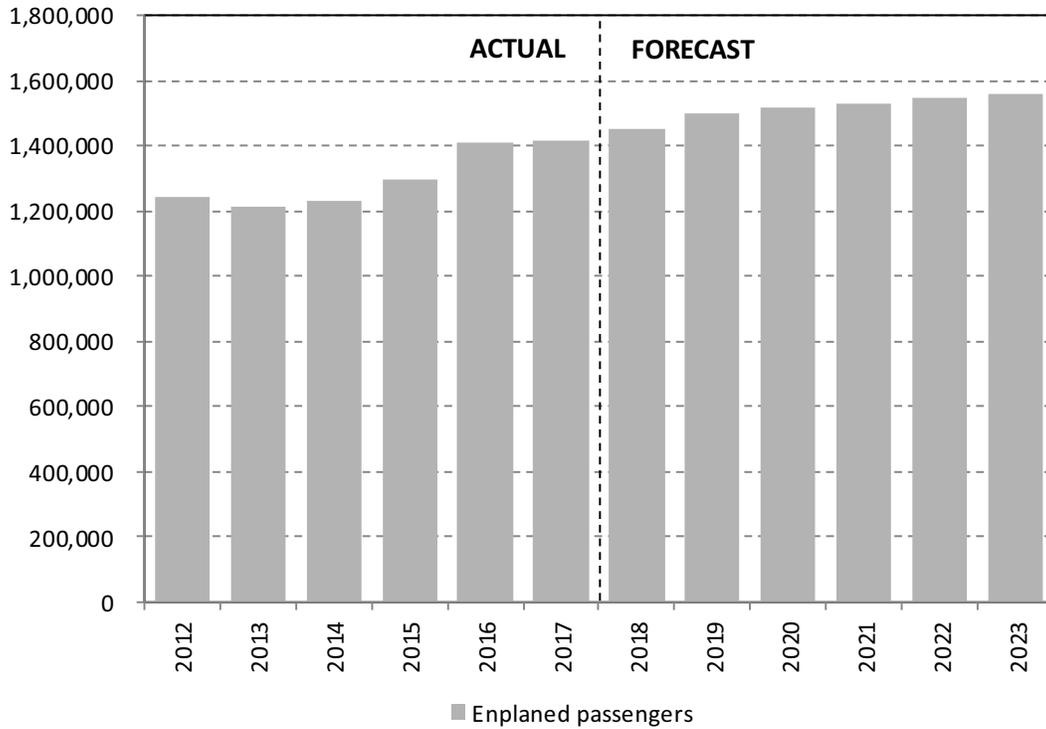
Year	Passengers	Annual increase (decrease)
2012	1,244,976	
2013	1,215,076	(2.4)%
2014	1,230,376	1.3
2015	1,297,749	5.5
2016	1,407,434	8.5
2017A	1,417,835	0.7
2018F	1,450,000	2.3
2019	1,500,000	3.4
2020	1,515,000	1.0
2021	1,530,150	1.0
2022	1,545,452	1.0
2023	1,560,906	1.0
Average annual increase		
2012-2017	2.6%	
2018-2023	1.5	

Note: A = Actual; F = Forecast.

Source: Albany County Airport Authority records.

**Figure 9**  
**Enplaned Passenger Forecast**  
**Albany International Airport**  
**(calendar years)**

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.



Sources: Albany County Airport Authority records.

LeighFisher has reviewed the Authority’s air traffic forecast, and we believe it provides a reasonable basis for financial planning. However, we note that any forecast is subject to risk, volatility, and uncertainty, such as that described in the preceding Key Factors Affecting Future Airline Traffic.

## **FINANCIAL ANALYSIS**

### **BACKGROUND**

The County of Albany, New York (the County) owns Albany International Airport (the Airport) and entered into an Airport Lease Agreement with the Albany Country Airport Authority (the Authority), pursuant to which the County has leased the Airport to the Authority for a term of 40 years commencing May 16, 1996. On November 5, 2018 the term of the lease was extended through December 31, 2049. The Authority has engaged the services of AFCO AvPORTS to manage the daily operations of the Airport.

The County issued general obligation bonds in 1993 and 1994 to finance the cost of improvements at the Airport. The County refunded the 1994 bonds in 2002. The Authority agreed to reimburse the County for this indebtedness as part of the process that transferred control and operation of the Airport to the Authority. The reimbursement obligation was part of the Operation and Maintenance Expenses under the Resolution. The final payment on the outstanding County issued general obligation bonds was made in 2014. There are no outstanding County issued general obligation bonds at this time.

### **LEGAL FRAMEWORK**

Since 1997, the Authority has issued Bonds under the Master Resolution and thirteen supplemental resolutions. The total principal amount of Outstanding Bonds was \$77.3 million as of December 31, 2017, which was equivalent to \$55 per enplaned passenger based on the 1.4 million passengers enplaned at the Airport in FY 2017. The debt limit for the Authority is \$285 million and can be adjusted by legislation adopted by the New York State legislature. The Bonds are payable from and secured by a pledge of and first lien on the Net Revenues of the Authority. The Master Resolution defines Net Revenues as Revenues less the Operation and Maintenance Expenses. The Series 2018 Bonds are being issued pursuant to the Master Resolution and a Fourteenth Supplemental Resolution adopted by the Authority on November 5, 2018 (the Supplemental Resolution, together with the Master Resolution, the Resolution).

The Authority reports its financial operations as a governmental enterprise in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities and the accrual basis of accounting. Under the accrual basis of accounting, revenues and expenses are recognized and recorded when earned or incurred. Budgetary accounting is on a modified accrual basis plus encumbrances. This Report relies primarily upon the Resolution as a basis for presentation. Therefore, references to certain terms such as Operation and Maintenance Expenses, Revenues, and Net Revenues, have meanings that are defined under the Resolution, which may be different than as set forth in GAAP. The Resolution should be read in its entirety for an understanding of the defined terms as references contained in this Report do not purport to be comprehensive.

## **Rate Covenant**

Net Revenues are forecast to be sufficient to meet the requirements of Section 5.02 of the Resolution (the Rate Covenant), taking into consideration the Outstanding Bonds and the proposed Series 2018 Bonds (see Exhibit I). The Authority covenants that it will impose, prescribe and collect the rates, rentals, fees to produce Revenues at least sufficient:

... (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Revenues, and (iv) to carry out all provisions and covenants of this Resolution. Without limiting the provisions of the next preceding sentence of this section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all Bonds Outstanding.

## **Additional Bonds Test**

The Series 2018 Bonds are subject to Section 2.02 of the Master Resolution (the Additional Bonds Test). Section 2.02 of the Master Resolution provides, among other things, that:

...(ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or amounts on deposit in the Construction Interest Account with respect to such project or projects are fully expended, whichever is later...shall equal not less than the greater of one hundred twenty-five percent (125%) of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds and one hundred percent (100%) of all claims, charges or obligations to be payable from Net Revenues.

## **Application of Revenues and Flow of Funds**

Section 4.01 of the Master Resolution defines the application of revenues and establishes the Albany County Airport Authority Revenue Fund (the Revenue Fund), to be held and administered by the Authority so long as any Bonds are Outstanding. The moneys deposited, or to be deposited, in the Revenue Fund shall not be commingled with any other moneys of the Authority and shall be applied only in the manner and for the purposes described. Section 4.01(b) of the Master Resolution provides that:

The moneys in the Revenue Fund shall be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be deposited each month into the Operation and Maintenance Fund and the Accounts therein the amounts required by this Resolution to be used for the purposes specified...

Second, there shall be deposited each month into the Bond Fund and the Accounts therein the amount required by this Resolution to be used for the purposes specified...

Third, there shall be applied the amount, if any, required to be deposited in the Bond Reserve Fund.

Fourth, there shall be deposited each month the amount necessary to pay principal of, premium, if any, and interest on bonds, notes, certificates, warrants or other evidences of indebtedness referred to...in Section 2.05...

Fifth, there shall be applied each month the amount required, if any, to be deposited in any reserve fund or account established with respect to any bonds, notes, certificates, warrants or other evidences of indebtedness referred to to...in Section 2.05...

