

**NEW ISSUE-Book-Entry Only**

**Ratings: See "RATINGS" herein.**

*Assuming compliance with certain covenants and subject to the qualifications described in "TAX MATTERS," in the opinion of Bond Counsel, under existing law, regulations, rulings and judicial decisions, (i) interest on the Series 2021A Bonds will be excludable from gross income of the holders thereof for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax, (ii) interest on the Series 2021B Bonds will not be excludable from gross income of the holders thereof for federal tax purposes, and (iii) interest on the Series 2021 Bonds will not be subject to income taxation by the Commonwealth of Virginia or any political subdivision thereof. Receipt of such interest may be subject to other tax consequences as described in "TAX MATTERS."*



**CAPITAL REGION AIRPORT COMMISSION**

**\$13,615,000**

**Airport Revenue Refunding Bonds  
Series 2021A (Non-AMT)**

**\$545,000**

**Airport Revenue Refunding Bonds  
Series 2021B (Taxable)**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The Airport Revenue Refunding Bonds, Series 2021A (Non-AMT) (the "Series 2021A Bonds") and Airport Revenue Refunding Bonds, Series 2021B (Taxable) (the "Series 2021B Bonds") (collectively, the "Series 2021 Bonds") of the Capital Region Airport Commission (the "Commission") will be issued under and secured by an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984 (the "Resolution"), as amended and supplemented from time to time, including by a Fourteenth Supplemental Bond Resolution adopted by the Commission on April 27, 2021 (the "Fourteenth Supplemental Resolution" and, together with the Resolution, the "Bond Resolution"). The Commission will use the net proceeds of the Series 2021 Bonds to (a) refund a portion of the Commission's Airport Revenue Refunding Bonds, Series 2016A, and a portion of the Commission's Airport Revenue Refunding Bonds, Series 2013A, (b) fund a debt service reserve subaccount for the Series 2021 Bonds, and (c) pay certain costs of issuance of the Series 2021 Bonds. See "PLAN OF FINANCE."

The Series 2021 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds may be purchased in denominations of \$5,000 and any integral multiple thereof. Purchases of Series 2021 Bonds may be made only in book-entry form through Direct or Indirect Participants (as defined herein) and no physical delivery of the Series 2021 Bonds will be made to the Beneficial Owners (as defined herein).

Interest on the Series 2021 Bonds will be payable on January 1 and July 1 of each year, commencing on January 1, 2022. So long as the Series 2021 Bonds are held by DTC, payments of principal, premium, if any, and interest will be made by the Commission to The Bank of New York Mellon Trust Company, N.A. \* as trustee (the "Trustee"), which will transfer such payments to DTC. The disbursement of such payments to Direct and Indirect Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Series 2021 Bonds is the responsibility of Participants and Indirect Participants. See "THE SERIES 2021 BONDS – Book-Entry-Only System." The Series 2021 Bonds will be subject to redemption prior to maturity to the extent described herein. See "THE SERIES 2021 BONDS – Redemption Prior to Maturity."

Pursuant to the Bond Resolution, the Commission has irrevocably pledged the Net Revenues (as defined herein) of the Airport (as defined herein), and certain funds created under the Bond Resolution to the payment of the Series 2021 Bonds including a separate subaccount for each Series of the Series 2021 Bonds in the Debt Service Reserve Account (as defined herein). The Net Revenues do not include passenger facility charges collected in respect of the Airport, customer facility charges collected in respect of the Airport's rental car facilities, revenues from grant agreements, or contributions received from any of the Commission's member jurisdictions. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Source of Payment."

**By purchasing Series 2021 Bonds, a beneficial owner shall be deemed to have consented to amendments to the Bond Resolution to (i) provide that grants received from the federal government as stimulus, relief or recovery funds which, by the terms of the grant, may be used by the Commission to pay debt service, shall not be excluded from Net Revenues in calculating debt service coverage ratios, and (ii) broaden permitted investments for moneys held in Funds and Accounts under the Bond Resolution to include any investments permitted by the Investment of Public Funds Act (Title 2.2, Chapter 45 of the Code of Virginia of 1950, as amended). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Springing Amendments."**

THE SERIES 2021 BONDS AND THE BOND RESOLUTION SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA (THE "COMMONWEALTH") OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE COMMISSION, INCLUDING THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COMMISSION, THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS AND FUNDS AND ACCOUNTS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS OR, OTHER COSTS INCIDENT THERETO. THE COMMISSION HAS NO TAXING POWER.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by Assured Guaranty Municipal Corp. In addition, a portion of the Debt Service Reserve Requirement with respect to the Series 2021 Bonds is being funded with a municipal bond debt service reserve insurance policy provided by Assured Guaranty Municipal Corp. See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Debt Service Reserve Account."



**An investment in the Series 2021 Bonds involves certain risks. Prospective buyers are advised to read this entire Official Statement prior to making an investment in the Series 2021 Bonds. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS."**

*The Series 2021 Bonds are offered when, as and if issued by the Commission and received by the Underwriter, subject to the approval of validity by Butler Snow LLP, Richmond, Virginia, Bond Counsel to the Commission. Certain other legal matters will be passed upon for the Commission by Butler Snow LLP, Richmond, Virginia, and for the Underwriter by its counsel, Haneberg Hurlbert PLC. It is expected that the Series 2021 Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about August 11, 2021.*

**RAYMOND JAMES®**

Dated: July 29, 2021

\* The Preliminary Official Statement dated July 21, 2021 identified The Bank of New York Mellon as trustee. On the issuance date of the Series 2021 Bonds, The Bank of New York Mellon, a New York banking corporation, will resign as trustee and the Commission will appoint The Bank of New York Mellon Trust Company, N.A., as successor trustee. The Bank of New York Mellon Trust Company, N.A. is an affiliate of The Bank of New York Mellon. Such change is being made for corporate organizational reasons.

**MATURITIES, INTEREST RATES, YIELDS AND PRICES**

**\$13,615,000**

**Capital Region Airport Commission  
Airport Revenue Refunding Bonds, Series 2021A (Non-AMT)**

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
2027	\$1,725,000	4.00%	0.610%	119.579	140442 FX7
2028	1,790,000	4.00	0.750	121.779	140442 FY5
2029	1,870,000	4.00	0.880	123.727	140442 FZ2
2030	1,940,000	4.00	1.030	125.164	140442 GA6
2031	2,015,000	4.00	1.100	127.101	140442 GB4
2032	2,095,000	4.00	1.200*	126.034	140442 GC2
2033	2,180,000	4.00	1.270*	125.293	140442 GD0

**\$545,000**

**Capital Region Airport Commission  
Airport Revenue Refunding Bonds, Series 2021B (Taxable)**

\$285,000 1.625% Term Bond Maturing July 1, 2028, Yield 1.625%, Price 100% - CUSIP 140442 GE8<sup>†</sup>

\$260,000 2.250% Term Bond Maturing July 1, 2033, Yield 2.250%, Price 100% - CUSIP 140442 GF5<sup>†</sup>

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\* Calculated to the first optional redemption date of July 1, 2031.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Commission or the Underwriter and are included solely for the convenience of the holders of the Series 2021 Bonds. Neither the Commission nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2021 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2021 Bonds.

# CAPITAL REGION AIRPORT COMMISSION

One Richard E. Byrd Terminal Drive  
Richmond International Airport, Virginia 23250

## Participating Political Subdivisions

City of Richmond	County of Hanover
County of Chesterfield	County of Henrico

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## Commissioners

Leslie Haley	Patricia S. O'Bannon
Wayne T. Hazzard	Aubrey M. Stanley
Harvey L. Hinson	Frank J. Thornton
James M. Holland	Reva M. Trammell
Charles S. Macfarlane	C. James Williams III
Tyrone E. Nelson	Christopher M. Winslow
Robert F. Norfleet, Jr.	

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## Airport Administration

Perry J. Miller, A.A.E., I.A.P.	President and CEO
John B. Rutledge, P.E.	Chief Operating Officer
Troy M. Bell	Director of Marketing and Air Service Development
Steven C. Owen	Director of Finance
Russell L. Peaden	Director of Real Estate and Facilities
Uday Nethula	Human Capital and Diversity Officer

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## Professional Services

Bond Counsel  
Butler Snow LLP  
Richmond, Virginia

Financial Advisor  
Davenport & Company LLC  
Richmond, Virginia

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement is being used in connection with the initial offering and sale of the Series 2021 Bonds and may not be reproduced or be used, whether in whole or in part, for any other purpose. Certain information contained in, or incorporated by reference in, this Official Statement has been derived from information provided by the Commission and other sources that are believed to be reliable. No guaranty is made, however, as to the accuracy or completeness of information obtained from such other sources by the Commission or the Underwriter of the Series 2021 Bonds as shown on the cover page of this Official Statement (the “Underwriter”). The delivery of this Official Statement does not imply that the information in it is correct as of any time subsequent to its date.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No broker, dealer salesperson, or other person has been authorized by the Commission to give any information or to make any representations in connection with the offering of the Series 2021 Bonds other than those contained in this Official Statement and the Appendices hereto, and, if given or made, such information or representation must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2021 Bonds.

This Official Statement contains disclosures which contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by use of words like “believe,” “intend,” “expect,” “project,” “forecast,” “estimate,” “anticipate,” “plan,” “continue,” or similar expressions or by the use of future or conditional verbs such as “may,” “will,” “should,” “would,” or “could.” These forward-looking statements are based on the current plans and expectations of the Commission and are subject to a number of known and unknown uncertainties and risks, many of which are beyond their control and/or difficult or impossible to predict, that could significantly affect current plans and expectations and the Commission’s future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which benefit the Commission. As a consequence, current plans, anticipated actions and projected or future financial positions and liquidity may differ materially from those expressed in (or implied by) any forward-looking statements made by the Commission in this Official Statement based on a number of factors, including, among others, the amount of Net Revenues, cost reduction, capital markets condition, future long-term and short-term borrowings, the financial condition of the Commission, potential legislative or other actions, pandemics, including but not limited to COVID-19, epidemics and natural disasters and other risks and uncertainties discussed under the captions “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION” and “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN REVIEW OF THE TERMS OF THE SERIES 2021 BONDS, THE OFFERING THEREOF AND THE SECURITY THEREFOR, INCLUDING BUT NOT LIMITED TO THE COLLECTION OF NET REVENUES AS THE PRINCIPAL SOURCE OF PAYMENT OF THE SERIES 2021 BONDS, AND THE MERITS AND RISKS INVOLVED IN A DECISION TO PURCHASE SERIES 2021 BONDS. THE SERIES 2021 BONDS HAVE NOT BEEN APPROVED, DISAPPROVED OR RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHER, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Series 2021 Bonds are exempt from registration under the Securities Act of 1933, as amended, and are also exempt from registration under the securities laws of the Commonwealth of Virginia.

Any references to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12, as amended.

THE PRICES AT WHICH THE SERIES 2021 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES AND YIELDS APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. FURTHERMORE, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and APPENDIX G – "Specimen Municipal Bond Insurance Policy."

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**OFFICIAL STATEMENT**  
**CAPITAL REGION AIRPORT COMMISSION**

Relating to the Issuance of

**\$13,615,000**  
**Airport Revenue**  
**Refunding Bonds**  
**Series 2021A (Non-AMT)**

**\$545,000**  
**Airport Revenue**  
**Refunding Bonds**  
**Series 2021B (Taxable)**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover and the appendices, furnishes information concerning the Capital Region Airport Commission (the “Commission”), the Richmond International Airport (the “Airport”) and the Commission’s \$13,615,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT) (the “Series 2021A Bonds”), and \$545,000 Airport Revenue Refunding Bonds, Series 2021B Bonds (Taxable) (the “Series 2021B Bonds” and together with the Series 2021A Bonds, the “Series 2021 Bonds”), together with information concerning the security for the Series 2021 Bonds and certain and investment considerations with respect to the purchase thereof.

Unless otherwise defined, capitalized terms used in this Official Statement have the meanings set forth in APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution.”

**The Series 2021 Bonds**

The Commission will issue the Series 2021 Bonds under an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984 (the “Resolution”) as amended and supplemented from time to time, including a Fourteenth Supplemental Bond Resolution adopted by the Commission on April 27, 2021 (the “Fourteenth Supplemental Resolution,” and together with the Resolution as previously supplemented and amended, the “Bond Resolution”) under which The Bank of New York Mellon has heretofore served as successor trustee. On the issuance date of the Series 2021 Bonds, The Bank of New York Mellon, a New York banking corporation, will resign as trustee and the Commission will appoint The Bank of New York Mellon Trust Company, N.A., a national banking association, as successor trustee (the “Trustee”). The Bank of New York Mellon Trust Company, N.A. is an affiliate of The Bank of New York Mellon. Such change is being made at the request of The Bank of New York Mellon for corporate organizational reasons.

The Series 2021 Bonds are limited obligations of the Commission, which is authorized to issue revenue bonds under Chapter 537 of the Acts of the Virginia General Assembly of 1975, as amended and continued by Chapter 380 of the Acts of the Virginia General Assembly of 1980 (as subsequently amended from time to time, the “Enabling Act”), and are payable solely from certain revenues of the Commission. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.”

The Series 2021 Bonds will bear interest from their dated date at the interest rates and will mature on the dates set forth on the inside front cover page hereof. Interest on the Series 2021 Bonds will be initially payable on January 1, 2022 and semi-annually on each January 1 and July 1 thereafter and will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2021 Bonds will be issued only in book-entry form. See “THE SERIES 2021 BONDS.”

**Purpose of the Issue**

The Commission will use the net proceeds of the Series 2021 Bonds to (a) refund a portion of the Commission’s Airport Revenue Refunding Bonds, Series 2016A (the “Series 2016A Bonds”), and a portion of the Commission’s Airport Revenue Refunding Bonds, Series 2013A (the “Series 2013A Bonds”), (b) fund a debt service reserve subaccount for the Series 2021 Bonds, and (c) pay certain costs of issuance of the Series 2021 Bonds. See “PLAN OF FINANCE.”

## **COVID-19**

The worldwide outbreak of a highly contagious, upper respiratory tract illness caused by a novel strain of coronavirus (“COVID-19”) has caused significant disruptions to domestic and international air travel, including both passenger traffic and cargo operations at airports, and has had significant negative and adverse effects on the economies of the Commonwealth of Virginia (the “Commonwealth”), the nation, and the world. Certain of the information in this Official Statement that describes historical Commission revenues, financial affairs, operations and general economic conditions predates the COVID-19 pandemic or was prepared before the outbreak of COVID-19. Such “pre-COVID-19” information should be considered in light of the negative and adverse impacts from COVID-19 subsequent to the dates of such data.

Airports in the United States, as well as airlines, have been acutely affected by interruptions in travel, reductions in passenger volumes and flights, and the broader economic slowdown resulting from the COVID-19 pandemic. The outbreak has adversely affected domestic and international travel and travel-related industries. In addition, with many states having instituted stay-at-home orders and many businesses closing or permitting employees to work from home, business travel has been more severely impacted than leisure travel. Airlines reported unprecedented reductions in passenger volumes in 2020, resulting in cancellations of numerous flights and a dramatic reduction in network capacity. Some reduction in demand and capacity is currently expected to continue in the near term, although modest incremental improvements are underway. In response, airlines have “right-sized” their aircraft fleet mix and reduced flights and personnel in an attempt to match capacity to reduced demand for air travel. In recent months, there has been a decline in new COVID-19 infections and, in accordance with CDC guidance, governments have eased stay-at-home orders, leading to some rebound in travel volume.

COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance. For a more detailed discussion of the impact of the COVID-19 pandemic on the Airport, see “IMPACT OF THE COVID-19 PANDEMIC ON THE COMMISSION.”

### **Certain Investment Considerations**

The Series 2021 Bonds may not be suitable for all investors and may involve investment risk. Prospective purchasers of the Series 2021 Bonds should read this entire Official Statement, including “RISK FACTORS AND INVESTMENT CONSIDERATIONS.” Such sections contain a discussion of certain risks relating to the Series 2021 Bonds, the Commission, the Airport and the airline industry.

Many factors and events affect the air transportation industry, many of which the industry cannot control. For example, general economic conditions, international conflicts, increased security requirements in air transportation, the threat of future domestic and international terrorist attacks, significant increases in fuel costs, and the outbreak and transmission of certain communicable sicknesses (such as COVID-19, avian flu, SARS and the Zika virus) have adversely affected the air transportation industry, including operations of the airlines at the Airport, in recent years or may do so in the future. For a more complete discussion of recent events affecting the Airport and the airlines that use the Airport, see “THE AIRPORT – Airlines Serving the Airport” and “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

### **Security for the Series 2021 Bonds**

Pursuant to the Bond Resolution, the Commission has irrevocably pledged the Net Revenues of the Airport and certain funds created under the Bond Resolution to the payment of the Bonds (as defined below), including the Series 2021 Bonds. Neither passenger facility charges (“PFCs”) collected in respect of the Airport nor customer facility charges (“CFCs”) collected in respect of the Airport’s rental car facilities are included as Net Revenues. The Series 2021 Bonds are also secured by amounts maintained in separate subaccounts of the Debt Service Reserve Account for each Series of the Series 2021 Bonds, which amounts are not available to make payments on other Series of Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Debt Service Reserve Account.”

The Series 2021 Bonds will be limited obligations of the Commission and are secured solely by the Net Revenues of the Airport and by certain funds and accounts created under the Bond Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.”

The Series 2021 Bonds will be issued on a parity basis with (a) the Commission’s Airport Revenue Bonds, Series 2001A which will be outstanding on the closing date in the aggregate principal amount of \$6,133,216.86 (the “Series 2001A Bonds”), (b) the unrefunded maturities of the Series 2013A Bonds which will remain outstanding in the aggregate principal amount of \$8,980,000 (the “Unrefunded Series 2013A Bonds”), and (c) the unrefunded maturities of the Series 2016A Bonds which will remain outstanding in the aggregate principal amount of \$21,120,000 (the “Unrefunded Series 2016A Bonds”). See “PLAN OF FINANCE.” The Series 2021 Bonds, the Series 2001A Bonds, the Unrefunded Series 2013A Bonds and the Unrefunded Series 2016A Bonds, along with any Additional Bonds issued from time to time under the Bond Resolution, are collectively referred to in this Official Statement as the “Bonds.”

THE SERIES 2021 BONDS AND THE BOND RESOLUTION SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE COMMISSION, INCLUDING THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COMMISSION, THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS AND FUNDS AND ACCOUNTS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF RICHMOND, VIRGINIA AND THE COUNTIES OF HANOVER, HENRICO AND CHESTERFIELD, VIRGINIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS OR OTHER COSTS INCIDENT THERETO. THE COMMISSION HAS NO TAXING POWER.

The principal sources of Net Revenues are the rates and charges generated under the Commission’s terminal building lease and airport use agreements (collectively, the “Airline Agreement”) with certain airlines (the “Signatory Airlines”) that executed the Airline Agreement, fees received from non-signatory airlines using the Airport, parking revenues, and payments and rentals under concession and lease agreements at the Airport. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS” and “CERTAIN AGREEMENTS FOR USE OF THE COMMISSION’S FACILITIES.”

### **Rate Covenant**

The Commission has covenanted in the Bond Resolution (the “Rate Covenant”) that while any of the Series 2021 Bonds are outstanding it will establish and at all times continue in effect such rates and charges for the use of the Airport as shall be reasonably anticipated to provide in each of the Commission’s Fiscal Years an amount so that Net Revenues shall at all times not be less than the greater of (i) 1.0 times the aggregate Debt Service for such Fiscal Year on all Bonds issued under the Bond Resolution and on all Subordinated Indebtedness, and all other deposits required to be made under the Bond Resolution to the Debt Service Reserve Account, the Operation and Maintenance Reserve Fund and the Equipment and Capital Outlay Fund, or (ii) 1.25 times the aggregate Debt Service for such Fiscal Year on all Bonds issued under the Bond Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Rate Covenant.”

Under the Airline Agreement, the Commission has the right to assess rates, fees and charges which, together with other available monies, are sufficient to produce any additional amount estimated by the Commission to be required to meet the provisions of the Rate Covenant. See “CERTAIN AGREEMENTS FOR USE OF THE COMMISSION’S FACILITIES – Airline Agreement” and APPENDIX D – “Summary of Airline Agreement.”

## **Redemption**

The Series 2021 Bonds will be subject to optional or mandatory sinking fund redemption prior to their respective maturities to the extent described in “THE SERIES 2021 BONDS – Redemption Prior to Maturity.”

## **The Commission**

The Commission was created pursuant to the Enabling Act for the purpose of owning and operating one or more airports to serve the Richmond metropolitan area. Upon its creation in 1976, the Commission’s original participating political subdivisions were the City of Richmond and the County of Henrico. The County of Chesterfield became a participating political subdivision of the Commission on May 1, 1984, followed by the County of Hanover on October 29, 1985. See “THE COMMISSION.”

## **The Airport**

The Commission owns and operates the Airport, which is located in Henrico County, Virginia approximately eight miles from the central business district of the City of Richmond. The Airport has provided regular commercial air passenger service since 1930. The Airport contains approximately 2,800 acres, 3 air carrier runways, 28 second level boarding bridges and 4 commuter aircraft ramp positions.

The Airport is primarily an origin and destination airport, does not serve as a hub for any major airline and is classified by the Federal Aviation Administration (FAA) as a “small hub” airport. The Airport is served by eight national air carrier networks (Allegiant Airlines, American Airlines, Breeze Airways, Delta Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines), consisting of eight major or national passenger commercial air carriers with affiliated service by twelve regional or commuter passenger air carriers, in addition to four principal all-cargo carriers, and charter operations.

For the ten-year period of Fiscal Year 2010 through Fiscal Year 2019, passenger traffic at the Airport increased at a compounded average rate of 2.4% per year. During the Fiscal Year ended June 30, 2020, total enplanements at the Airport decreased by 24.5% from the Fiscal Year ended June 30, 2019. For the 11-month period ending May 31, 2021, enplanements decreased by 47.6% compared to the same period for the preceding year. For a more detailed description of the effects of COVID-19 on passenger traffic at the Airport, see “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION.” For a detailed description of the Airport, its facilities, and its operations, see “THE AIRPORT.”

## **Continuing Disclosure**

The Commission has undertaken to comply with Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, by providing the annual financial information, operating data and event notices required by the Rule. See “CONTINUING DISCLOSURE” and APPENDIX F – “Form of Continuing Disclosure Certificate.”

## **Additional Information**

Inquiries regarding information contained in this Official Statement may be directed to Capital Region Airport Commission, One Richard E. Byrd Terminal Drive, Richmond International Airport, Virginia 23250-2400, Attention: Steven C. Owen, Director of Finance (804-226-3000).

## **General**

This Official Statement contains summaries of the Bond Resolution, the Airline Agreement and the terms of and security for the Series 2021 Bonds, together with descriptions of the Airport and its operations. **Such summaries and descriptions do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by references to the definitive forms of each such agreement or document. Prospective purchasers of the Series 2021 Bonds are referred to the Bond Resolution for the complete terms thereof, and references to the Series 2021 Bonds are qualified in their entirety by reference to the form of the**

**Series 2021 Bonds included in the Fourteenth Supplemental Bond Resolution.** During the offering period of the Series 2021 Bonds, copies of the Bond Resolution may be obtained from the Underwriter.

## **IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION**

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared a pandemic (the “COVID-19 pandemic”) following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, implemented a variety of efforts aimed at mitigating the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these various measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have also resulted in increased business failures, worker layoffs, and consumer and business bankruptcies.

The economic and financial fallout from COVID-19 on the United States, including the Commonwealth, has been significant and is expected to continue for an indefinite period, even after the widespread vaccination of the population and the decline of new infections. For example, unemployment levels have increased and may not immediately rebound. In addition, supply shortages have increased as the production and distribution of raw and finished materials have been adversely affected by efforts to mitigate the impact of COVID-19 on the labor force. The impact of increased telework and the use of videoconferencing technology during the COVID-19 pandemic may continue to impact air travel demand as businesses seek to maintain flexibility and expense savings.

Airports in the United States have been acutely impacted by the COVID-19 pandemic and the broad-based economic shutdowns resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines reported unprecedented downturns in passenger volumes which resulted in a considerable reduction in scheduled service.

There is no basis to predict how long the public health crisis caused by COVID-19 will continue to affect the economy generally and air travel particularly. Likewise, there is no basis to predict whether there may be a resurgence or new outbreak of COVID-19, or any variants or mutations, and whether governmental restrictions may be resumed or tightened in the future.

### **Impact on Demand and Revenues**

The Airport, similar to most other airports around the nation, experienced steep declines in passenger volumes as a result of the COVID-19 pandemic. Passenger traffic at the Airport declined substantially beginning March 2020, with enplaned passengers and landed weight significantly decreasing from Fiscal Year 2019 to Fiscal Year 2020, and total cargo volume slightly decreasing in the last few months of Fiscal Year 2020 but recovering thereafter. The following tables provides explanation, landed weight, and cargo data by month from July 2019 through May 2021, including calculations of percentage change from the corresponding month in the prior year.

[Tables appear on following pages]

Passenger Enplanements

Month	Passenger Enplanements	Percentage Change from Prior Year
May 2019	197,056	10%
June 2019	194,617	3
July 2019	193,669	4
August 2019	198,447	4
September 2019	175,991	9
October 2019	197,072	3
November 2019	187,756	0.3
December 2019	196,302	13
January 2020	159,587	9
February 2020	156,776	8
March 2020	87,351	-53
April 2020	7,279	-96
May 2020	17,664	-91
June 2020	39,097	-80
July 2020	60,471	-69
August 2020	60,949	-69
September 2020	59,780	-66
October 2020	68,784	-65
November 2020	68,459	-64
December 2020	70,978	-64
January 2021	53,350	-67
February 2021	52,626	-66
March 2021	85,878	-2
April 2021	106,197	1,359
May 2021	139,862	692

Landed Weight

Month	Landed Weight	Percentage Change from Prior Year
May 2019	181,847	-1.4%
June 2019	173,837	-7.7
July 2019	174,762	2.7
August 2019	178,472	0.2
September 2019	167,512	-3.7
October 2019	176,245	-6.6
November 2019	173,542	-0.6
December 2019	166,892	-0.2
January 2020	151,041	-8.8
February 2020	145,443	-2.9
March 2020	138,419	-23.0
April 2020	44,381	-74.3
May 2020	40,778	-77.6
June 2020	57,436	-67.0
July 2020	67,428	-61.4
August 2020	83,596	-53.2
September 2020	68,354	-59.2
October 2020	75,079	-57.4
November 2020	84,407	-51.4
December 2020	75,183	-55.0
January 2021	69,000	-54.3
February 2021	63,722	-56.2
March 2021	93,083	-32.8
April 2021	110,969	150.0
May 2021	128,329	214.7

Landed Weight – Cargo

Month	Landed Weight – Cargo	Percentage Change from Prior Year
May 2019	43,904	0.1%
June 2019	41,021	-5.5
July 2019	43,082	7.4
August 2019	45,741	0.3
September 2019	40,106	-1.2
October 2019	46,664	9.6
November 2019	41,787	-2.4
December 2019	49,063	7.5
January 2020	45,012	3.8
February 2020	42,010	7.6
March 2020	43,285	-0.7
April 2020	43,177	3.6
May 2020	40,771	-7.1
June 2020	42,826	4.4
July 2020	54,529	26.6
August 2020	51,290	12.1
September 2020	51,892	29.4
October 2020	51,438	10.2
November 2020	43,670	4.5
December 2020	63,887	30.2
January 2021	47,505	5.5
February 2021	43,716	4.1
March 2021	57,429	32.7
April 2021	56,709	31.3
May 2021	52,064	27.7

Since the COVID-19 outbreak, there have been corresponding declines in demand for airport concessions including terminal services, landing fees, rental car transactions, parking and ground transportation services.

Monthly Revenues

Month	Landing Fees	Parking Revenues	Revenues from Rental Car Concessions	Revenues from Other Concessions
May 2019	\$ 477,221	\$ 2,107,863	\$ 630,403	\$ 527,170
June 2019	354,359	1,980,193	715,861	580,028
July 2019	402,161	1,927,654	614,580	523,076
August 2019	413,090	2,113,536	610,692	533,477
September 2019	383,570	2,021,027	651,831	497,841
October 2019	428,905	2,135,444	482,599	543,789
November 2019	416,029	1,912,909	562,643	511,228
December 2019	415,846	1,905,727	520,355	560,605
January 2020	393,774	1,934,312	496,615	447,697
February 2020	381,602	1,955,241	357,728	465,013
March 2020	346,194	1,116,950	387,681	400,152
April 2020	154,894	51,876	209,221	367,875
May 2020	145,140	108,749	15,062	362,241
June 2020	185,977	377,363	25,884	16,897
July 2020	240,246	504,099	87,785	298,702
August 2020	255,088	588,272	144,488	254,664
September 2020	232,957	585,402	174,178	298,490
October 2020	239,519	672,333	183,365	283,638
November 2020	351,184	678,931	442,560	264,737
December 2020	260,961	557,044	196,440	295,434
January 2021	150,302	618,008	166,282	213,554
February 2021	210,636	619,779	159,173	260,780
March 2021	281,945	943,699	160,315	256,334
April 2021	319,959	1,130,296	489,247	270,496
May 2021	346,374	1,417,317	535,612	317,872

The Commission ended Fiscal Year 2020 with revenues 15.6% below budget and a 16.4% decrease from Fiscal Year 2019. See “THE AIRPORT – Management’s Discussion of Recent Financial Performance.”

**Efforts to Manage Financial Impact**

As a result of the COVID-19 pandemic, the Airport began to experience lower passenger levels, concessions revenues, and parking revenues in March 2020, which resulted in the use of some of the Airport’s cash and lowered cash levels of the Airport. In response to the impacts of COVID-19 pandemic, the Commission took a series of operational, commercial, and financial actions to prioritize strong cash liquidity and debt service coverage. These actions included the following:

Cost-Cutting Measures. As of March 2020, the Commission immediately implemented cost cutting measures to offset the reduction in operating revenues. Some of the actions taken were implementation of a hiring freeze, closing of the economy lot B, elimination of shuttle operations and related staffing and staff reductions through early retirement for eligible Commission staff. Operating expenses through the first six months of fiscal year 2021 were held to minimum feasible levels. In January 2021 the Commission initiated an internal spending freeze. Operating expenses for the remaining six months of the fiscal year were held to the same level as the first six months of the year. Formal reviews with management staff were held, by the accounting manager, on a monthly basis. This resulted in a year to date reduction of \$4.3 million in operating expense when compared to fiscal year 2021 budgeted operating expense, as of May 2021, and a \$4.7 million reduction of operating expense when compared to fiscal year 2020 actual operating expense, as of May 2021.

Liquidity. As of May 31, 2020, the Airport has \$49.1 million in cash and cash equivalents. The following table describes the financial resources available to the Airport. All figures are as of May 31, 2020.

**Liquidity as of May 31, 2020  
(in Millions)**

Unrestricted Commission Account	\$13.5
Operating & Maintenance Fund	10.3
Operating & Maintenance Reserve Fund	2.3
Equipment & Capital Outlay Fund	19.2 <sup>(1)</sup>
Surplus Fund	<u>3.8</u>
Total Cash and Cash Equivalents	\$49.1

<sup>(1)</sup> Represents cash available to the Airport that is not committed/obligated to currently contracted capital projects. Approximately \$3.0 million of this cash has subsequently been applied to the defeasance of the Commission’s Series 2001B Bonds, as described under “Refinancing Opportunities for Debt Service Savings,” below.

The Airport’s Total Cash and Cash equivalents of \$49.1 million, which may be used at the Airport’s discretion to help pay expenses or for other legally available purposes such as the payment of debt service during the COVID-19 pandemic, is equivalent to 788 days cash on hand, above the median liquidity level for U.S. airports, calculated using fiscal year 2021 projected operating expenditures and 659 days cash on hand using fiscal year 2022 budgeted operating expenditures. The above figures do not include (i) the estimated \$6.1 million CRRSAA funds (defined below) expected to be drawn by the Airport in the first three months of Fiscal Year 2022 to reimburse payment of debt service, which will increase the Airport’s cash balances, or (ii) the amount of ARPA funds (defined below) expected to be received by the Airport (estimated at \$18 million), the timing and use of which have not yet been finalized. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Federal Relief Efforts,” below.

Refinancing Opportunities for Debt Service Savings. The Commission decided to implement refinancing opportunities to lower its debt service burdens and improve debt service coverage as it recovers from the slowdown caused by the COVID-19 pandemic. In June 2021, the Commission closed a refunding of its approximately \$6.5 million Airport Revenue Bond, Series 2001A held by the Virginia Resources Authority (“VRA”) under its Airport Revolving Fund program and the defeasance of its approximately \$6.0 million Airport Revenue Bond, Series

2001B, held by VRA. Total cash flow savings from such refunding/defeasance transaction exceeded \$768,000, which approximated a net present value savings of 4.9%. The refunding/defeasance will result in a debt service reduction of approximately \$1.46 million per year from FY 2022 through FY 2025 and approximately \$813,000 in FY 2026, allowing for greater budgetary flexibility beginning immediately.

The Series 2021 Bonds are being structured to produce further debt service savings. See “PLAN OF FINANCE – Refunding Plan,” below. The refunding of the Refunded Bonds will also require the Commission to reduce the amounts held in the Debt Service Reserve Accounts for the Series 2013A Bonds and the Series 2016A Bonds by approximately \$1,818,725 and \$1,030,000, respectively. The amount released from the Debt Service Reserve Account for the Series 2013A Bonds will be applied to pay debt service on the Unrefunded Series 2013A Bonds and the amount released from the Debt Service Reserve Account for the Series 2016A Bonds will be applied toward the refunding of the Refunded Series 2016A Bonds (as defined below under “PLAN OF FINANCE – Refunding Plan”). The Airport intends to fund the Debt Service Reserve Accounts for the Series 2021A Bonds and the Series 2021B Bonds with a municipal bond debt service reserve insurance policy provided by AGM in lieu of cash. As a result, after the closing of the Series 2021 Bonds approximately 36% of the Commission’s total Debt Service Reserve Requirements will be funded with a municipal bond debt service reserve insurance policy. See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Debt Service Reserve Account.”