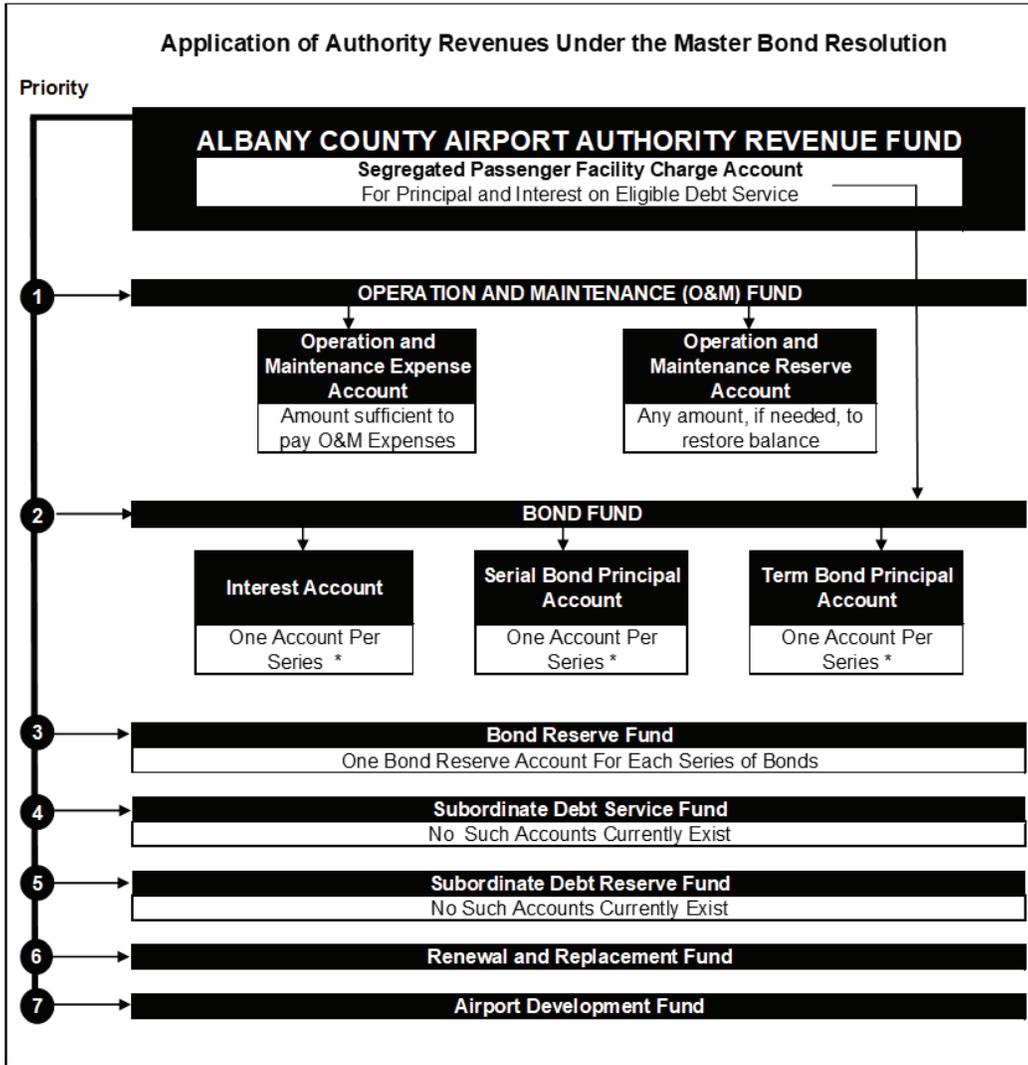
Sixth, there shall be applied each month the amount required, if any, to be deposited in the Renewal and Replacement Fund.

Seventh, after making all deposits and credits required as described in "First" through "Sixth" of this subsection (b), all moneys remaining on deposit in the Revenue Fund shall be deposited each month in the Development Fund and shall be applied as authorized by Section 4.06...

Furthermore, Sections 4.02 through 4.06 of the Master Resolution define and establish the other fund accounts referenced above including: (1) the Operation and Maintenance Fund and Accounts, (2) the Bond Fund and Accounts, (3) the Bond Reserve Fund, (4) the Renewal and Replacement Fund, and (5) the Development Fund.

Figure 10 provides a graphic representation of the Application of Revenues described.

Figure 10  
**Application of Revenues**  
 Albany County Airport Authority



\* Excludes Passenger Facilities Charge Revenues deposited in a segregated subaccount.

## **CIP AND PLANNED FUNDING**

The enabling legislation creating the Authority set forth that, every 5 years, the Authority must submit to the Albany County Legislature a capital improvement plan (CIP) for the subsequent 5-year period. The current CIP for FY 2015 through FY 2019 was approved by the County legislature in November 2014. The Authority submitted, and the County approved an amended CIP totaling \$142.5 million in May 2017. Total project costs in the CIP are \$142.5 million, of which \$38.5 million may be funded with the proceeds of Bonds, including the Series 2018 Bonds.

Based upon currently known circumstances, the Authority anticipates that additional funding sources for projects proposed in the 2015-19 CIP will be required and could result in additional borrowing other than the Series 2018 Bonds to fund such projects. The actual amount of any potential additional bonds to be issued will depend upon final design and construction costs of the Airport Modernization Project currently in design. The Authority has agreed in the grant to fund any project costs in excess of the original Airport Modernization Grant budget. The Authority would raise additional sources of funds needed through a combination of additional bonds and other available capital project funds derived from discretionary use capital funding built into its Rates and Charges in its Signatory Airline Use and Lease Agreement and available Passenger Charge Facilities Funds. The Authority is also seeking a \$10 million bank line of credit to fund expenditures for which it is waiting for reimbursement from State grant funding under the Airport Modernization Grant. Payments on any bank line of credit obtained would be on parity with or subordinate to payments to bondholders.

The CIP does not represent a firm commitment of the Authority. Many of the projects are dependent on growth in the number of enplaned passengers, cargo, and general aviation activities at the Airport, and on their eligibility for federal and state funding. For the purposes of this Report, no additional bonds are assumed to be issued in order to fund the CIP.

## **SERIES 2018 BONDS**

The Series 2018 Bonds are being issued under the terms and conditions of a Master Resolution, adopted by the Authority in January 1997, authorizing the issuance of Airport Revenue Bonds (Bonds), and a Fourteenth Supplemental Resolution adopted by the Authority on November 5, 2018.

The Authority intends to use \$14.1 million of the proceeds of the Series 2018A Bonds and other available funds to fund a portion of the Airport Modernization Project (the "Project"). The Project includes:

- Construction of a 1,000-unit, multi-level parking garage, expanding airport parking capacity. The pre-cast concrete garage will provide a heated pedestrian walkway to the airport terminal.
- Energy-efficient LED lights illuminating that bridge to enhance visibility as well as vehicular and pedestrian safety.
- Parking Access Improvements -- The Project will install new LED electronic signage, car counting devices, and interactive access control devices that utilize advanced GPS technology to locate available parking spaces and provide wayfinding messages that direct motorists to them.

- The Project will rehabilitate portions of the terminal, including escalators, restrooms, waiting rooms and the food court. Improvements will include new carpets, wall finishes, tile floors, energy-efficient lighting fixtures and better Internet connectivity.

The Authority will use \$900,000 of the proceeds of the Series 2018A Bonds to fund other capital expenditures included in the CIP. The proceeds of the Series 2018B Bonds are being used to fund \$8 million of project costs in the CIP including capital renovations and improvements to general aviation and commercial aviation hangars, fund equipment acquisitions for its Fixed-Base of Operations and fund other capital improvements to the Passenger Terminal buildings.

## **AIRLINE USE AND LEASE AGREEMENT**

The Authority entered into separate, but substantially similar, Airline Use and Lease Agreements effective January 1, 2016 (collectively, the Airline Use and Lease Agreement) with various airlines (the Signatory Airlines) for a term of 5 years, ending December 31, 2020. The agreement may be renewed for one optional 5-year renewal period (the Renewal Term) provided that the airline gives the Authority at least a 6-month written notice of its intention and further provided that the parties mutually consent to such renewal term.

In October 2018, Signatory Airlines operating at the Airport were American Airlines, Cape Air, Delta Air Lines, JetBlue Airways, Southwest Airlines, and United Airlines. FedEx and UPS Air Cargo also operated at the Airport in October 2018 as Signatory Cargo Carriers. Under the Airline Use and Lease Agreement and subject to approval from the Authority, a Signatory Airline may designate a non-signatory airline as an affiliate by providing a payment guarantee; thereby enabling its affiliate to enjoy the benefits of Signatory Airline rates. Collectively, these Signatory Airlines, Signatory Cargo Carriers and their affiliates accounted for 98.6% of total airline landed weight at the Airport in FY 2017. The remaining landed weight was primarily accounted for by regional carriers operating for the Signatory Airlines but not designated as affiliates. The Authority charges non-signatory airlines 125% of the Signatory Airline rates for landing fees and terminal rentals.

The Airline Use and Lease Agreement establishes a hybrid cost recovery rates and charges methodology, under which the Signatory Airlines agree to pay landing fees, apron fees, terminal rentals, and loading bridge rentals. The Airline Use and Lease Agreement provides for an annual settlement as well as revenue sharing based on audited financial results and actual operating data.\* The agreement also contains provisions giving the Authority the right to adjust rates and to “include Extraordinary Coverage Protection payments in the calculation of rates for rentals, fees and charges at the Airport in any Fiscal Year in which the amount of Revenues, less Operation and Maintenance Expenses, is forecast to be less than one hundred twenty-five percent (125%) of the amount of Debt Service.” The Authority has never had to exercise this provision.

The Airline Use and Lease Agreement provides for annual capital expenditures to be used for Airport development that is not subject to Majority-In-Interest (MII) provisions. The initial amount established through the agreement for 2016 was \$3.0 million, which is adjusted annually by the same percentage increase, or decrease, in non-airline revenues. Due to a budgeted 3.3% increase in non-Airline revenues, the amount of annual capital expenditures not subject to MII provisions for FY 2017 increased to \$3.1 million. Any amount not utilized is carried forward by the Authority for use in

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\*The Airline Use and Lease Agreement revenue sharing formulas allocate 80% of the net revenue sharing funds to the Terminal with the remaining 20% allocated to the Airfield.

subsequent years. MII for the Airfield is defined by the Use and Lease Agreement as Signatory Airlines (including Cargo carriers) representing greater than 50% of Maximum Gross Landed Weight for the most recent six-month period. MII for the Terminal is defined as Signatory Airlines (excluding Cargo carriers) accounting for at least 50% of total Signatory Airline Terminal rentals for the most recent six-month period.

### PASSENGER FACILITY CHARGES

In 1997, the FAA approved the application of the Authority to impose a passenger facility charge (PFC) at a \$3.00 level and use PFC revenues to pay the PFC-eligible portion of debt service on the Series 1997 Bonds over the life of the Bonds. The Authority has applied PFC revenues to pay debt service on the Series 1997 Bonds, the Series 2008A Bonds, and the Series 2010A Bonds consistent with this FAA-approved plan. The Authority amended the existing PFC applications to increase the PFC from \$3.00 to \$4.50 and received the FAA's approval to start the collection at \$4.50 effective September 1, 2009. As of December 31, 2017, cumulative PFC collection and interest earnings were \$98.3 million, out of a total authorized amount of \$116.7 million (see Table 8). The Authority does not designate any portion of its PFC revenues as Revenues under the Resolution, and, per the terms of the Resolution, excludes from the calculation of Debt Service the amount payable from an irrevocable commitment of PFCs.

	Approval Amount	Revenues Applied	Remaining Authority
PFC 1 (a)	\$ -	\$ -	\$ -
PFC 2 (b)	1,158,387	1,158,387	-
PFC 3 (b)	115,581,951	97,159,541	18,422,410
Total Open PFCs	\$ 116,740,338	\$ 98,317,928	\$ 18,422,410

(a) PFC Application 1 approved for impose only.  
 (b) PFC Application 2 and 3 include use approval for projects approved for impose only under PFC Application 1.

Source: FAA Final Agency Decision and Airport.

The Airport collected \$5.3 million in passenger facility charges in FY 2017 and had an ending fund balance of \$10.4 million. Annual PFC collections are forecasted to be between \$5.3 to \$5.9 million

annually throughout the forecast period.\* Exhibit D presents the PFC revenue forecast through FY 2023. Since inception of the PFC program, the Airport has applied and been approved for three PFC applications totaling \$116.7 million. As shown in Table 8, the Airport has collected \$98.3 million in PFCs and interest to be applied toward PFC approved projects, leaving \$18.4 million in remaining authority. The Authority intends to submit additional applications in the near-term to apply PFC revenues for PFC-eligible debt service of other Outstanding Bonds or to be reimbursed for historical PFC eligible projects funded with Airport cash.

## **DEBT SERVICE**

The term Debt Service is defined in the Resolution and generally means for any series of Bonds the aggregate amount required to be deposited to the Bond Fund for the payment of principal and interest except to the extent that such payments are provided from capitalized interest, PFC revenues irrevocably deposited or to be deposited under the Resolution for such purpose, or other amounts irrevocably deposited under the Resolution for such purpose.

It is estimated that approximately 55% of the debt service on the 2010A Bonds is eligible for payment from PFC revenues, or approximately \$4.5 million annually from FY 2019 to FY 2023. It is the Authority's intention to irrevocably deposit \$2.5 million in PFC collections annually to pay for eligible debt service throughout the forecast period. Though the Authority is irrevocably committing \$2.5 million in PFCs annually, it plans to utilize up to \$5.0 million (including the \$2.5 million irrevocably committed) to pay for eligible debt service at its discretion. PFC Revenues to be utilized for Debt Service payments on the 2010A Bonds will be segregated into accounts for the payment of the eligible portion of principal and interest on the 2010A Bonds.

Upon the issuance of the Series 2018 Bonds, the Debt Service, less PFC funds to be applied to debt service, is projected to be \$8.7 million in FY 2018, then is forecast to decrease to \$7.4 million by FY 2019, and then is forecast to decrease to \$6.7 million in FY 2020 through FY 2023 due to lower debt service on the Series 2010A bonds and payoff of the 1999 EFC Revenue Bonds. Exhibit C presents historical, budget, and forecast Debt Service throughout the forecast period.

## **OPERATION AND MAINTENANCE EXPENSES**

Under the Resolution, the term Operation and Maintenance Expenses (Expenses) means the reasonable and necessary expenses of the Authority paid or accrued under Generally Accepted Accounting Principles in administrating, operating, maintaining, and repairing the Airport System. Exhibit E presents historical, budget, and forecast Airport Expenses. Expenses totaled \$33.4 million in FY 2017, up \$1.9 million (5.9%) from FY 2016, of which approximately 45.1% (\$15.1 million) was related to salaries, wages, and benefits. Other components were materials and supplies (27.0%); purchased services (17.7%); utilities and communications (6.0%); and office, administration, and non-capital equipment (4.2%).

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\*As part of the PFC approval process, the FAA assigns a Legal Expiration Date for an airport's PFC program, which is based on total PFC approvals and traffic projections at the time of approval. The Airport's Legal Expiration Date is February 1, 2020. It is the Authority's intention to both amend current approved applications and apply for approval of a new PFC application, PFC 4. For purposes of this Report, it is assumed that the amendment and new application will be approved. Furthermore, upon the unlikely event that neither the amendment nor the new PFC application are approved, the Airport will have sufficient PFC funds on deposit to pay PFC eligible debt service throughout the forecast period.

Expenses are projected at \$36.1 million for FY 2018, an 8.1% increase over FY 2017 with larger increases occurring in Utilities and Communications, and Materials and Supplies (14.2%, and 15.1% respectively).

Expenses are budgeted to increase 3.6% in FY 2019, then are forecast to increase 2.5% annually starting in FY 2020 and continuing through FY 2023. The Authority assumes no significant increase in staffing and believes that expenses for additional full-time employees, as required, would be covered by the forecast.

## **REVENUES**

Under the Resolution, the term Revenues means:

...the total of all income and revenue from all sources collected or accrued under Generally Accepted Accounting Principles by the Authority in connection with the Airport System, including (a) all rates, charges, rentals, fees and any other compensation, regardless of form, and investment income earned by the Authority, except as hereinafter provided to the contrary, (b) that amount on deposit from a prior Fiscal Year in the Development Fund which is transferred or credited by the Authority to the Revenue Fund, and (c) PFC Revenues, but only to the extent specifically included in Revenues as provided in [the Resolution].

The Airport System includes the Airport and any future airports that may be included in the definition of Airport System by the resolution of the Authority. Although permitted by the terms of the Resolution, it has not been the practice of the Authority to make a transfer from the Development Fund to the Revenue Fund. The Resolution excludes from Revenues investment income derived from the Construction Fund and the Development Fund, and PFC revenues unless designated as Revenues, among others.

Revenues of the Authority as calculated under the Resolution were approximately \$48.5 million in FY 2017, 4.8% higher than FY 2016 Revenues of approximately \$46.3 million, primarily due to increases in airfield and concessions revenues. Revenues are projected to be \$50.8 million in FY 2018, an increase of 4.6%, due primarily to increases in Fixed Based Operator (FBO) and Airfield revenues. The Authority tracks Revenues in seven major categories: airfield, FBO, terminal, ground transportation, concessions, other airport revenues and non-operating revenues. Exhibit F presents historical, budget, and forecast Revenues by category.

### **Airfield**

Landing fees are calculated under the Airline Use and Lease Agreement using a cost center residual methodology. The landing fee requirement is calculated as the sum of (1) direct and indirect Operation and Maintenance Expenses and related reserve requirements allocated to the Airfield and FBO Commercial cost center, (2) Capital Charges and coverage allocated to the Airfield and FBO Commercial cost center, (3) Airfield and FBO Commercial Debt Service Reserve Requirements, (4) Airfield Extraordinary Coverage Protection, if any, and (5) the FBO Commercial Revenue Credit. The net requirement payable from Signatory Airline landing fees is equal to the total landing fee requirement less revenue from (1) investment earning allocable to the Airfield, (2) Apron Fees, (3) airfield tenant maintenance, and (4) non-Signatory Airline landing fees. The landing fee rate is equal to the net requirement divided by the estimated landed weight of the Signatory Airlines,

expressed in 1,000-pound units. The Signatory Airline landing fee per 1,000 pounds of landed weight is budgeted at \$3.44 in FY 2019. The apron fee is also calculated according to the Airline Use and Lease Agreement. The apron fee rate is budgeted at \$1.45 in FY 2019.

Airfield revenues totaled \$6.7 million in FY 2017 and are projected to be \$6.8 million in FY 2018. Airfield revenues consist primarily of revenue from landing fees (\$4.9 million and \$4.9 million in FY 2017 and FY 2018 respectively), after taking into account the effect of the revenue sharing, as discussed below. Other components of airfield revenues included apron fees, glycol disposal fees, reimbursement of maintenance services for tenants, and control tower rentals. Airfield revenues increased from \$5.9 million in FY 2016 to \$6.7 million in FY 2017, primarily due to the pass through of year-over-year changes in seasonal and non-seasonal maintenance costs and increases in employee costs. Airfield revenues are forecast to increase to \$7.2 million in FY 2019, then decrease to \$6.8 million in FY 2020. The decrease in FY 2020 is mostly due to a reduction in Airfield related debt service, affecting airline landing and apron fee revenues.