FY2022 Budget. The Commission continued to take a conservative approach to the fiscal year 2022 budget. The Commission is using the “RIC Enplanement Forecast and Outlook Scenarios, Updated April 28, 2021” provided by Campbell-Hill Aviation Group, LLC (“Campbell-Hill”), as a starting point for its enplanement projection. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Projections for Recovery Scenarios,” below. The updated medium forecast projects 1,682,983 enplanements for fiscal year 2022. The Commission took a conservative approach and reduced the projected enplanements by (5.5%) to 1,590,000. The budgeted revenues are based on the adjusted enplanement number.

The fiscal year 2022 budget includes expenses for the reopening the economy parking lot and resuming shuttle service sometime in the second quarter of the fiscal year (no earlier than October 2021). The Commission is monitoring peak levels in the parking garages to determine when the economy lots will be re-opened.

### **Federal Relief Efforts**

The United States government, the Federal Reserve, and foreign governments have taken statutory and regulatory actions and implemented measures to help mitigate the broad disruptive effects of the COVID-19 pandemic on the United States and global economies. Principal federal legislative enactments to help address the crisis created by the COVID-19 pandemic in the aviation sector include the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which became law on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSAA”), which became law on December 27, 2020, and the American Rescue Plan Act (the “ARPA”), which became law on March 11, 2021. These enactments are described in the following paragraphs.

CARES Act. Direct aid for airports, to reimburse amounts spent for lawful airport purposes, was included in the CARES Act. Airport operators can use their CARES Act grants for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of operating expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the grant agreement between the airport operator and the Federal Aviation Administration (“FAA”) was executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020. The Commission’s most recent quarterly report to the FAA stated that, as of December 31, 2020, after permitted adjustments, the Commission was compliant with this employment requirement. The CARES Act grants are provided to the Commission on a reimbursement basis. On May 27, 2020, the Commission entered into a grant agreement with the FAA for approximately \$18.8 million of such direct aid funds. As of June 30, 2021, the Commission has requested and received all such funds in reimbursement of operating expenses and debt service expenditures. See the table herein entitled “Application of Covid-19 Relief Grants.”

In addition, the CARES Act included a provision increasing the federal share of federal fiscal year 2020 (ended September 30, 2020) Airport Improvement Program (“AIP”) grants to 100%. This provision resulted in approximately \$368,000 in additional funding for the Commission for its federal fiscal year 2020 grant-funded projects.

The Commission has also been approved for \$194,000 through the Airport Reimbursement Process for COVID-19 Cleaning and Sanitation Activities to be used for reimbursement for cleaning and sanitizing TSA screening areas.

CRRSAA. The CRRSAA provides additional direct aid for airports, including federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. It also provides funds for airports to provide relief from rent and minimum annual guarantees to on-airport car rental, on-airport parking, and in-terminal airport concessions. The funding for concessions relief is to be distributed based on the eligible concession’s proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. The FAA announced that the Commission will receive approximately \$6.1 million in direct aid under CRRSAA. All airport sponsors of airports receiving funds under the CRRSAA are required to continue to employ, through September 30, 2021, at least 90% of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act). The Commission has certified to the FAA that, as of February 28, 2021, after permitted adjustments, it was compliant with this employment requirement. The Commission anticipates receiving approximately \$6.1 million under the CRRSA in the first three months of Fiscal Year 2022 which it will use to reimburse debt service payments.

ARPA. The March 2021 enactment of the ARPA also provides additional direct aid for airports (including federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments) and funds to provide relief from rent and minimum annual guarantees to airport concessions. The funding for concessions relief is to be distributed based on the eligible concession’s proportionate share of total rent for all eligible concessions. The ARPA also increases to 100% the federal share for all airport development project grants awarded in federal fiscal year 2020-21, and all grants awarded in federal fiscal year 2019-20 with less than a 100-percent federal share. All airport sponsors of airports receiving funds under the ARPA are required to continue to employ, through September 30, 2021, at least 90% of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act). As noted above, the Airport’s most recent quarterly report to the FAA stated that, as of February 28, 2021, after permitted adjustments, it was compliant with this employment requirement. The Commission estimates it will receive approximately \$18 million under ARPA, but has not received confirmation from the government and has not budgeted any uses for such funds.

Future Legislation. The Commission cannot predict whether additional federal financial support will be made available to airports (including the Airport) or airlines in the future, under what conditions, or whether the Commission would accept any such available support.

The Commission’s use in Fiscal Year 2020 and Fiscal Year 2021, and planned use in Fiscal Year 2022, of CARES Act grants, CRRSAA grants, and ARPA grants (collectively, “COVID-19 Relief Grants”) are presented in the table below.

[Table appears on following page]

Application of COVID-19 Relief Grants

	<u>Fiscal Year 2020</u>		<u>Fiscal Year 2021</u>			<u>Fiscal Year 2022 (Estimated)</u>	
	<u>Operating Expenses</u>	<u>Debt Service</u>	<u>Operating Expenses</u>	<u>Debt Service</u>	<u>Concession Relief</u>	<u>Operating Expenses</u>	<u>Debt Service</u>
CARES Act	\$ -	\$ -	\$11,172,883	\$7,641,701	\$ -	\$ -	\$ -
CRRSAA	-	-	-	-	-	1,600,000	4,500,000
ARPA <sup>(1)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$11,172,883</b>	<b>\$7,641,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup> The Commission estimates it will receive approximately \$18 million under ARPA of which it expects to use \$16.1 million to reimburse itself for debt service and operating expenses, and the remainder for concessionaire relief, in FY 2022 or thereafter.

**Projections for Recovery Scenarios**

Given that new information related to the COVID-19 pandemic has changed rapidly and evolved since the beginning of the COVID-19 pandemic, and the future course of and effects of the COVID-19 pandemic cannot be predicted with any degree of certainty, Airport management has developed a quarterly scenario-based planning approach that it uses to guide its financial planning and budgetary spending. Because airline schedules are less reliable and traffic forecasts are more difficult, relying on activity trends and economic patterns does not work as well as it does in ordinary times. Therefore, using the most current traffic activity and other available information, the Airport has developed three aviation activity recovery planning scenarios. The first scenario reflects a low recovery estimate (the “Low Estimate”) in passenger traffic. The second scenario reflects a medium recovery estimate (the “Medium Estimate”) in passenger traffic. The third scenario reflects a high recovery estimate (the “High Estimate”) in passenger traffic. The primary difference between the scenarios is how steep and quickly the recovery occurs in both leisure and business travel. The scenarios are based on passenger traffic forecasts for FY 2022 through FY 2025 from the “RIC Enplanement Forecast and Outlook Scenarios, Updated April 28, 2021” provided by Campbell-Hill, which incorporate Airport enplanement data, airport cancellation trends, historical U.S. Department of Transportation, T-100 Data from the U.S. Department of Transportation, monthly schedule data, Campbell-Hill’s assessment of the evolving service patterns and information from airlines, and past recoveries.

The three recovery scenarios have been built around the Airport’s FY 2022 Budget of 1,590,000 in passenger enplanements, which is approximately 5.5% below the Medium Estimate figure for FY 2022 as forecast by Campbell-Hill. The planning scenarios were most recently updated in April 2021.

**NO ASSURANCE CAN BE GIVEN THAT ANY OF THE RESULTS CONTEMPLATED IN SUCH PLANNING SCENARIOS WILL BE ACHIEVED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE RESULTS INCLUDED IN SUCH PLANNING SCENARIOS. THE AIRPORT IS USING THE LOW ESTIMATE AND MEDIUM ESTIMATE PLANNING SCENARIOS SOLELY FOR PLANNING PURPOSES AND NEITHER SCENARIO NOR THE HIGH ESTIMATE SCENARIO CONSTITUTES A PREDICTION OR PROJECTIONS OF FUTURE FINANCIAL RESULTS.**

The three recovery scenarios have been built around the Airport’s FY 2022 budget in which the activity level at the Airport is assumed to be 1,590,000 enplanements. The recovery scenarios are based on the assumption that the vaccine rollout continues to result in increased passenger activity. Although the Airport is currently experiencing monthly passenger enplanements above the corresponding figures in the High Estimate, the Airport has chosen to conservatively use the Medium Estimate for planning purposes.

The table below sets forth the three planning scenarios that have been analyzed by Airport management extending through fiscal year 2026.

[Table appears on following page]

## Planning Scenarios

Fiscal Year	Low Estimate		Medium Estimate		High Estimate	
	Enplanements	Year over Year Growth	Enplanements	Year over Year Growth	Enplanements	Year over Year Growth
2017 <sup>(1)</sup>	1,804,245	2.1%	1,804,245	2.1%	1,804,245	2.1%
2018 <sup>(1)</sup>	1,922,428	6.6	1,922,428	6.6	1,922,428	6.6
2019 <sup>(1)</sup>	2,142,840	11.5	2,142,840	11.5	2,142,840	11.5
2020 <sup>(1)</sup>	1,617,001	-24.5	1,616,991	-24.5	1,616,991	-24.5
2021 <sup>(2)</sup>	859,000	-46.9	859,000	-46.9	859,000	-46.9
2022 <sup>(3)</sup>	1,453,821	69.2	1,590,000	85.1	1,817,204	111.6
2023 <sup>(4)</sup>	1,654,449	13.8	1,915,234	20.5	2,162,019	19.0
2024 <sup>(4)</sup>	1,797,145	8.6	2,080,423	8.6	2,311,198	6.9
2025 <sup>(4)</sup>	1,983,150	10.4	2,223,973	6.9	2,410,580	4.3
2026 <sup>(5)</sup>	2,022,813	2.0	2,268,452	2.0	2,458,792	2.0

Source: Capital Region Airport Commission.

Notes: (1) Denotes actual results.

(2) Airport projection for FY 2021.

(3) Medium Estimate reflects Airport budgeted figure for FY 2022. Low and High Estimate source: Campbell-Hill Aviation Group, LLC.

(4) Source: Campbell-Hill Aviation Group, LLC.

(5) Airport estimate based on assumed general inflationary factor of 2.0%.

The following table reflects the Airport's FY 2020 actual financial results, together with FY 2021 year-end projections, and estimates for certain financial metrics under the Medium Estimate scenario for FY 2022 through FY 2026. The figures in the table below do not include any CARES Act, CRRSSA or ARPA funds, which are currently not counted as revenues under the Airport's Bond Resolution.

## Coverage and Projections

(\$ millions)	Actual		Year-End Projection	Budget	Financial Planning Scenario - Medium Estimate			
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020	2021	2022	2023	2024	2025	2026	
Operating Revenue <sup>(1)</sup>	\$45.5	\$31.2	\$43.0	\$49.5	\$54.1	\$57.3	\$58.5	
Operating Expenses <sup>(2)</sup>	26.7	21.8	27.2	27.9	28.5	29.0	29.6	
Revenues Available for Debt Service	18.8	9.4	15.8	21.6	25.6	28.3	28.9	
Debt Service on General Airport Revenue Bonds <sup>(3)</sup>	8.8	8.8	7.2	7.5	7.3	5.8	3.1	
Revenue Bond Debt Service Coverage	2.1	1.1 <sup>(4)</sup>	2.2	2.9	3.5	4.8	9.3	

Source: Capital Region Airport Commission.

Notes: (1) Operating Revenue includes all income and revenues from all sources, collected or received by the Commission in the operation of the Airport, but excludes CFC and PFC revenues. Includes investment income.

(2) Excludes depreciation.

(3) Debt service on General Airport Revenue Bonds. Incorporates the June 2021 refunding of the Commission's 2001A Bonds and cash defeasance of the Commission's 2001B Bonds, both of which were issued through Virginia Resources Authority. The Commission has no outstanding CFC or PFC revenue bonds.

(4) See the text following this table for an explanation of the failure to meet the coverage requirement for FY 2021.

Failure to Meet Coverage Requirement for FY 2021

As shown in the table above, the Commission expects that the Airport’s debt service coverage ratio for FY 2021 will equal 1.1x without the use of any CARES Act funds, which is lower than the Bond Resolution requirement of 1.25x. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Rate Covenant.” The Airport used approximately \$7.6 million of CARES Act funds in FY 2021 to pay debt service. If the \$7.6 million of CARES Act funds were deemed Revenues Available for Debt Service (which is currently not permitted by the Bond Resolution) for FY 2021, the Airport’s debt service coverage ratio would have been approximately 1.9x. It should be noted that, under the Bond Resolution definition of “Revenues,” funds from CARES Act relief grants were not included in Revenues Available for Debt Service even though they were available and used for payment of debt service. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Source of Payment.”

The following tables present the Airport’s estimates for certain activity-based and financial metrics under the planning scenarios. Actual results are shown for FY 2017 through FY 2020, projected year end results for FY 2021, budget for FY 2022, and estimates for FY 2023 through FY 2026. Airline revenues include the revenues from apron fees, landing fees and terminal rentals. Cost per Enplaned Passenger (“CPE”) is calculated by dividing the Airline Revenues by Enplaned Passengers (“ePAX”). CPE is a common metric utilized by airports, and the Airport’s goal is to maintain CPE at such a level as to remain competitive with the other small regional origination & destination airports. Total debt consists of general airport revenue bonds, and passenger facility charge revenue bonds up to and through FY 2020. Beginning in FY 2021, the Airport’s debt consists solely of general airport revenue bonds. Debt per ePAX consists of Total Debt divided by ePAX.

**Financial Planning Scenario - Low Estimate**

Fiscal Year	ePAX <sup>(1)</sup>	Airline Revenues <sup>(1)</sup> (\$ millions)	CPE	Total Debt (\$ millions)	Debt per ePAX
2017	1,804,245	\$9.0	\$4.97	\$93.8	\$52.00
2018	1,922,428	9.7	5.06	85.0	44.22
2019	2,142,840	10.1	5.24	76.0	35.46
2020	1,617,001	10.0	6.20	66.8	41.29
2021	859,000	9.8	11.44	54.8	63.78
2022	1,453,821	9.7	6.65	49.7	34.18
2023	1,654,449	9.9	5.96	44.5	26.91
2024	1,797,145	10.1	5.60	38.8	21.61
2025	1,983,150	10.3	5.18	32.9	16.61
2026	2,022,813	10.5	5.18	69.2 <sup>(2)</sup>	34.20 <sup>(2)</sup>

Source: Capital Region Airport Commission.

- Notes: (1) Enplanement figures for FY 2017 through FY 2020 reflect actual results. FY 2021 figure is projected figure. FY 2022 represents budgeted figure. Figures for FY 2023 through FY 2025 from Campbell-Hill Aviation Group, LLC. FY 2026 figure is Airport estimate based on an assumed general inflationary factor of 2.0%.
- (2) Incorporates \$40,000,000 of General Airport Revenue Bonds for Parking Garage Vertical Expansion project, which is contingent upon growth in passenger traffic and parking utilization at a level sufficient to require additional parking capacity. There is no assurance that such project will commence or that, even if it does commence, it will be financed with an issue of General Airport Revenue Bonds.

[Financial Planning Scenario – Medium Estimate table appears on following page]

### Financial Planning Scenario - Medium Estimate

Fiscal Year	ePAX <sup>(1)</sup>	Airline Revenues <sup>(1)</sup> (\$ millions)	CPE	Total Debt (\$ millions)	Debt per ePAX
2017	1,804,245	\$9.0	\$4.97	\$93.8	\$52.00
2018	1,922,428	9.7	5.06	85.0	44.22
2019	2,142,840	10.1	5.24	76.0	35.46
2020	1,617,001	10.0	6.20	66.8	41.29
2021	859,000	9.8	11.44	54.8	63.78
2022	1,590,000	9.7	6.08	49.7	31.25
2023	1,915,234	10.0	5.20	44.5	23.23
2024	2,080,423	10.3	4.93	38.8	18.65
2025	2,223,973	10.6	4.75	32.9	14.79
2026	2,268,452	10.9	4.80	69.2 <sup>(2)</sup>	30.50 <sup>(2)</sup>

Source: Capital Region Airport Commission.

- Notes: (1) Enplanement figures for FY 2017 through FY 2020 reflect actual results. FY 2021 figure is projected figure. FY 2022 represents budgeted figure. Figures for FY 2023 through FY 2025 from Campbell-Hill Aviation Group, LLC. FY 2026 figure is Airport estimate based on an assumed general inflationary factor of 2.0%.
- (2) Incorporates \$40,000,000 of General Airport Revenue Bonds for Parking Garage Vertical Expansion project, which is contingent upon growth in passenger traffic and parking utilization at a level sufficient to require additional parking capacity. There is no assurance that such project will commence or that, even if it does commence, it will be financed with an issue of General Airport Revenue Bonds.

### Financial Planning Scenario - High Estimate

Fiscal Year	ePAX <sup>(1)</sup>	Airline Revenues <sup>(1)</sup> (\$ millions)	CPE	Total Debt (\$ millions)	Debt per ePAX
2017	1,804,245	\$9.0	\$4.97	\$93.8	\$52.00
2018	1,922,428	9.7	5.06	85.0	44.22
2019	2,142,840	10.1	5.24	76.0	35.46
2020	1,617,001	10.0	6.20	66.8	41.29
2021	859,000	9.8	11.44	54.8	63.78
2022	1,817,204	9.7	5.32	49.7	27.34
2023	2,162,019	10.1	4.65	44.5	20.58
2024	2,311,198	10.5	4.53	38.8	16.79
2025	2,410,580	10.9	4.51	32.9	13.65
2026	2,458,792	11.3	4.60	69.2 <sup>(2)</sup>	28.14 <sup>(2)</sup>

Source: Capital Region Airport Commission.

- Notes: (1) Enplanement figures for FY 2017 through FY 2020 reflect actual results. FY 2021 figure is projected figure. FY 2022 represents budgeted figure. Figures for FY 2023 through FY 2025 from Campbell-Hill Aviation Group, LLC. FY 2026 figure is Airport estimate based on an assumed general inflationary factor of 2.0%.
- (2) Incorporates \$40,000,000 of General Airport Revenue Bonds for Parking Garage Vertical Expansion project, which is contingent upon growth in passenger traffic and parking utilization at a level sufficient to require additional parking capacity. There is no assurance that such project will commence or that, even if it does commence, it will be financed with an issue of General Airport Revenue Bonds.

The Commission cannot predict (1) the duration or extent of the COVID-19 pandemic and its continuing impacts on the Commission and the Airport; (2) the scope or duration of any restrictions or warnings related to air travel, gatherings or any other activities, and the extent to which airlines will reduce, or fail to reestablish, services at the Airport; (3) what additional short or long-term effects the COVID-19 pandemic and restrictions or warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from the Airport, the retail and services provided by Airport concessionaires, and Commission costs or revenues; (4) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Commission's capital improvement program, or other

Airport operations; (5) the extent to which the COVID-19 pandemic, or the resultant disruption to the local, State, national or global economy, may lead to sustained changes in demand for air travel, or may have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (6) whether or to what extent the Commission may need to provide additional deferrals, forbearances, adjustments or other changes to the Commission's arrangements with Airport tenants and concessionaires; or (7) the duration and extent of the material adverse effect on the finances and operations of the Commission expected to result from the foregoing.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Commission revenues. Future outbreaks, pandemics or events outside the Commission's control (including re-imposition of more stringent limitations on economic activity) may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Commission revenues.

## **THE SERIES 2021 BONDS**

The following is a summary of certain provisions of the Series 2021 Bonds. Reference is made to APPENDIX C – "Definitions and Summary of Certain Provisions of the Bond Resolution," for further information about the contractual provisions pertaining to the Series 2021 Bonds.

### **General**

The Series 2021 Bonds will be dated the date of their delivery and will be issued in authorized denominations of \$5,000 and any integral multiple thereof. The Series 2021 Bonds of each maturity will bear interest at the respective interest rates per annum and mature on July 1 of the respective years and in the respective principal amounts set forth on the inside front cover page of this Official Statement. Interest on the Series 2021 Bonds will be payable semiannually on January 1 and July 1, commencing January 1, 2022, and will accrue from the dated date, or the most recent Interest Payment Date to which interest has been paid or provided for. Interest is payable to the owners of the Series 2021 Bonds identified on the registration books with respect to the Series 2021 Bonds on the fifteenth day of the month preceding each interest payment date.

The Series 2021 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository with respect to the Series 2021 Bonds. Purchases by beneficial owners of the Series 2021 Bonds are to be made in book-entry form. See "THE SERIES 2021 BONDS – Book-Entry-Only System."

### **Redemption Prior to Maturity**

Redemption of the Series 2021 Bonds may be made in the manner described below.

#### Optional Redemption.

The Series 2021A Bonds maturing on or after July 1, 2032, will be subject to redemption prior to their respective maturities at any time on or after July 1, 2031, at the option of the Commission, in whole or in part (in increments of \$5,000), at par plus accrued interest to the date of redemption.

The Series 2021B Bonds will not be subject to optional redemption prior to their maturity.

#### Mandatory Sinking Fund Redemption.

The Series 2021B Bonds maturing on July 1, 2028 are required to be redeemed on July 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 45,000
2024	45,000
2025	45,000
2026	50,000
2027	50,000
2028 (final maturity)	50,000

The Series 2021B Bonds maturing on July 1, 2033 are required to be redeemed on July 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
2029	\$ 50,000
2030	50,000
2031	50,000
2032	55,000
2033 (final maturity)	55,000

Selection of Bonds to be Redeemed. If less than all of the Series 2021 Bonds of like maturity of a series are called for prior redemption, the particular Series 2021 Bonds or portions thereof to be redeemed shall be selected at random by the Trustee in such a manner as the Trustee may determine. So long as The Depository Trust Company (“DTC”) acts as securities depository for the Series 2021 Bonds, determinations of persons entitled to payment of principal, premium, if any, and interest shall be the responsibility of DTC and shall be effected pursuant to rules and procedures established by DTC. See “THE SERIES 2021 BONDS – Book-Entry-Only System” below.

Notice of Redemption. When the Trustee shall receive notice from the Commission of the election or direction to redeem Series 2021 Bonds, and when redemption of the Series 2021 Bonds is authorized or required as described above, the Trustee shall give notice of the redemption of such Series 2021 Bonds, which notice shall specify the series and maturities of the Series 2021 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption date will be payable and, if less than all of the Series 2021 Bonds of any like series and maturity are to be redeemed, the letters and numbers of such Series 2021 Bonds so to be redeemed, and, in the case of the Series 2021 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such redemption date there shall become due and payable upon each Series 2021 Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof, in the case of the Series 2021 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice by first class mail postage prepaid, not less than 30 days nor more than 45 days before the redemption date, to the registered owners of any Series 2021 Bonds or portions of Series 2021 Bonds which are to be redeemed, at their last addresses appearing on the books of the Trustee.

So long as the Series 2021 Bonds are registered in the name of Cede & Co. as the registered owner of the Series 2021 Bonds, the Trustee is to send such notice to DTC or to Cede & Co., as nominee for DTC. Any failure of DTC or its nominee or of a Direct Participant or Indirect Participant to notify a Direct Participant, Indirect Participant or Beneficial Owner of any Series 2021 Bond called for redemption will not affect the validity of the proceedings for the redemption of such Series 2021 Bond. See “THE SERIES 2021 BONDS – Book-Entry-Only System” below.

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

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2021 Bonds, payments of principal of and premium, if any, and interest on the Series 2021 Bonds to DTC, DTC’s disbursement of such payments to Direct and Indirect Participants or Beneficial Owners (each as defined below), the confirmation and transfer of beneficial ownership interests in the Series 2021 Bonds, and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is

based solely on information furnished by DTC. Neither of the Commission, the Underwriter nor the Trustee assumes any responsibility for the accuracy or adequacy of the information included in such description.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the 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"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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. A Beneficial Owner is, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of the Beneficial Owner's holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds 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 2021 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of the Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 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 Commission 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2021 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 Commission or the Trustee, on payable dates 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, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, 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 and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Commission, under certain circumstances, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but neither the Commission or the Commission take any responsibility for the accuracy thereof.

**None of the Commission, the Underwriter or the Trustee will have any responsibility or obligations to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (2) the payment by any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of or interest on the Series 2021 Bonds; (3) the delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Bondholders under the terms of the Bond Resolution; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2021 Bonds; or (5) any consent given or other action taken by DTC as Bondholder.**

**So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee of DTC, references in this Official Statement to the owners of the Series 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of the Series 2021 Bonds for all purposes under the Bond Resolution.**

The Commission may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2021 Bonds without the consent of Beneficial Owners or Bondholders.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

### Source of Payment

Payment of the principal of, premium, if any, and interest on the Series 2021 Bonds is secured by an irrevocable pledge of (i) Net Revenues, and (ii) certain funds established under the Bond Resolution, including the investments thereof, if any.

Net Revenues are defined in the Bond Resolution as “Revenues” less “Operation and Maintenance Expenses.”

Revenues. The term “Revenues” is defined as:

- (i) all income and revenues from all sources, collected or received by the Commission in the operation of the Airport, including, without limitation, except as expressly provided in the Bond Resolution, all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the Commission in its capacity as the operator of the Airport in connection with the operation, improvement and enlargement of the Airport, or any part thereof; and
- (ii) income received on any investment of money held pursuant to the Bond Resolution and paid into the Revenue Fund pursuant to the terms of the Bond Resolution;

provided, however, the term “Revenues” does not include any “Excluded Revenues.” The term “Excluded Revenues” includes, among other things, revenues from grant agreements or PFCs, CFCs and contributions received from any of the Commission’s member jurisdictions under the Enabling Act. See APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution.”

Exclusion of COVID-19 Relief Grants. It should be noted that, under the foregoing definition of “Revenues,” funds such as the COVID-19 Relief Grants were not included in the definition of Revenues even though they were available and used for payment of debt service. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Federal Relief Efforts.” The effect of this exclusion has been that the rate covenant for Fiscal Year 2021 was not met, whereas with the inclusion of COVID-19 Relief Grants, the rate covenant would have been met. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Projections for Recovery Scenarios – Coverage and Projections,” above. Because of this, the Commission is seeking to amend the Bond Resolution to provide that grants received in the future from the federal government as stimulus, relief or recovery funds which, by the terms of the grant, may be used by the Commission to pay debt service, shall not be deemed Excluded Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Springing Amendments.”

Operation and Maintenance Expenses. The term “Operation and Maintenance Expenses” means the Commission’s expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction (exclusive of expenses to be reimbursed from grants-in-aid) of the Airport and includes, without limitation, administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee, benefit funds, and any other expenses required to be paid by the Commission under the provisions of the Bond Resolution or by law or consistent with standard practices; for airports similar to the properties and business of the Airport and applicable in the circumstances, the expenses, liabilities and compensation of the Trustee required to be paid, under the Bond Resolution, all to the extent properly attributable to the Airport. “Operation and Maintenance Expenses” does not include any capital cost or any allowance for depreciation or interest on any debt or any operation or maintenance costs for certain special facilities or non-aviation facilities.

**The Bond Resolution provides and the Series 2021 Bonds will state that the Series 2021 Bonds and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth or of any political subdivision thereof other than the Commission, including the City of Richmond, Virginia and the Counties of Hanover, Henrico and Chesterfield, Virginia. Neither the Commonwealth nor any political subdivision thereof, including the Commission, the City of Richmond,**

**Virginia and the Counties of Hanover, Henrico and Chesterfield, Virginia shall be obligated to pay the principal of, premium, if any, or interest on the Series 2021 Bonds or other costs incident thereto except from the revenues and receipts and funds and accounts pledged therefor, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof, including the City of Richmond, Virginia and the Counties of Hanover, Henrico and Chesterfield, Virginia is pledged to the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds or other costs incident thereto. The Commission has no taxing power.**

### **Debt Service Reserve Account**

Pursuant to the Fourteenth Supplemental Resolution, a separate subaccount for each Series of the Series 2021 Bonds has been established in the Debt Service Reserve Account, each of which is required to be funded in an amount equal to the Debt Service Reserve Requirement. The “Debt Service Reserve Requirement” means with respect to any Series of Bonds for which a subaccount has been established in the Debt Service Reserve Account, as of any date of calculation, an amount equal to the least of (a) 10% of the proceeds of such Series, (b) the maximum Aggregate Debt Service on such Series in the then current or in any future Fiscal Year or (c) 125% of the average Aggregate Debt Service on such Series. Amounts in the Series 2021 Debt Service Reserve Subaccount will be available for transfer to the Debt Service Account on a monthly basis in order to fund deficits therein with respect to payments of debt service on the Series 2021 Bonds. Such amounts are not available to make payments on other Series of Bonds. See APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution.”

The Debt Service Reserve Requirement means with respect to any Series of Bonds for which a subaccount has been established in the Debt Service Reserve Account, as of any date of calculation, an amount equal to the least of (a) 10% of the proceeds of such Series, (b) the maximum Aggregate Debt Service on such Series in the then current or in any future Fiscal Year or (c) 125% of the average Aggregate Debt Service on such Series.

The Airport intends to fund the Debt Service Reserve Accounts for the Series 2021A Bonds and the Series 2021B Bonds with a municipal bond debt service reserve insurance policy provided by AGM, in lieu of cash. As a result, after the closing of the Series 2021 Bonds approximately 36% of the Commission’s total Debt Service Reserve Requirements will be funded with a municipal bond debt service reserve insurance policy provided by AGM. AGM is also providing a municipal bond insurance policy with respect to the payment of principal and interest on the Series 2021 Bonds. See “BOND INSURANCE.” AGM’s financial strength is described in “BOND INSURANCE – Assured Guaranty Municipal Corp.”

### **Rate Covenant**

Pursuant to the Bond Resolution, the Commission will at all times while any Bonds are outstanding establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each Fiscal Year of the Commission an amount so that Net Revenues shall at all times not be less than the greater of (i) 1.0 times the sum of the Aggregate Debt Service on the Bonds for such Fiscal Year and the Aggregate Debt Service on all Subordinated Indebtedness and all other deposits required to be made to funds and accounts pursuant to Sections 404(3), (5) and (7) of the Bond Resolution (which are the Debt Service Reserve Subaccount, the Operation and Maintenance Reserve Fund and the Equipment and Capital Outlay Fund), or (ii) 1.25 times the Aggregate Debt Service on the Bonds for such Fiscal Year. See the definition of “Aggregate Debt Service” in APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution.”

If the Commission fails in any Fiscal Year to collect Net Revenues in amounts at least equal to the requirements expressed above, the Commission shall employ an Airport Consultant, having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, to recommend rental and other charges for use of Airport facilities at such levels as would prevent the Commission from continuing to miss its rate covenant requirements. A failure to meet the rate covenant requirement in a single Fiscal Year shall not constitute an Event of Default unless the Commission shall again fail in the succeeding Fiscal Year to meet the rate covenant requirement.

## Flow of Funds

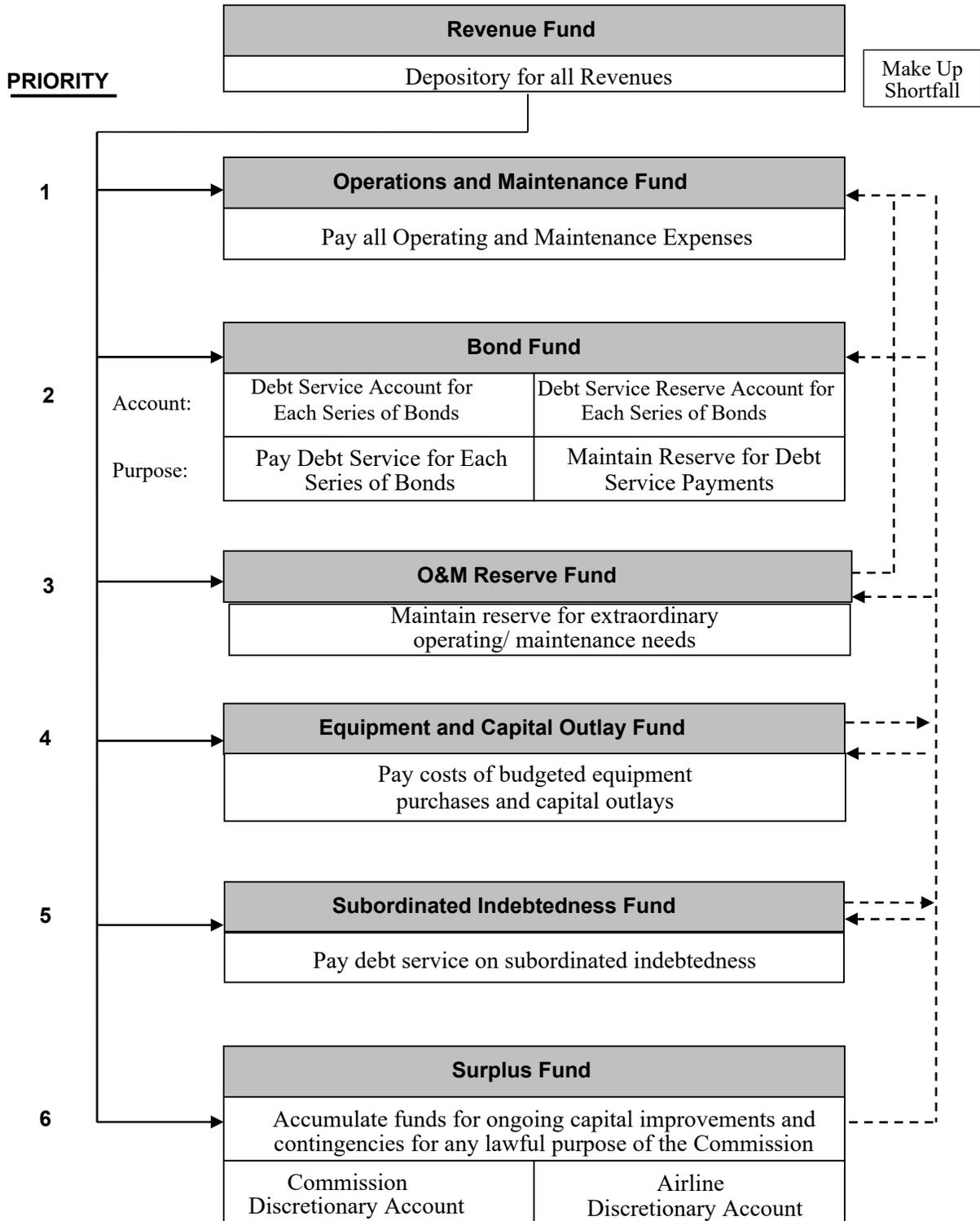
The Bond Resolution establishes certain funds and accounts and the priority for the application of Revenues to those funds and accounts. See APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution – Application of Revenues.” The Commission deposits all Revenues when received into the Revenue Fund, which is held by the Commission, and on or before the last Business Day of each month, the Commission withdraws from the Revenue Fund all amounts on deposit therein and applies them in the following manner and order of priority:

- FIRST to the Operation and Maintenance Fund, which pays for all Operation and Maintenance Expenses; an amount equal to one-twelfth of the amount budgeted for Operation and Maintenance Expenses as set forth in the then-current Annual Budget;
- SECOND to the Bond Fund, which includes a Debt Service Account and a Debt Service Reserve Subaccount for each Series of Bonds, an amount equal to one-twelfth (or such greater fraction if the period is less than twelve months as may be appropriate) of the amount necessary to pay principal on each Series of Bonds coming due within the next twelve months and (unless paid from the capitalized interest account in the construction fund) one-sixth of the amount due as interest on each Series of Bonds coming due within the next six months; AND to the Debt Service Reserve Subaccount, an amount if and to the extent necessary, so that the balance in such account shall equal the Debt Service Reserve Requirement for each Series of Bonds;
- THIRD to the Operation and Maintenance Reserve Fund to maintain a balance equal to one-twelfth of the then-current Annual Budget. Amounts in this fund are to be used to pay for extraordinary operating or maintenance requirements;
- FOURTH to the Equipment and Capital Outlay Fund an amount equal to one-twelfth of the budgeted equipment purchases and capital outlays for the current Fiscal Year;
- FIFTH to the Subordinated Indebtedness Fund an amount equal to pay the monthly debt service requirements on any subordinated indebtedness; and
- SIXTH to the Surplus Fund any amounts remaining in the Revenue Fund after all required deposits have been made to the funds and accounts listed above. Pursuant to the Airline Agreement (summarized in APPENDIX D – “Summary of the Airline Agreement”), 50% of the moneys accumulated in the Surplus Fund are deposited to the Commission Discretionary Account and 50% are deposited to the Airline Discretionary Account. Moneys accumulated in the Commission Discretionary Account may be used by the Commission for ongoing capital improvements and contingencies and for any other lawful purposes. Moneys accumulated in the Airline Discretionary Account are used as credits against airline payments due to the Commission in the following Fiscal Year.