## **FBO**

Through a management agreement established with REW investments (doing business as Million Air - Albany) in 2005 and through an agreement ending August 31, 2019, the Authority's financial statement includes revenues and expenses from FBO operations, rather than through a concession agreement. Changes in FBO revenues and expenses are driven primarily by the changes of fuel prices, and by changes in quantity sold, to a lesser extent. FBO revenues totaled \$8.6 million in FY 2017 and are projected to be \$10.2 million in FY 2018 (see Exhibit F).

## **Terminal**

Terminal rental rates are calculated using a commercial compensatory methodology, as provided in the Airline Use and Lease Agreement. The Terminal requirement is calculated as the sum of (1) direct and indirect Operation and Maintenance Expenses and related reserve requirements allocated to the Terminal, (2) Capital Charges and coverage allocated to the Terminal, (3) Terminal Debt Service Reserve Requirement, and (4) Terminal Extraordinary Coverage Protection, if any. The net requirement payable from Terminal rentals and user fees is calculated as the total Terminal requirement less (1) non-Airline Terminal space rentals, (2) TSA space rentals, (3) utility reimbursement, (4) Terminal tenant maintenance, and (5) investment earning allocable to the Terminal. The Terminal rental rate is calculated as the net terminal requirement divided by total rentable space to derive a rental rate per square foot. The signatory terminal space rental rate is budgeted at \$81.48 per square foot in FY 2019.

Terminal revenues totaled \$5.0 million in FY 2017 and are projected at \$5.0 million in FY 2018, consisting primarily of revenues from airline terminal space rentals (\$3.6 million and \$3.6 million in FY 2017 and FY 2018 respectively), after taking into account the effect of the revenue sharing, as discussed below. Other components included loading bridge rentals, TSA space rentals, other non-airline space rentals, federal inspection services (FIS) fees, tenant maintenance, and utility reimbursement. Loading bridge revenue, which totaled \$0.6 million in FY 2017 and is projected at \$0.6 million for FY 2018, is based on cost recovery rates per rentable loading bridge.

## **Ground Transportation**

Ground transportation revenues totaled \$15.3 million in FY 2017 and are projected at \$15.7 million in FY 2018, consisting primarily of public parking revenues (\$15.0 million and \$15.3 million in FY 2017 and FY 2018, respectively).

As of September 30, 2018, there are 6,814 parking spaces. The first-floor parking garage has 2,219 spaces which includes 307 spaces used by the rental car companies. In addition, the Authority has 222 short-term and 1,792 long-term ground level parking spaces in close proximity to the parking garage. The parking garage is connected to the terminal by a second-floor pedestrian bridge. The Airport also has a remote parking lot which includes 2,763 parking spaces. Shuttle buses provide transportation from the remote parking lot to the terminal. There are 355 additional parking spaces set aside for visitors, flight crew and employees.

Public parking revenues increased 0.8% between FY 2016 and FY 2017. The Authority believes that the current daily maximum parking rates, \$13 for garage parking, \$10 for long-term parking, and \$6 for the economy parking lot, are competitive with those of off-Airport parking providers in the vicinity.

Transportation Network Companies (TNCs), such as Uber and Lyft connect paying ground transportation passengers with drivers who provide transportation using their own commercial and non-commercial vehicles. Increased use of TNCs may result in decreased parking, rental car, and other ground transportation access fees. TNCs began to operate at the Airport pursuant to state legislation effective June 29, 2017. Lyft began operations under TNC permit effective June 29, 2017. Uber signed the TNC permit effective November 5, 2018. TNC fees are currently set at \$2.00 per pickup and drop-off at the airport.

Access Fees include fees collected from off-airport companies that derive revenues from services provided to Airport customers including TNCs, limousine companies, hotels and motels, off-airport parking, and taxi cab companies.

Ground transportation revenues are forecast to increase with enplaned passengers.

## **Concessions**

Concession revenues totaled \$8.1 million in FY 2017 and are projected at \$7.8 million in FY 2018, consisting primarily of revenue from the rental car concession (\$5.4 million and \$4.9 million in FY 2017 and FY 2018 respectively). Other components included in-terminal concessions are retail, food and beverage, advertising, museum shop, and other passenger services.

The rental car concessions contract is due to expire at the end of 2018, but the Report assumes that the succeeding contract will have substantially similar, if not better, terms and corresponding revenues once executed.

In-terminal concessions are also projected to increase due to the expiration of contracts which are expected to be replaced with contracts yielding greater revenues from improved terms and revenue generation.

**Table 9**  
**Summary of Non-Aeronautical Revenues**  
**Albany International Airport**  
**(for the 12 months ending December 31)**

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	2018 Projected			2023 Forecast		
	Amount	% of Total	per Enplanement	Amount	% of Total	per Enplanement
<b>Ground Transportation</b>						
Parking	\$ 15,303,115	55.1%	\$ 10.55	\$ 16,571,081	55.2%	\$ 10.62
Access Fees	313,621	1.1%	0.22	337,609	1.1%	0.22
TNCs	115,183	0.4%	0.08	212,273	0.7%	0.14
<b>Subtotal Ground Transportation</b>	<b>\$ 15,731,919</b>	<b>56.6%</b>	<b>\$ 10.85</b>	<b>\$ 17,120,963</b>	<b>57.0%</b>	<b>\$ 10.97</b>
<b>Concessions</b>						
Rental Cars	\$ 4,925,318	17.7%	\$ 3.40	\$ 5,517,324	18.4%	\$ 3.53
Food and Beverage	1,097,957	4.0%	0.76	1,193,800	4.0%	0.76
Retail	835,466	3.0%	0.58	711,250	2.4%	0.46
Advertising	300,000	1.1%	0.21	300,000	1.0%	0.19
Museum Shop	259,431	0.9%	0.18	192,320	0.6%	0.12
Other Concessions	373,727	1.3%	0.26	387,227	1.3%	0.25
<b>Subtotal Concessions</b>	<b>\$ 7,791,899</b>	<b>28.0%</b>	<b>\$ 5.37</b>	<b>\$ 8,301,921</b>	<b>27.6%</b>	<b>\$ 5.32</b>
<b>Other Airport</b>						
Land, Building, and Hangar Rental	\$ 1,961,727	7.1%	\$ 1.35	\$ 1,991,999	6.6%	\$ 1.28
Industrial Park	552,285	2.0%	0.38	568,282	1.9%	0.36
State Executive Hangar/Maintenance	1,247,083	4.5%	0.86	1,247,083	4.2%	0.80
Reimbursements	214,945	0.8%	0.15	210,772	0.7%	0.14
Other	289,649	1.0%	0.20	590,038	2.0%	0.38
<b>Subtotal Other Airport</b>	<b>\$ 4,265,689</b>	<b>15.3%</b>	<b>\$ 2.94</b>	<b>\$ 4,608,174</b>	<b>15.3%</b>	<b>\$ 2.95</b>
<b>Total Non-Aeronautical Revenues</b>	<b>\$ 27,789,507</b>	<b>100.0%</b>	<b>\$ 19.17</b>	<b>\$ 30,031,058</b>	<b>100.0%</b>	<b>\$ 19.24</b>

### Other Operating Revenues

Other operating revenues totaled \$4.4 million in FY 2017 and are projected at \$4.3 million in FY 2018. Significant other revenue categories primarily consist of rental revenue from the State police hangar (\$1.2 million in FY 2017 and FY 2018) and the AFCO cargo building agreements (\$0.9 million in FY 2017 and FY 2018).<sup>\*</sup> Other operating revenues are budgeted to grow to \$4.6 million in FY 2019 due to an increase in revenues from a new maintenance facility for Piedmont Airlines (a regional subsidiary of American Airlines). Other operating revenues are forecast to remain unchanged at \$4.6 million between FY 2019 and FY 2023.

### Non-Operating Revenues

Non-operating revenues totaled \$0.5 million in FY 2017 and are projected to be \$0.9 million in FY 2018, consisting of interest income earned on investments in the operating, capital, and reserve funds; FEMA Grants; and TSA reimbursements for operating expenses. The Increase in non-operating revenues in FY 2018 is due the addition of \$0.2 million in FEMA Grants related to winter storm Stella,

<sup>\*</sup>State police hangar revenue primarily consists of rental revenue in the amount of \$1.1 million with an additional \$0.1 million from related maintenance and services provided.

and an increase in interest earnings of \$0.2 million. Non-operating revenues are forecast to grow in part due to a projected increase in interest income resulting from renegotiated banking terms, now yielding interest at a rate of no less than 1.9%.