The following diagram presents a summary of the application of Revenues to various funds and accounts as governed by the provisions of the Bond Resolution. A more complete description of the application of Revenues is included in APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution – Application of Revenues.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Source of Payment” for a description of the types of income and revenues of the Commission included in the definition of “Revenues.”

[Application of Revenues table appears on following page]

**RICHMOND INTERNATIONAL AIRPORT  
APPLICATION OF REVENUES**



If at any time the Trustee is unable to make a deposit in the amount required to be made as described in the Bond Resolution, there shall be deemed to be a deficit in such fund equal to the difference between the amount deposited and the amount so required. The Net Revenues distributed at the end of each month shall be used to reduce or eliminate such deficits in each fund into which a deposit is made. In the event the deficits continue to exist in any fund established under the Bond Resolution, on the last day of each month, the Commission or the Trustee, as the case may be, shall, beginning with the Surplus Fund and continuing as necessary with each fund having the next higher priority, transfer amounts as may be necessary to meet such deficits, beginning with transfers to the Operation and Maintenance Fund and continuing as necessary with transfers to each Fund having the next lower priority until all such deficits are met.

### **Additional Bonds**

The Series 2021 Bonds will be on a parity basis with the Series 2001A Bonds, the Unrefunded Series 2013A Bonds, the Unrefunded Series 2016A Bonds, and all other Bonds heretofore or hereafter issued pursuant to the Bond Resolution. See “OUTSTANDING DEBT OF THE COMMISSION – Other Indebtedness.”

Upon satisfaction of certain conditions, Additional Bonds may be issued on a parity with the Series 2001A Bonds, the Unrefunded Series 2013A Bonds and the Unrefunded Series 2016A Bonds under the Bond Resolution. See APPENDIX C – “Definitions and Summary of Certain Provisions of the Bond Resolution – Additional Bonds” and “– Refunding Bonds.”

### **Springing Amendments**

The Commission desires to implement amendments to the Bond Resolution to:

- (a) provide that “grants received from the federal government as stimulus, relief or recovery funds which, by the terms of the grant, may be used by the Commission to pay debt service, shall not be deemed Excluded Revenues” under Section 101 the Bond Resolution (meaning they would not be excluded from Net Revenues for purposes of determining whether the Commission is in compliance with its rate covenant) (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Rate Covenant,” above); and
- (b) broaden the definition of “Investment Obligations” set forth in Section 601 of the Bond Resolution so that, in addition to the specific permitted investments listed in such Section, moneys held in Funds and Accounts under the Bond Resolution could also be allocated to “any other investments that are at the time (i) legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended (the “Virginia Code”), or any successor provision of law, and (ii) structured to permit adequate liquidity for the purpose of the Fund or Account to be satisfied.”

The Fourteenth Supplemental Resolution contains the above amendments but provides that they will not become effective until the consent of the Holders of at least 66.67% in principal amount of the Bonds Outstanding is deemed given through their purchase of beneficial interests in the Bonds issued pursuant to this Fourteenth Supplemental Resolution or future Supplemental Resolutions containing the same amendments.

**By purchasing Series 2021 Bonds described in this Official Statement, beneficial owners of the Series 2021 Bonds are deemed to have consented to the above-described springing amendments.** Accordingly, purchasers of the Series 2021 Bonds should review and understand all of terms and provisions of the Bond Resolution and such springing amendments in making their investment decisions with respect to the Series 2021 Bonds. See APPENDIX C – “Definitions” and “Investment of Funds.”

## PLAN OF FINANCE

### Refunding Plan

The Commission will use the net proceeds of the Series 2021 Bonds to (a) refund a portion of the Series 2016A Bonds and a portion of the Series 2013A Bonds, (b) fund a debt service reserve subaccount for the Series 2021 Bonds, and (c) pay certain costs of issuance of the Series 2021 Bonds.

As described in more detail above under “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION,” the Commission is restructuring its debt service to provide for cost reductions in response to the COVID-19 pandemic and its ongoing impacts particularly on enplanement numbers. As a part of the restructuring, the Airport plans to use proceeds of the Series 2021A Bonds to refund the outstanding 2027 through 2033 maturities of the Series 2016A Bonds (the “Refunded Series 2016A Bonds”), and proceeds of the Series 2021B Bonds to defease a \$500,000 portion of the 2022 maturity of the Series 2013A Bonds (the “Refunded Series 2013A Bonds”) (collectively, the “Refunded Bonds”). This restructuring will provide debt service savings of approximately \$741,594 in Fiscal Year 2022, together with a reduction in debt service in each Fiscal Year through 2033.

To accomplish the defeasance of the Refunded Series 2013A Bonds, which are not optionally callable prior to July 1, 2023, a portion of the proceeds of the Series 2021B Bonds will be deposited into a special trust fund created by an escrow agreement (the “Escrow Agreement”) to be entered into between the Commission and the Trustee, acting as escrow agent, as of the date of delivery of the Series 2021 Bonds. The moneys to be deposited in the special trust fund will be calculated such that they will be sufficient, without investment, to pay the accrued and unpaid interest due on the Refunded 2013A Bonds up to and including their maturity date of July 1, 2022. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

To accomplish the refunding of the Refunded Series 2016A Bonds, which may be redeemed at any time upon the payment of a make whole redemption price, a portion of the proceeds of the Series 2021B Bonds will be deposited in the Debt Service Account for the Series 2016A Bonds and held until the date indicated in a notice of redemption with respect to the Refunded Series 2016A Bonds.

### Sources and Uses of Series 2021 Bond Proceeds

The proceeds of the Series 2021 Bonds are currently anticipated to be applied as provided below.

#### Sources of Funds

Par Amount of Bonds	\$ 14,160,000.00
Original Issue Premium	3,302,343.20
Release from Series 2016A Debt Service Reserve Account	<u>1,030,000.00</u>
Total Sources	<u>\$ 18,492,343.20</u>

#### Uses of Funds

Refunded Series 2016A Bonds	\$ 17,474,677.78
Refunded Series 2013A Bonds <sup>(1)</sup>	525,000.00
Costs of Issuance <sup>(2)</sup>	<u>492,665.42</u>
Total Uses	<u>\$ 18,492,343.20</u>

<sup>(1)</sup> Paid solely with proceeds of the Series 2021B Bonds.

<sup>(2)</sup> Including, but not limited to, underwriters’ discount, premium for AGM insurance, professional fees and costs.

## OUTSTANDING DEBT OF THE COMMISSION

### General Airport Revenue Bonds

After the issuance of the Series 2021 Bonds and providing for the refunding of the Refunded Bonds, the Commission will have outstanding Bonds in the aggregate principal amount of \$50,393,217. The following table sets forth the annual debt service requirements that will be effective for the Bonds for each year ending June 30, reflecting for each such Fiscal Year the Commission's required payments for July 1 (the first day) of the succeeding Fiscal Year. Reference should be made to APPENDIX B – "Audited Financial Statements of the Capital Region Airport Commission as of and for the Years Ended June 30, 2019 and 2020," which in Note 5 to the Notes to Financial Statements, paragraphs (a), (b), (c) and (d), shows the General Airport Revenue Bonds that were outstanding as of June 30, 2020, including both the Refunded Bonds and unrefunded portions and not contemplating this offering of Series 2021 Bonds. The Commission defeased the Airport Revenue Bonds, Series 2001B (AMT), reflected in APPENDIX B, on June 24, 2021, therefore they are not reflected in the following table. The Commission has other indebtedness that is not secured by the Net Revenues or the Bond Resolution, as described in "OUTSTANDING DEBT OF THE COMMISSION – Other Indebtedness" below.

### Annual Debt Service Requirements

<u>Fiscal Year Ending June 30</u>	<u>Series 2001A Bonds</u>	<u>Unrefunded Series 2013A Bonds</u>	<u>Unrefunded Series 2016A Bonds</u>	<u>Series 2021A Bonds</u>	<u>Series 2021B Bonds</u>	<u>Total Debt Service Requirements</u>
2022	\$ 1,591,083	\$ 2,091,200	\$ 2,281,250	\$ 484,089	\$ 9,317	\$ 6,456,939
2023	1,587,475	2,895,700	2,275,000	544,600	55,481	7,358,256
2024	1,587,475	2,725,700	2,280,500	544,600	54,750	7,193,025
2025	1,587,475	2,173,300	2,277,650	544,600	54,019	6,636,394
2026	132,290	-	531,800	544,600	58,288	3,012,828
2027	-	-	531,800	2,269,600	57,475	2,858,875
2028	-	-	531,800	2,265,600	56,663	2,854,063
2029	-	-	531,800	2,274,000	55,850	2,861,650
2030	-	-	531,800	2,269,200	54,725	2,855,725
2031	-	-	531,800	2,266,600	53,600	2,852,000
2032	-	-	531,800	2,266,000	57,475	2,855,275
2033	-	-	531,800	2,267,200	56,238	2,855,238
2034	-	-	2,986,800	-	-	2,986,800
2035	-	-	2,983,600	-	-	2,983,600
2036	-	-	2,986,600	-	-	2,986,600
2037	-	-	2,985,400	-	-	2,985,400
2038	-	-	2,990,000	-	-	2,990,000
Total	<u>\$ 6,485,797</u>	<u>\$ 9,885,900</u>	<u>\$30,046,400</u>	<u>\$18,540,689</u>	<u>\$623,879</u>	<u>\$65,582,666</u>

## **Other Indebtedness**

The Commission has no CFC revenue bonds or PFC revenue bonds currently outstanding. The PFC revenue bonds identified in APPENDIX B – “Audited Financial Statements of the Capital Region Airport Commission as of and for the Years Ended June 30, 2019 and 2020,” under Note 5 to the Notes to Financial Statements, paragraph (e), were retired early in Fiscal Year 2021.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2021 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as APPENDIX G – “Specimen Municipal Bond Insurance Policy.”

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On July 8, 2021, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Capitalization of AGM*

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Merger of MAC into AGM*

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2021 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE.”

### **THE COMMISSION**

The Commission is a political subdivision of the Commonwealth and is authorized to own and operate the Airport. The Commission, as the owner and operator of the Airport, maintains and enhances facilities to better serve the air transportation needs of Central Virginia. The Commission was established by the Enabling Act. The Commission is composed of Commissioners appointed by its participating political subdivisions, which currently include the City of Richmond, Virginia and the Counties of Chesterfield, Hanover and Henrico, Virginia.

#### **Commission Membership**

Under the Enabling Act, any of the City of Richmond and the Counties of Henrico, Charles City, Chesterfield, Goochland, Hanover, New Kent and Powhatan and the Town of Ashland may join the Commission as a “participating political subdivision,” subject to making satisfactory arrangements for a contribution of capital to the Commission. To date, the City of Richmond and the Counties of Hanover, Henrico and Chesterfield, the four most populous jurisdictions in the Richmond metropolitan area, have joined the Commission as participating political subdivisions.

#### **Commissioners**

The Enabling Act currently provides that the City of Richmond and the Counties of Chesterfield and Henrico may appoint four Commissioners to the Commission and the County of Hanover may appoint two. Commissioners from each of the City of Richmond and the Counties of Hanover, Henrico and Chesterfield are appointed to the Commission by action of their jurisdiction’s governing body. Commissioners are appointed for four-year terms, subject, however, to the right of each jurisdiction’s governing body to remove at any time a Commissioner appointed by it and to appoint a successor.

Commissioners are responsible for addressing broad policy matters and approving the operating and capital budgets.

The names, appointing jurisdictions, office (where appropriate), years of service on the Commission’s board and expiration dates of the terms of the current Commissioners are as follows:

[Table appears on following page]

<u>Name and Office with the Commission</u>	<u>Length of Service (in yrs.)</u>	<u>Expiration of Current Term</u>
<i>City of Richmond</i>		
Charles S. Macfarlane – Secretary	10	4/24/2023
Robert F. Norfleet, Jr.	24	4/23/2024
Reva M. Trammel*	5	12/31/2024
Vacancy**		
<i>Henrico County</i>		
Harvey L. Hinson	4	12/31/2023
Tyrone E. Nelson* – Treasurer	7	12/31/2023
Patricia S. O'Bannon*	9	12/31/2023
Frank J. Thornton*	5	12/31/2023
<i>Chesterfield County</i>		
Lesley Haley*	9	12/31/2023
James M. Holland* – Vice Chairman	2	12/31/2023
C. James Williams III	2	12/31/2023
Christopher M. Winslow*	5	12/31/2023
<i>Hanover County</i>		
Wayne T. Hazzard – Chairman	4	12/31/2023
Aubrey M. Stanley*	7	12/31/2023

\* Member of governing body of jurisdiction.

\*\* One of the seats filled by the City of Richmond has been vacant since January 8, 2021, following the death of Commissioner Alegenon L. Brown, who had served for over 25 years.

## Commission Staff

The Commission appoints the President and CEO, who is responsible for the overall operation of the Airport with particular emphasis on public relations and marketing of air service. The Commission's Chief Financial Officer is responsible for financial management, real estate, property management and engineering; its Director for Real Estate and Facilities is responsible for leases, contracts and property management issues with the Airport's tenants, operation of the Airport and the maintenance, planning and development of the Airport's physical plant; its Director of Public Safety is responsible for Airport security, fire protection and airport operations; its Director of Finance is responsible for the management of the Commission's daily accounting activities, information systems and procurement; its Director of Marketing and Air Service is responsible for public relations and the marketing of air service; and its Director of Planning and Engineering is responsible for the planning of the Commission's capital projects, oversight over their construction and the Airport's physical plant. Almost all of the senior executive staff has been with the Commission since 2000.

The key members of the Commission staff with brief biographies are set forth below:

*Perry J. Miller, A.A.E., I.A.P., President and CEO (Age 58).* Mr. Miller joined the Commission August 17, 2019, as its airport executive who has distinguished himself by completing years of training to become an accredited member of the American Association of Airport Executives (AAAE), and the Global ACI-ICAO Airport Management Professional Accreditation Program (AMPAP). After graduation from Texas Southern University with a Bachelor of Science degree in Airway Science and Master of Science degree in Transportation Planning and Management, he spent the next 26 years working with the Houston Airport System. Perry has served in a myriad of airport arenas, including airport operations, maintenance, properties management and business development. In the intervening years since his undergraduate internship, Perry has served in the capacity of Airport Manager of Ellington Airport, (EFD) William P. Hobby, (HOU) Interim Airport Manager of George Bush Intercontinental, (IAH) and was a ranking member of the Houston Airport System Management Team. More recently, he worked for the Jackson Municipal Airport Authority as the Chief Operating Officer and the Interim Chief Executive Officer. Perry also served as an Adjunct Professor for

the Aviation Science and Technology Department at his alma mater. Mr. Miller has more than 30 years of experience in the aviation industry.

*John B. Rutledge, P.E., Chief Operating Officer (Age 59).* Mr. Rutledge began work with the Commission as Director of Planning and Engineering in June 2003 and became Chief Operating Officer of the Commission in September 2, 2020. Prior to joining the Commission, Mr. Rutledge served as Airport Engineer with the Virginia Department of Aviation. Prior to his work with the Department of Aviation, he served as a project engineer with Engineering Design Associates and the J.K. Timmons Group (now known as the Timmons Group). Mr. Rutledge holds a Bachelor of Science degree in Civil Engineering from Virginia Tech and is a registered Professional Engineer in the Commonwealth.

*Troy M. Bell, Director of Marketing and Air Service Development (Age 59).* Mr. Bell joined Richmond International Airport in November 2000. Previously, he served as Marketing Manager for the Rio Grande Valley International Airport, Harlingen, Texas. He has been active on a community, regional, and statewide basis for the promotion of travel and tourism for more than twenty years. He is a certified member of the American Association of Airport Executives and several related travel and tourism organizations. Mr. Bell attended the Ohio State University and is a veteran of the United States Marine Corps.

*Steven C. Owen, Director of Finance (Age 58).* Mr. Owen started with the Commission in March 1999 as the Assistant Comptroller. In June 2002, he became Director of Finance at the Commission. He has a bachelor's degree in Criminal Justice from Elmira College, NY and an Associate's degree in Accounting from Middlesex County College, NJ. Mr. Owen is a Certified Public Accountant.

*Russell L. Peaden, Director for Real Estate and Facilities (Age 57).* Mr. Peaden has served the Commission since 1998 in various property management and international trade services positions. He was promoted to Director in July 2004. Mr. Peaden holds a Bachelor of Arts degree from the University of New Mexico, has received his Professional Certificate in Facility Management from George Mason University and is a certified member of the American Association of Airport Executives and the International Facility Management Association. Mr. Peaden also served as an officer in the United States Marine Corps Reserve.

*Uday Nethula, Human Capital and Diversity Officer/Director (Age 46).* Mr. Nethula joined the Commission in June 2020. He is a versatile Global Human Resources professional and has over eighteen years' experience working in diverse industries operating across jurisdictions in multiple countries. He holds a master's degree in Hospitality Management from Eastern Michigan University, as well as SHRM HR Certification.

## **Budget Process**

The Commission generally begins preparation of its annual operating and capital budget in March of each Fiscal Year (the Commission has a July 1 to June 30 fiscal year). The Chief Financial Officer and the Director of Finance, with input from members of other departments, prepare the draft budget for initial review by the Finance Committee. After this review, a final budget is submitted to the Finance Committee and then to the Commission for final approval and adoption. Final approval is usually given during the last week of May for the Fiscal Year commencing July 1.

In tandem with the foregoing process, the Commission generally obtains by May 1 estimates of landed weight for the forthcoming Fiscal Year from the airlines. The Airline Agreement described below requires that the Commission submit to the signatory airlines prior to the end of the Fiscal Year the proposed budget and proposed airline rates, fees and charges and that upon request the Commission meet with the airlines to discuss the proposed budget and rate calculations. The final budget and airline rates, fees and charges that the Commission establishes may include revisions resulting from airline comments.

As described in "CERTAIN AGREEMENTS FOR USE OF COMMISSION FACILITIES – Airline Agreement" and in APPENDIX D – "Summary of Airline Agreement," the rates, fees and charges to the airlines are determined prospectively for certain cost centers pursuant to the ratemaking procedures of the Airline Agreement. After the end of the Fiscal Year, the amounts actually collected from the airlines are reconciled to the amounts

actually required under the Airline Agreement and the Non-Signatory Airlines Policy described in “CERTAIN AGREEMENTS FOR USE OF COMMISSION FACILITIES – Airline Agreement – Non-Signatory Airlines” to be paid for such Fiscal Year, and the amount of any overpayment or underpayment is established. The airlines are responsible for any underpayments, which will be included in the then current Fiscal Year billing to the airlines. Overpayments are applied as credits on then current Fiscal Year billing statements.

The Commission has established procedures for cash management in order to maximize cash available for investment. Funds that are not invested pursuant to the terms of the Bond Resolution are generally invested in U.S. Treasury Notes or commercial bank repurchase agreements that are secured or collateralized by government securities.

## **Employee Relations**

As of May 31, 2021, the Commission employed approximately 146 full-time and 16 part-time employees, none of whom were represented by labor unions. The Commission’s Fiscal Year 2022 budget provides for 169 full-time employees and 20 part-time employees. For information on the effect of the COVID-19 pandemic on staffing, see “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Efforts to Manage Financial Impact.”

## **Retirement and Pension Plans**

All full-time, salaried permanent employees of the Commission are automatically covered by a VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Under Plan 1, a defined benefit plan, employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit (age 60 with at least 5 years of service credit for law enforcement officers and firefighters) or age 50 with at least 30 years of service credit (age 50 with at least 25 years of service credit for law enforcement officers and firefighters). Plan 2, a defined benefit plan, employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90 (at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit for law enforcement and firefighters). Under the Hybrid Plan, a defined benefit and defined contribution plan, employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit based on the appropriate benefit structure. Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Virginia Code assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The contribution requirement for active employees is governed by §51.1-145 of the Virginia Code, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement. The Commission’s contractually required employer contribution rate for the year ended June 30, 2020 was 8.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The Commission’s contractually required employer contribution rate for the year ended June 30, 2019 was 8.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$693,622 and \$695,525 for the years ended June 30, 2020 and June 30, 2019, respectively. The contributions reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal years ended June 30, 2021 and June 30, 2020, respectively.

For further information on the Commission's retirement plan, See Note 8 in Notes to Financial Statements and the schedules related to the VRS Pension Plan in the required supplemental information in APPENDIX B – "Audited Financial Statements of the Capital Region Airport commission as of and for the years ended June 30, 2019 and 2020."

## **THE AIR SERVICE AREA**

The Airport's primary air service area (the "Air Service Area") consists of Amelia County, Caroline County, Charles City County, Chesterfield County, Colonial Heights City, Cumberland County, Dinwiddie County, Goochland County, Hanover County, Henrico County, Hopewell City, King and Queen County, King William County, Louisa County, New Kent County, Petersburg City, Powhatan County, Prince George County, Richmond City and Sussex County. Together, these jurisdictions comprise the Richmond Metropolitan Statistical Area ("MSA").

The Airport is located in Henrico County, which is linked to the other cities in the MSA by a network of highways, including Interstates 64, 85, 95, 195 and 295 and State Highway 895 (the Pocahontas Parkway). The Air Service Area comprises approximately 2,945 square miles.

The Air Service Area had a 2019 population of approximately 1.4 million, with an historical growth rate over the past sixteen years in excess of that of the Commonwealth and the United States. Unemployment rates in the Air Service Area and the Commonwealth have consistently been below the national average, with a March 2021 unemployment rate of 5.5% for the Air Service Area. Selected economic and demographic information pertaining to the Air Service Area is presented in APPENDIX A – "Selected Economic and Demographic Information for the Air Service Area."

## **THE AIRPORT**

### **General**

The Airport has been in operation since 1927 and is the aviation gateway to Virginia's Capital Region. The Airport's history began in 1927 when the City of Richmond purchased a 300-acre site in adjoining Henrico County and constructed an unpaved runway. Airmail service commenced in 1928, followed by the commencement of regular commercial air passenger service in 1930. During World War II, the U.S. Army Air Corps operated the Airport and built three runways 5,000 feet long and 150 feet wide. These runways form the basic airfield configuration for the Airport as it exists today.

The Airport returned to the control of the City of Richmond in 1947, and in 1950 a new passenger terminal was completed. The City of Richmond made further improvements between 1950 and 1975, including expansion of the aircraft apron, new temporary passenger holding areas, expansion of parking areas, and additional taxiway and runway improvements, including navigation aids.

Effective January 1, 1976, the Commission assumed ownership and responsibility for the Airport's operations from the City of Richmond.

The Airport is located on approximately 2,800 acres in Henrico County, nine highway miles from the central business district of the City of Richmond and within an hour drive of historic Williamsburg and a two hour drive of Washington, D.C, Virginia Beach and the Blue Ridge Mountains.

A four lane entrance road connects Airport to Interstates 64 and 295 and Virginia State Highway 895 (the Pocahontas Parkway).

**Airport Facilities**

*Airfield Facilities.* Airfield facilities consist of three active runways with the following specifications:

	<b>Runway <u>2-20</u></b>	<b>Runway <u>16-34</u></b>	<b>Runway <u>7-25</u></b>
Length (ft.)	6,607	9,003	5,326
Width (ft.)	150	150	100

Runway 2-20 is the most heavily used runway at the Airport, primarily due to its proximity to the passenger terminal, air cargo, general aviation, and corporate aviation facilities. As such, the FAA considers Runway 2-20 to be the primary runway at the Airport. However, high performance military aircraft and heavy aircraft and regional jets requiring extended runway lengths show a preference for Runway 16-34. Runway 7-25 is used primarily by general aviation aircraft and sometimes by smaller commuter aircraft.

The runways are served by a system of taxiways that provide access between runways and between the airfield and other aviation facilities. Full-length parallel taxiways serve Runway 2-20. The taxiway system also includes entrance and exit taxiways, hangar or apron access taxiways, and bypass, crossover or transverse taxiways.

The pavement strength of Runways 16-34 and 2-20 are sufficient to accommodate all existing and foreseeable jet aircraft that would utilize the Airport. The operational capacity of the Airport’s runway system is approximately 220,000 operations annually (measured by annual service volume or ASV), and calendar year 2020 saw approximately 90,000 operations at the Airport.

Passenger Terminal Facilities. Passenger terminal facilities include a terminal building with two passenger concourses (Concourses A and B). The terminal building was originally constructed in 1950, and has been expanded over the years, with recent expansions including a 24,000-square foot (SF) addition to Concourse A in 1995, a 100,000 SF addition with seven passenger gates to Concourse B in 2002 and, most recently, new terminal facilities in 2007 providing for departures on the upper level and arrivals on the lower level. The 2007 improvements included an expanded baggage make-up and baggage claim area and improved passenger circulation from curbside to the passenger concourses. The Commission also completed the widening of the security area checkpoints in each concourse, to provide for additional personnel and equipment.

The present terminal building is now more than 625,000 SF in size, with the capacity to handle over 3,000,000 enplaning passengers annually.

The first floor of the terminal facility contains the baggage claim area, airline bag makeup areas, Transportation Security Administration (TSA) and Federal Inspection Services and rental car counters. The second floor of the terminal building houses the ticket counter areas, two concourses (each with separate TSA security screening areas), FAA and TSA administrative offices and certain Airport staff functions.

The terminal has 28 second level boarding bridges (14 in Concourse A and 14 in Concourse B). It offers travelers six baggage claim devices, as well as full-service restaurants, several bar and snack areas and several gift shops. Other amenities at the terminal include a business center, a full-service bank branch with currency exchange, a USO Center, and free Wi-Fi for the traveling public.

Parking Facilities. Total current parking capacity at the Airport is approximately 10,500 parking spaces. Parking facilities include four parking garages directly across from the terminal facility, surface parking between the garages, a valet lot and two satellite lots (one of which is currently closed, but available for enplanement growth). SP Plus Corporation manages and operates the Commission’s parking facilities under a fixed fee contract that commenced on November 1, 2018 with a two-year term and 3 subsequent one-year renewal periods. See “CERTAIN AGREEMENTS FOR USE OF THE COMMISSION’S FACILITIES – Parking.”

A private company operates an off-airport parking lot of approximately 800 spaces that is not controlled by the Commission. Such lot is approximately 1.5 miles from the terminal building. The Commission collects a trip charge for each commercial vehicle, including the off-airport operator's passenger vans, that accesses the terminal front and uses the terminal roadway system.

The Commission also operates a car rental ready/return parking garage. This facility is located adjacent to and connects with the terminal building and contains approximately 500 spaces for use by the car rental companies operating from the terminal building. See "CERTAIN AGREEMENTS FOR USE OF THE COMMISSION'S FACILITIES – Rental Car Concession."

Other Facilities. Several commercial and industrial buildings are located on the Airport's property. The buildings include aircraft maintenance facilities, air cargo facilities, private and general aviation hangars, car rental service facilities for Hertz, Avis and Vanguard USA Car Rental Company (operating the National and Alamo brands; formerly ANC Car Rental Co.), fuel storage facilities and buildings occupied by fixed base operators. In addition, there are also facilities for the Federal Government and Army National Guard on the south and east areas of the Airport's property.

### Capital Improvement Program

The Commission maintains an ongoing capital improvement program ("CIP") to address the capital development needs of the Airport, developed in conjunction with the Commission's long-term strategic business plan and long-term facilities master plan. Over the past decade, due to forecasted growth at the Airport, the Commission implemented a comprehensive plan to expand and improve almost every part of the Airport. Many projects in the comprehensive plan have been completed or are well underway. Principal projects on the Airport's capital improvement plan include the projects discussed below that have been started or that are planned to start over the next five-year period. This project list is subject to change from time to time, and projects may be added or deleted in that process.

#### 5-Year Capital Improvement Plan

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
<b>Uses</b>						
Concourse B Apron De-Icing Facility	\$ 5,350,000	\$ -	\$ -	\$ -	\$ -	\$ 5,350,000
Concourse B Apron Expansion	12,650,000	-	-	-	-	12,650,000
Security Checkpoint A Expansion	5,000,000	-	-	-	-	5,000,000
Concourse B Passenger Boarding Bridges	7,250,000	-	-	-	-	7,250,000
Federal Inspection Station Serv. Facility Reno.	6,300,000	-	-	-	-	6,300,000
New Aircraft Rescue & Fire Fighting Facility	-	5,000,000	-	-	-	5,000,000
Passenger Boarding Bridge Replacement (B)	-	10,500,000	-	-	-	10,500,000
East Side Apron 1 Expansion	-	-	7,500,000	-	-	7,500,000
East Side GA Terminal	-	-	5,000,000	-	-	5,000,000
East Apron 2	-	-	6,000,000	-	-	6,000,000
East Apron #4 Reconstruction Phase I	-	-	-	5,000,000	-	5,000,000
South Cargo Apron Expansion	-	-	-	5,310,000	-	5,310,000
Rental Car Counter Relocation & Connector	-	-	-	-	15,000,000	15,000,000
Parking Garage Vertical Expansion	-	-	-	-	40,000,000	40,000,000
<b>Total Uses</b>	<u>\$36,550,000</u>	<u>\$15,500,000</u>	<u>\$18,500,000</u>	<u>\$10,310,000</u>	<u>\$55,000,000</u>	<u>\$135,860,000</u>
<b>Sources</b>						
Federal Aviation Administration (FAA)	\$19,518,349	\$ 4,500,000	\$ -	\$ -	\$ -	\$ 24,018,349
Commonwealth of Virginia	2,352,800	500,000	10,800,000	-	-	13,652,800
<b>Local Sources</b>						
PFC Pay-Go	5,000,000	10,500,000	-	-	-	15,500,000
CFC Pay-Go	-	-	-	-	15,000,000	15,000,000
General Airport Revenue Pay-Go	9,678,851	-	7,700,000	10,310,000	-	27,688,851
General Airport Revenue Bonds <sup>(1)</sup>	-	-	-	-	40,000,000	40,000,000
<b>Subtotal Local Sources</b>	<u>14,678,851</u>	<u>10,500,000</u>	<u>7,700,000</u>	<u>10,310,000</u>	<u>55,000,000</u>	<u>98,188,851</u>
<b>Total Sources</b>	<u>\$36,550,000</u>	<u>15,500,000</u>	<u>\$18,500,000</u>	<u>\$10,310,000</u>	<u>\$55,000,000</u>	<u>\$135,860,000</u>

(1) Parking Garage Vertical Expansion project is contingent upon growth in passenger traffic and parking utilization at a level sufficient to require additional parking capacity. There is no assurance that such project will commence or that, even if it does commence, it will be financed with an issue of General Airport Revenue Bonds.

In addition, the Commission maintains a Master Plan, most recently updated in 2009. The purpose of the Master Plan is to guide the long-term development of the Airport necessary to efficiently serve future aviation needs, while providing flexibility in the sequencing and timing of projects to respond to changing conditions. The Commission is currently working on an updated Master Plan.

The CIP and the Master Plan are subject to change from time to time as capital improvement priorities change as a result of airport activity, airline industry requirements and national or local economic conditions. The estimated costs of, and the projected schedule for, and the funding plan for the CIP and Master Plan are also subject to uncertainties. Such future projects will only be undertaken in response to identified demand and as economically justified. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS – CIP Costs and Schedule.”