### **Net Revenues and Debt Service Coverage Forecast**

As defined earlier in the Rate Covenant and Additional Bonds Test, the phrase “claims, charges, and obligations to be payable from Net Revenues” refers to the required application of Net Revenues pursuant to the Resolution for the following purposes: (1) deposits to the Operation and Maintenance Reserve, (2) deposits to the Bond Fund to pay Debt Service, (3) deposits to the Bond Reserve Fund, (4) deposits into accounts to pay subordinate lien and other indebtedness of the Authority, (5) deposits into reserves for subordinate lien and other indebtedness of the Authority, and (6) deposits to the Renewal and Replacement Fund. The Resolution provides that the Authority is to deposit all remaining Net Revenues after revenue sharing into the Development Fund for any corporate purpose of the Authority.

Claims, charges, and obligations to be payable from Net Revenues during the forecast period are forecast to include deposits to the Bond Fund to pay Debt Service and deposits to the Operation and Maintenance Reserve. It is forecast that there will be no claims, charges, or obligations to be payable from Net Revenues for deposits to the Bond Reserve Fund, deposits to pay debt service or reserves for other indebtedness, or deposits to the Renewal and Replacement Fund.

Exhibit H presents the forecast Application of Revenues and Net Revenue Sharing. Exhibit I presents the forecast Net Revenues and Debt Service Coverage.

**EXHIBIT A**

**HISTORICAL AND FORECAST AIRLINE TRAFFIC  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)**

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		Estimate	Budget	Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
<b>Enplanements</b>								
Signatory Enplanements	1,407,005	1,413,878	1,437,257	1,464,310	1,478,953	1,493,743	1,508,680	1,523,767
Nonsignatory Enplanements (a)	<u>429</u>	<u>3,957</u>	<u>12,743</u>	<u>35,690</u>	<u>36,047</u>	<u>36,407</u>	<u>36,771</u>	<u>37,139</u>
<b>Total Enplanements</b>	<b>1,407,434</b>	<b>1,417,835</b>	<b>1,450,000</b>	<b>1,500,000</b>	<b>1,515,000</b>	<b>1,530,150</b>	<b>1,545,452</b>	<b>1,560,906</b>
Growth Rate	8.5%	0.7%	2.3%	3.4%	1.0%	1.0%	1.0%	1.0%
<b>Operations</b>								
Commercial	47,346	47,168	48,798	48,798	49,286	49,779	50,277	50,779
Military	3,057	2,974	3,244	3,244	3,276	3,309	3,342	3,376
General Aviation/Other	<u>14,328</u>	<u>14,018</u>	<u>12,957</u>	<u>12,957</u>	<u>13,087</u>	<u>13,217</u>	<u>13,350</u>	<u>13,483</u>
<b>Total Operations</b>	<b>64,731</b>	<b>64,160</b>	<b>64,999</b>	<b>64,999</b>	<b>65,649</b>	<b>66,305</b>	<b>66,969</b>	<b>67,638</b>
Growth Rate	7.9%	-0.9%	1.3%	0.0%	1.0%	1.0%	1.0%	1.0%
<b>Landed Weight (000-lbs)</b>								
Airline Landed Weight								
Signatory Landed Weight	1,589,679	1,564,915	1,559,052	1,559,052	1,574,643	1,590,389	1,606,293	1,622,356
Nonsignatory Landed Weight	<u>1,012</u>	<u>10,647</u>	<u>24,654</u>	<u>24,654</u>	<u>24,901</u>	<u>25,150</u>	<u>25,401</u>	<u>25,655</u>
<b>Total Airline Landed Weight</b>	<b>1,590,691</b>	<b>1,575,562</b>	<b>1,583,706</b>	<b>1,583,706</b>	<b>1,599,543</b>	<b>1,615,538</b>	<b>1,631,694</b>	<b>1,648,011</b>
Growth Rate	12.7%	-1.0%	0.5%	0.0%	1.0%	1.0%	1.0%	1.0%
Cargo Landed Weight								
Signatory Cargo Landed Weight	154,658	153,038	155,784	155,784	157,342	158,915	160,504	162,109
Nonsignatory Cargo Landed Weight	<u>14,093</u>	<u>14,400</u>	<u>14,100</u>	<u>14,100</u>	<u>14,100</u>	<u>14,100</u>	<u>14,100</u>	<u>14,100</u>
<b>Total Cargo Landed Weight</b>	<b>168,751</b>	<b>167,438</b>	<b>169,884</b>	<b>169,884</b>	<b>171,442</b>	<b>173,015</b>	<b>174,604</b>	<b>176,209</b>
Growth Rate	3.6%	-0.8%	1.5%	0.0%	0.9%	0.9%	0.9%	0.9%
<b>Total Landed Weight (000-lbs)</b>	<b>1,759,442</b>	<b>1,743,000</b>	<b>1,753,590</b>	<b>1,753,590</b>	<b>1,770,985</b>	<b>1,788,554</b>	<b>1,806,298</b>	<b>1,824,220</b>
Growth Rate	11.8%	-0.9%	0.6%	0.0%	1.0%	1.0%	1.0%	1.0%

(a) Includes charters

Source: Albany County Airport Authority; LeighFisher for forecast years.

**EXHIBIT B**

**PLAN OF FINANCE  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)**

	2018 Revenue Bonds		Total
	Series 2018A Non-AMT	Series 2018B AMT	
<b>Sources of Funds</b>			
Par Amount of Bonds	\$ 14,285,000	\$ 7,680,000	\$ 21,965,000
Premium	<u>1,882,068</u>	<u>948,448</u>	<u>2,830,515</u>
<b>Total Sources of Funds</b>	<b>\$ 16,167,068</b>	<b>\$ 8,628,448</b>	<b>\$ 24,795,515</b>
<b>Uses of Funds</b>			
Project Fund Deposit	\$ 15,000,000	\$ 8,000,000	\$ 23,000,000
Debt Service Reserve Fund Deposit	932,606	501,394	1,434,000
Cost of Issuance	152,532	82,468	235,000
Underwriter's Discount	76,635	40,777	117,413
Additional Proceeds (Rounding)	<u>5,294</u>	<u>3,809</u>	<u>9,103</u>
<b>Total Uses of Funds</b>	<b>\$ 16,167,068</b>	<b>\$ 8,628,448</b>	<b>\$ 24,795,515</b>

Source: Albany County Airport Authority; RBC Capital Markets.

EXHIBIT C

ESTIMATED DEBT SERVICE  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)

	Actual		Projected	Budget	Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
<b>Existing Airport Revenue Bonds (a)</b>								
1999 EFC Revenue Bonds (b)	\$ 440,452	\$ 442,120	\$ 447,204	\$ 712,764	\$ -	\$ -	\$ -	\$ -
2003A Revenue Bonds	469,482	118,080	-	-	-	-	-	-
2006AB Revenue Bonds	1,105,907	275,865	-	-	-	-	-	-
2006C Revenue Bonds	404,033	99,867	-	-	-	-	-	-
2010A Refunding Bonds	10,624,556	10,625,291	10,626,139	8,172,601	8,170,213	8,154,621	8,154,724	8,149,757
2017A Refunding Bonds	-	583,089	757,375	430,225	921,625	1,187,375	1,188,375	1,192,125
2017B Refunding Bonds	-	913,764	1,203,925	1,130,125	648,525	400,025	397,775	400,025
<b>Subtotal Existing Airport Revenue Bonds</b>	<b>\$ 13,044,430</b>	<b>\$ 13,058,076</b>	<b>\$ 13,034,643</b>	<b>\$ 10,445,716</b>	<b>\$ 9,740,363</b>	<b>\$ 9,742,021</b>	<b>\$ 9,740,874</b>	<b>\$ 9,741,907</b>
<b>2018 Airport Revenue Bonds</b>								
2018A Revenue Bonds	\$ -	\$ -	\$ -	\$ 745,994	\$ 714,250	\$ 714,250	\$ 714,250	\$ 714,250
2018B Revenue Bonds	-	-	-	686,067	719,750	717,250	719,000	719,750
<b>Subtotal 2018 Airport Revenue Bonds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,432,061</b>	<b>\$ 1,434,000</b>	<b>\$ 1,431,500</b>	<b>\$ 1,433,250</b>	<b>\$ 1,434,000</b>
<b>Total Airport Revenue Bonds</b>	<b>\$ 13,044,430</b>	<b>\$ 13,058,076</b>	<b>\$ 13,034,643</b>	<b>\$ 11,877,777</b>	<b>\$ 11,174,363</b>	<b>\$ 11,173,521</b>	<b>\$ 11,174,124</b>	<b>\$ 11,175,907</b>
Less: PFCs Applied to Debt Service - 2010A Revenue Bonds (c)	(3,608,210)	(3,610,256)	(2,834,913)	(4,516,141)	(4,516,019)	(4,514,826)	(4,517,058)	(4,517,853)
Less: LIBOR Settlement (d)	-	-	(1,496,000)	-	-	-	-	-
<b>Total Airport Revenue Bonds Less PFCs</b>	<b>\$ 9,436,220</b>	<b>\$ 9,447,820</b>	<b>\$ 8,703,730</b>	<b>\$ 7,361,636</b>	<b>\$ 6,658,345</b>	<b>\$ 6,658,695</b>	<b>\$ 6,657,066</b>	<b>\$ 6,658,054</b>
<b>Allocations to Cost Centers</b>								
Airfield	\$ 1,218,210	\$ 1,215,230	\$ 1,173,112	\$ 1,274,592	\$ 560,908	\$ 619,477	\$ 619,277	\$ 619,048
FBO	273,301	268,955	273,028	196,776	198,012	243,422	244,225	243,298
ARFF	43,098	43,027	42,226	12,248	11,532	18,578	18,371	19,060
Terminal	2,392,291	2,389,722	2,147,469	1,872,701	1,867,947	1,889,875	1,886,466	1,883,428
Loading Bridges	65,955	65,924	62,076	58,496	58,384	58,254	58,161	58,045
Landside	5,443,364	5,464,961	5,005,820	3,946,823	3,961,561	3,829,089	3,830,566	3,835,175
<b>Total Allocations to Cost Centers</b>	<b>\$ 9,436,220</b>	<b>\$ 9,447,820</b>	<b>\$ 8,703,730</b>	<b>\$ 7,361,636</b>	<b>\$ 6,658,345</b>	<b>\$ 6,658,695</b>	<b>\$ 6,657,066</b>	<b>\$ 6,658,054</b>

(a) Airport Revenue Bonds related Debt Service includes amortization of bond issuance costs and excludes the Refunded Bonds (2003A and 2006ABC) beginning in FY 2017.