### Historical Activity

Annual Enplanements. From a historical perspective, enplanement levels at the Airport showed steady growth through the 1990s, declines in Fiscal Year 2002 following the September 11, 2001 terrorist attacks, and a rebound and sustained growth from 2002 through 2008. Following the 2008 recession, the Airport’s passenger numbers decreased. During the post-recessionary period, the Commission started reporting growth again in Fiscal Year 2014, and experienced steady growth through Fiscal Year 2019.

The following table summarizes numbers of enplaned passengers at the Airport by Fiscal Year since 2011. For the ten-year period of Fiscal Year 2011 through Fiscal Year 2020, passenger traffic at the Airport increased at an average rate of 3.45% per year. During the Fiscal Year ended June 30, 2020, total enplanements at the Airport decreased by 24.5% from the Fiscal Year ended June 30, 2019. For the 11-month period ending May 31, 2021, enplanements decreased by 47.6% from the same period for the preceding year. The sharp decrease in enplanements in 2020 and 2021 is almost entirely due to the impact of COVID-19. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION,” which includes a discussion of recent passenger activity level and presents certain periods of passenger activity levels on a monthly basis.

#### Annual Enplanements

<u>Fiscal Year</u>	<u>Major/National Airlines</u>	<u>Regional Airlines</u>	<u>Charters</u>	<u>Total</u>	<u>Percent Change</u>
2011	961,808	678,834	3,820	1,644,462	0.0%
2012	917,279	677,901	6,136	1,601,316	-2.6
2013	870,703	710,645	5,861	1,587,209	-0.9
2014	923,463	704,006	5,567	1,633,036	2.9
2015	995,245	711,027	12,439	1,718,711	5.2
2016	1,057,272	687,166	23,086	1,767,524	2.8
2017	1,059,395	704,544	40,306	1,804,245	2.1
2018	1,114,204	773,026	35,198	1,922,428	6.6
2019	1,284,791	805,639	52,410	2,142,840	11.5
2020	945,794	624,523	46,684	1,617,001	-24.5
2021 (July to May)	526,337	268,780	32,217	827,334	-48.8

Source: Capital Region Airport Commission.

Monthly Enplanements. The following table presents the Airport’s enplanements on a monthly basis from fiscal year 2016 to date.

<u>Monthly Enplanements<sup>(1)</sup></u>						
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
July	162,883	163,638	166,912	186,836	193,669	60,471
August	159,785	161,392	168,796	190,449	198,447	60,949
September	145,123	151,361	149,983	161,303	175,991	59,780
October	159,592	161,353	171,575	190,655	197,072	68,784
November	145,242	150,802	159,079	187,158	187,756	68,459
December	143,795	145,024	148,317	173,899	196,302	70,978
January	114,382	126,410	129,270	146,841	159,587	53,350
February	119,898	120,049	127,391	145,695	156,776	52,626
March	145,590	149,179	163,464	184,664	87,351	85,878
April	146,857	147,993	168,917	183,667	7,289	106,197
May	161,045	158,486	179,402	197,056	17,664	139,862
June	163,332	168,558	189,322	194,617	39,097	<sup>(2)</sup>
<b><i>Fiscal</i></b>	<b>1,767,524</b>	<b>1,804,245</b>	<b>1,922,428</b>	<b>2,142,840</b>	<b>1,617,001</b>	<b>827,334</b>
<b><i>Year Totals</i></b>						

Source: Capital Region Airport Commission.

<sup>(1)</sup> Including charters.

<sup>(2)</sup> June 2021 data not yet available.

### **Airlines Serving the Airport**

As of July 15, 2021, passenger and cargo service at the Airport was provided by the airlines listed in the table below. Together, these comprise a broad base of air service providers for the Air Service Area.

<u>Low-Cost Carriers</u>	<u>Other Major Airlines And Regional Affiliates</u>	<u>All Cargo Carriers</u>
<u>Southwest Airlines</u>	<u>Delta Airlines</u>	<u>DHL</u>
<u>JetBlue Airways</u>	Endeavor Airlines	<u>Sun Country / Amazon</u>
	Republic	
<u>Spirit Airlines</u>	<u>United Airlines</u>	<u>Federal Express</u>
<u>Allegiant Airlines</u>	Air Wisconsin	
	CommutAir	<u>UPS</u>
<u>Breeze Airways<sup>(1)</sup></u>	GoJet	
	Republic	
	SkyWest Airlines	
	<u>American Airlines</u>	
	American Eagle	
	Envoy	
	Piedmont Airlines	
	PSA Airlines	
	SkyWest Airlines	
	Republic Airlines	

<sup>(1)</sup> Began operations on July 8, 2021.

The following tables present the relative market share of airlines at the Airport for Fiscal Years 2016 through 2020, shown by enplanement and by landed weight.

Historical Airline Market Shares – Enplanements

	<u>FY 2016</u>		<u>FY 2017</u>		<u>FY 2018</u>		<u>FY 2019</u>		<u>FY 2020</u>	
	<u>Number</u>	<u>Share</u>								
<b>Major Airlines</b>										
American Airlines	219,704	12.4%	272,104	15.1%	252,754	13.1%	332,083	15.5%	247,585	15.3%
Delta Airlines	401,455	22.7	410,604	22.8	414,231	21.5	438,633	20.5	327,700	20.3
JetBlue Airways	187,185	10.6	207,612	11.5	230,124	12.0	237,812	11.1	160,897	10.0
Southwest Airlines	151,463	8.6	125,335	6.9	122,807	6.4	120,796	5.6	102,178	6.3
Spirit Airlines	-	-	-	-	24,262	1.3	93,206	4.4	68,314	4.2
United Airlines	39,778	2.3	43,740	2.4	70,026	3.6	62,261	2.9	39,120	2.4
US Airways	57,687	3.3	-	-	-	-	-	-	-	-
<b>Total Major Airlines</b>	<b>1,057,272</b>	<b>59.8%</b>	<b>1,059,395</b>	<b>58.7%</b>	<b>1,114,204</b>	<b>58.0%</b>	<b>1,284,791</b>	<b>60.0%</b>	<b>945,794</b>	<b>58.5%</b>
<b>Regional Airlines</b>										
Air Wisconsin	66,503	3.8%	21,604	1.2%	34,161	1.8%	27,364	1.3%	23,267	1.4%
CommutAir	35,082	2.0	23,705	1.3	43,385	2.3	51,759	2.4	43,403	2.7
Endeavor Airlines	5,098	0.3	28,123	1.6	54,254	2.8	98,072	4.6	61,309	3.8
Envoy Air	71,254	4.0	70,052	3.9	72,643	3.8	85,037	4.0	69,669	4.3
Express Jet	262,672	14.9	267,564	14.8	242,721	12.6	76,470	3.6	48,263	3.0
GoJet	8,453	0.5	9,256	0.5	15,774	0.8	46,012	2.2	18,788	1.2
Mesa	743	-	12,660	0.7	7,775	0.4	40,485	1.9	30,989	1.9
Piedmont	31,007	1.8	63,006	3.5	66,394	3.5	80,154	3.7	56,418	3.5
PSA	71,017	4.0	74,469	4.1	110,510	5.7	69,917	3.3	58,173	3.6
Republic	36,604	2.1	38,029	2.1	69,375	3.6	59,943	2.8	86,143	5.3
Shuttle America	39,822	2.3	8,389	0.5	150	-	-	-	-	-
SkyWest	17,723	1.0	39,273	2.2	39,929	2.1	165,860	7.7	127,951	7.9
Trans States	41,188	2.3	48,414	2.7	15,955	0.8	4,566	0.2	150	0.0
<b>Total Regional Airlines</b>	<b>687,166</b>	<b>38.9%</b>	<b>704,544</b>	<b>39.1%</b>	<b>773,026</b>	<b>40.2%</b>	<b>805,639</b>	<b>37.5%</b>	<b>624,523</b>	<b>38.6%</b>
<b>Charters</b>	<b>23,086</b>	<b>1.3</b>	<b>40,306</b>	<b>2.2</b>	<b>35,198</b>	<b>1.8</b>	<b>52,410</b>	<b>2.5</b>	<b>46,684</b>	<b>2.9</b>
<b>Totals</b>	<b>1,767,524</b>	<b>100.0%</b>	<b>1,804,245</b>	<b>100.0%</b>	<b>1,922,428</b>	<b>100.0%</b>	<b>2,142,840</b>	<b>100.0%</b>	<b>1,617,001</b>	<b>100.0%</b>

Air Market Share – Landed Weight (1,000 pound units)

	<u>FY 2016</u>		<u>FY 2017</u>		<u>FY 2018</u>		<u>FY 2019</u>		<u>FY 2020</u>	
	<u>Number</u>	<u>Share</u>								
<b>Major Airlines</b>										
American Airlines	259,580	11.4%	328,171	15.5%	301,507	13.3%	383,848	15.0%	320,696	15.4%
Delta Airlines	430,890	18.9	444,476	21.0	452,206	19.9	475,892	18.6	373,038	17.9
JetBlue Airways	216,026	9.5	235,580	11.1	276,795	12.2	300,362	11.7	217,475	10.5
Southwest Airlines	166,260	7.3	136,222	6.4	138,757	6.1	136,102	5.3	144,400	6.9
Spirit Airlines	-	-	-	-	29,728	1.3	102,976	4.0	81,035	3.9
United Airlines	47,261	2.1	47,746	2.3	80,874	3.6	79,427	3.1	52,999	2.5
US Airways	77,352	3.4	-	-	-	-	-	-	-	-
<b>Total Major Airlines</b>	<u>1,197,369</u>	<u>52.5%</u>	<u>1,192,195</u>	<u>56.4%</u>	<u>1,279,867</u>	<u>56.3%</u>	<u>1,478,607</u>	<u>57.7%</u>	<u>1,189,643</u>	<u>57.1%</u>
<b>Regional Airlines</b>										
Air Wisconsin	109,745	4.8%	29,610	1.4%	38,681	1.7%	29,751	1.2%	27,495	1.3%
Allegiant Airlines	20,955	0.9	35,993	1.7	29,750	1.3	47,646	1.9	48,477	2.3
CommutAir	39,652	1.7	28,344	1.3	51,080	2.2	51,392	2.0	47,916	2.3
Endeavor Air	7,128	0.3	37,884	1.8	72,562	3.2	141,379	5.5	95,491	4.6
Envoy Air	71,730	3.1	83,990	4.0	94,466	4.2	118,528	4.6	93,490	4.5
Express Jet	345,343	15.1	354,876	16.8	310,580	13.7	90,133	3.5	59,649	2.9
GoJet Airlines	10,275	0.5	10,734	0.5	19,519	0.9	60,054	2.3	28,766	1.4
Interjet Vacation Express	852	-	-	-	-	-	-	-	-	-
Mesa Airlines	7,217	0.3	22,565	1.1	9,703	0.4	50,403	2.0	36,563	1.8
OneJet	-	-	1,870	0.1	3,095	0.1	-	-	-	-
Piedmont Airlines	43,986	1.9	75,303	3.6	73,808	3.2	91,359	3.6	70,233	3.4
PSA Airlines	102,572	4.5	85,437	4.0	127,768	5.6	86,384	3.4	70,253	3.4
Republic Airlines	65,928	2.9	46,440	2.2	98,799	4.3	87,893	3.4	151,171	7.3
Shuttle America	49,746	2.2	10,998	0.5	364	-	-	-	-	-
SkyWest Airlines	19,953	0.9	42,465	2.0	46,619	2.0	221,202	8.7	161,036	7.7
Trans States Airlines	188,926	8.3	54,985	2.6	18,574	0.8	4,730	0.2	298	-
<b>Total Regional Airlines</b>	<u>1,084,008</u>	<u>47.5%</u>	<u>921,494</u>	<u>43.6%</u>	<u>995,368</u>	<u>43.7%</u>	<u>1,080,854</u>	<u>42.3%</u>	<u>890,838</u>	<u>42.9%</u>
<b>Total Airline Weight</b>	<u>2,281,377</u>	<u>100.0%</u>	<u>2,113,689</u>	<u>100.0%</u>	<u>2,275,235</u>	<u>100.0%</u>	<u>2,559,461</u>	<u>100.0%</u>	<u>2,080,481</u>	<u>100.0%</u>

Air Service Developments. Passenger activity at the Airport is substantially dependent upon the marketing activities of a variety of competing carriers. Carriers serving the region seek to tap the region’s strong origin and destination market with various levels of services, prices and incentives such as frequent flyer programs and special travel packages.

The Commission plays a major role in developing air service at the Airport in conjunction with major corporations in the region, community leaders (such as local and regional chambers of commerce and economic development organizations) and elected officials at the local, state and federal levels. Developing air service exists in the context of a deregulated aviation industry, in which major carriers are taking action to return to profitability in the face of high costs and aggressive competition by domestic and foreign carriers and lower costs. The Commission emphasizes the fundamental strengths that make the Richmond area a strong aviation market, which include a sound origin and destination market, relatively strong yields, a diversified economic base and leadership that is committed to aviation.

The outbreak and spread of COVID-19 depressed demand for air travel in the United States beginning in March 2020, having first impacted travel in East Asia in early 2020 before rapidly accelerating to other regions globally. Airlines responded to the collapse in demand by grounding aircraft and drastically reducing capacity across their networks. Passenger volumes have decreased at a faster rate than seat capacity systemwide. Through the majority of April 2020, which represented the low point in terms of passenger activity, the TSA reported daily airport screening throughput for all US airports had declined by more than 95% when compared to the volume on the equivalent day in 2019. A modest recovery in airline capacity and enplaned passengers began in June 2020 but plateaued over the rest of the year, with December 2020 scheduled departing seats from US airports representing approximately 58% of December 2019 scheduled departing seats. December 2020 TSA throughput represented approximately 40% of December 2019 TSA throughput.

In July 2019, prior to the COVID-19 pandemic, the Airport offered nonstop service to 21 destinations. In 2020, when airlines adjusted their schedules for the massive drop in demand, the Airport was able to offer only 18 nonstop destinations. For July 2021, the Airport anticipates an increase to 27 nonstop destinations. See the following table tracking destinations from 2017 to present.

[Table appears on following page]

<b>RIC DESTINATIONS 2017-2021 (JULY Schedule)</b>				
<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Atlanta	Atlanta	Atlanta	Atlanta	Atlanta
Boston	Boston	Nashville <sup>(1)</sup>	Nashville	Nashville
Charlotte	Charlotte	Boston	Boston	Boston
Denver	Denver	Charlotte	Charlotte	Charleston <sup>(1)</sup>
Dallas/Ft. Worth	Dallas/Ft. Worth	Denver	Dallas/Ft. Worth	Charlotte
Detroit	Detroit	Dallas/Ft. Worth	Detroit	Denver <sup>(2)</sup>
NYC Newark	NYC Newark	Detroit	NYC Newark	Dallas/Ft. Worth
Ft. Lauderdale	Ft. Lauderdale	NYC Newark	Ft. Lauderdale	Detroit
Washington Dulles	Washington Dulles	Ft. Lauderdale	Washington Dulles	NYC Newark
Houston Intercontinental	Houston Intercontinental	Washington Dulles	NYC LaGuardia	Ft. Lauderdale
NYC JFK	NYC JFK	Houston Intercontinental	Orlando	Washington Dulles
NYC LaGuardia	NYC LaGuardia	NYC JFK	Miami	Houston Intercontinental <sup>(2)</sup>
Orlando	Orlando	NYC LaGuardia	Chicago O'Hare	NYC JFK <sup>(2)</sup>
Miami	Miami	Orlando	Punta Gorda <sup>(1)</sup>	Las Vegas <sup>(1)</sup>
Minneapolis/St. Paul	Minneapolis/St. Paul	Miami	Philadelphia	Los Angeles <sup>(1)</sup>
Chicago O'Hare	Chicago O'Hare	Minneapolis/St. Paul	St. Pete/Clearwater	NYC LaGuardia
Philadelphia	Philadelphia	Chicago O'Hare	Orlando/Sanford	Orlando
St. Pete/Clearwater	St. Pete/Clearwater	Philadelphia	Sarasota/Bradenton	Chicago Midway <sup>(1)</sup>
Pittsburgh <sup>(1)</sup>	Orlando/Sanford	St. Pete/Clearwater		Miami
Orlando/Sanford		Orlando/Sanford		Minneapolis/St. Paul <sup>(2)</sup>
		Sarasota/Bradenton <sup>(1)</sup>		New Orleans <sup>(1)</sup>
				Chicago O'Hare
				Philadelphia
				St. Pete/Clearwater
				Orlando/Sanford
				Sarasota/Bradenton
				Tampa <sup>(1)</sup>
				Punta Gorda (seasonal)
<b>Total: 20</b>	<b>Total: 19</b>	<b>Total: 21</b>	<b>Total: 18</b>	<b>Total: 27 (28)</b>

<sup>(1)</sup>New service.

<sup>(2)</sup>Returning service.

Specific airline changes in service that could positively impact capacity at the Airport in Fiscal Year 2022 include:

- Southwest Airlines initiated new service from Richmond to Chicago-Midway on April 12, 2021.
- Southwest Airlines initiated new service between Richmond and Denver on May 9, 2021.
- Breeze Airways announced new service between Richmond and Charleston, New Orleans, and Tampa starting July 8, 2021.

The Airport presently has 60 daily departures and has scheduled non-stop flights to 28 destinations in the United States, as well as connecting flights to destinations worldwide. The top origin and destination markets for Airport passengers are New York/Newark, Orlando, and Atlanta. The following table presents the current passenger origin-destination patterns and air service from the Airport, based on data for the year ended December 31, 2019.

[Table appears on following page]

	<b>Market</b>	<b>Trip Length</b>	<b>Origin &amp; Destination Passengers</b>	<b>Market Share</b>
1	New York/Newark	SH	293,072	10.4%
2	Orlando	MH	291,297	10.3
3	Atlanta	SH	285,488	10.1
4	Boston	SH	283,881	10.0
5	Fort Lauderdale	MH	195,429	6.9
6	Chicago	MH	171,001	6.1
7	Dallas/Fort Worth	MH	132,683	4.7
8	Tampa	MH	96,051	3.4
9	Denver	MH	94,433	3.3
10	Houston	MH	82,987	2.9
11	Los Angeles	LH	81,841	2.9
12	Nashville	SH	79,797	2.8
13	Las Vegas	LH	76,332	2.7
14	Miami	MH	70,144	2.5
15	San Francisco	LH	68,383	2.4
16	Minneapolis/St Paul	MH	63,430	2.2
17	Phoenix	LH	60,678	2.1
18	Detroit	MH	56,639	2.0
19	Charlotte	SH	55,742	1.9
20	New Orleans	MH	52,503	1.9
21	Seattle/Tacoma	LH	51,575	1.8
22	Austin	MH	50,540	1.8
23	San Diego	LH	49,720	1.8
24	San Antonio	MH	43,576	1.5
25	Salt Lake City	LH	37,748	1.3
<b>Total</b>			<b>2,824,970</b>	<b>100.0%</b>

Note: Data for year ended December 31, 2019.  
Source: Data Base Products Market Averages Report.

### Air Cargo

The Airport handles a large volume of air cargo annually, and four all-cargo air carriers serve the Airport, with Federal Express and UPS together comprising over 94% of the market (measured by cargo weight). Air cargo is carried by air cargo carriers and by passenger airlines as belly cargo. The following table presents information relative to the Commission's air cargo activity for the past five Fiscal Years. Passenger airline carriage of belly cargo is not included.

[Table appears on following page]

**Historical Air Cargo Carrier Activity  
Five Years Ended June 30, 2020  
Pounds of Cargo**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Cargo Carrier:</b>					
Air Net Systems	-	6,750,000	-	-	-
AmeriFlight	149,181	480,772	420,255	440,000	-
DHL	-	-	7,890,000	7,890,000	7,523,013
Federal Express	74,625,547	82,317,990	79,247,203	80,914,220	75,012,020
Sun Country	-	-	-	-	695,505
UPS	<u>46,726,830</u>	<u>45,916,736</u>	<u>49,024,371</u>	<u>49,409,333</u>	<u>53,422,006</u>
<b>Total</b>	121,501,558	135,465,498	136,581,829	138,653,553	136,652,544

Source: Capital Region Airport Commission.

Note: Passenger airline (or so-called “belly cargo”) cargo not included.

### Other Regional Airports

Newport News/Williamsburg International Airport (PHF), Charlottesville-Albemarle Airport (CHO) and Norfolk International Airport (ORF) are within 100 miles of the Airport and provide commercial air service that is competitive with the Airport. The Commission is of the view that, at present, passenger leakage from the Air Service Area to these facilities is minimal and does not limit passenger growth at the Airport. Primary reasons for the Commission’s view include limited airline service patterns (Newport News/Williamsburg and Charlottesville-Albemarle) and similarity of air service and average fare patterns (Norfolk), as well as the convenience of the Airport to the Air Service Area, the quality and quantity of air service available at the Airport, and the Airport’s recent history of traffic growth.

Other major airports within a 150-mile radius of the Airport and bordering the Air Service Area include Ronald Reagan Washington National Airport (DCA), Washington Dulles International Airport (IAD), Baltimore/Washington International Thurgood Marshall Airport (BWI) and Raleigh-Durham International Airport (RDU).

In the past, airline traffic and enplaned passenger volumes at the Airport have fluctuated in part as a result of airline service levels and air fares offered at the Airport and at the other airports in the region, particularly with respect to the presence of low-cost carriers at such airports. Although these factors can be expected to affect airline traffic and enplaned passenger volumes at the Airport, the Airport has successfully competed for airline capacity and airline passengers with these alternative facilities, due to the convenience of the Airport to the Air Service Area as well as the quality, quantity and cost of air service available at the Airport.

### Commission Financial Operations

The Commission operates as a self-supporting entity. The following two tables present a summary of the Commission’s revenues, expenses and changes in net assets for the Fiscal Years 2016 through 2020 and the eleven-month periods ended May 31, 2020 and 2021. Data for all Fiscal Year periods was derived from the Commission’s audited financial statements; the information for the eleven-month periods ended May 31 is preliminary, unaudited and subject to change.

Financial statements for the Fiscal Years ended June 30, 2019 and 2020 are included in this Official Statement as APPENDIX B – “Audited Financial Statements of the Capital Region Airport Commission as of and for the years ended June 30, 2019 and 2020.” The financial information presented in this section should be read in conjunction with the Commission’s financial statements and “MANAGEMENT’S DISCUSSION OF RECENT FINANCIAL PERFORMANCE.”

**Capital Region Airport Commission**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Fiscal Years ended June 30 (in 000s)**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Operating Revenues</b>					
Apron fees	\$ 562	\$ 558	\$ 648	\$ 759	\$ 756
Concession	9,518	10,478	11,105	12,916	10,165
Landing fees	3,338	3,462	4,023	4,667	4,067
Parking	20,009	20,292	20,821	23,288	17,561
Rental	10,119	10,244	10,892	11,071	11,473
Other	<u>317</u>	<u>284</u>	<u>315</u>	<u>391</u>	<u>346</u>
<b>Total Operating Revenues</b>	<b>\$ 43,863</b>	<b>\$ 45,318</b>	<b>\$ 47,804</b>	<b>\$ 53,092</b>	<b>\$ 44,368</b>
<b>Nonoperating Revenues</b>					
Customer Facility Charges	\$ 3,975	\$ 2,326	\$ 2,324	\$ 2,508	\$ 1,921
Interest income	143	206	626	1,523	1,284
State grant revenue	-	-	-	-	67
Federal grant revenue	-	-	-	-	5,432
Passenger Facility Charges	<u>7,022</u>	<u>7,518</u>	<u>7,876</u>	<u>8,940</u>	<u>6,473</u>
<b>Total Nonoperating Revenues</b>	<b>\$ 11,140</b>	<b>\$ 10,050</b>	<b>\$ 10,826</b>	<b>\$ 12,971</b>	<b>\$ 15,177</b>
<b>Total Revenues</b>	<b><u>\$ 55,003</u></b>	<b><u>\$ 55,368</u></b>	<b><u>\$ 58,630</u></b>	<b><u>\$ 66,063</u></b>	<b><u>\$ 59,545</u></b>
<b>Operating Expenses</b>					
Depreciation	\$ 24,063	\$ 23,400	\$ 24,426	\$ 27,036	\$ 27,529
Insurance	745	710	747	764	756
Maintenance	1,527	1,726	1,677	1,976	2,034
Parking	3,044	3,291	3,949	4,158	3,958
Personnel	10,470	11,293	12,457	13,009	13,867
Professional services	1,615	1,752	1,672	1,749	2,023
Supplies	590	588	602	597	567
Utilities	2,503	2,602	2,774	2,910	2,717
Other	<u>445</u>	<u>619</u>	<u>633</u>	<u>730</u>	<u>779</u>
<b>Total Operating Expenses</b>	<b>\$ 45,002</b>	<b>\$ 45,981</b>	<b>\$ 48,937</b>	<b>\$ 52,929</b>	<b>\$ 54,230</b>
<b>Nonoperating Expenses</b>					
Interest expense	\$ 2,625	\$ 2,758	\$ 2,564	\$ 3,033	\$ 2,783
Other, net	599	478	95	(136)	8
Airline rates and charges adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,435</u>
<b>Total Nonoperating Expenses</b>	<b>\$ 3,224</b>	<b>\$ 3,236</b>	<b>\$ 2,659</b>	<b>\$ 2,897</b>	<b>\$ 5,226</b>
<b>Total Expenses</b>	<b><u>\$ 48,226</u></b>	<b><u>\$ 49,217</u></b>	<b><u>\$ 51,596</u></b>	<b><u>\$ 55,826</u></b>	<b><u>\$ 59,456</u></b>
Capital grants and contributions <sup>(1)</sup>	\$ 16,295	\$ 11,136	\$ 6,681	\$ 8,785	\$ 9,841
Special item – transfer to governmental agency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in Net Position</b>	<b><u>\$ 23,072</u></b>	<b><u>\$ 17,287</u></b>	<b><u>\$ 13,715</u></b>	<b><u>\$ 19,022</u></b>	<b><u>\$ 9,930</u></b>
<b>Net Position at Year-End</b>					
Net investment in capital assets	\$328,487	\$345,759	\$349,515	\$356,384	\$381,713
Restricted	72,742	73,773	75,610	88,258	72,086
Unrestricted	<u>12,794</u>	<u>11,777</u>	<u>18,434</u>	<u>17,940</u>	<u>18,331</u>
<b>Total Net Position</b>	<b><u>\$414,023</u></b>	<b><u>\$431,309</u></b>	<b><u>\$443,559</u></b>	<b><u>\$462,582</u></b>	<b><u>\$472,130</u></b>

<sup>(1)</sup> Capital grants and contributions consist of federal and state grants received by the Airport.

The Commission's unaudited financial results for the first ten months of Fiscal Year 2021 are presented in the table below.

**Capital Region Airport Commission**  
**Statement of Revenues, Expenses and Changes in Net Position (UNAUDITED)**  
**Eleven-Month Periods Ended May 31, 2021**

	<u>5/31/2020</u>	<u>5/31/2021</u>
OPERATING REVENUES		
Parking	\$ 17,183,424	\$ 8,315,180
Landing fees	3,881,206	2,889,172
Concession Income	10,122,001	5,754,148
Rental	10,512,650	10,606,701
Apron fees	703,150	456,381
Other Operating Revenue	<u>323,143</u>	<u>485,973</u>
Total Operating Revenue	\$ 42,725,573	\$ 28,507,555
OPERATING EXPENSES		
Personnel	\$ 12,217,596	\$ 10,727,924
Utilities	2,549,309	2,242,421
Professional services	1,810,642	1,576,297
Parking	3,827,209	1,770,234
Maintenance	1,884,948	1,448,407
Insurance	690,414	686,440
Supplies	526,533	424,334
Other Operating Expense	<u>496,389</u>	<u>421,852</u>
Total Operating Expenses	\$ 24,003,041	\$ 19,297,909
Operating Income Before Depreciation	<u>\$ 18,722,532</u>	<u>\$ 9,209,647</u>
Depreciation	25,191,056	24,715,243
OPERATING INCOME (LOSS)	<u>\$ (6,468,525)</u>	<u>\$(15,505,596)</u>
NONOPERATING INCOME (EXPENSES)		
Interest income	\$ 1,264,556	\$ 108,676
Interest expense	(2,561,923)	(2,348,698)
Other, net	(3,765)	(1,607,755)
Other Nonoperating Revenue	-	13,382,912
Passenger Facility Charges	7,775,277	2,925,336
Customer Facility Charges	<u>2,085,644</u>	<u>1,266,049</u>
Total Nonoperating Income	<u>\$ 8,559,789</u>	<u>\$ 13,726,520</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	\$ 2,091,264	\$ (1,779,076)
CAPITAL CONTRIBUTIONS <sup>(1)</sup>	<u>\$ 8,855,625</u>	<u>\$ 11,385,676</u>
CHANGE IN NET ASSETS	\$ 10,946,889	\$ 9,606,600
TOTAL NET ASSETS, BEGINNING	<u>\$462,581,704</u>	<u>\$472,129,881</u>
TOTAL NET POSITION, ENDING	<u>\$473,528,593</u>	<u>\$481,736,481</u>

<sup>(1)</sup> Capital contributions consist of federal and state grants received by the Airport.

## Management's Discussion of Recent Financial Performance

The financial condition of the Commission is primarily dependent upon the number of passengers using the Airport. Passenger levels, in turn, depend upon several factors, including but not limited to: the economic conditions of the airline industry which influences the willingness and ability of the airlines to provide service; the local economy which influences the willingness and ability of travelers to purchase tickets; and the cost of that ticket. The Commission'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 rents and apron fees received from airlines using the airport, concession fees from vendors serving the passengers including food, retail and rental cars; public parking fees, and fixed based operator activities from general aviation activities. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" and "IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION."

Fiscal Year 2021 (11 Months Through May 31, 2021). Based on interim and unaudited data through May 31, 2021, the Commission has produced operating income before depreciation approximately \$6.3 million less than was budgeted for the 11-month period ended May 31, 2021. The primary reasons for such difference are decreased parking revenues, which were \$7.2 million less than budget, and decreased concession revenues, which were \$2.8 million less than budget. This was partially offset by operating expenses that were \$4.3 million less than budget.

The Commission expects that the Airport's debt service coverage ratio for the full Fiscal Year 2021 will equal 1.1x without the use of any CARES Act funds, which is lower than the Bond Resolution requirement of 1.25x. The Airport used approximately \$7.6 million of CARES Act funds in FY 2021 to pay debt service. If such CARES Act funds had been deemed Revenues Available for Debt Service for FY 2021, the Airport's debt service coverage ratio would have been approximately 1.9x. See "IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION – Projections for Recovery Scenarios."

Fiscal Year 2020. Passenger and air carrier activity were lower in Fiscal Year 2020 compared to Fiscal Year 2019. Total enplaned passengers for Fiscal Year 2020 were 1.6 million, compared to Fiscal Year 2019 enplanements of 2.1 million.

The Commission ended Fiscal Year 2020 with revenues 15.6% below budget and a 16.4% decrease from Fiscal Year 2019. Parking revenues were 22.2% below budget and a 24.6% decrease from Fiscal Year 2019. Aircraft operations of approximately 90,000 were a decrease of 13.5% when compared to Fiscal Year 2019 operations of approximately 104,000. Cargo landed weight decreased by 1.4% in Fiscal Year 2020 as compared to Fiscal Year 2019.

Operating income before depreciation for Fiscal Year 2020 decreased by \$9.5 million or 35% compared to Fiscal Year 2019. Depreciation expense increased by 1.8% between Fiscal Year 2020 and Fiscal Year 2019.

Fiscal Year 2019. Passenger and air carrier activity were higher in Fiscal Year 2019 compared to Fiscal Year 2018. Total enplaned passengers for Fiscal Year 2019 were 2.1 million, compared to Fiscal Year 2018 enplanements of 1.9 million.

The Commission ended Fiscal Year 2019 with revenues 12.5% above budget and an 11.1% increase from Fiscal Year 2018. Parking revenues were 14.1% above budget and an 11.9% increase from Fiscal Year 2018. Aircraft operations of approximately 104,000 were an increase of 5.1% when compared to Fiscal Year 2018 operations of approximately 99,000.

Operating income before depreciation for Fiscal Year 2019 increased by \$3.9 million or 16.8% compared to Fiscal Year 2018. Depreciation expense increased by 10.7% between Fiscal Year 2019 and Fiscal Year 2018.

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## Historical Debt Service Coverage

The following table presents the calculation of historical debt service coverage in Fiscal Years 2016 through 2020.

### CALCULATION OF HISTORICAL DEBT SERVICE COVERAGE

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues <sup>(1)</sup>	\$44,388,482	\$44,393,303	\$47,107,174	\$54,238,186	\$45,027,780
Expenses <sup>(2)</sup>	19,387,414	23,725,872	26,684,371	25,489,367	25,658,407
Net Revenue Available for Debt Service	25,001,068	20,667,431	20,422,803	28,748,819	19,369,373
Debt Service on Bonds	9,107,280	8,842,830	8,815,280	8,784,679	8,772,929
Fund Deposits and Debt Service on Bonds and Subordinated Debt	15,159,280	16,429,330	16,401,780	15,028,679	14,130,059
Coverage: <sup>(3)</sup>					
1.0X Fund Deposits and Debt Service on Bonds and Subordinated Debt	1.65	1.26	1.25	1.91	1.37
1.25X Debt Service on Bonds	2.75	2.34	2.32	3.27	2.21

(1) Revenues are determined in accordance with the Bond Resolution and have been adjusted as required by the Bond Resolution. For example, Revenues do not include COVID-19 Relief Grants, which are excluded by the current definition of “Excluded Revenues.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Sources of Payment,” and “– Springing Amendments.”

(2) Expenses are determined in accordance with the Bond Resolution and have been adjusted as required by the Bond Resolution.

(3) The Rate Covenant in the Bond Resolution provides that the Commission will at all times while any Bonds are outstanding establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each Fiscal Year of the Commission an amount so that Net Revenues shall at all times not be less than the greater of (i) 1.0 times the sum of the Aggregate Debt Service on the Bonds for such Fiscal Year and the Aggregate Debt Service on all Subordinated Indebtedness and all other deposits required to be made to funds and accounts pursuant to Sections 404(3), (5) and (7) of the Bond Resolution (which are the Debt Service Reserve Subaccount, the Operation and Maintenance Reserve Fund and the Equipment and Capital Outlay Fund), or (ii) 1.25 times the Aggregate Debt Service on the Bonds for such Fiscal Year.

There can be no assurances that the Commission will meet the debt service coverage tests in future years. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

## Fiscal Year 2022 Budget

The Commission’s budget for Fiscal Year 2022, approved on May 25, 2021, is based on projected amounts from Fiscal Year 2021, estimated annual enplanements and other relevant factors. In the Fiscal Year 2022 budget, revenues are budgeted to increase approximately 36.8% over the 2021 Fiscal Year projections, due to expected increases in parking, concessions and enplanements. Expenses are projected to increase by approximately 19.6%, due to staffing and maintenance cost increases due to the forecasted increase in passenger traffic. See “– Management’s Discussion of Recent Financial Performance – Fiscal Year 2021 (Eleven Months Through May 31, 2021)” for a brief discussion of Fiscal Year 2021 results through May 31, 2021.

**Capital Region Airport Commission  
Operating Budget for Fiscal Year 2022**

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>
<b>OPERATING REVENUES</b>		
Parking	\$ 17,790,470	\$ 16,458,700
Landing Fees	3,853,255	4,519,036
Concessions	9,577,100	9,447,500
Rental Income	11,616,225	11,602,284
Apron Fees & Direct Charges	639,099	546,456
Utilities & Other Operating Revenue	<u>358,000</u>	<u>319,000</u>
Total	<u>\$ 43,834,150</u>	<u>\$ 42,892,976</u>
<b>OPERATING EXPENSES</b>		
Personnel Expenses	\$ 12,737,765	\$ 13,063,149
Utilities	2,838,750	2,689,140
Professional Services	1,826,750	1,975,500
Parking	3,985,000	4,451,200
Repairs & Maintenance	1,935,250	2,203,012
Insurance	800,000	850,000
Supplies & Materials	634,050	649,970
Other Operating Expenses	<u>700,220</u>	<u>1,301,450</u>
Total	<u>\$ 25,457,785</u>	<u>\$ 27,183,421</u>

**Cost Per Enplaned Passenger**

Airports and airport analysts frequently evaluate an airport's stability and sustainability for airline operations by using an index (cost per enplanement or "CPE") that divides total passenger airline payments by the total number of enplaned passengers. The Commission has maintained a low CPE as a result of its cost controls and relatively low level of debt. For Fiscal Years ended 2018, 2019 and 2020, the Commission calculated the CPE for the Airport to be \$5.06, \$5.24 and \$6.20, respectively. This compares to a median CPE of \$8.69 for all United States airports in 2019 and a median CPE of \$7.76 for such year for airports in the small hub category in which the Airport is classified, as reported by Fitch Ratings, Inc. ("Fitch"), and, similarly, to 2020 data compiled by Moody's that reported the median "average airline payments per enplanement" to be \$11 for all airports and \$8 for small hub airports.

**CERTAIN AGREEMENTS FOR USE OF THE COMMISSION'S FACILITIES**

The Commission's revenues are derived primarily from parking revenues, concession charges at the Airport under various concession contracts (including with rental car companies and the food, beverage, retail concession at the Airport), rents and charges for the use of the Airport's facilities, including terminal rents and landing fees from airlines, and non-airline rentals.

A breakdown for the past five Fiscal Years of the Commission's operating revenues among the Commission's major revenue categories is presented below.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Parking	\$20,008,601	\$20,291,772	\$20,820,688	\$23,288,122	\$17,560,787
Terminal Bldg. Rentals	6,432,135	6,247,663	6,783,273	6,957,771	7,266,742
Rental Car Concession	5,420,622	5,655,078	6,050,206	6,564,922	4,934,892
Airline Landing / Apron Fees	3,899,700	4,019,549	4,670,618	5,426,221	4,823,240
Other Concessions <sup>(1)</sup>	4,097,285	4,823,510	5,054,612	6,351,112	5,229,889
Non-Terminal Building Rentals	3,687,217	3,996,487	4,109,244	4,112,686	4,206,359
Other Revenues	<u>317,344</u>	<u>283,601</u>	<u>315,359</u>	<u>391,436</u>	<u>346,479</u>
Total Operating Revenues	<u>\$43,862,904</u>	<u>\$45,317,660</u>	<u>\$47,804,000</u>	<u>\$53,092,270</u>	<u>\$44,368,388</u>

<sup>(1)</sup> Exclusive of rental car concession income.

## **Parking**

The Commission's parking facilities are managed and operated by SP Plus Corporation ("SP Plus") under a fixed fee contract that commenced on November 1, 2018 for a two-year term followed by 3 subsequent one-year renewal periods (i.e., October 31, 2023 will be the expiration date of the final option period). Under the contract with SP Plus, the Commission retains all of the gross receipts from the public parking operation and transfers back to the contractor funds for salaries and fringe benefits, various overhead expenses, other direct costs, certain administrative expenses and a fixed management fee. SP Plus also operates the Commission's shuttle operations under such agreement.

Parking revenues comprised 39.6% of total operating revenues in Fiscal Year 2020.

## **Rental Car Concession**

There are currently three on-airport rental car operators at the Airport, including Avis/Budget Group, Inc. (operating the Avis and Budget brands), Hertz Corporation (operating the Hertz, Dollar and Thrifty brands), and Enterprise Holdings, Inc. (operating the Alamo, Enterprise and National brands).

Each rental car operator has entered into an On-Airport Concession Agreement and Lease (the "Rental Car Concession Agreement") dated as of July 1, 2017, each of which terminates, subject to earlier termination under its terms, on June 30, 2022. The Commission, in its sole discretion, may agree to extend the term for up to 2 additional one-year terms. The Rental Car Concession Agreement grants to each on-airport rental car operator a right to use the rental car parking ready/return garage adjacent to the terminal (the "Rental Car Garage") for the accommodation of rental car vehicle customers picking up and dropping off rental vehicles at the Airport. Under the Rental Car Concession Agreement, each rental car company is obligated to pay a concession fee of the greater of a specified minimum annual guarantee or 10% of the gross receipts of each of the company's on-airport rental car operators. The rental car companies also pay terminal rental for the premises occupied in the terminal. Further, each rental car company assesses its customers and remits to the Commission customer facility charges in amounts established by the Commission to pay for improvements to rental car facilities or debt service on any CFC revenue bonds issued for such purposes (of which there are currently none outstanding). CFCs are not part of Net Revenues or otherwise available to make payments on the Bonds.

On May 22, 2020, The Hertz Corporation ("Hertz") and certain of its U.S. and Canadian subsidiaries and affiliates filed voluntary petitions for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware (the "Court"). Hertz filed following the onset of the COVID-19 pandemic, which had a severe and dramatic effect on travel demand. Hertz continued normal business operations, including its operations at the Airport, during the pendency of its debt restructuring plan and the Commission expects that the Hertz Rental Car Concession Agreement will continue in force without changes. On June 10, 2021, the Court entered an order confirming the Hertz's restructuring plan (the "Plan") for completion on June 30, 2021. The Plan reportedly provides for full compensation of creditors as well as significant distributions to shareholders.

Rental car concession fees accounted for 11.1% of total operating revenues in Fiscal Year 2020.

## **Airline Agreement**

Effective July 1, 2020, the Commission entered into a two-year extension of the current Airline Agreement with six major airlines serving the Airport: American Airlines, Delta Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines (the "Signatory Airlines"). The Airline Agreement establishes the methods to be used in determining the rates and charges assessed on airlines using the Airport.

The Airline Agreement provides for the use and occupancy of facilities at the Airport and establishes the rates and charges, including landing fees, apron fees and terminal rents, to be paid by the Signatory Airlines. Airline rates and charges are calculated using a methodology where costs, including debt service and debt service coverage, are allocated to separate cost centers to which the cost is attributable and payments by each Signatory Airline are

based on such airline's commitment under the Airline Agreement to lease certain space in the terminal building and its pro rata use of Airport facilities.

For terminal space, the Airline Agreement is compensatory in nature in that costs are allocated to specific cost centers and are not offset by the revenues of that cost center. In the terminal cost center, the Signatory Airlines are responsible for paying only their respective shares of such costs to the extent that they actually lease space in the terminal. In the airfield and apron cost centers, the Airline Agreement allows for nearly full cost recovery since the divisors for those cost centers pertain to what the airlines actually use. Further, the Airline Agreement has certain elements designed to ensure that the Commission meets the Rate Covenant in the Bond Resolution. A summary of certain provisions of the Airline Agreement is contained in APPENDIX D – "Summary of Airline Agreement."

Expiration of Airline Agreement. The Airline Agreement expires June 30, 2022, unless extended. The Commission can give no assurances that it and the airlines then servicing the Airport will enter into new airline agreements that will permit the Commission to recover from the airlines, through rates, fees and charges, amounts sufficient to pay debt service on Bonds or to otherwise meet its obligations under the Bond Resolution. The Commission expects to extend its contractual relationships with the Signatory Airlines on substantially the same terms. Even without written agreements with the Airlines, the Enabling Act authorizes the Commission to set rates, fees and charges for the use of its facilities. The ability of the Commission to set such rates, fees and charges, however, is limited to some extent by federal law and FAA policies.

See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" for certain information pertaining to the air transportation industry, especially the subsection "Effect of Airline Bankruptcies" for a description of the effect of an airline bankruptcy on an airline's Airline Agreement, and the subsection "Expiration or Possible Termination of Airline Agreement."

For a further description of the Airline Agreement, see APPENDIX D – "Summary of Airline Agreement."

Non-Signatory Airlines. The Commission has adopted a Non-Signatory Airlines Policy which established the rate-making methodology the Commission currently employs with respect to setting rates, fees and charges for use of Airport facilities and services by air carriers that have not entered into an Airlines Agreement with the Commission. The rate-making methodology set forth in the Non-Signatory Airlines Policy follows the cost center/cost recovery approach of the Airline Agreement described above and in APPENDIX D, except that the Commission has imposed a 15% surcharge on non-signatory airline landing fees (which surcharge does not apply to code share partners and regional affiliates of Signatory Airlines) and there is no split of surplus moneys in the Surplus Fund with any non-signatory air carriers. The Commission has specifically reserved the right in the Non-Signatory Airlines Policy to alter, change or amend its terms and provisions by further action. Most of the regional carriers at the Airport operate as affiliates with their respective major or national carriers and hence are not subject to the 15% surcharge. Allegiant Airlines and Breeze Airways are currently the only non-signatory airlines operating at the Airport.

Airline landing fees and apron charges comprised 10.9% of total operating revenues in Fiscal Year 2020, while airline terminal rentals comprised 16.4% of total operating revenues.

### **Other Concessions**

Other than the rental car concession, the Commission has certain agreements to lease space to certain concessionaires who provide food and beverages as well as retail operations, including newspapers and other sundry items. The principal food services concessionaire is Delaware North Companies Travel Hospitality Services, Inc. (formerly CA One Services, Inc.), as principal member of a joint venture arrangement, pursuant to an agreement that expires in 2026. Under the agreement, Delaware North is required to pay the greater of a specified minimum annual guarantee or a percentage of its annual gross receipts (excepting sales taxes), such percentage ranging from 5% to 15%, depending on the nature of the food or beverage item. The principal retail concessionaire is AMS-NIA, operating as Hudson News, pursuant to an agreement that expires in 2029. Under the agreement, Hudson is required to pay the Commission, the greater of a specified minimum annual guarantee or a percentage of its annual gross receipts (excepting sales taxes), such percentage ranging from 5% to 15%, depending on the nature of the item sold.

For Fiscal Year 2020, payments under the Commission's principal concession agreements accounted for 11.8% of total operating revenues.

## **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

The Series 2021 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2021 Bonds and confer with their own legal and financial advisors before considering a purchase of the Series 2021 Bonds. The Commission's ability to derive Net Revenues from its operations sufficient to pay debt service on the Series 2021 Bonds depends upon numerous factors, many of which are not subject to the control of the Commission. These factors include, but are not limited to, economic conditions and air transportation demand, public health and safety concerns, and the financial strength of the airline industry. This section identifies numerous risk factors and investment considerations which may impact the payment of or security for the Bonds outstanding under the Bond Resolution, including the Series 2021 Bonds. The following discussion is not meant to be an exhaustive list of all the risk factors and the considerations associated with the purchase of the Series 2021 Bonds and the order in which the information is presented does not necessarily reflect the relative importance of the various risk factors and investment considerations. Investors are advised to consider the following discussion along with all other information described in this Official Statement or incorporated by reference when evaluating the Series 2021 Bonds.

### **COVID-19 and Other Public Health Concerns**

Due to the discretionary nature of business and personal travel spending, air transportation demand and, by extension, the Commission's Net Revenues, are heavily influenced by numerous economic factors as well as health and security concerns. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS – General Factors Affecting Air Transportation Demand," below.

For example, the current COVID-19 pandemic and the economic impacts thereof have had a significant and adverse impact on the demand for air travel and the airline industry. The COVID-19 pandemic has resulted in substantial financial challenges for airlines serving the Airport, including substantial financial losses and announcements warning of layoffs or reduction in workforce. While the Airport has in the past seen passenger traffic return after or grow through airline bankruptcies and consolidations and other events affecting the airline industry, the COVID-19 pandemic is an unprecedented event and its near-term and long-term effects on the airline industry cannot be predicted with any certainty, including the prospect of prolonged downsizing of aircraft fleets and associated levels of capacity. Other structural changes to the industry also result from the impact of airline consolidations, optimization of route structures, low cost carriers, internet travel web sites and carriers reorganizing under the U.S. Bankruptcy Code. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Effect of Airline Bankruptcies," below.

The COVID-19 pandemic has had and likely will continue to have substantial adverse effects on passenger traffic and Airport operations and financial performance. The dynamic nature of the COVID-19 pandemic leads to many uncertainties, so the Commission cannot predict: (i) the scope, duration or extent of the current COVID-19 pandemic, or another outbreak or pandemic, (ii) any additional restrictions or warnings related to air travel, gatherings or any other activities, or the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down, in response to such restrictions or warnings; (iii) what additional short or long-term effects the restrictions and warnings imposed as a result of the COVID-19 pandemic may have on air travel (including to and from the Airport), the retail and services provided by Airport concessionaires, Airport costs or Airport revenues, including PFC revenues and CFC revenues; (iv) to what extent the COVID-19 pandemic, another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, and if any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Airport's CIP, or other Airport operations; (v) the extent to which the COVID-19 pandemic, or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Airport may amend, adjust, or make other changes to the Airport's arrangements with its tenants and concessionaires; (vii) whether any of the foregoing will have a material adverse effect on the finances and operations

of the Airport; or (viii) the extent or duration of telecommuting and the possibility of increased utilization of video conferencing by businesses and others after the COVID-19 pandemic which may reduce demand for business travel.

The Commission cannot predict the extent and duration of changes in air traffic volume as a result of the COVID-19 pandemic and its associated economic impacts. It is possible that air travel behavior and patterns may be permanently altered, once the various guidelines and orders implemented in response to the COVID-19 pandemic have been lifted, as a result of residents' and businesses' telecommuting experiences during the outbreak. In particular, such experiences may result in a permanent decline in business travel, the extent of which is currently unknown.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, and that recovery may be prolonged, adversely impacting Airport revenues. No assurance can be given that the passenger traffic at the Airport or enplanement levels will recover to or exceed pre-COVID-19 levels. Future outbreaks, pandemics or other events outside the Airport's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Airport revenues. See "IMPACTS OF THE COVID-19 PANDEMIC ON THE COMMISSION."

In addition to the effect of the COVID-19 pandemic, other public health concerns have affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome ("SARS") led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. Following an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of the virus adversely affected travel to and from certain regions of Africa. In January 2016, the Centers for Disease Control and Prevention issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus has spread, a list that included more than 50 countries and territories.

### **General Factors Affecting Air Transportation Demand**

The Commission's ability to collect Net Revenues depends significantly on the level of aviation activity and enplaned passenger traffic at the Airport. There are numerous factors which affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by factors such as (i) the growth of or decline in the population and economy of the Air Service Area, (ii) national, regional and international economic conditions, (iii) national and international political conditions, including the imposition of regulations and tariffs, acts of war, terrorism or sabotage, and unpredictable events; (iv) the price of airfare, (v) the level of competition from surrounding airports, (vi) availability of airline service and route networks to the Airport, (vii) the occurrence of accidents involving commercial passenger aircraft, (viii) visa requirements and other limitations on the ability of foreign citizens to enter the United States, (ix) currency exchange rates, (x) the occurrence of natural and man-made disasters, (xi) the availability of business travel substitutes including video conferencing and streaming technology, and (xii) public health concerns including the occurrence of pandemics such as the COVID-19 pandemic.

With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Recessions in the U.S. economy in 2001 and 2008-2009 and the COVID-19 pandemic in 2020-2021 have been accompanied by high unemployment and reduced discretionary income, contributing to reduced airline travel demand. See "IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION." Sustained future increases in passenger traffic at the Airport will depend on stable international conditions, recovery from the COVID-19 pandemic, and national and global economic growth. No assurance can be given with respect to the levels of aviation activity that will be achieved at the Airport in future Fiscal Years.

### **General Factors Affecting the Airline Industry**

Future traffic at the Airport is sensitive to all the factors listed above in "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Factors Affecting Air Transportation Demand." In addition, it is sensitive to factors particularly affecting the airline industry. The airline industry is highly cyclical and is characterized by

intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are very sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events.

Some of the factors that may materially affect the airline industry, and by extension, the Airport include (i) the availability and price of aviation fuel and other necessary supplies, (ii) the costs of maintaining and upgrading aging aircraft fleets, (iii) the capacity of the national air transportation system and limits to airport infrastructure, (iv) price competition, especially competitive pricing facilitated by mergers, consolidations, affiliations, or discharge of obligations through bankruptcy, (v) the cost and availability of financing and the level of access to liquidity and the capital markets, (vi) the cost of keeping pace technological changes, (vii) the cost and availability of employees, (viii) labor relations within the airline industry, and (ix) the costs of regulatory compliance.

As a result of these and other factors, many airlines have in the past operated at a loss, filed for bankruptcy, restructured their businesses, reduced costs, laid off workers, renegotiated labor agreements, reduced or consolidated routes, ceased operations and/or merged with other airlines. Airline consolidation, capacity discipline, economic conditions, and relatively stable fuel prices had in recent years contributed to success and record profitability of the airlines from 2010 through 2019. However, those profits were substantially impacted by the effects of the COVID-19 pandemic on global travel demand. The Commission cannot currently predict whether recovery from the COVID-19 pandemic will be accompanied by renewed disruptions in the airline industry, including further airline consolidation and effects on service patterns. Any such actions, among others, could have a material impact on the Airport and the Commission's ability to collect Net Revenues in amounts sufficient to pay debt service on the Bonds.

### **Federal Funding; Impact of Federal Sequestration**

On October 3, 2018, Congress passed a five-year reauthorization bill for the FAA, known as the "FAA Reauthorization Act of 2018," which was signed into law on October 5, 2018 by the President. The FAA Reauthorization Act of 2018, among other things, authorizes the FAA's programs for five federal fiscal years, and increases funding for the Airport Improvement Program ("AIP"). The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set asides and the national priority ranking system). Between 2007 and the prior reauthorization bill in 2012, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in summer 2011. There can be no assurance that Congress will enact, and the President will sign, future FAA reauthorization acts or provide for additional extensions before the current authorization expires. Failure to adopt such legislation may have a material adverse impact on the AIP grant program and the Airport. In addition, the AIP could be affected by the automatic across-the-board spending cuts known as sequestration, described in more detail below. The Commission is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Commission, such reduction could (i) increase by a corresponding amount the capital expenditures that the Commission would need to fund from other sources (including operating revenues, Additional Bonds, or others), (ii) result in adjustments to the Commission's capital improvement plan, or (iii) extend the timing for completion of certain projects. See "THE AIRPORT – Capital Improvement Program."

Federal funding received by the Commission and aviation operations at the Airport could be adversely affected by any future implementation of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA and TSA budgets and operations, and the availability of certain federal grant funds typically received annually by the Commission. This may cause the FAA or TSA to implement furloughs of its employees and hiring freezes and may result in flight delays and cancellations.

### **Growth of Low-Cost Carriers**

A low-cost carrier or ultra-low-cost carrier (each an "LCC" or "ULCC") is an airline that generally has lower fares for customers and which is able to take advantage of an operating cost structure that is significantly lower than the cost structures of the network carriers. These lower costs can include lower labor costs, a streamlined

aircraft fleet and more efficient operations. Because of these lower cost structures, LCCs/ULCCs can conceivably remain profitable while offering lower fares to the traveling public.

Over the last decade, as larger U.S. carriers consolidated and became more focused on capacity discipline, the ticket prices for their flights began to increase. LCCs/ULCCs emerged in markets where passenger levels were significant enough that the LCCs/ULCCs could overcome any barrier to entry. The low cost structure of the LCCs/ULCCs stimulated traffic and budget conscious travelers to emerge as an underserved segment of the traveling public.

There can be no assurance that the LCCs/ULCCs will continue to maintain such levels in the future. The continued presence of the LCCs/ULCCs serving at the Airport, and the levels at which such airlines might provide service at the Airport, are a function of a variety of factors, including: airline fares and competition; airline industry economics, including labor costs and the price of aviation fuel; capacity of the Airport and competition from other airports; and the strength of the Origin & Destination market at the Airport. Most of these factors are beyond the control of the Commission. Accordingly, no assurance can be given as to the levels of aviation activity that the LCCs/ULCCs will provide at the Airport.

### **Expiration or Possible Termination of Airline Agreement**

The Airline Agreement expires June 30, 2022, unless extended. The Commission can give no assurances that it and the airlines then servicing the Airport will enter into new airline agreements that will permit the Commission to recover from the airlines, through rates, fees and charges, amounts sufficient to pay debt service on Bonds or to otherwise meet its obligations under the Bond Resolution. The Commission expects to extend its contractual relationships with the Signatory Airlines on substantially the same terms. If the Commission and the Signatory Airlines are unable to reach an extension or a new agreement prior to June 30, 2022, then the Commission will set the Airport's airline rentals, fees, and charges in accordance with United States Department of Transportation requirements and FAA policies.

Under certain limited conditions, Signatory Airlines may terminate the Airline Agreements. See APPENDIX D – “Summary of Airline Agreement – Cancellation Provisions.”

### **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and the potential for terrorist acts may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel. With enactment of the Aviation and Transportation Security Act (“ATSA”) in November 2001, the TSA was created and established different and improved security processes and procedures at United States airports. ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. ATSA also permits the deployment of air marshals on all flights and requires air marshals on all “high-risk” flights. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Additional security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

### **Cybersecurity**

Similar to other large organizations, the Commission and airlines rely on electronic systems and technologies to conduct operations. Computer networks and data transmission and collection are vital to the safe and efficient operations of the Airport, the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of the Airport, any of the airlines serving the Airport or any other tenants at the Airport may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the Airport and/or the airlines serving the Airport and the services provided at the

Airport, thereby adversely affecting the ability of the Airport to generate revenue. The Commission maintains a security posture designed to deter cyber-attacks, has engaged consultants to assist in its cybersecurity, and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations. However, no assurances can be given that the Commission's security measures will prevent cyber-attacks, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Commission.

### **Cost of Aviation Fuel**

Airline profitability is significantly affected by the price of aviation fuel. Fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities, disruptions in delivery systems such as pipelines, and weather. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

### **Effect of Airline Bankruptcies**

A bankruptcy of an airline operating at the Airport could have a material effect on the Commission's Net Revenues and its ability to pay debt service on the Bonds. Airlines operating at the Airport have filed bankruptcy in the past and may do so in the future.

If a bankruptcy case is filed with respect to an airline operating at the Airport, the Airline Agreement with respect to the debtor airline will be treated as an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code (the "Bankruptcy Code"). Under Section 365, a trustee in bankruptcy or the airline as debtor-in-possession might reject the Airline Agreement to which such airline is a party, in which case, among other things, the rights of that airline to continued possession of the facilities subject to the Airline Agreement (including gates and boarding areas) would terminate. Such facilities could ultimately be leased by the Commission to other airlines. The Commission's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by other airlines. The rejection of the Airline Agreement in connection with the bankruptcy of an airline operating at the Airport may result in a reduction of the Commission's Net Revenues and an increase in the costs per enplaned passenger for the other airlines at the Airport. In addition, in any airline bankruptcy the Commission may be required to repay landing fees, terminal rentals and other amounts paid by the airline to the Commission during the 90-day period prior to the date of the bankruptcy filing. Such payments are considered "preferential" and are avoidable in a bankruptcy case pursuant to Section 547 of the Bankruptcy Code. The Commission would, however, likely have defenses to any claim brought under Section 547 of the Bankruptcy Code, including that the subject payments were made in the ordinary course of business or that the Commission provided subsequent new value to the airline.

Also, under the Bankruptcy Code, any rejection of the Airline Agreement could result in the Commission holding a claim for rents and other items that would have accrued in the future, which claim would rank as that of a general unsecured creditor of an airline, in addition to pre-bankruptcy amounts owed.

The cessation of operations by a Signatory Airline with significant operations at the Airport would have a material adverse effect on operations, Airport revenues and the cost to the other airlines of operating at the Airport. Currently, domestic gates and related facilities at the Airport are preferentially leased by the Commission to the Signatory Airlines pursuant to the Airline Agreement. In the event of a Signatory Airline default, the Commission has the power to exclude such Signatory Airline from its leased premises and assigned aircraft parking positions. See APPENDIX D – "Summary of Airline Agreement."

## **Regulations and Other Restrictions Affecting the Airport**

The operations of the Commission and its ability to generate revenues are affected by a variety of legislative, legal, contractual, statutory, regulatory and practical restrictions, including restrictions in the Federal Aviation Act, provisions of the Airline Agreement, PFC legislation, and extensive federal legislation and regulations applicable to all airports. It is not possible to predict whether future restrictions or limitations on the Airport's operation will be imposed, whether future legislation or regulation will affect anticipated federal funding or PFC collection, whether additional requirements will be funded by the federal government or require funding by the Commission, or whether such restrictions, legislation or regulations would adversely affect Net Revenues.

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules, stormwater permitting requirements, and the like) which are enforced by the Federal Environmental Protection Agency and the Virginia Department of Environmental Quality, not FAA, apply to the Airport; compliance with those requirements may impose costs from time to time.

Climate change concerns are shaping laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Commission and on the airlines operating at the Airport. Studies report that airplane emissions equal approximately 12% of all U.S. transportation and more than 3% of total U.S. greenhouse gas emissions. Although the United States Environmental Protection Agency (the "EPA") does not currently regulate greenhouse gas ("GHG") emissions from aircrafts, it could do so in the future. When drafting aircraft emission regulations, the EPA must consult with the Administrator of the FAA and the Secretary of Transportation, and such regulations must not significantly increase noise or adversely affect safety. The President may also disapprove if the Secretary of Transportation advises that the regulations create a hazard to aircraft safety. The Commission can provide no assurance as to the likelihood or potential impact of any such future proposed or enacted regulations.

## **Capacity of National Air Traffic Control and Airport Systems**

Demands on the national air traffic control system may cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These delays and restrictions affect airline schedules and passenger traffic nationwide. Increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

## **Growth of Transportation Network Companies and other Technological Innovations**

A significant source of non-airline revenues is generated from ground transportation activity, including use of on-Airport parking facilities, rental car transactions, and fees paid upon entry to the Airport by taxi, limousine, and transportation network companies such as Uber and Lyft ("TNCs"). TNCs connect paying passengers with drivers who provide the transportation using their own commercial and non-commercial vehicles. The popularity of TNCs has increased because of the increasing number of areas where TNCs operate, the convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver, and competitive pricing.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. Although the Commission makes every effort to anticipate demand shifts, there may be times when the Commission's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Commission cannot predict with certainty what impact such new technologies, innovations in ground transportation or new business strategies will have over time on revenues from non-airline sources such as parking, rental cars and other ground transportation services.

## Availability of Sources of Funding

The Commission's capital improvement plan assumes that federal grants and other sources of funds (including PFCs) will be received in certain amounts and at certain times to pay certain capital project costs. See "THE AIRPORT – Capital Improvement Program" above. No assurance can be given that these sources of funds actually will be available in the amounts or on the schedule assumed.

Also, as discussed under "THE AIRPORT – Capital Improvement Program" above, the assumptions with respect to entitlement and discretionary funding, although considered reasonable by the Commission, are inherently subject to certain uncertainties and contingencies. Actual entitlement and/or discretionary funding levels and timing may vary and such differences may be material.

To the extent that any portion of the funding assumed in the plan of finance for capital projects at the Airport is not available as anticipated, the Commission may be required to issue Additional Bonds to pay the costs of such capital projects and to increase airline rates and charges to pay debt service on the Bonds and to fund the required coverage thereon. As an alternative to issuing Additional Bonds, the Commission may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule.

The amount of PFC revenue collected for the Airport in past years has varied, and in future years will vary, based upon the actual number of passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. The adverse impact of decreased enplanements could be direct or indirect. For example, PFC shortfalls could result in increases in terminal rentals or other rates and charges at the Airport, thereby negatively impacting the airlines' desire to operate at the Airport. Furthermore, under the terms of the PFC Acts (as defined below), the FAA may terminate the Commission's authority to impose a PFC as described in the following subsection.

*Passenger Facility Charge Background.* Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (P.L. 106-181) and the 2003 FAA Reauthorization Act (collectively, the "PFC Acts"), the FAA has approved the Commission's applications to require airlines to collect and remit to the Commission a \$4.50 PFC on each enplaning revenue passenger at the Airport. **PFCs are an important element of the Commission's funding for its capital improvement program but PFC revenues are not part of the security pledged to support payment of the Series 2021 Bonds.** See "THE AIRPORT – Capital Improvement Program."

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the Commission) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted, however, to commingle PFC collections with other revenues and also are entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In 2003, the Vision 100 – Century of Aviation Reauthorization Act ("Vision 100") became effective. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate passenger facility revenue in a separate account for the benefit of the eligible agencies entitled to such revenue. Prior to the amendments made by Vision 100 to allow PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that the PFC revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of the unsecured creditors of such airline.

The Commission cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient moneys to pay the Commission in full for the PFCs owed by such airline. **PFCs are not pledged to the repayment of the Series 2021 Bonds.**

Under the terms of the PFC Acts, the FAA may terminate the Commission's authority to impose a PFC if the Commission's PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or if the Commission otherwise violates the PFC Acts or

regulations. The FAA may also terminate the Commission's authority to impose a PFC for a violation by the Commission of the Airport Noise and Capacity Act. The PFC termination provisions contained in the regulations provide both informal and formal procedural safeguards. In addition, although the FAA's PFC regulations require Collecting Carriers (as defined in the PFC Acts) to account for PFC collections separately, and indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC, recent bankruptcy court decisions indicate that in a bankruptcy proceeding involving a Collecting Carrier, it is likely that PFCs will not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds.

### **CIP Costs and Schedule**

The estimated costs of, and the projected schedule for, the projects in the CIP for the Airport depend on various sources of funding and are subject to many uncertainties. The ability of the Commission to complete these projects within the current budgets and on the current schedules may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, (4) delays in contract awards, (5) material and/or labor shortages, (6) delays due to airline operational needs, (7) unforeseen site conditions, (8) adverse weather conditions, (9) contractor defaults, (10) labor disputes, (11) unanticipated levels of inflation, (12) litigation, and (13) environmental issues.

No assurance can be given that the costs of these projects will not exceed the current budget for these projects or that the completion will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue Additional Bonds. The issuance of Additional Bonds may result in increased costs per enplaned passenger to the airlines. At present, the Commission is unable to estimate the costs associated with each of the risks identified above and the total impact of these risks if such events were to occur. In addition, the Commission may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule.

### **Limitation of Remedies**

Under the terms of the Bond Resolution, Events of Default are limited to such actions which may be taken at law or in equity. See APPENDIX C – "Definitions and Summary of Certain Provisions of the Bond Resolution." No mortgage or security interest has been granted or lien created to secure the payment of the Series 2021 Bonds.

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2021 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions thereof will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Commission, the Airport or the payment of Net Revenues.

In the event of a default in the payment of principal of or interest on the Series 2021 Bonds, the remedies available to the owners of the Series 2021 Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. The rights of the owners of the Series 2021 Bonds and the enforceability of the Commission's obligation to make payments on the Series 2021 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel delivered at the time of the initial issuance of the Series 2021 Bonds will provide that the rights of the holders of the Series 2021 Bonds under the Bond Resolution and under the Series 2021 Bonds and the enforceability of such rights may be subject to the valid exercise of judicial discretion, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. See APPENDIX E – "Forms of Opinions of Bond Counsel."

### **Risk of Future Legislative or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Virginia General Assembly. Court proceedings may also be filed, the outcome of which

could modify the tax treatment of obligations such as the Series 2021 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2021 Bonds will not have an adverse effect on the tax status of the interest on the Series 2021 Bonds or the market value or marketability of the Series 2021 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 the benefit) of the exclusion of interest on the Series 2021 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, investors in the Series 2021A Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2021A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2021A Bonds may be affected and the ability of holders to sell their Series 2021A Bonds in the secondary market may be reduced. The Series 2021A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2021A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2021A Bonds.

## TAX MATTERS

### Federal Tax Matters – Series 2021A Bonds

Opinion of Bond Counsel. On the date of issuance and delivery of the Series 2021A Bonds, Butler Snow LLP, Bond Counsel, will deliver its opinion to the effect that, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2021A Bonds will be excludable from gross income of the holders thereof for purposes of federal income taxation and will not be an item of tax preference under Section 57(a)(5) of the Code for purposes of computing the federal alternative minimum tax. No opinion will be expressed by Bond Counsel with respect to any other federal tax consequences of the receipt or accrual of interest on the Series 2021A Bonds.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of Series 2021A Bonds as so-called “tax-exempt” bonds. Bond Counsel’s opinion will assume the accuracy of certain representations of the Issuer as to certain facts relevant to both the opinion and requirements of the Code. The Commission will covenant to comply with certain restrictions designed to ensure that interest on the Series 2021A Bonds will not be includable in gross income for federal income tax purposes. Failure of the Commission to comply with these covenants could result in the Series 2021A Bonds not qualifying as “tax-exempt bonds,” and thus interest on the Series 2021A Bonds being includable in the gross income of the beneficial owners thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Series 2021A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2021A Bonds may adversely affect either the federal tax status of the Series 2021A Bonds.