(b) 1999 EFC Revenue Bonds are reported Net of Interest Subsidy.

(c) The Authority irrevocably commits \$2.5 million annually in PFCs to be applied to Debt Service on the 2010A Revenue Bonds throughout the forecast period, but it is the Authority's intention to utilize up to \$5.0 million annually (including the \$2.5 million irrevocably committed) to pay for eligible debt service at its discretion.

(d) The Authority received a portion of a Class Action Law Suit led by the Attorney Generals of 45 states against its former Interest Rate Swap Agreement Counter Party Bank for manipulation of the London Interbank Offered Rate (LIBOR) index used to determine payments paid by the Authority to the Bank Counter Party from 2008 through 2010. The Authority has applied the proceeds from the settlement as a refund of debt service.

Source: Albany County Airport Authority; RBC Capital Markets

EXHIBIT D

PASSENGER FACILITY CHARGE (PFC) REVENUES  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		Projected		Budget		Forecast		
	2016	2017	2018	2019	2020	2021	2022	2023	
<b>PFC Collections (a),(b)</b>									
Enplaned Passengers	1,407,434	1,417,835	1,450,000	1,500,000	1,515,000	1,530,150	1,545,452	1,560,906	
Multiplied by: Percent of PFC Eligible Passengers	86.7%	85.8%	85.8%	85.8%	85.8%	85.8%	85.8%	85.8%	
PFC Eligible Enplaned Passengers	1,220,111	1,216,110	1,244,100	1,287,000	1,299,870	1,312,869	1,325,997	1,339,257	
PFC per Passenger Fee	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	
Less: PFC Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	
Net PFC per Passenger Fee	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	
<b>Total PFC Collections</b>	\$ 5,356,287	\$ 5,338,722	\$ 5,461,599	\$ 5,649,930	\$ 5,706,429	\$ 5,763,494	\$ 5,821,129	\$ 5,879,340	
PFCs Applied to Debt Service - 2010A Revenue Bonds (b),(c)	(3,608,210)	(3,610,256)	(2,834,913)	(4,516,141)	(4,516,019)	(4,514,826)	(4,517,058)	(4,517,853)	
<b>PFC Passenger Fees Net of Debt Service</b>	\$ 1,748,077	\$ 1,728,466	\$ 2,626,686	\$ 1,133,789	\$ 1,190,411	\$ 1,248,667	\$ 1,304,071	\$ 1,361,487	

- (a) In 1997, the FAA approved the Authority's application to impose a passenger facility charge (PFC) at a \$3.00 level and use PFC revenues to pay the PFC-eligible portion of Debt Service on the Series 1997 Bonds over the life of the Bonds. The Series 1997 Bonds were refunded by the Series 2008A Bonds, which were in turn refunded by the Series 2010A Bonds. The Authority has applied PFC revenues to pay Debt Service on the Series 1997 Bonds, the Series 2008A Bonds, and the Series 2010A Bonds consistent with this FAA-approved plan.
- (b) As part of the PFC approval process, the FAA assigns a Legal Expiration Date for an airport's PFC program, which is based on total PFC approvals and traffic projections at the time of approval. The Airport's Legal Expiration Date is February 1, 2020. It is the Authority's intention to both amend current approved applications and apply for approval of a new PFC application, PFC 4. For purposes of this Report, it's assumed that the amendment and new application will be approved. Furthermore, upon the unlikely event that neither the amendment nor the new PFC application are approved, the Airport will have sufficient PFC funds on deposit to pay PFC eligible debt service throughout the forecast period.
- (c) The Authority irrevocably commits \$2.5 million annually in PFCs to be applied to Debt Service on the 2010A Revenue Bonds throughout the forecast period, but it is the Authority's intention to utilize up to \$5.0 million annually (including the \$2.5 million irrevocably committed) to pay for eligible debt service at its discretion.

Source: Albany County Airport Authority; LeighFisher for forecast years.

**EXHIBIT E**

**OPERATION AND MAINTENANCE EXPENSES  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)**

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual	Projected	Budget	Forecast				
	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operation and Maintenance Expenses by Category</b>								
Personnel Services	\$ 9,913,294	\$ 10,187,247	\$ 10,526,031	\$ 11,265,623	\$ 11,547,263	\$ 11,835,945	\$ 12,131,843	\$ 12,435,139
Employee Benefits	4,243,655	4,872,943	5,170,690	5,616,998	5,757,423	5,901,359	6,048,893	6,200,115
Utilities & Communications	2,112,132	2,004,108	2,289,096	2,280,923	2,337,946	2,396,394	2,456,304	2,517,712
Purchased Services	5,621,321	5,891,495	6,212,768	6,609,500	6,774,738	6,944,106	7,117,709	7,295,651
Materials & Supplies	8,171,160	9,020,200	10,385,902	9,982,515	10,232,078	10,487,880	10,750,077	11,018,829
Office	386,511	334,758	324,274	477,205	489,136	501,364	513,898	526,746
Administration	844,605	882,774	911,363	902,770	925,339	948,473	972,185	996,489
Noncapital Equipment & Facilities	228,555	180,164	243,939	237,254	241,543	245,939	250,445	255,064
<b>Total Operation and Maintenance Expenses by Category</b>	<b>\$ 31,521,233</b>	<b>\$ 33,373,689</b>	<b>\$ 36,064,063</b>	<b>\$ 37,372,789</b>	<b>\$ 38,305,466</b>	<b>\$ 39,261,460</b>	<b>\$ 40,241,354</b>	<b>\$ 41,245,746</b>
Growth Rate	0.2%	5.9%	8.1%	3.6%	2.5%	2.5%	2.5%	2.5%
<b>Reconciliation to GAAP</b>								
Airline Incentive Credits	\$ 539,720	\$ 67,041						
GASB Adjustments	52,657	(45,717)						
Other	3	(1)						
<b>Total GAAP Expenses</b>	<b>\$ 32,113,613</b>	<b>\$ 33,395,012</b>						
<b>Operation and Maintenance Expenses by Cost Center</b>								
Airfield	\$ 5,082,601	\$ 5,639,202	\$ 6,203,973	\$ 6,276,855	\$ 6,428,314	\$ 6,583,611	\$ 6,742,839	\$ 6,906,095
Terminal	9,623,627	9,335,188	10,056,104	10,505,055	10,756,539	11,014,399	11,278,790	11,549,873
Loading Bridges	501,540	545,561	593,672	581,211	595,236	609,616	624,360	639,476
Landside	2,803,585	3,386,718	3,268,281	3,449,800	3,533,043	3,618,396	3,705,908	3,795,635
Parking	5,713,205	6,130,804	6,316,403	6,967,068	7,135,182	7,307,556	7,484,293	7,665,501
FBO Commercial	2,679,669	2,986,617	3,520,247	3,299,877	3,383,460	3,469,475	3,557,932	3,648,851
FBO GA & Facilities	5,117,005	5,349,600	6,105,382	6,292,923	6,473,691	6,658,408	6,847,232	7,040,314
<b>Total Operation and Maintenance Expenses by Cost Center</b>	<b>\$ 31,521,233</b>	<b>\$ 33,373,689</b>	<b>\$ 36,064,063</b>	<b>\$ 37,372,789</b>	<b>\$ 38,305,466</b>	<b>\$ 39,261,460</b>	<b>\$ 40,241,354</b>	<b>\$ 41,245,746</b>
Growth Rate	0.2%	5.9%	8.1%	3.6%	2.5%	2.5%	2.5%	2.5%

Source: Albany County Airport Authority; LeighFisher for forecast years.

EXHIBIT F

REVENUES  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual 2016	2017	Projected 2018	Budget 2019	Forecast 2020	2021	2022	2023
<b>Revenues</b>								
<b>Operating Revenues</b>								
<b>Airfield Revenues</b>								
Airline Landing Fees	\$ 4,344,014	\$ 4,924,165	\$ 4,865,864	\$ 5,469,891	\$ 5,107,214	\$ 5,352,654	\$ 5,537,224	\$ 5,741,431
Airline Airfield Revenue Sharing	(505,250)	(487,969)	(504,436)	(643,687)	(617,972)	(609,594)	(592,208)	(575,751)
Cargo Landing Fees	480,561	533,784	531,125	596,950	556,888	582,935	602,430	623,996
Glycol Disposal Fee	288,655	357,662	521,352	360,059	360,059	360,059	360,059	360,059
Airline Apron Fee	571,813	649,858	676,989	734,496	682,545	712,127	736,467	761,451
Other Airfield	702,481	700,589	713,820	700,776	700,776	700,776	700,776	700,776
<b>Subtotal Airfield Revenues</b>	<b>\$ 5,882,274</b>	<b>\$ 6,678,088</b>	<b>\$ 6,804,713</b>	<b>\$ 7,218,486</b>	<b>\$ 6,789,510</b>	<b>\$ 7,098,957</b>	<b>\$ 7,344,748</b>	<b>\$ 7,611,961</b>
<b>FBO</b>								
Fuel Sales	\$ 6,512,750	\$ 6,610,789	\$ 7,433,918	\$ 7,725,099	\$ 7,733,363	\$ 7,741,834	\$ 7,750,517	\$ 7,759,417
General Aviation Fees	489,247	422,274	484,633	499,172	504,163	509,205	514,297	519,440
Deicing	892,692	1,129,359	1,887,404	1,170,790	1,170,790	1,170,790	1,170,790	1,170,790
Other General Aviation	405,531	410,037	441,340	452,628	463,156	473,940	484,985	496,298
<b>Subtotal FBO</b>	<b>\$ 8,300,220</b>	<b>\$ 8,572,459</b>	<b>\$ 10,247,295</b>	<b>\$ 9,847,689</b>	<b>\$ 9,871,473</b>	<b>\$ 9,895,769</b>	<b>\$ 9,920,589</b>	<b>\$ 9,945,945</b>
<b>Terminal</b>								
Airline Space Rental	\$ 5,492,854	\$ 5,565,552	\$ 5,648,859	\$ 5,751,592	\$ 5,824,298	\$ 5,959,123	\$ 6,087,595	\$ 6,219,597
Airline Terminal Revenue Sharing	(2,020,999)	(1,951,878)	(2,017,744)	(2,574,746)	(2,471,889)	(2,438,377)	(2,368,832)	(2,303,003)
TSA Space Rental	432,731	448,828	448,828	448,828	448,828	448,828	448,828	448,828
Nonairline Space Rental	247,313	257,019	281,789	287,766	291,290	296,219	300,856	305,591
Loading Bridge Rentals	565,362	614,076	571,173	558,732	568,564	580,965	593,714	606,768
Other Terminal	59,979	86,182	43,454	46,000	46,600	47,218	47,855	48,510
<b>Subtotal Terminal</b>	<b>\$ 4,777,240</b>	<b>\$ 5,019,778</b>	<b>\$ 4,976,360</b>	<b>\$ 4,518,170</b>	<b>\$ 4,707,691</b>	<b>\$ 4,893,976</b>	<b>\$ 5,110,016</b>	<b>\$ 5,326,290</b>
<b>Ground Transportation</b>								
Parking	\$ 14,870,476	\$ 14,985,272	\$ 15,303,115	\$ 15,303,115	\$ 15,610,708	\$ 15,924,483	\$ 16,244,565	\$ 16,571,081
Access Fees	292,546	296,124	313,621	324,436	327,680	330,957	334,267	337,609
TNCs	-	44,244	115,183	200,000	203,000	206,045	209,136	212,273
<b>Subtotal Ground Transportation</b>	<b>\$ 15,163,022</b>	<b>\$ 15,325,640</b>	<b>\$ 15,731,919</b>	<b>\$ 15,827,551</b>	<b>\$ 16,141,388</b>	<b>\$ 16,461,485</b>	<b>\$ 16,787,967</b>	<b>\$ 17,120,963</b>

EXHIBIT F (continued)

REVENUES  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual 2016	2017	Projected 2018	Budget 2019	Forecast 2020	2021	2022	2023
<b>Concessions</b>								
Rental Cars	\$ 5,057,259	\$ 5,427,741	\$ 4,925,318	\$ 5,095,157	\$ 5,197,569	\$ 5,302,040	\$ 5,408,611	\$ 5,517,324
Food and Beverage	785,197	803,939	1,097,957	1,240,517	1,150,044	1,164,448	1,179,033	1,193,800
Retail	787,075	802,534	835,466	872,918	711,250	711,250	711,250	711,250
Advertising	332,916	380,522	300,000	300,000	300,000	300,000	300,000	300,000
Museum Shop	235,053	279,166	259,431	271,061	248,775	228,321	209,549	192,320
Other Concessions	342,932	376,478	373,727	384,213	384,955	385,705	386,462	387,227
<b>Subtotal Concessions</b>	<b>\$ 7,540,432</b>	<b>\$ 8,070,380</b>	<b>\$ 7,791,899</b>	<b>\$ 8,163,865</b>	<b>\$ 7,992,593</b>	<b>\$ 8,091,764</b>	<b>\$ 8,194,905</b>	<b>\$ 8,301,921</b>
<b>Other Airport</b>								
Land, Building, and Hangar Rental	\$ 1,761,553	\$ 1,876,452	\$ 1,961,727	\$ 1,991,999	\$ 1,991,999	\$ 1,991,999	\$ 1,991,999	\$ 1,991,999
Industrial Park	496,182	534,541	552,285	568,282	568,282	568,282	568,282	568,282
State Executive Hangar/Maintenance	1,247,083	1,247,083	1,247,083	1,247,083	1,247,083	1,247,083	1,247,083	1,247,083
Reimbursements	162,264	165,755	214,945	210,772	210,772	210,772	210,772	210,772
Other	408,398	536,964	289,649	585,907	588,980	589,329	589,682	590,038
<b>Subtotal Other Airport</b>	<b>\$ 4,075,480</b>	<b>\$ 4,360,795</b>	<b>\$ 4,265,689</b>	<b>\$ 4,604,043</b>	<b>\$ 4,607,116</b>	<b>\$ 4,607,465</b>	<b>\$ 4,607,818</b>	<b>\$ 4,608,174</b>
<b>Subtotal Operating Revenues</b>	<b>\$ 45,738,668</b>	<b>\$ 48,027,140</b>	<b>\$ 49,817,875</b>	<b>\$ 50,179,804</b>	<b>\$ 50,109,771</b>	<b>\$ 51,049,417</b>	<b>\$ 51,966,043</b>	<b>\$ 52,915,255</b>
<b>Non-Operating Revenues</b>								
Interest Earnings	\$ 12,280	\$ 10,676	\$ 255,760	\$ 875,457	\$ 892,091	\$ 909,041	\$ 926,312	\$ 943,912
Reimbursements (a)	591,172	507,100	507,100	507,100	507,100	507,100	507,100	507,100
FEMA Grant (b)	-	-	174,077	-	-	-	-	-
<b>Subtotal Non-Operating Revenues</b>	<b>\$ 603,452</b>	<b>\$ 517,776</b>	<b>\$ 936,937</b>	<b>\$ 1,382,557</b>	<b>\$ 1,399,191</b>	<b>\$ 1,416,141</b>	<b>\$ 1,433,412</b>	<b>\$ 1,451,012</b>
<b>Total Revenues</b>	<b>\$ 46,342,120</b>	<b>\$ 48,544,916</b>	<b>\$ 50,754,811</b>	<b>\$ 51,562,361</b>	<b>\$ 51,508,961</b>	<b>\$ 52,465,557</b>	<b>\$ 53,399,456</b>	<b>\$ 54,366,268</b>
Plus: Airline Airfield Revenue Sharing	505,250	487,969	504,436	643,687	617,972	609,594	592,208	575,751
Plus: Airline Terminal Revenue Sharing	2,020,999	1,951,878	2,017,744	2,574,746	2,471,889	2,438,377	2,368,832	2,303,003
<b>Total Revenues Before Net Revenue Sharing</b>	<b>\$ 48,868,369</b>	<b>\$ 50,984,764</b>	<b>\$ 53,276,991</b>	<b>\$ 54,780,794</b>	<b>\$ 54,598,823</b>	<b>\$ 55,513,529</b>	<b>\$ 56,360,496</b>	<b>\$ 57,245,021</b>

(a) Includes reimbursements for Transportation Security Administration (TSA) Law Enforcement Officers (LEO) and airline improvement charges.

(b) FEMA Grant related to cleanup from winter storm Stella in 2017.

Source: Albany County Airport Authority; LeighFisher for forecast years.