Original Issue Discount. Any Series 2021A Bonds that have an original yield above their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the “OID Bonds”), are being sold at an original issue discount (“OID”) from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount (at least 10%) of the bonds of the same maturity are sold. For federal income tax purposes, OID on each OID Bond will accrue over the term of the bond, and the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of an OID Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the OID Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that OID Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes. Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the tax consequences of owning or disposing of OID Bonds.

Original Issue Premium. Any Series 2021A Bonds that have an original yield below their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium (“Premium”). Premium is the excess of the issue price of a bond over its stated redemption price at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. For federal income tax purposes, the amount of Premium on each Premium Bond must be amortized over the term of the bond and will reduce the beneficial owner’s adjusted basis in the bond. However, no amount of amortized Premium on Premium Bonds may be deducted in determining a beneficial owner’s taxable income for federal income tax purposes. The amount of any Premium paid on the Premium Bonds that must be amortized during any period will be based on the “constant yield” method, using the original beneficial owner’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the tax consequences of owning a Premium Bond.

Collateral Federal Tax Consequences. Receipt of tax-exempt interest, ownership or disposition of the Series 2021A Bonds may result in other collateral federal, state or local tax consequence for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2021A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Accordingly, prospective purchasers of the Series 2021A Bonds should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Series 2021A Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt bonds such as the Series 2021A Bonds is subject to information reporting in a manner similar to interest paid on taxable bonds. Backup withholding may be imposed on payments to any beneficial owner of the Series 2021A Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2021A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt bonds.

#### **Federal Tax Matters – Series 2021B Bonds**

On the date of issuance and delivery of the Series 2021B Bonds, Butler Snow LLP, Bond Counsel, will deliver its opinion to the effect that, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2021B Bonds will not be excludable from the gross income of the holders thereof for purposes of federal income taxation. No opinion will be expressed by Bond Counsel with respect to any other federal tax consequences of the receipt or accrual of interest on the Series 2021B Bonds.

#### **Virginia Tax Matters**

The opinions of Bond Counsel with respect to the Series 2021A Bonds and the Series 2021B Bonds will also state that, under existing laws of the Commonwealth of Virginia, interest on such Series 2021 Bonds will not be subject to income taxation by the Commonwealth of Virginia or any political subdivision thereof. Prospective purchasers of Series 2021 Bonds should consult their own tax advisors as to the status of interest on such Series 2021 Bonds under the tax laws of any state other than the Commonwealth of Virginia.

#### **LITIGATION**

The Commission is involved from time to time in various legal actions. No legal proceedings of which the Commission has received written notice are pending or threatened that contest or affect the issuance, sale, execution

or delivery of the Series 2021 Bonds, or in any way contest or affect the validity of the Series 2021 Bonds or the operation of the Airport, including the Commission's ability to collect and apply Revenues as set forth in the Bond Resolution, or which affects or relates to any of the transactions described in or contemplated by this Official Statement.

### **LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Series 2021 Bonds will be subject to the approving opinions of Butler Snow LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Commission upon delivery of the Series 2021 Bonds, in substantially the forms set forth as APPENDIX E (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to the authorization and validity of the Series 2021 Bonds and to the tax-exempt status of interest thereon as described in "TAX MATTERS." Bond Counsel has not been engaged to investigate the financial resources of the Commission or its ability to provide for payment of the Series 2021 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2021 Bonds.

Certain legal matters will be passed on for the Commission by Butler Snow LLP, Richmond, Virginia, and for the Underwriter by its counsel, Haneberg Hurlbert PLC, Richmond, Virginia.

### **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR**

The financial statements as of June 30, 2019 and 2020, and for the Fiscal Years then ended, included in APPENDIX B to this Official Statement, have been audited by Robinson, Farmer, Cox Associates, PLLC, independent auditors, as stated in their report appearing herein. The auditors have not been requested to consent, nor have they rendered any consent, to the inclusion of the financial statements in this Official Statement, nor have the auditors been engaged to perform and have not performed any procedures relating to this Official Statement or the issuance of the Series 2021 Bonds.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The accuracy of the arithmetical computations regarding the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay when due the principal of and interest on the Refunded Series 2013A Bonds to be defeased will be verified by Bingham Arbitrage Rebate Services, Inc., certified public accountants and consultants. In reliance upon such verification of mathematical computations, upon making such deposit pursuant to the Escrow Agreement and upon the execution and delivery of the Escrow Agreement by the Commission and the Trustee, as escrow agent, and the delivery of certain instructions by the Commission to the Trustee pursuant to the terms of the Bond Resolution, the Refunded Series 2013A Bonds will, under the terms of the Bond Resolution, be deemed to have been paid, and the covenants, agreements and other obligations of the Commission to the holders of the Refunded Series 2013A Bonds will be discharged and satisfied.

### **RATINGS**

Moody's and Fitch have assigned long-term ratings of "A2" and "A," respectively, to the Series 2021 Bonds. Additionally, S&P is expected to assign the Series 2021 Bonds a rating of "AA" based upon the AGM Policy to be issued at the time of delivery of the Series 2021 Bonds guaranteeing the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as APPENDIX G – "Specimen Municipal Bond Insurance Policy."

The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's, Fitch, and S&P, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal or ratings on the Bonds may have an adverse effect on the market price thereof.

## UNDERWRITING

The Series 2021 Bonds are being purchased for reoffering by Raymond James & Associates, Inc. (the “Underwriter”) at an aggregate purchase price of \$17,374,713.81, representing the aggregate principal amount of the Series 2021 Bonds plus original issue premium of \$3,302,343.20 and less an underwriting discount of \$87,629.39 (0.618852% of the principal amount of its Series 2021 Bonds). The obligation of the Underwriter to pay for the Series 2021 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement between the Commission and the Underwriter. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers (including the Underwriter and other dealers depositing such Series 2021 Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

In the ordinary course of its various business activities, the Underwriter and its affiliates, officers, directors, and employees may purchase sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The Underwriter and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

In the ordinary course of its business, the Underwriter and its affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Commission and its affiliates for which they received or will receive customary fees and expenses.

## CONTINUING DISCLOSURE

The offering of the Series 2021 Bonds is subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) issued by the SEC. Pursuant to the Rule, the Commission has undertaken for the benefit of the owners to make public certain annual financial information and operating data and notice of certain events by furnishing such information to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as required by MSRB, for posting on its Electronic Municipal Marketplace Access (“EMMA”).

See APPENDIX F - “Form of Continuing Disclosure Certificate” for a more detailed description of the Commission’s continuing disclosure undertakings in connection with the Series 2021 Bonds.

Except as described below, there have been no instances in the previous five years in which the Commission has failed to materially comply with its prior continuing disclosure undertakings.

The Commission’s existing continuing disclosure undertakings have required annual disclosure of the Commission’s audited financial statements, along with operating data of the types set forth in certain sections of the Commission’s official statements for prior Bond issues, including but not limited to, the data in the tables titled “Outstanding Debt of the Commission,” “Annual Enplanements,” “Monthly Enplanements,” “Airlines Serving the Airport,” “Statement of Revenues, Expenses and Changes in Net Assets,” “Historical Debt Service Coverage,” and “Operating Revenues Among Major Revenue Categories.” In its annual disclosures during the past five years, (i) the Commission has failed to include a “Monthly Enplanements” table, but has only shown annual enplanements figures, and (ii) the Commission has failed to display the “Outstanding Debt of the Commission” table in the format displayed in the Commission’s official statements, i.e., with debt service requirements broken down by Series. The reason for this failure is that these items have not been included in the Commission’s annual comprehensive financial report that includes its audited financial statements. The Commission has undertaken a procedure whereby it will ensure that in future years it makes separate filings of the “Monthly Enplanements” table and the “Outstanding Debt of the Commission” table broken down by Series.



**Selected Economic and Demographic Information for the Air Service Area**

The outbreak of the novel coronavirus (“COVID-19”) is a significant event that has had and will have ongoing, material effects on the Air Service Area finances and operations. Certain historic socioeconomic and demographic information in this APPENDIX A predates the COVID-19 outbreak and should be considered in light of the possible or probable negative effects that the COVID-19 pandemic may have on the Air Service Area. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION” in this Official Statement for a discussion of the effects of COVID-19 on the Capital Region Airport Commission.

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**SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION  
FOR THE AIR SERVICE AREA**

**Population**

The following table presents data regarding population of the Counties of Henrico, Chesterfield and Hanover, the City of Richmond and the Richmond Metropolitan Statistical Area (MSA).

<u>Year</u>	<u>County of Henrico</u>	<u>County of Chesterfield</u>	<u>County of Hanover</u>	<u>City of Richmond</u>	<u>Richmond MSA *</u>
2010	307,201	317,210	99,886	204,375	1,188,423
2011	310,401	320,344	99,899	206,487	1,197,332
2012	315,575	323,942	100,340	210,922	1,211,395
2013	318,646	327,721	101,075	214,020	1,223,065
2014	321,863	332,221	101,740	217,238	1,235,618
2015	324,424	335,093	103,095	221,084	1,247,430
2016	326,178	338,677	104,345	225,669	1,259,571
2017	328,008	343,500	105,729	227,620	1,270,792
2018	329,917	348,704	106,821	229,621	1,282,515
2019	332,513	353,376	107,535	231,027	1,293,983
2020	333,766	358,245	108,262	232,226	1,303,469

Source: U.S. Census Bureau, Annual Estimates of the Population for Counties, retrieved from FRED, Federal Reserve Bank of St. Louis

\* Includes Cities of Richmond, Petersburg, Hopewell and Colonial Heights and the Counties of Henrico, Chesterfield, Charles City, Goochland, Hanover, New Kent, Powhatan, Dinwiddie, Prince George, Amelia, Caroline, Cumberland, King William, King and Queen, Louisa, and Sussex.

**Income**

The following table presents data regarding per capita personal income for residents of the Counties of Henrico, Chesterfield and Hanover, the City of Richmond, the Richmond MSA, the Commonwealth of Virginia and the United States.

<u>Year</u>	<u>County of Henrico</u>	<u>County of Chesterfield</u>	<u>County of Hanover</u>	<u>City of Richmond</u>	<u>Richmond MSA</u>	<u>Commonwealth of Virginia</u>	<u>U.S.A.</u>
2010	46,904	42,314	44,391	42,994	42,934	45,494	40,518
2011	50,154	43,795	46,910	46,189	45,380	47,764	42,713
2012	53,092	45,781	48,689	49,776	47,818	49,571	44,588
2013	53,807	45,886	49,096	47,115	47,671	48,838	44,826
2014	57,345	47,005	52,132	49,016	49,719	50,734	47,050
2015	59,786	49,375	55,285	51,268	52,072	52,707	48,998
2016	61,598	50,536	57,095	51,950	53,315	53,744	50,004
2017	64,545	52,225	58,652	54,467	55,548	55,582	52,114
2018	66,777	53,705	60,189	55,272	57,124	57,898	54,601
2019	68,639	55,070	61,832	56,560	58,628	59,509	56,469

Source: U.S. Department of Commerce, Bureau of Census, Population Division, Virginia Employment Commission.

**Employment Statistics**

The following table illustrates the unemployment rates for the Richmond MSA, the Commonwealth and the United States for the years since 2010.

**Unemployment Rates  
2010 – 2020**

Calendar <u>Year</u>	Richmond <u>MSA</u>	<u>Virginia</u>	<u>U.S.</u>
2010	8.2%	7.3%	9.6%
2011	7.3	6.5	8.9
2012	6.5	6.0	8.1
2013	5.9	5.6	7.4
2014	5.4	5.1	6.2
2015	4.6	4.4	5.3
2016	4.1	4.0	4.9
2017	3.9	3.7	4.4
2018	3.1	3.0	3.9
2019	2.8	2.7	3.7
2020	6.7	6.3	8.1

Source: U.S. Bureau of Labor Statistics, Unemployment Rate, retrieved from FRED, Federal Reserve Bank of St. Louis.

The following table reflects data regarding some of the principal employers in the Richmond Metropolitan Statistical Area.

**Richmond Metropolitan Area  
Top 50 Employers  
4th Quarter (October through December) 2020**

<u>Rank</u>	<u>Employer</u>	<u>Rank</u>	<u>Employer</u>
1	Capital One Bank	26	Wells Fargo Bank NA
2	MCV Hospital	27	MCV Physicians
3	VCU	28	Target Corp
4	Bon Secours Health System Inc	29	University of Richmond
5	Chesterfield County School Board	30	Anthem
6	Amazon Fulfillment Services Inc	31	Federal Reserve Bank, Richmond
7	Henrico County School Board	32	Lowe's Home Centers, Inc.
8	HCA Virginia Health System	33	VDOT
9	U.S. Department of Defense	34	Capital One Na
10	Wal Mart	35	Philip Morris U.S.A., Inc.
11	County of Henrico	36	Dominion Virginia Power
12	County of Chesterfield	37	Bank of America
13	Richmond City Public Schools	38	Carmax Auto Superstores S Inc
14	Food Lion	39	Apex Systems Inc
15	City of Richmond	40	PPD Development
16	U.S. Department of Veterans Affairs	41	The Home Depot
17	U.P.S.	42	Alliance Group Rock Tenn
18	Kroger	43	County of Hanover
19	BB & T Corp	44	County of Prince George
20	Postal Service	45	Virginia State Department of Health
21	Hanover County School Board	46	WaWa
22	Dominion Resources	47	Virginia Department of Alcoholic Beverage Control
23	Maximus Services LLC	48	Insight Global
24	Publix Nc Employee Services, LLC	49	YMCA
25	DuPont Specialty Products USA, LLC	50	Security Forces, Inc.

Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 4th Quarter (October, November, December) 2020.

## Employment by Industry

The following table shows the annual average distribution of employment by industries statewide and in the Counties of Henrico, Chesterfield and Hanover and the City of Richmond for the fourth quarter of 2020.

<u>Industry</u>	County of <u>Henrico</u>	County of <u>Chesterfield</u>	County of <u>Hanover</u>	City of <u>Richmond</u>	Richmond <u>MSA</u>	Commonwealth <u>of Virginia</u>
Total, All Industries	182,399	134,989	51,844	147,000	616,829	3,790,749
Accommodation and Food Services	12,767	10,472	3,547	8,273	42,458	281,172
Administrative and Support, Waste Mgmt	15,670	10,993	2,899	7,782	41,592	239,474
Agriculture, Forestry, Fishing, Hunting	48	200	350	23	1,292	12,585
Arts, Entertainment, and Recreation	2,266	2,152	1,102	1,788	9,379	42,544
Construction	9,256	10,530	5,361	5,385	37,457	202,899
Educational Services	2,109	1,159	792	3,556	8,236	59,743
Finance and Insurance	15,915	4,390	648	8,331	38,746	141,704
Health Care and Social Assistance	27,321	15,373	6,049	23,194	83,191	437,679
Information	2,774	1,133	430	1,185	5,704	64,408
Mgmt of Companies and Enterprises	7,736	1,273	1,169	8,727	21,649	78,847
Manufacturing	6,562	8,099	3,419	5,450	30,053	235,653
Mining, Quarrying, Oil/Gas Extraction	14	42	46	32	444	5,048
Other Services (Except Public Admin)	5,361	4,039	1,619	4,802	18,557	123,482
Professional, Scientific and Tech Service	17,694	7,278	2,318	10,321	40,317	441,321
Public Administration	19,142	20,633	5,063	40,137	106,879	693,511
Real Estate and Rental and Leasing	3,980	1,322	638	2,153	8,890	53,181
Retail trade	21,537	18,580	7,179	7,425	65,225	402,124
Transportation and Warehousing	4,394	11,080	4,664	3,782	30,148	134,291
Utilities	574	515	40	262	1,801	10,355
Wholesale Trade	6,725	5,180	4,384	3,940	22,792	105,003
Unclassified establishments	554	546	127	452	2,019	25,725

Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 4th Quarter (October, November, December) 2020.

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## **APPENDIX B**

### **Audited Financial Statements of the Capital Region Airport Commission as of and for the years ended June 30, 2019 and 2020**

The outbreak of the novel coronavirus (“COVID-19”) is a significant event that has had and will have ongoing, material effects on the Capital Region Airport Commission’s finances and operations. Certain historic information in this APPENDIX B about the Capital Region Airport Commission’s finances and operations predates the COVID-19 outbreak and should be considered in light of the possible or probable negative effects that the COVID-19 pandemic may have on the current and future finances and operations of the Capital Region Airport Commission. See “IMPACT OF COVID-19 PANDEMIC ON THE COMMISSION” in this Official Statement for a discussion of the effects of COVID-19 on the Capital Region Airport Commission.

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**Independent Auditors' Report**

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**To the Commissioners  
Capital Region Airport Commission  
Richmond International Airport, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Region Airport Commission as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission'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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditors' 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Region Airport Commission, as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Restatement of Beginning Balances**

As described in Note 1 to the financial statements, in 2020, Capital Region Airport Commission reported a new retiree medical benefit plan established for employees during fiscal year 2019. Accordingly, beginning balances were restated to reflect the actuarially determined liability.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 3-16 and 81-90 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Capital Region Airport Commission's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and the schedule of expenditures of federal awards 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 supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 October 26, 2020, on our consideration of Capital Region Airport Commission'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 solely 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 the effectiveness of Capital Region Airport Commission's 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 Capital Region Airport Commission's internal control over financial reporting and compliance.

*Robinson Farrow Cox Associates*

Charlottesville, Virginia  
October 26, 2020

The Capital Region Airport Commission's ("Commission") Management's Discussion and Analysis ("MD&A") section provides a review of the key financial events and items impacting Richmond International Airport's (the "Airport") operations and financial statements. This discussion and analysis provides an overall view of how the Airport deals with both current and future conditions.

The preparation of this report was performed by the Commission's management team and we recommend that the Management Discussion and Analysis be read in conjunction with the Commission's financial statements and the supplemental schedules included in the financial report. Following this MD&A are the basic financial statements of the Commission together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

The Commission's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (the "GASB"). The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Airport. Assets are designated as restricted and unrestricted in accordance with indentures and other agreements. See notes to financial statements for a summary of significant accounting policies.

The Commission's operations are self-supported using aircraft apron fees, landing fees, fees from the terminal and other rental as well as revenues from concession and non-aviation revenues such as parking and food establishments to fund operating expenses. The Commission is not taxpayer funded. The capital program is funded by bonds, federal and state grants, customer and passenger facility charges and net remaining revenue after operating and debt service costs.

The Commission's fiscal year is from July 1 to June 30. The following MD&A of the Commission's financial performance is for the years ended June 30, 2020 and 2019. Information for the preceding fiscal year ended June 30, 2018 has been included to provide a better insight into the overall financial performance of the Commission. All dollar amounts are provided in thousands.

#### COMMISSION ACTIVITIES & HIGHLIGHTS

Passenger and air carrier activity was at a record pace for the months of July 2019 through February 2020, which made February the 29th month, in a row, of record monthly enplanements. The record enplanements ended in March 2020 due to the significant reduction in passenger traffic that occurred in the last two weeks of the month as a result of the travel restrictions related to the worldwide COVID-19 pandemic. The Commission saw a sharp decline in passenger traffic in the last four months of the fiscal year (March – June 2020). Total enplanements for the months of March through June 2020 were 151 thousand compared to 760 thousand for the same time period in 2019. This was an (80.1%) decrease in enplaned passengers when compared to the same time period in 2019. The total passengers enplaned for fiscal year 2020 were 1.62 million, which was (24.5%) lower than fiscal year 2019 enplanements of 2.14 million and (26.0%) lower than the fiscal year 2020 budgeted enplaned passengers. Fiscal year 2019 enplanements were higher than fiscal year 2018 enplanements of 1.92 million.

Due to the worldwide pandemic and the related travel restrictions and shutdowns, the Commission experienced a sudden and sharp decline in revenues. Parking revenue and concession revenue saw the sharpest declines. The Commission immediately implemented cost cutting measures to offset the reduction in operating revenues. Some of the actions taken were implementation of a hiring freeze, closing of the economy lot B, elimination of shuttle operations and related staffing, and staff reductions through early retirement for eligible Commission staff.

In May, the Commission was awarded \$18.8 million in federal CARES Act grant funding. The funds can be used for offsetting allowable operating and debt service expenses incurred by the Airport after January 27, 2020. The grant funds are available for up to four years and reimbursement requests need to be submitted to and approved by the FAA prior to receiving reimbursement. During fiscal year 2020, the Commission submitted reimbursement requests for \$5.4 million in allowable operating expenses. The Commission anticipates drawing the remainder of the available funds in fiscal year 2021.

The Commission ended fiscal year 2020 with a (15.6%) decrease in revenues when compared to the 2020 budgeted revenues and a (16.4%) decrease when compared to fiscal year 2019 revenues. This was primarily due to a (20.7%) decrease in concession revenue when compared to the 2020 budgeted concession revenue and a (22.2%) decrease in parking revenue when compared to the 2020 budgeted parking revenue. Concession revenue decreased (21.3%) when compared fiscal year 2019 concession revenue and parking revenue decreased (24.6%) when compared to fiscal year 2019 parking revenue. The decrease in concession revenue is primarily due to a (24.8%) decrease in rental car revenue and a (28.3%) decrease in ground transportation fees. The decrease in parking revenue is attributed to the (26.0%) decrease in enplanements when compared to the fiscal year 2020 budgeted enplanements due to the worldwide pandemic and the related travel restrictions and shutdowns.

The Commission'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 rents, and apron fees received from airlines using the airport; concession fees from the vendors serving the passengers including food and beverage, retail and rental cars; public parking fees including surface and garage parking; and fixed based operator activities from general aviation activities. The average monthly enplaned passengers increased from 160,202 in fiscal year 2018 to 178,570 in fiscal year 2019 and then decreased to 134,750 in fiscal year 2020. The decrease in passengers, when compared to fiscal year 2019, had negative effects on the Commission's main revenue stream, parking, in fiscal year 2020.

Aircraft operations decreased to 90 thousand a (13.5%) decrease when compared to fiscal year 2019 operations of 104 thousand which was a 5.1% increase when compared to fiscal year 2018. Aircraft operations are comprised of air carrier, the military, air taxi, and general aviation.

Cargo landed weight in 1,000-pound units increased by 2.9% in fiscal year 2020 to 528 million pounds compared to fiscal year 2019 and decreased (1.4%) in fiscal year 2019 to 513 million pounds compared to fiscal year 2018 landed weight of 520 million pounds.

The Airport's parking revenue decreased (22.2%) in fiscal year 2020 when compared to fiscal year 2019 and increased 11.9% in fiscal year 2019 when compared to fiscal year 2018. Parking revenue decreased due to the effect of lower than budgeted enplanements. Parking revenue per enplaned passenger decreased slightly when compared to fiscal year 2019 parking revenue per enplaned passenger. Parking rates were essentially the same as fiscal year 2019 for the first eight months of the fiscal year. Due to the worldwide pandemic and the related travel restrictions and shutdowns, starting in April, the Commission closed the economy lots and reduced the daily rate in the parking decks to \$10.00 per day. These changes remained in place through the remainder of the fiscal year.

Capital Region Airport Commission  
**Management's Discussion** and Analysis (continued)  
 June 30, 2020 and 2019

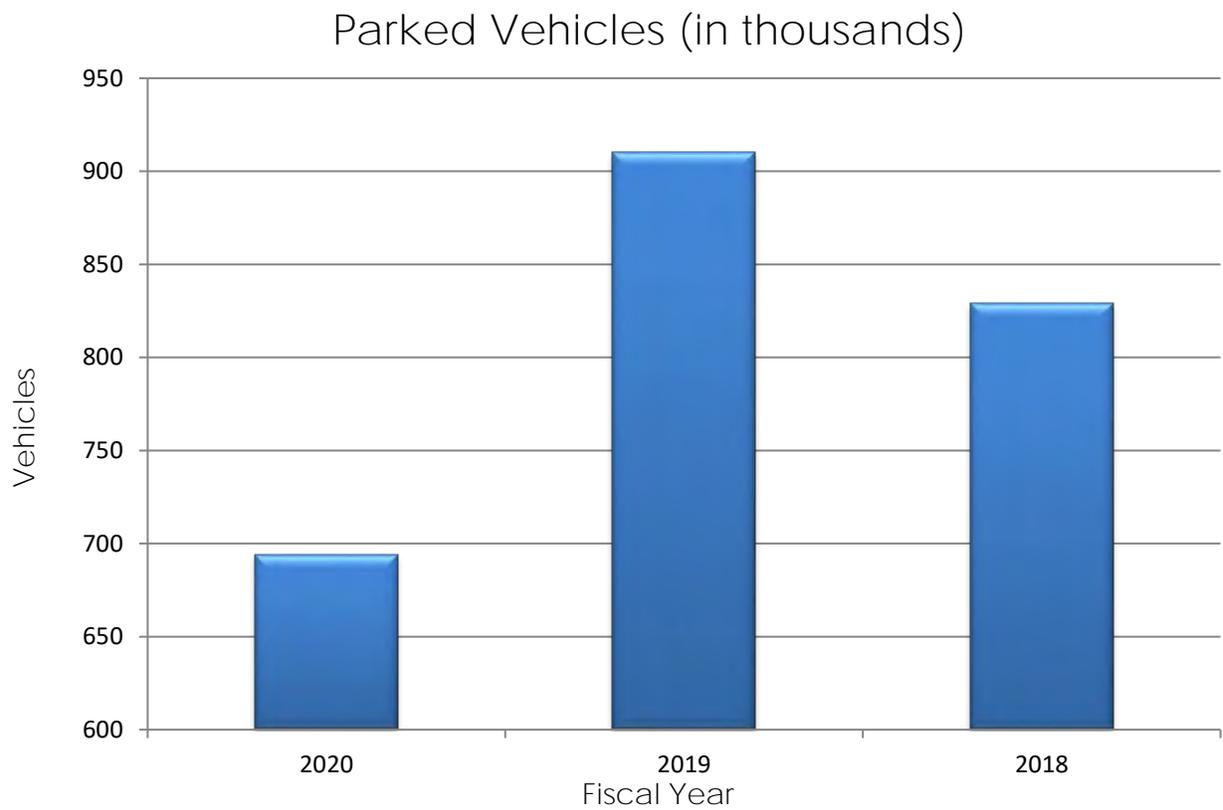
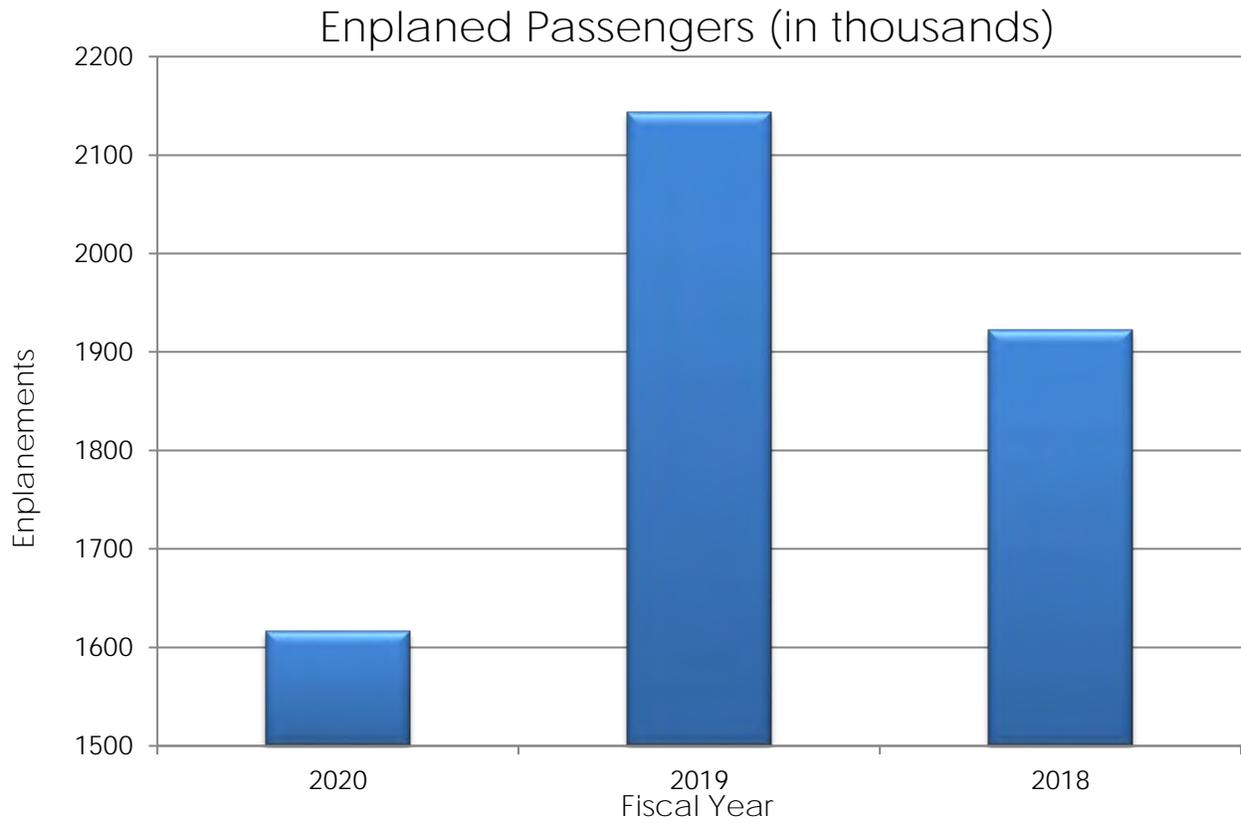
The parking revenue accounted for 39.6% of the Airport's operating revenue in fiscal year 2020 compared to 43.9% in fiscal year 2019 and 43.6% in fiscal year 2018.

	2020	2019	2018
Parking Revenue per Enplanement	\$10.86	\$10.87	\$10.83
Percent Increase (Decrease)	(0.1%)	0.4%	(3.7%)

As of June 30, 2020, the Airport was served by seven major airlines, with about 52 daily flights to 16 non-stop destinations and more than 3.2 million travelers per year.

	FY 2020	FY 2019	FY 2018
Enplanements	1,617	2,143	1,922
<i>% increase / (decrease)</i>	(24.5%)	11.5%	6.6%
Aircraft Operations (total take-offs and landings)	90	104	99
<i>% increase / (decrease)</i>	(13.5%)	5.1%	5.3%
Airline's Landed Weight (1,000 pound units)	2,080	2,559	2,275
<i>% increase / (decrease)</i>	(18.7%)	12.5%	7.6%
Air Cargo Carrier Activity (pounds)	136,653	138,654	136,582
<i>% increase / (decrease)</i>	(1.4%)	1.5%	0.8%
Parked Vehicles	694	910	829
<i>% increase / (decrease)</i>	(23.7%)	9.8%	(1.2%)

Note: The numbers presented above are in thousands.



The below selected financial data comparison represents the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, 2019, and 2018.

SELECTED FINANCIAL DATA  
 (in thousands)

	2020	2019	2018
<b>Assets</b>			
Unrestricted current	\$ 21,131	\$ 25,061	\$ 25,405
Restricted current	95,404	99,868	85,074
Capital assets, net	443,958	428,001	429,988
<b>Total assets</b>	<b>560,493</b>	<b>552,930</b>	<b>540,467</b>
Deferred outflows of resources	7,419	6,568	7,004
<b>Liabilities</b>			
Current unrestricted	4,385	3,194	2,886
Current restricted	18,609	16,124	13,179
Long-term debt, net of current maturities	66,999	73,618	83,384
Net Pension Liability	2,390	902	1,923
Net OPEB Liabilities	2,501	1,554	1,316
<b>Total liabilities</b>	<b>94,884</b>	<b>95,392</b>	<b>102,688</b>
Deferred inflows of resources	898	1,524	1,224
<b>Net position</b>			
Net investment in capital assets	381,713	356,384	349,515
Restricted	72,086	88,258	75,610
Unrestricted	18,331	17,940	18,434
<b>Total net position</b>	<b>\$ 472,130</b>	<b>\$ 462,582</b>	<b>\$ 443,559</b>

The Commission experienced an increase in total assets of approximately \$7.6 million or 1.4% during fiscal year 2020 when compared to fiscal year 2019 and a \$12.5 million or 2.3% increase during fiscal year 2019 when compared to fiscal year 2018. The increase in fiscal year 2020 can be attributed primarily to a \$16.0 million increase in capital assets when compared to fiscal year 2019. This was offset by a decrease of (\$3.9) million in unrestricted current assets and a (\$4.5) million decrease in restricted current assets.

Total liabilities decreased (\$508) thousand or (.5%) in fiscal year 2020 when compared to fiscal year 2019 and decreased (\$7.3) million or (7.1%) in fiscal year 2019 when compared to fiscal year 2018. In fiscal year 2020 this change is primarily attributable to a (\$6.6) million decrease in long term debt, net of current maturities, when compared to fiscal year 2019. This was offset by an increase in current unrestricted liabilities of \$1.2 million, current restricted liabilities of \$2.5 million and net pension liability of \$1.5 million when compared to fiscal year 2019.