**EXHIBIT G**

**AIRLINE REVENUES AND COST PER ENPLANED PASSENGER  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)**

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		Projected		Budget		Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023		
<b>Airport Operations</b>										
Airline Landing Fees	\$ 4,344,014	\$ 4,924,165	\$ 4,865,864	\$ 5,469,891	\$ 5,107,214	\$ 5,352,654	\$ 5,537,224	\$ 5,741,431		
Airline Space Rental	5,492,854	5,565,552	5,648,859	5,751,592	5,824,298	5,959,123	6,087,595	6,219,597		
Loading Bridge Rentals	565,362	614,076	571,173	558,732	568,564	580,965	593,714	606,768		
Airline Apron Fee	571,813	649,858	676,989	734,496	682,545	712,127	736,467	761,451		
Airline Share of Revenue Sharing - Airfield	(505,250)	(487,969)	(504,436)	(643,687)	(617,972)	(609,594)	(592,208)	(575,751)		
Airline Share of Revenue Sharing - Terminal	<u>(2,020,999)</u>	<u>(1,951,878)</u>	<u>(2,017,744)</u>	<u>(2,574,746)</u>	<u>(2,471,889)</u>	<u>(2,438,377)</u>	<u>(2,368,832)</u>	<u>(2,303,003)</u>		
<b>Total Airport Operations</b>	\$ 8,447,794	\$ 9,313,803	\$ 9,240,705	\$ 9,296,277	\$ 9,092,761	\$ 9,556,898	\$ 9,993,961	\$ 10,450,492		
<b>Enplanements</b>	1,407,434	1,417,835	1,450,000	1,500,000	1,515,000	1,530,150	1,545,452	1,560,906		
<b>Cost per Enplanement</b>	\$ 6.00	\$ 6.57	\$ 6.37	\$ 6.20	\$ 6.00	\$ 6.25	\$ 6.47	\$ 6.70		

Source: Albany County Airport Authority; LeighFisher for forecast years.

EXHIBIT H

FORECAST APPLICATION OF REVENUES AND NET REVENUE SHARING  
 ALBANY COUNTY AIRPORT AUTHORITY  
 ALBANY INTERNATIONAL AIRPORT  
 (for the 12 months ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Forecast 2018	2019	2020	2021	2022	2023
<b>Application of Revenues</b>						
Revenues Before Net Revenue Sharing	\$ 53,276,991	\$ 54,780,794	\$ 54,598,823	\$ 55,513,529	\$ 56,360,496	\$ 57,245,021
Application of Revenues						
Operating Expenses	\$ 36,064,063	\$ 37,372,789	\$ 38,305,466	\$ 39,261,460	\$ 40,241,354	\$ 41,245,746
Debt Service	\$ 13,034,643	\$ 11,877,777	\$ 11,174,363	\$ 11,173,521	\$ 11,174,124	\$ 11,175,907
Less: Applicable Approved PFC Revenues	<u>(2,834,913)</u>	<u>(4,516,141)</u>	<u>(4,516,019)</u>	<u>(4,514,826)</u>	<u>(4,517,058)</u>	<u>(4,517,853)</u>
Total Debt Service	10,199,730	7,361,636	6,658,345	6,658,695	6,657,066	6,658,054
Other Claims, Charges, Obligations Payable From Net Revenues						
Deposits to Operation and Maintenance Reserve Fund	\$ 200,381	\$ 320,399	\$ 155,446	\$ 159,332	\$ 163,316	\$ 167,399
Deposits to Bond Reserve Fund	-	-	-	-	-	-
Deposits to the Renewal and Replacement Fund	-	-	-	-	-	-
Capital Expenditures	<u>3,264,457</u>	<u>3,289,104</u>	<u>3,299,843</u>	<u>3,338,098</u>	<u>3,376,679</u>	<u>3,416,316</u>
Total Other Claims, Charges, Obligations Payable From Net Revenues	\$ 3,464,838	\$ 3,609,503	\$ 3,455,289	\$ 3,497,430	\$ 3,539,995	\$ 3,583,714
Remaining Funds for Net Revenue Sharing	\$ 3,548,360	\$ 6,436,866	\$ 6,179,723	\$ 6,095,944	\$ 5,922,081	\$ 5,757,507
<b>Total Application of Revenues</b>	\$ 53,276,991	\$ 54,780,794	\$ 54,598,823	\$ 55,513,529	\$ 56,360,496	\$ 57,245,021
<b>Net Revenue Sharing</b>						
Remaining Funds for Net Revenue Sharing	\$ 3,548,360	\$ 6,436,866	\$ 6,179,723	\$ 6,095,944	\$ 5,922,081	\$ 5,757,507
Airline Share - 50%	\$ 1,774,180	\$ 3,218,433	\$ 3,089,861	\$ 3,047,972	\$ 2,961,040	\$ 2,878,753
Applied to Terminal	1,419,344	2,574,746	2,471,889	2,438,377	2,368,832	2,303,003
Applied to Airfield	354,836	643,687	617,972	609,594	592,208	575,751
Authority Share - 50%	\$ 1,774,180	\$ 3,218,433	\$ 3,089,861	\$ 3,047,972	\$ 2,961,040	\$ 2,878,753
Less: Cost of Air Service Incentive Programs	<u>(166,667)</u>	<u>(1,000,000)</u>	<u>(500,000)</u>	-	-	-
Deposit to Development Fund	\$ 1,607,513	\$ 2,218,433	\$ 2,589,861	\$ 3,047,972	\$ 2,961,040	\$ 2,878,753

Source: Albany County Airport Authority; LeighFisher.

EXHIBIT I

FORECAST NET REVENUES AND DEBT SERVICE COVERAGE  
ALBANY COUNTY AIRPORT AUTHORITY  
ALBANY INTERNATIONAL AIRPORT  
(for the 12 months ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Forecast					
	2018	2019	2020	2021	2022	2023
<b>Net Revenues</b>						
Revenues	\$ 50,754,811	\$ 51,562,361	\$ 51,508,961	\$ 52,465,557	\$ 53,399,456	\$ 54,366,268
Less: Operation and Maintenance Expenses	(36,064,063)	(37,372,789)	(38,305,466)	(39,261,460)	(40,241,354)	(41,245,746)
Less: Cost of Air Service Incentive Programs	(166,667)	(1,000,000)	(500,000)	-	-	-
Net Revenues	\$ 14,524,082	\$ 13,189,572	\$ 12,703,495	\$ 13,204,097	\$ 13,158,101	\$ 13,120,522
<b>Outstanding Airport Revenue Bonds</b>						
1999 EFC Revenue Bonds, Net of Interest Subsidy	\$ 447,204	\$ 712,764	\$ -	\$ -	\$ -	\$ -
2010A Refunding Bonds	10,557,831	8,112,581	8,116,231	8,106,981	8,113,731	8,115,731
2017A Refunding Bonds	757,375	430,225	921,625	1,187,375	1,188,375	1,192,125
2017B Refunding Bonds	1,203,925	1,130,125	648,525	400,025	397,775	400,025
<b>Subtotal Outstanding Airport Revenue Bonds</b>	\$ 12,966,335	\$ 10,385,696	\$ 9,686,381	\$ 9,694,381	\$ 9,699,881	\$ 9,707,881
<b>2018 Airport Revenue Bonds</b>						
2018A Revenue Bonds	\$ -	\$ 745,994	\$ 714,250	\$ 714,250	\$ 714,250	\$ 714,250
2018B Revenue Bonds	-	686,067	719,750	717,250	719,000	719,750
<b>Total 2018 Airport Revenue Bonds</b>	\$ -	\$ 1,432,061	\$ 1,434,000	\$ 1,431,500	\$ 1,433,250	\$ 1,434,000
<b>Total Airport Revenue Bonds</b>	\$ 12,966,335	\$ 11,817,757	\$ 11,120,381	\$ 11,125,881	\$ 11,133,131	\$ 11,141,881
Less: PFCs Applied to Debt Service - 2010A Revenue Bonds (a)	(2,834,913)	(4,516,141)	(4,516,019)	(4,514,826)	(4,517,058)	(4,517,853)
<b>Total Debt Service on Airport Revenue Bonds Less PFCs</b>	\$ 10,131,422	\$ 7,301,616	\$ 6,604,363	\$ 6,611,055	\$ 6,616,073	\$ 6,624,028
<b>Net Revenue Coverage on Bonds Issued Under The Master Resolution (must be &gt; 1.25)</b>						
	<b>1.43</b>	<b>1.81</b>	<b>1.92</b>	<b>2.00</b>	<b>1.99</b>	<b>1.98</b>
<b>Claims, Charges, Obligations Payable from Net Revenues</b>						
Deposits to the Operation and Maintenance Expense Reserve	\$ 200,381	\$ 320,399	\$ 155,446	\$ 159,332	\$ 163,316	\$ 167,399
Debt Service on Airport Revenue Bonds	10,131,422	7,301,616	6,604,363	6,611,055	6,616,073	6,624,028
<b>Total Claims, Charges, Obligations Payable from Net Revenues</b>	\$ 10,331,803	\$ 7,622,014	\$ 6,759,809	\$ 6,770,387	\$ 6,779,389	\$ 6,791,427
<b>Net Revenue Coverage on Bonds and and Other Indebtedness (must be &gt; 1.0)</b>						
	<b>1.41</b>	<b>1.73</b>	<b>1.88</b>	<b>1.95</b>	<b>1.94</b>	<b>1.93</b>

(a) The Authority irrevocably commits \$2.5 million annually in PFCs to be applied to Debt Service on the 2010A Revenue Bonds throughout the forecast period, but it is the Authority's intention to utilize up to \$5.0 million annually (including the \$2.5 million irrevocably committed) to pay for eligible debt service at its discretion.

Source: Albany County Airport Authority; LeighFisher.

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