Capital Region Airport Commission  
**Management's Discussion** and Analysis (continued)  
 June 30, 2020 and 2019

The increase in net financial position for fiscal year 2020 was \$9.5 million when compared to fiscal year 2019. Net financial position increased \$19.0 million in fiscal year 2019 and increased \$12.3 million in fiscal year 2018. Fiscal year 2020 resulted in a loss from operations of (\$9.9) million, which was a (\$9.7) million decrease in income from operations when compared to fiscal year 2019. The decrease in income from operations is primarily attributed to a (\$8.7) million decrease in operating revenue when compared to fiscal year 2019 operating revenue and an \$808 thousand increase in operating expenses when compared to fiscal year 2019 operating expenses. In fiscal year 2019, the gain from operations was \$163 thousand, which was a \$1.3 million decrease in the loss from operations when compared to the fiscal year 2018 loss from operations of (\$1.1) million. Net nonoperating income for fiscal year 2020 reflected a decrease in net revenues of (\$123) thousand when compared to fiscal year 2019. This is attributed to a (\$2.5) million decrease in PFC revenue and a (\$587) thousand decrease in CFC revenue when compared to fiscal year 2019. This was offset by a net increase of \$3.0 million (\$5.4 million in CARES Act grant revenue offset by \$2.4 million in expense for the airline rates and charges offset) in other nonoperating revenue. The decrease in both the PFC and CFC revenue was due to a decrease in enplanements due to the worldwide pandemic and the related travel restrictions and shutdowns. Net nonoperating income for fiscal year 2019 reflected an increase in net revenues of \$1.9 million when compared to fiscal year 2018.

Capital contributions increased to \$9.8 million in fiscal year 2020, a \$1.1 million or 12.0% increase when compared to fiscal year 2019. This is primarily due to the runway 7/25 conversion to taxiway and the eastside general aviation projects that are currently ongoing grant funded projects. Capital contributions increased to \$8.8 million in fiscal year 2019, a \$2.1 million or 31.5% increase when compared to fiscal year 2018.

The below chart shows operating revenues and expenses for the three years ended June 30, 2020, 2019, and 2018.

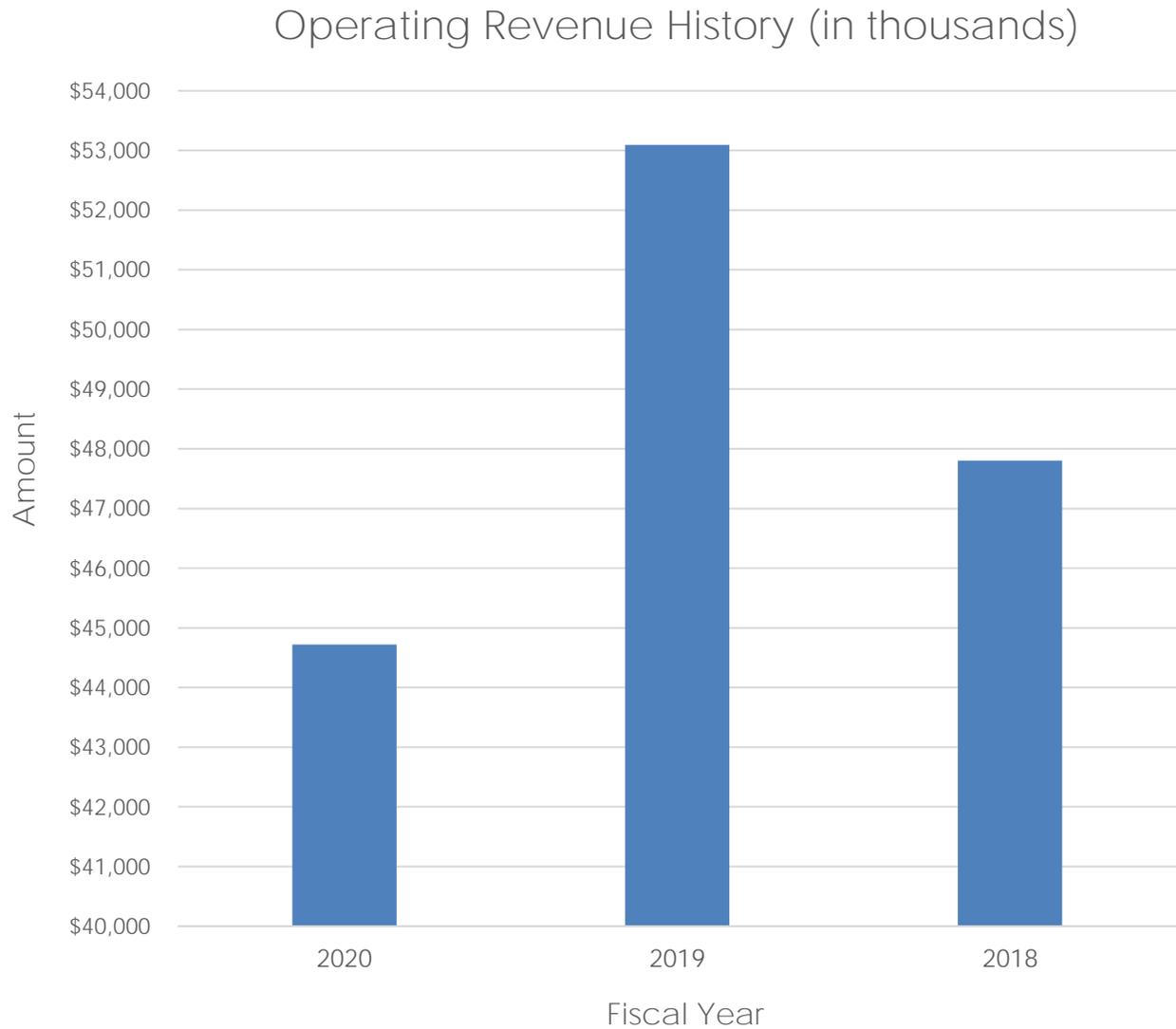
	2020	2019	2018
Operating revenues	\$ 44,368	\$ 53,092	\$ 47,804
Operating expenses	26,701	25,893	24,511
Operating income before depreciation	17,667	27,199	23,293
Depreciation	27,529	27,036	24,426
Operating income (loss)	(9,862)	163	(1,133)
Nonoperating income, net	9,951	10,074	8,167
Income (loss) before capital contributions	89	10,237	7,034
Capital contributions	9,841	8,785	6,681
Change in net position	9,930	19,023	13,715
Beginning net position	462,582	443,559	431,309
Effect of accounting change	(382)	-	(1,465)
Ending net position	\$ 472,130	\$ 462,582	\$ 443,559

Note: Effect of accounting change is related to the implementation of GASB 75. In 2020, an additional OPEB benefit was implemented.

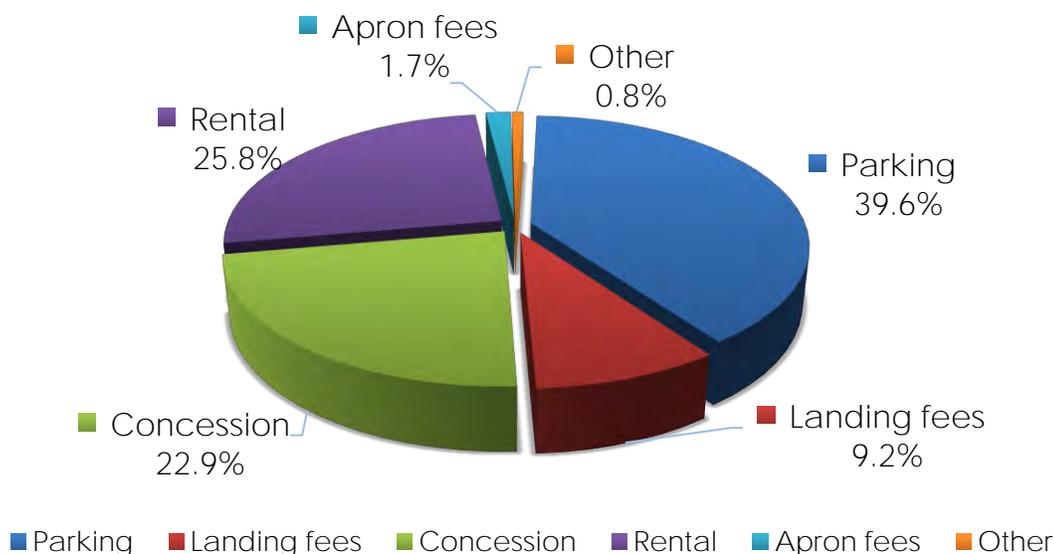
Operating income before depreciation for fiscal year 2020 decreased by (\$9.5) million or (35.0%) compared to fiscal year 2019, fiscal year 2019 operating income before depreciation increased by \$3.9 million or 16.8% compared to fiscal year 2018. Depreciation expense increased by 1.8% between fiscal year 2020 and 2019 and increased by 10.7% between fiscal year 2019 and 2018. The weighted average yield on investments was approximately 0.60% for fiscal year 2020, 0.80% for fiscal year 2019 and 0.40% for fiscal year 2018.

## REVENUES

The following graphs illustrate the operating revenues for the three fiscal years ended June 30, 2020, 2019, and 2018 and main sources of revenues for the Airport and each source's percentage of total operating revenues for the fiscal year ended June 30, 2020.



### 2020 Operating Revenue



Parking revenues at the Airport for fiscal year 2020 were \$17.6 million, which represented a (24.6%) decrease compared to fiscal year 2019; parking revenues for fiscal year 2019 were \$23.3 million, which represented a 11.9% increase compared to fiscal year 2018. The decrease in parking revenue in fiscal year 2020 is attributed to lower than budgeted enplaned passengers due to the worldwide pandemic and the related travel restrictions and shutdowns. Concession revenues for fiscal year 2020 were \$10.2 million which represents a (21.3%) decrease when compared to fiscal year 2019 concession revenue.

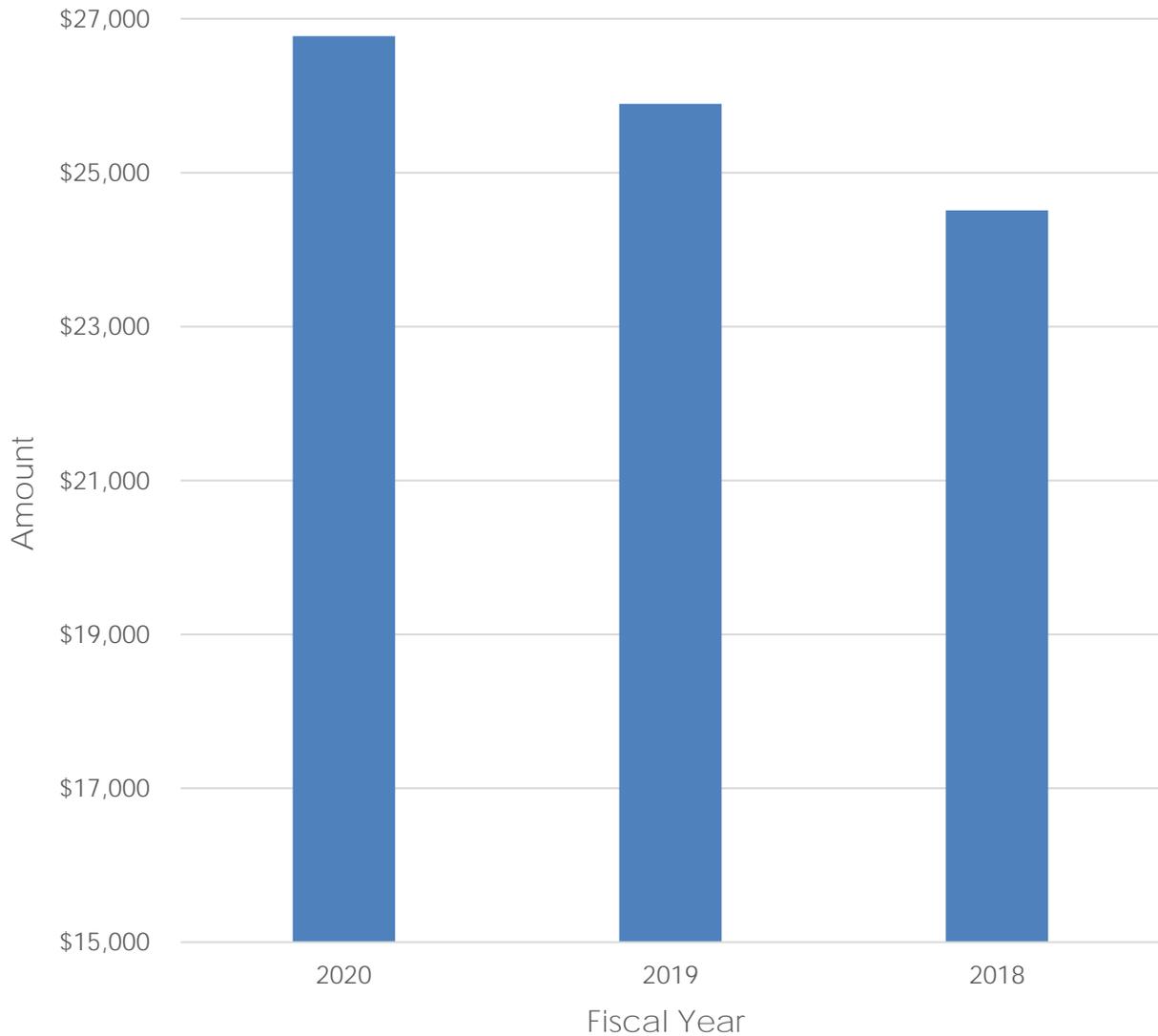
Below is a summary of revenues and nonoperating income stated in thousands, for the three fiscal years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018
<b>Operating Revenues</b>			
Parking	\$ 17,561	\$ 23,288	\$ 20,821
Landing fees	4,067	4,667	4,023
Concession	10,165	12,916	11,105
Rental	11,473	11,071	10,892
Apron fees	756	759	648
Other	346	391	315
Total Operating	<u>44,368</u>	<u>53,092</u>	<u>47,804</u>
<b>Nonoperating Income</b>			
Interest income	1,284	1,523	626
State grant revenue	67	-	-
Federal grant revenue	5,432	-	-
Passenger Facility Charges	6,473	8,940	7,876
Customer Facility Charges	1,921	2,508	2,324
Total nonoperating	<u>15,177</u>	<u>12,971</u>	<u>10,826</u>
Total	<u>\$ 59,545</u>	<u>\$ 66,063</u>	<u>\$ 58,630</u>

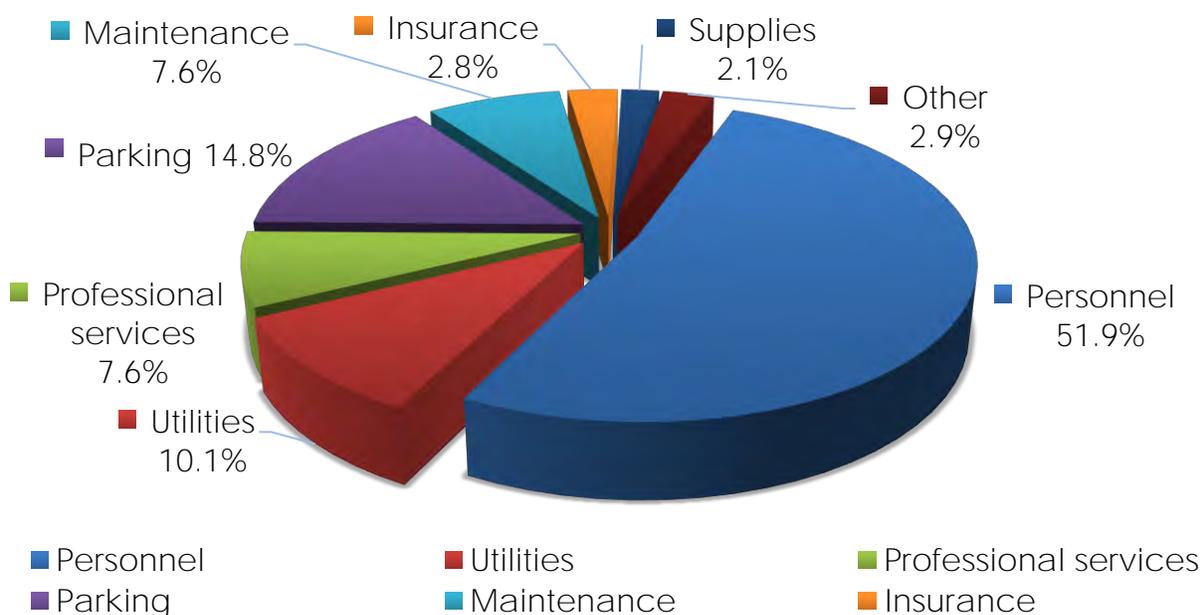
EXPENSES

The following graphs illustrate operating expenses for the three fiscal years ended June 30, 2020, 2019, and 2018 and main sources of expenses for the Airport and each source's percentage of total operating expense for the fiscal year ended June 30, 2020.

Operating Expense History (in thousands)



### 2020 Operating Expenses



Operating expenses, exclusive of depreciation, totaled \$26.7 million for fiscal year 2020, \$25.9 million for fiscal year 2019 and \$24.5 million for fiscal year 2018. Personnel expense increased by \$858 thousand when compared to fiscal year 2019. Below is a summary of expenses stated in thousands, for the three fiscal years ended June 30, 2020, 2019, and 2018:

Operating Expenses				
Personnel	\$	13,867	\$ 13,009	\$ 12,457
Utilities		2,717	2,910	2,774
Professional services		2,023	1,749	1,672
Parking		3,958	4,158	3,949
Maintenance		2,034	1,976	1,677
Insurance		756	764	747
Supplies		567	597	602
Other		779	730	633
Total Operating		<u>26,701</u>	<u>25,893</u>	<u>24,511</u>
Depreciation		<u>27,529</u>	<u>27,036</u>	<u>24,426</u>
Nonoperating Expense				
Interest expense		2,783	3,033	2,564
Other, net		8	(136)	95
Airline rates and charges adjustment		2,435	-	-
Total nonoperating		<u>5,226</u>	<u>2,897</u>	<u>2,659</u>
Total	\$	<u>59,456</u>	<u>\$ 55,826</u>	<u>\$ 51,596</u>

## CASH FLOW ACTIVITIES

A summary of the major sources and uses of cash and cash equivalents are as follows:

	2020	2019	2018
Cash flows provided by operating activities	\$ 19,264	\$ 27,619	\$ 21,580
Cash flows provided by investing activities	1,025	1,434	636
Cash flows used in capital and related financing activities	(32,989)	(13,783)	(13,896)
Net (decrease) increase in cash and cash equivalents	(12,700)	15,270	8,320
Cash and cash equivalents			
Beginning of year	114,733	99,463	91,144
End of year	\$ 102,033	\$ 114,733	\$ 99,464

Cash flow from operating activities for 2020 decreased by (\$8.4) million or (30.3%) compared to fiscal year 2019. Cash flow from operating activities for 2019 increased by \$6.0 million or 28.0% compared to fiscal year 2018. In fiscal year 2020 the change is primarily due to an (\$8.6) million decrease in cash received from operations.

Cash and cash equivalents for fiscal year 2020 amounted to \$102.0 million representing a (\$12.7) million decrease from fiscal year 2019. Cash and cash equivalents for fiscal year 2019 amounted to \$114.7 million representing a \$15.3 million increase when compared to fiscal year 2018. The fiscal year 2020 decrease in cash and cash equivalents resulted primarily from a (\$8.4) million decrease in cash provided by operating activities.

## AIRLINE RATES AND CHARGES

The five-year airline operating and terminal building agreement between the Commission and certain airlines became effective July 1, 2015 and expired on June 30, 2020. This agreement establishes the methods to be used in determining airline rates and charges at the Airport. The Commission has a nonsignatory fee policy that adds a 15% surcharge to the signatory landing fee. The Commission negotiated a new two-year extension of the existing agreement. See Note 19 of Notes to Financial Statements.

Rental fees increased from fiscal year 2019 to 2020 in the amount of \$403 thousand and increased from fiscal year 2018 to 2019 in the amount of \$178 thousand. The increase in fiscal year 2020 is primarily attributed to a \$265 thousand increase in terminal building rental income. The apron fees decreased slightly (\$3) thousand from fiscal year 2019 to 2020 and increased \$111 thousand from fiscal year 2018 to 2019. Rates and charges for the signatory airlines were as follows:

Signatory Airline Rates and Charges	Rate Effective for 2020	Rate Effective for 2019	Rate Effective for 2018
Apron fees (square foot)	\$ 1.13	\$ 1.17	\$ 1.14
Landing fees (1,000 lb. unit)	1.52	1.38	1.34
Terminal rental (square foot)	37.72	37.12	35.10

Note: The rates and charges for 2020 are estimates.

## PASSENGER FACILITY CHARGES

The Commission collects \$4.50 per qualifying enplaned passenger. Passenger Facility Charges ("PFC") totaled \$6.5 million for fiscal year 2020 which was a decrease of (27.6%) when compared to fiscal year 2019. PFC revenue for fiscal year 2019 increased 13.5% when compared to fiscal year 2018. The decrease in PFC revenue was attributed to the decrease in passenger traffic due to the worldwide pandemic and the related travel restrictions and shutdowns.

## CUSTOMER FACILITY CHARGES

The Commission increased Customer Facility Charges ("CFC") to \$3.00 on July 1, 2014 and then reduced it to \$2.00 on June 1, 2016. CFC charges remained at \$2.00 for fiscal year 2020. Collections for the year ended June 30, 2020 were \$1.9 million, (23.4%) less than the year ended June 30, 2019 collections of \$2.5 million. The CFC rate was initially increased to fund the expansion of the existing rental car parking deck or the construction of a new rental car parking deck. The rate was decreased when the project was put on hold in fiscal year 2016. Total rental vehicle transaction days for fiscal year 2020 were 1.1 million compared to 1.3 million in fiscal year 2019.

## CAPITAL AND DEBT ACTIVITY

### Capital Assets

Investments in capital assets include land, land improvements, buildings, construction in progress, furniture and fixtures, machinery and equipment and paved facilities. Capital assets, before accumulated depreciation and retirements, increased \$43.5 million for fiscal year 2020 when compared to fiscal year 2019 and increased \$25.1 million for fiscal year 2019 from 2018. Depreciation expense for fiscal year 2020 was \$27.5 million compared to \$27.0 million in fiscal year 2019, and \$24.4 million in fiscal year 2018.

See Note 4 of Notes to Financial Statements.

Major capital projects that have started or are planned to begin in the next 5 years include:

- ➔ Expansion of Concourse A
- ➔ Security Checkpoint B Widening
- ➔ Rental Car Counter Relocation
- ➔ Rental Car Garage Connector
- ➔ Concourse B Ramp Expansion
- ➔ Runway 7-25 Conversion to Taxiway H
- ➔ Perimeter Security Road Widening
- ➔ Taxiway U South Rehabilitation

### Long-Term Debt

As of June 30, 2020, the Commission had principal debt outstanding of \$66,752 as follows (in thousands):

Airport Revenue Bonds	<u>\$ 66,752</u>
Total	<u><u>\$ 66,752</u></u>

See Note 5 of Notes to Financial Statements.

### ECONOMIC FACTORS AND FISCAL 2021 BUDGET

The Airport experienced a significant reduction in passenger traffic from March 2020 to the end of the fiscal year, especially as compared to the record-breaking numbers that were recorded at the beginning of the fiscal year 2020. As a result, the Commission employed Campbell-Hill Aviation Group to provide an enplanement forecast which takes into consideration a number of factors including:

- RIC Enplanement Data
- Airport Cancellation Trends
- Historical U.S. Department of Transportation, T-100 Data
- Historical, Current, and Future monthly schedule data
- Campbell-Hill assessment of the evolving service patterns and information from airlines
- Past recoveries (especially Post 9-11 and Post natural disasters)
- The key statistic estimated is enplaned passengers. They also estimated monthly onboard passengers (both directions combined) and flights operated by scheduled passenger carriers.

The Commission incorporated the medium forecast from the Campbell-Hill into the budgeting process. The medium forecast anticipates a slow recovery in passenger traffic during the first half of fiscal year 2021 (July – December 2020). The medium forecast also projects that the enplanements for fiscal year 2021 would be 20 – 25 % lower than fiscal year 2019 enplanements. The forecast indicates a significant rebound in enplanements in fiscal year 2022.

The Commission adopted the fiscal year 2021 budget which includes \$43.8 million in operating revenue; an (1.2%) decrease compared to the fiscal year 2020 actual revenues of \$44.4 million. The Commission is evaluating the impact that the significant reduction in passenger traffic due to the travel restrictions related to the worldwide COVID-19 pandemic will have on revenue. Parking, concession and rental revenues are expected to provide the main source of income for fiscal year 2021. Operating expenses of \$25.5 million are budgeted for fiscal year 2021; a decrease of (4.7%) compared to fiscal year 2020 actual expenses of \$26.7 million. The Commission's fiscal year 2021 approved capital budget allotted \$3.5 million for new projects, equipment, and studies.

#### REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Commission's finances. Should you have any questions about this report or need additional information, please contact the Director of Finance, 1 Richard E. Byrd Terminal Drive, Richmond International Airport, VA 23250-2400. Also, interested parties wishing to obtain updated information at Richmond International Airport can visit on our website at [www.flyrichmond.com](http://www.flyrichmond.com).

Capital Region Airport Commission  
 STATEMENTS OF NET POSITION  
 June 30, 2020 and 2019

	2020	2019
ASSETS		
AND		
DEFERRED		
OUTFLOWS OF		
RESOURCES		
	2020	2019
	<b>CURRENT ASSETS</b>	
	Unrestricted Current Assets:	
	\$ 19,492,255	\$ 23,080,210
	1,401,919	1,879,906
	236,616	101,340
	<u>21,130,790</u>	<u>25,061,456</u>
	Restricted Current Assets:	
	82,540,937	91,653,175
	6,600,451	6,345,275
	146,315	1,642,784
	6,116,055	226,224
	<u>95,403,758</u>	<u>99,867,457</u>
	<u>116,534,548</u>	<u>124,928,914</u>
	<b>NONCURRENT ASSETS</b>	
	316,154,323	315,947,703
	<u>127,803,612</u>	<u>112,053,637</u>
	<u>443,957,935</u>	<u>428,001,340</u>
	<u>560,492,483</u>	<u>552,930,254</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	4,984,987	5,497,243
	1,652,843	704,238
	781,340	366,670
	<u>7,419,170</u>	<u>6,568,151</u>
LIABILITIES,		
DEFERRED INFLOWS		
OF RESOURCES		
AND NET POSITION		
	<b>CURRENT LIABILITIES</b>	
	Liabilities From Unrestricted Assets:	
	131,074	1,255,882
	4,105,933	1,938,549
	148,111	-
	<u>4,385,118</u>	<u>3,194,431</u>
	Liabilities From Restricted Assets:	
	11,343,955	5,644,171
	1,176,648	1,244,656
	6,088,493	9,235,253
	<u>18,609,096</u>	<u>16,124,080</u>
	<u>22,994,214</u>	<u>19,318,511</u>
	<b>NONCURRENT LIABILITIES</b>	
	2,389,713	902,004
	2,500,452	1,553,590
	66,999,243	73,618,351
	<u>71,889,408</u>	<u>76,073,945</u>
	<u>94,883,622</u>	<u>95,392,456</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
	698,072	1,288,749
	200,080	235,497
	<u>898,152</u>	<u>1,524,246</u>
	<b>NET POSITION</b>	
	381,712,964	356,383,818
	Restricted	
	71,886,858	85,581,956
	199,111	2,676,269
	18,330,948	17,939,661
	<u>\$ 472,129,881</u>	<u>\$ 462,581,703</u>

See Notes to Financial Statements.

Capital Region Airport Commission  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Parking	\$ 17,560,787	\$ 23,288,122
Landing fees	4,067,183	4,667,115
Concession	10,164,781	12,916,034
Rental	11,473,100	11,070,457
Apron fees	756,057	759,106
Other	346,479	391,436
<b>Total Operating Revenues</b>	<b>44,368,387</b>	<b>53,092,270</b>
<b>OPERATING EXPENSES</b>		
Personnel	13,866,810	13,008,479
Utilities	2,716,920	2,910,346
Professional services	2,022,738	1,749,438
Parking	3,958,290	4,158,181
Maintenance	2,034,131	1,975,529
Insurance	755,919	764,300
Supplies	567,275	596,828
Other	778,900	729,846
<b>Total Operating Expenses</b>	<b>26,700,983</b>	<b>25,892,947</b>
<b>Operating Income Before Depreciation</b>	<b>17,667,404</b>	<b>27,199,323</b>
<b>DEPRECIATION</b>	<b>27,529,391</b>	<b>27,036,637</b>
<b>Operating Income (Loss)</b>	<b>(9,861,987)</b>	<b>162,686</b>
<b>NONOPERATING INCOME (EXPENSES)</b>		
Interest income	1,283,925	1,523,294
Interest expense	(2,782,525)	(3,033,459)
Other, net	(8,594)	136,136
State grant revenue	67,200	-
Federal grant revenue	5,431,672	-
Airline rates and charges adjustment	(2,434,475)	-
Passenger Facility Charges	6,473,252	8,940,552
Customer Facility Charges	1,921,004	2,507,756
<b>Total Nonoperating Income (Expenses), Net</b>	<b>9,951,459</b>	<b>10,074,279</b>
<b>Increase/(Decrease) in Net Position Before</b>		
Capital Grants and Contributions	89,472	10,236,966
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>9,840,547</b>	<b>8,785,336</b>
<b>CHANGE IN NET POSITION</b>	<b>9,930,019</b>	<b>19,022,302</b>
<b>NET POSITION, BEGINNING</b>	<b>462,581,703</b>	<b>443,559,401</b>
<b>RESTATEMENT</b>	<b>(381,842)</b>	<b>-</b>
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ 472,129,881</b>	<b>\$ 462,581,703</b>

See Notes to Financial Statements.

Capital Region Airport Commission  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 44,994,485	\$ 53,669,700
Cash paid to employees	(8,276,395)	(9,971,287)
Cash paid to suppliers	(17,453,930)	(16,079,279)
Cash used in operating activities	(25,730,325)	(26,050,566)
Net cash provided by operating activities	\$ 19,264,160	\$ 27,619,134
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	3,367,759	2,135,531
Purchase of investments	(3,630,365)	(2,244,842)
Interest income received	1,287,746	1,543,527
Net cash provided by investing activities	1,025,140	1,434,216
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payment of long-term debt	(9,235,253)	(9,013,202)
Payment of interest on long-term debt	(2,850,533)	(3,098,760)
Capital contributions received	3,950,716	9,251,557
Passenger Facility Charges collected	7,778,581	8,885,057
Customer Facility Charges collected	2,112,144	2,492,450
Additions to capital assets	(37,786,201)	(22,261,935)
Payments related to investments and bonds	3,041,054	(38,572)
Net cash used in capital and related financing activities	(32,989,492)	(13,783,405)
Net (decrease) increase in cash and cash equivalents	(12,700,192)	15,269,945
<b>CASH AND CASH EQUIVALENTS</b>		
Balances - beginning of year	114,733,385	99,463,440
Balances - end of year	\$ 102,033,192	\$ 114,733,385
Current Assets	\$ 19,492,255	\$ 23,080,210
Restricted Assets	82,540,937	91,653,175
	\$ 102,033,192	\$ 114,733,385
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (9,861,987)	\$ 162,686
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	27,529,391	27,036,637
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	477,987	577,430
Decrease (increase) in other current assets	(135,278)	93,191
Decrease (increase) in deferred outflows of resources - pension	(948,605)	185,734
Decrease (increase) in deferred outflows of resources - OPEB	(414,670)	(262,143)
Increase (decrease) in trade accounts payable	(1,124,809)	279,516
Increase (decrease) in accrued expenses	2,167,384	29,278
Increase (decrease) in net pension liability	1,487,709	(1,021,287)
Increase (decrease) in net OPEB liabilities	565,021	237,794
Increase (decrease) in deferred inflows of resources -pension	(590,677)	289,380
Increase (decrease) in deferred inflows of resources - OPEB	(35,417)	10,918
Increase (decrease) unearned revenue	148,111	-
Net cash provided by operating activities	\$ 19,264,160	\$ 27,619,134
<b>Supplemental Cash Flow Information</b>		
Non-cash investing, capital and financing activities		
Net increase (decrease) in fair value of investments	\$ (3,610)	\$ 156,348
Non-cash capital contributions	\$ 6,116,055	\$ 226,224
Non-cash PFC and CFC collections	\$ 146,315	\$ 1,642,784
Capital assets included in accounts payable	\$ 11,343,956	\$ 5,644,171
Nonoperating federal grant	\$ 5,431,672	\$ -
Airline rates and charges adjustment	\$ (2,434,475)	\$ -

See Notes to Financial Statements.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The Capital Region Airport Commission ("Commission") is a political subdivision of the Commonwealth of Virginia. Commissioners are appointed by participating subdivisions, which currently include the City of Richmond, Virginia and the Counties of Chesterfield, Hanover and Henrico, Virginia. The Commissioners are responsible for addressing broad policy matters and approving the operating and capital budgets. The financial statements of the Commission are presented in the fund of a single enterprise fund; which includes all business activities of the Richmond International Airport (the "Airport"), which the Commission oversees. The Commission, as the owner and operator of the Airport, maintains and enhances facilities to better serve the air transportation needs of Central Virginia. Major functional areas include Executive, Finance, Marketing & Air Service Development, Planning & Engineering, Public Safety and Real Estate. The Airport is currently served by seven major airlines and twelve regional airlines.

The financial statements presented for the Commission are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to governmental units as prescribed by the Governmental Accounting Standards Board ("GASB").

SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting*

The financial statements are presented on the accrual basis of accounting, recognizing revenue when it is earned and expenses when they are incurred.

*Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Commission considers their demand deposits and all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

*Investments*

Investments, principally money market accounts, and certificates of deposit, are carried at amortized cost. Federal and municipal obligations and money market funds are reported at fair value. Fair values of investments are based on quoted market prices at year end. All investment income, including changes in the fair value of investments, is reported in the Statements of Revenues, Expenses, and Changes in Net Position.

*Debt Issuance Costs and Original Issuance Premiums*

Debt issuance costs are expensed when they are incurred. Original issuance premiums are amortized using the effective interest method and included on the Statements of Net Position as a reduction or addition to long-term debt.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Deferred Outflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has three items that qualify for reporting in this category: accounting loss on debt refunding, pension related items, and other postemployment benefits (OPEB) related items. These items include contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date, which will be recognized as a reduction of the related liabilities next fiscal year. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred outflows of resources. For more detailed information on these items, reference the related notes. The accounting loss on debt refunding is recognized as a component of interest expense over the shorter of the life of the old debt or new debt.

*Deferred Inflows of Resources*

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

*Capital Assets*

Capital assets acquired by the Commission, including assets purchased with designated contributions, are recorded at cost. Contributed capital assets are recorded at acquisition value at the date of contribution.

Depreciation is determined using the straight-line method applied over the following estimated useful lives:

Category	Years
Land improvements	5-20
Buildings	40
Paved facilities	20
Furniture and fixtures	5-20
Machinery and equipment	3-15

The cost of maintenance and repairs is charged to expense as incurred. Expenses, that significantly increase property lives, are capitalized. Capital assets having a cost in excess of \$7,500 and a useful life greater than one year are capitalized.

*Revenue Recognition*

Revenue is recognized when earned. Parking revenue is recognized when the customer vehicle exits the parking facility. Landing and apron fees are recognized as revenue when the Airport facilities are utilized. Concession revenue is recognized based on reported concessionaire revenue. Rental revenue is recognized over the life of the respective leases. All other revenue is recognized when earned.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Revenue and Expense Classifications*

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions, which are financing or investing related and customer and passenger facility charges, are reported as nonoperating revenues.

All expenses related to operating the Commission are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

*Customer Facility Charges*

As of December 1, 2000, the Commission entered into a Rental Car Customer Facility Charge Agreement with the on-site airport rental car companies. In accordance with the bond indenture for the rental car garage facility, the Commission determines the amount of the Customer Facility Charge ("CFC") for each rental vehicle transaction day to be collected by the rental car companies. The amount collected is remitted directly to the Commission for deposit in trust accounts restricted for use in connection with the rental car garage facility. Beginning February 1, 2001, the CFC was set at \$2 per day. The rate fluctuated downward over the years to a low of \$.40 on May 1, 2014, but increased to \$3.00 during fiscal year 2015. On June 1, 2016 the rate was changed to \$2.00. Collections during fiscal year 2020 were \$1.9 million (2019 - \$2.5 million).

*Passenger Facility Charges*

The Federal Aviation Administration (the "FAA") authorized the Commission Passenger Facility Charges ("PFC") rate of \$4.50 per qualifying enplaned passenger, effective January 1, 2005, with the net receipts restricted to use on FAA approved projects. The Commission has been authorized to collect PFC plus interest thereon in the aggregate amount of \$224.1 million. Collections during fiscal year 2020 were \$6.5 million (2019 - \$8.9 million) and aggregate collections and interest thereon from inception through June 30, 2020 were \$151.5 million. Net position related to PFC is restricted for projects that are approved by the FAA.

*Federal and State Grants*

The Commission receives grants for airport projects funded through the Airport Improvement Program ("AIP") of the FAA and Federal Emergency Management Agency ("FEMA") with certain matching funds and other funds provided by the Commonwealth of Virginia. Capital grants are reported in the statements of revenues, expenses and changes in net position as capital grants and contributions.

*State Entitlement Funds*

The Commission receives annual entitlement fund allocations from the Virginia Department of Aviation which are required to be maintained in a separate, interest-bearing account. The use of the funds is restricted for purposes established by the Virginia Aviation Board. In addition the Commission is allowed to apply for PFC Funds that are reimbursements of State Entitlement Funds. Once the application is approved, the funds collected are considered State Entitlement Funds and are restricted for purposes established by the Virginia Aviation Board.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Restricted Net Position*

The Commission restricts net position for certain required debt service funds and for the CFC and PFC programs. When both restricted and unrestricted assets are available for use, the Commission applies restricted assets first and then applies unrestricted assets as needed.

*Salaries and Wages*

Accrued salaries and wages include regular salaries and wages and accumulated vacation and sick leave. Vacation and sick leave are accumulated based on formulas applied to months of service during a calendar year. Vacation carryover beyond fiscal year end is limited to two times the annual vacation accrual with a maximum of 336 hours per employee. Sick leave accumulates indefinitely; however, the Commission is obligated to pay only 25% of the accumulated liability upon retirement or termination up to a maximum of \$5,000 per employee. Vested vacation and sick leave unpaid at year end is included in accrued expenses and amounted to \$864 thousand at June 30, 2020, and \$991 thousand at June 30, 2019. The net decrease for fiscal year 2020 amounted to \$127 thousand; represented by payments of \$653 thousand to vested employees and additional accrued vacation and sick leave of \$526 thousand. For fiscal year 2019, the net decrease amounted to \$61 thousand.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Retirement Plan and the additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Other Postemployment Benefits (OPEB)*

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, LODA, and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Budgets*

Operating and capital budgets are adopted annually by the Commission and are amended as necessary during the fiscal year. The accrual basis of accounting is applied to the development of these budgets.

*Risk Management*

The Commission carries commercial insurance for risks of loss including property, workers' compensation, theft, auto liability, general liability and construction insurance. The Commission also carries coverage for public officials and employer's liability under the Virginia State Police Officials' Self-Insurance Pool. There have been no significant reductions in insurance coverage in comparison to coverage in prior years and settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the three past fiscal years.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Restatement of Beginning Balances*

The Commission implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. In fiscal year 2019, a new medical retiree benefit plan was established for employees. As a result, beginning balances were restated in fiscal year 2020 to reflect the beginning liability as calculated by an actuary in the plan's initial valuation. This restatement of net position was as follows:

Net Position as reported at June 30, 2019	<u>\$ 462,581,703</u>
Recognition of Pre-65 Medical Plan	<u>(381,842)</u>
Net Position as restated at June 30, 2019	<u>\$ 462,199,861</u>

*Allowance for Doubtful Accounts*

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. The allowance is determined based on known troubled accounts, historical experience, and other currently available evidence. The allowance activity in the allowance for doubtful accounts was as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$ 177,965	\$ 243,441
Charged to costs and other write-offs	373	(138,500)
Bad debt expense	<u>223,944</u>	<u>73,024</u>
Balance, end of period	<u>\$ 402,282</u>	<u>\$ 177,965</u>

*Net Position*

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Note 2. FORMATION OF THE COMMISSION

As of January 1, 1976, under an agreement among the City of Richmond, Virginia (the "City"), the County of Henrico, Virginia and the Commission; the City transferred to the Commission the property then constituting the Airport. Consideration for the transfer was \$3,000,000 plus the Commission's agreement to reimburse the City \$7,484,954 for the portion of the City's debt service related to the Airport property (City has been fully reimbursed). The Commission valued the property at \$64,924,072, based on independent appraisals, and recorded the property on its books at this amount. The \$54,439,118 difference between the recorded amount and the consideration was treated as a contribution of assets.

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following:

	2020	2019
Petty cash	\$ 432	\$ 618
Deposits at financial institutions	22,472,603	26,440,849
Cash equivalents and investments	86,160,608	94,637,194
	<u>\$ 108,633,643</u>	<u>\$ 121,078,661</u>
Summary:		
Unrestricted assets	\$ 19,492,255	\$ 23,080,211
Restricted assets	89,141,388	97,998,450
	<u>\$ 108,633,643</u>	<u>\$ 121,078,661</u>

*Deposits*

At June 30, 2020, the carrying value of the Commission's deposits with banks was \$22,472,603 with corresponding bank balances of \$23,528,512. At June 30, 2019, the carrying value of the Commission's deposits with banks was \$26,440,848 with corresponding bank balances of \$27,447,803. Bank balances are covered by Federal Depository Insurance Corporation ("FDIC") in accordance with the Virginia Security for Public Deposits Act.

The remainder of money markets and cash deposits maintained by trustees is \$79,560,157.

Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Deposits are considered insured as the State Treasury Board has the ability to assess additional collateral of the participating banks, if necessary. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations.

*Credit Risks*

The Commission's policy is to follow the statutes of the Commonwealth of Virginia and invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: rated A-1 by Standard and Poor's; P-1 by Moody's Investor Service, Inc; or F1 by Fitch Ratings, Inc., banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool ("LGIP") and the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP").

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest and credit risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Commission currently has no formal policy relating to interest rate risk. The Commission's cash equivalents and investments at June 30, 2020, except for those relating to money market funds, are categorized below to give an indication of the level of risk assumed by the Commission at year-end:

Investment Maturities and Ratings for 2020

Investment Type	Fair Value	Less Than 12 months	Over 12 months	Moody's Quality Ratings
Atlanta GA Development Authority Revenue	\$ 751,650	\$ -	\$ 751,650	WR
Federal National Mortgage Association	3,041,270	2,597,706	443,564	Aaa
Federal Home Loan Banks	977,732	-	977,732	Aaa
Federal Farm Credit Banks	1,829,799	-	1,829,799	Aaa
	<u>\$ 6,600,451</u>	<u>\$ 2,597,706</u>	<u>\$ 4,002,745</u>	

Investment Maturities and Ratings for 2019

Investment Type	Fair Value	Less Than 12 months	Over 12 months	Moody's Quality Ratings
Atlanta GA Development Authority Revenue	\$ 750,660	\$ -	\$ 750,660	WR
Federal National Mortgage Association	1,043,287	418,387	624,900	Aaa
Federal Home Loan Banks	2,651,366	374,419	2,276,947	Aaa
Federal Farm Credit Banks	626,969	-	626,969	Aaa
Federal Home Loan Mortgage Corp	1,272,993	1,272,993	-	Aaa
	<u>\$ 6,345,275</u>	<u>\$ 2,065,799</u>	<u>\$ 4,279,476</u>	

*Fair Value Measurements:*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Commission maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date.
- Level 2 are directly or indirectly observable inputs for the asset or liability other than quoted prices.
- Level 3 are unobservable inputs that are supported by little or no market activity for the asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Capital Region Airport Commission  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020 and 2019

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

*Fair Value Measurements: (continued)*

The Commission has the following recurring fair value measurements as of June 30, 2020 and 2019:

Investment	6/30/2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Atlanta GA Development Authority Revenue		\$ 751,650		
Federal National Mortgage Association		3,041,270		
Federal Home Loan Banks		977,732		
Federal Farm Credit Banks		1,829,799		
BB & T Public Fund Money Rate Savings		15,331,159		
Money Market Mutual Funds		57,628,547		
		<u>\$ 79,560,157</u>		

Investment	6/30/2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Atlanta GA Development Authority Revenue		\$ 750,660		
Federal National Mortgage Association		1,043,287		
Federal Home Loan Banks		2,651,366		
Federal Farm Credit Banks		626,969		
BB & T Public Fund Money Rate Savings		15,135,604		
Money Market Mutual Funds		66,811,039		
Federal Home Loan Mortgage Corp		1,272,993		
		<u>\$ 88,291,918</u>		

Custodial credit risk: The risk that in the event of the failure of the counter party, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy requires the use of a third party custodial safekeeping agreement for all purchased securities, and requires that securities be held in the name of the Commission. As of June 30, 2020, all of the Commission's investment securities held by third parties are in the name of the Commission.

Concentration of credit risk: The Commission places no limit on the amount that may be invested in any one issuer.

Capital Region Airport Commission  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

Note 4. CAPITAL ASSETS

	Balance June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 53,180,541	\$ -	\$ -	\$ -	\$ 53,180,541
Construction in progress	58,873,095	42,171,722	-	(26,421,746)	74,623,071
Total Non Depreciable Capital Assets	112,053,636	42,171,722	-	(26,421,746)	127,803,612
Other capital assets:					
Land improvements	20,593,846	-	-	-	20,593,846
Buildings	324,435,523	239,359	-	11,165,712	335,840,594
Paved Facilities	252,653,249	84,223	-	12,933,054	265,670,526
Furniture and fixtures	3,300,099	18,812	-	728,523	4,047,434
Machinery and Equipment	35,580,032	971,870	-	1,594,457	38,146,359
Total Other Capital Assets	636,562,749	1,314,264	-	26,421,746	664,298,759
Total Capital Assets	748,616,385	43,485,986	-	-	792,102,371
Accumulated depreciation:					
Land improvements	(10,240,170)	(1,410,224)	-	-	(11,650,394)
Buildings	(149,797,417)	(10,667,727)	-	-	(160,465,144)
Paved Facilities	(137,639,492)	(12,017,002)	-	-	(149,656,494)
Furniture and fixtures	(2,411,307)	(268,145)	-	-	(2,679,452)
Machinery and Equipment	(20,526,659)	(3,166,293)	-	-	(23,692,952)
Total Accumulated Depreciation	(320,615,045)	(27,529,391)	-	-	(348,144,436)
Capital Assets, Net	\$ 428,001,340	\$ 15,956,595	\$ -	\$ -	\$ 443,957,935

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 52,864,182	\$ -	\$ -	\$ 316,359	\$ 53,180,541
Construction in progress	62,211,187	24,684,070	-	(28,022,162)	58,873,095
Total Non Depreciable Capital Assets	115,075,369	24,684,070	-	(27,705,803)	112,053,636
Other capital assets:					
Land improvements	19,616,585	7,900	-	969,361	20,593,846
Buildings	315,683,420	1,650,893	111,425	6,989,784	324,435,522
Paved Facilities	236,653,782	(640,805)	212,219	16,428,053	252,653,249
Furniture and fixtures	3,268,393	28,067	7,840	(4,201)	3,300,099
Machinery and Equipment	32,877,576	(679,866)	59,515	3,322,807	35,580,032
Total Other Capital Assets	608,099,756	366,189	390,999	27,705,804	636,562,748
Total Capital Assets	723,175,125	25,050,259	390,999	-	748,616,384
Accumulated depreciation:					
Land improvements	(8,759,034)	(1,481,135)	-	-	(10,240,169)
Buildings	(139,606,547)	(10,079,444)	(111,426)	-	(149,797,417)
Paved Facilities	(125,362,448)	(12,064,824)	(212,220)	-	(137,639,492)
Furniture and fixtures	(2,137,733)	(265,734)	(7,840)	-	(2,411,307)
Machinery and Equipment	(17,321,645)	(3,145,500)	(59,515)	-	(20,526,660)
Total Accumulated Depreciation	(293,187,407)	(27,036,637)	(391,001)	-	(320,615,045)
Capital Assets, Net	\$ 429,987,718	\$ (1,986,378)	\$ -	\$ -	\$ 428,001,339

Capital Region Airport Commission  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

Note 5. CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS

Changes in long-term obligations for the years ended June 30, 2020 and 2019 consist of:

	Balance			Balance	
	6/30/2019	Increase	Decrease	6/30/2020	Current Maturities
General obligation bonds					
Airport Revenue Bonds:					
Series 2013A Airport Refunding (c)	\$ 15,935,000	\$ -	\$ (2,080,000)	\$ 13,855,000	\$ 2,145,000
Series 2016A Airport Refunding (d)	39,305,000	-	(1,285,000)	38,020,000	1,330,000
Total	55,240,000	-	(3,365,000)	51,875,000	3,475,000
Notes from direct borrowings and direct placements					
Airport Revenue Bonds:					
Series 2001A&B (a)	17,408,581	-	(2,531,648)	14,876,933	2,613,493
PFC Revenue Bonds:					
Series 2016A (e)	1,826,040	-	(1,826,040)	-	-
Series 2016B (e)	1,512,567	-	(1,512,567)	-	-
Total	20,747,188	-	(5,870,255)	14,876,933	2,613,493
Add: Bond premium paid, net	6,866,418	-	(530,615)	6,335,803	-
Total Long-Term Debt	\$ 82,853,606	\$ -	\$ (9,765,870)	\$ 73,087,736	\$ 6,088,493
Loss deferred outflows	\$ (5,497,243)	\$ -	\$ 512,256	\$ (4,984,987)	\$ -
	Balance			Balance	
	6/30/2018	Increase	Decrease	6/30/2019	Current Maturities
General obligation bonds					
Airport Revenue Bonds:					
Series 2008A (b)	\$ 1,245,000	\$ -	\$ (1,245,000)	\$ -	\$ -
Series 2013A Airport Refunding (c)	17,955,000	-	(2,020,000)	15,935,000	2,080,000
Series 2016A Airport Refunding (d)	39,305,000	-	-	39,305,000	1,285,000
Total	58,505,000	-	(3,265,000)	55,240,000	3,365,000
Notes from direct borrowings and direct placements					
Airport Revenue Bonds:					
Series 2001A&B (a)	19,860,944	-	(2,452,363)	17,408,581	2,531,646
PFC Revenue Bonds:					
Series 2016A (e)	3,628,687	-	(1,802,647)	1,826,040	1,826,040
Series 2016B (e)	3,005,758	-	(1,493,191)	1,512,567	1,512,567
Total	26,495,388	-	(5,748,201)	20,747,187	5,870,253
Add: Bond premium paid, net	7,397,033	-	(530,615)	6,866,418	-
Total Long-Term Debt	\$ 92,397,421	\$ -	\$ (9,543,816)	\$ 82,853,605	\$ 9,235,253
Loss deferred outflows	\$ (6,009,498)	\$ -	\$ 512,255	\$ (5,497,243)	\$ -

Note 5. CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS (continued)

The aggregate amount of debt service on long-term debt following June 30, 2020, is as follows:

## Long-Term Debt

Year	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Total	
	Revenue		Revenue		Principal	Interest
	Principal	Interest	Principal	Interest		
2021	3,475,000	2,184,876	2,613,494	436,710	6,088,494	2,621,586
2022	3,600,000	2,047,238	2,697,989	352,215	6,297,989	2,399,453
2023	3,635,000	1,881,575	2,785,219	264,985	6,420,219	2,146,560
2024	4,090,000	1,688,450	2,875,271	174,934	6,965,271	1,863,384
2025	4,130,000	1,495,750	2,968,234	81,968	7,098,234	1,577,718
2026-2030	10,950,000	5,938,100	936,726	9,110	11,886,726	5,947,210
2031-2035	11,155,000	3,506,150	-	-	11,155,000	3,506,150
2036-2039	10,840,000	888,800	-	-	10,840,000	888,800
Total	<u>\$ 51,875,000</u>	<u>\$ 19,630,939</u>	<u>\$ 14,876,933</u>	<u>\$ 1,319,922</u>	<u>\$ 66,751,933</u>	<u>\$ 20,950,861</u>

(a) *Airport Revenue Bonds, Series 2001A (Non-AMT) and Series 2001B (AMT)*

On January 30, 2001, the Commission adopted the Sixth Supplemental Bond Resolution Authorizing Airport Revenue Bonds \$26,995,000, Series 2001A (Non-AMT) and \$22,065,000 Airport Revenue Bond, Series 2001B (AMT). The bonds were issued on February 8, 2001 to the Virginia Resources Authority (the "VRA"), which is organized and exists as a public body corporate and a political subdivision of the Commonwealth of Virginia. The VRA has been designated by the Commonwealth of Virginia to direct the distribution of loans from the Virginia Airports Revolving Fund to certain local governments to finance airport infrastructure projects at government-owned facilities.

Note 5. CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS (continued)

(a) *Airport Revenue Bonds, Series 2001A (Non-AMT) and Series 2001B (AMT) (continued)*

The proceeds of the bonds were used along with other money to finance the construction of a new 1900 space public parking garage, a concourse extension, the refurbishment of the existing terminal and concourses as well as refinance the purchase of 12 acres of land for satellite public parking. Through February 29, 2004, proceeds from the bonds were requisitioned from VRA to reimburse the Commission for the above projects. Beginning March 1, 2004, VRA allowed the remaining 2001A and B proceeds (\$611,756 and \$4,440,957, respectively) to be transferred to SNAP project funds. All of the 2001A and B SNAP project funds have been used as of April 2005. The bonds are dated the date of delivery to the account of VRA and mature on January 1, 2027. The Series 2001A bear interest at 4.36% (Series 2001B at 4.53%) on the unpaid principal from the date of each advance until payment of the entire principal amount.

In November 2010, the Commission approved a resolution for the interest rate reduction agreement of the 2001A and the 2001B Series Bonds issued through the VRA. The bonds were refinanced effective August 23, 2011. The 2001A Series Bonds bear interest at 3.11% and the 2001B Series Bonds bear interest at 3.28%. Total savings in interest over the remaining life of the bonds will be approximately \$2.8 million. The monthly principal and interest payments on the Series 2001A and Series 2001B are respectively \$138,908 and \$115,275.

(b) *Airport Revenue Bonds, Series 2008A*

The Commission issued Airport Revenue Bonds, Series 2008A on March 27, 2008, in the amount of \$51,310,000. The Series 2008A Bonds are served by an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984, as amended and supplemented, including a Ninth Supplemental Bond Resolution adopted by the Commission on January 29, 2008. The bonds were issued together with other funds of the Commission to finance in part the costs of construction and equipping a new structured public parking facility of approximately 2,600 spaces and related improvements, to fund a debt service reserve subaccount for the Series 2008A Bonds and to pay certain costs of their issuance.

The Commission adopted on April 26, 2016, to holders of IRS \$51,310,000 Airport Revenue Bonds, Series 2008A (the "2008A Bonds"), that the 2008A Bonds maturing on July 1 in the years 2019 through 2025 and 2031 and 2038 (the "Refunded Bonds"), have been defeased. The fixed rates range from 4% to 5%. For the payment of the principal of and interest on the Refunded Bonds, the Commission has irrevocably deposited in an escrow fund with The Bank of New York Mellon, Woodland Park, New Jersey, certain United States Treasury Obligations, calculated by a firm of certified public accountants to be sufficient to pay accrued interest on the Refunded Bonds from January 1, 2016, to their redemption date, July 1, 2018, and pay on such date the principal amount of such Refunded Bonds. After the final principal payment the Refunded Bonds ceased to bear interest on July 1, 2018.

Note 5. CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS (continued)

(c) *Revenue Refunding Bonds, Series 2013A*

On April 24, 2013, the Commission issued Airport Revenue Refunding Bonds Series 2013A in the amount of \$21,870,000, secured by an Airport Revenue Bond Resolution adopted by the Commission November 21, 1984, as amended and supplemented, including a Twelfth Supplemental Bond Resolution adopted by the Commission on February 26, 2013. The net proceeds of the bonds were combined with other available resources to establish an irrevocable trust to effectively defease the outstanding principal amount of the 2005A Revenue Bonds maturing on July 1 in the years 2016 through 2025 totaling \$22,955,000. Principal payments are due each year on July 1 starting in 2014 through 2025. Interest on the bonds is payable semi-annually each January 1 and July 1. The estimated net present value savings is \$1,929,000. As a result of the refunding, total debt service payments decreased by \$2,181,934 resulting in an economic gain of \$1,929,376.

(d) *Airport Revenue Bonds, Series 2016A*

The Commission issued Airport Revenue Refunding Bond Series 2016A on June 1, 2016, in the amount of \$39,305,000. The bonds were issued under and secured by the Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984 (the "Master Resolution"), as amended and supplemented from time to time, including a Thirteenth Supplemental Bond Resolution adopted by the Commission on April 26, 2016 (the "Thirteenth Supplemental Resolution," and together with the Master Resolution, the "Bond Resolution"). The Commission used the net proceeds of the Series 2016A Bonds, together with other funds of the Commission, to refund a portion of its Airport Revenue Bonds, Series 2008A, to fund a debt service reserve subaccount for the Series 2016A Bonds, and to pay certain costs of their issuance. The Series 2016A Bonds bear a variable interest rate from 3% to 5%. Interest is payable on each January 1 and July 1 until maturity or earlier redemption. Principal payments began on July 1, 2019. The Series 2016A Bonds were issued in fully registered form and in denominations of \$5,000 or integral multiples thereof. The reacquisition price exceeded the net carrying amount of the old debt by \$4,329,914. This amount is reported as the deferred charge on refunding and amortized over the remaining life of the refunded debt. The refunding will reduce total debt service payments over 22 years by \$7,192,885, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,358,514.

Note 5. CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS (continued)

(e) *Passenger Facility Charge Revenue Bonds, Series 2016A (AMT) and Series 2016B (Non-AMT)*

On June 1, 2016, the Commission issued Passenger Facility Charge Revenue Bonds, Series 2016A (AMT) and Series 2016B (Non-AMT) in the amounts of \$7,165,000 and \$5,935,000, respectively. The Bonds were issued pursuant to Chapter 537 of the Virginia Acts of Assembly of 1975, as continued by Chapter 380 of the Virginia Acts of Assembly of 1980. The Bonds were issued under and are equally and ratably secured by a Master Indenture of Trust dated as of March 1, 2005, as previously supplemented and amended, and as further supplemented by a Second Supplemental Indenture of Trust dated as of May 16, 2016. The Commission has refunded in whole and redeemed in full its Passenger Facility Charge Revenue Bonds, 2005 Series. The purposes of the refunding was to finance or refinance the costs of certain facilities at the Airport. Monthly principal and interest payments on the Series 2016A in the amount of \$153,235 and Series 2016B in the amount of \$126,930 were made July 1, 2016 to June 1, 2020, when the bond matured. The interest on the bonds was at a fixed rate of 1.29%.

(f) *Restricted Assets*

Certain cash and investments are restricted by bond resolutions for the following purposes:

	2020	2019
Cost of issuance	\$ 134,168	\$ 134,168
Debt service	12,927,000	23,587,518
Equipment and capital outlay	54,184,418	54,351,003
Operation and maintenance	18,915,021	16,557,003
	<u>\$ 86,160,607</u>	<u>\$ 94,629,692</u>

The bond resolutions contain restrictive covenants with respect to incurring additional indebtedness, sale, lease, or encumbrance of property, maintenance of facility, agreements with airlines and other matters common to such bond issues.

The Commission is subject to arbitrage rebate liability in accordance with Section 148(f) of the Internal Revenue Code of 1986, as amended, and the Final U.S. Treasury Regulations 1.148-1 through 1.148-11 issued on June 19, 1993, and amended on May 9, 1997. There was no accrued arbitrage liability for the years ended June 30, 2020 and June 30, 2019.

Note 6. MAJOR CUSTOMERS

Due to the nature of the Commission's operations, the majority of its operating revenues are from several large customers. The operating revenues from two major customers were \$2,607,213 (5.9%) and \$2,356,705 (5.3%) for the year ended June 30, 2020, and \$2,703,961 (5.1%) and \$2,337,846 (4.4%) for the year ended June 30, 2019.

Note 7. FUTURE RENTAL AND CONCESSION INCOME UNDER OPERATING LEASES

The following is a schedule by years of minimum future rental and concession income under non-cancelable operating leases with tenants and concessionaires as of June 30, 2020:

Fiscal Year	Amount
2021	\$ 11,626,226
2022	2,362,780
2023	2,115,088
2024	1,866,310
2025	2,381,753
2026-2030	2,508,712
2031-2035	132,777
	\$ 22,993,646

The Commission had rental and concession income of \$21,637,881 and \$23,986,491 in 2020 and 2019, respectively, which is included in operating revenues. Rental income is derived from various lease space within the terminal building, other buildings, and the rental of Airport land property. Concession income is derived from various concession agreements from food and beverage, retail sales and rental car companies.

Note 8. PENSION PLAN

*Plan Description*

All full-time, salaried permanent employees of the Commission are automatically covered by a VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

*Benefit Structures*

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 8. PENSION PLAN (continued)

*Benefit Structures (continued)*

- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Average Final Compensation and Service Retirement Multiplier*

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

*Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits*

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Note 8. PENSION PLAN (continued)

*Employees Covered by Benefit Terms*

As of the June 30, 2018 and June 30, 2017 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	2018 Valuation	2017 Valuation
	<hr/>	<hr/>
Inactive members or their beneficiaries currently receiving benefits	95	92
Inactive members:		
Vested inactive members	42	35
Non-vested inactive members	96	99
 Inactive members active elsewhere in VRS	 <hr/>	 <hr/>
Total inactive members	201	198
 Active members	 <hr/>	 <hr/>
Total covered employees	<hr/> <hr/>	<hr/> <hr/>

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement.

The Commission's contractually required employer contribution rate for the year ended June 30, 2020 was 8.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The Commission's contractually required employer contribution rate for the year ended June 30, 2019 was 8.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$693,622 and \$695,525 for the years ended June 30, 2020 and June 30, 2019, respectively.

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Commission's net pension liability was measured as of June 30, 2019 and June 30, 2018. The total pension liability used to calculate the net pension liability was determined by actuarial valuations performed as of June 30, 2018 and June 30, 2017, rolled forward to the measurement date of June 30, 2019 and June 30, 2018.

Note 8. PENSION PLAN (continued)

*Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the Commission's Retirement Plan was based on actuarial valuations as of June 30, 2018 and June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019 and June 30, 2018.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 8. PENSION PLAN (continued)

*Actuarial Assumptions – General Employees (continued)*

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount rate	Decreased rate from 7.00% to 6.75%

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Commission's Retirement Plan was based on actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Note 8. PENSION PLAN (continued)

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)*

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related (continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 8. PENSION PLAN (continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Commission was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Capital Region Airport Commission  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

Note 8. PENSION PLAN (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 35,622,064	\$ 34,720,060	\$ 902,004
Changes for the year:			
Service cost	\$ 1,027,458	\$ -	\$ 1,027,458
Interest	2,440,776	-	2,440,776
Assumption changes	1,086,066	-	1,086,066
Differences between expected and actual experience	352,766	-	352,766
Contributions - employer	-	695,507	(695,507)
Contributions - employee	-	427,764	(427,764)
Net investment income	-	2,320,346	(2,320,346)
Benefit payments, including refunds of employer contributions	(1,507,664)	(1,507,664)	-
Administrative expenses	-	(22,798)	22,798
Other changes	-	(1,462)	1,462
Net changes	<u>\$ 3,399,402</u>	<u>\$ 1,911,693</u>	<u>\$ 1,487,709</u>
Balances at June 30, 2019	<u>\$ 39,021,466</u>	<u>\$ 36,631,753</u>	<u>\$ 2,389,713</u>
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 34,410,771	\$ 32,487,480	\$ 1,923,291
Changes for the year:			
Service cost	\$ 951,396	\$ -	\$ 951,396
Interest	2,360,261	-	2,360,261
Benefit changes	402,011	-	402,011
Differences between expected and actual experience	(1,116,875)	-	(1,116,875)
Contributions - employer	-	820,043	(820,043)
Contributions - employee	-	410,902	(410,902)
Net investment income	-	2,409,834	(2,409,834)
Benefit payments, including refunds	(1,385,500)	(1,385,500)	-
Administrative expenses	-	(20,544)	20,544
Other changes	-	(2,155)	2,155
Net changes	<u>\$ 1,211,293</u>	<u>\$ 2,232,580</u>	<u>\$ (1,021,287)</u>
Balances at June 30, 2018	<u>\$ 35,622,064</u>	<u>\$ 34,720,060</u>	<u>\$ 902,004</u>

Note 8. PENSION PLAN (continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate. The 2018 share is presented using the discount rate of 7.00% as well as the one percentage point decrease (6.00%) and one percentage point increase of 8.00%.

		Rate		
		1% Decrease	Current Discount	1% Increase
Capital Region Airport Commission	2019	\$ 7,235,731	\$ 2,389,713	\$ (1,489,670)
Net Pension Liability(Asset)	2018	5,358,254	902,004	(2,821,505)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2020, the Commission recognized pension expense of \$642,031. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,177	\$ 382,089
Change in assumptions	724,044	-
Net difference between projected and actual earnings on pension plan investments	-	315,983
Employer contributions subsequent to the measurement date	<u>693,622</u>	<u>-</u>
Total	<u>\$ 1,652,843</u>	<u>\$ 698,072</u>

Capital Region Airport Commission  
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Note 8. PENSION PLAN (continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

For the year ended June 30, 2019, the Commission recognized pension expense of \$131,705. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,713	\$ 898,873
Change in assumptions	-	99,464
Net difference between projected and actual earnings on pension plan investments	-	290,412
Employer contributions subsequent to the measurement date	<u>695,525</u>	<u>-</u>
Total	<u>\$ 704,238</u>	<u>\$ 1,288,749</u>

\$693,622 and \$695,525 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal years ended June 30, 2021 and June 30, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	2020	Year ended June 30	2019
2021	\$ 101,007	2020	\$ (505,360)
2022	150,222	2021	(397,755)
2023	(9,231)	2022	(348,539)
2024	19,151	2023	(28,382)
2025	-	2024	-
Thereafter	-	Thereafter	-

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN

*Plan Description*

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

*Eligible Employees*

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

*Benefit Amounts*

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

*HIC Plan Notes*

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Employees Covered by Benefit Terms*

As of the June 30, 2018 and June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	2018 Valuation	2017 Valuation
	<u>          </u>	<u>          </u>
Inactive members or their beneficiaries currently receiving benefits	27	0
Inactive members:		
Vested inactive members	<u>0</u>	<u>5</u>
Total inactive members	27	5
Active members	<u>187</u>	<u>177</u>
Total covered employees	<u><u>214</u></u>	<u><u>182</u></u>

*Contributions*

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Commission contractually required employer contribution rate for the year ended June 30, 2020 was .21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The Commission contractually required employer contribution rate for the year ended June 30, 2019 was .21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the HIC Plan were \$18,667 and \$18,732 for the years ended June 30, 2020 and June 30, 2019, respectively.

*Net HIC OPEB Liability*

The Commission net Health Insurance Credit OPEB liability was measured as of June 30, 2018 and June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017 and June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018 and June 30, 2017.

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Actuarial Assumptions*

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018 and June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement dates of June 30, 2019 and June 30, 2018.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest Ten Locality Employers – General Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Actuarial Assumptions (continued)*

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Actuarial Assumptions (continued)*

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

*This space intentionally left blank.*

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	88.00%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.



Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*Sensitivity of the **Commission's** HIC Net OPEB Liability to Changes in the Discount Rate*

The following presents the Commission's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Commission's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate. The 2018 share is presented using the discount rate of 7.00% as well as the one percentage point decrease (6.00%) and one percentage point increase of 8.00%.

		Rate		
		1% Decrease	Current Discount	1% Increase
Commission's	2019	\$ 291,017	\$ 258,491	\$ 230,832
Net HIC OPEB Liability	2018	146,195	124,836	106,848

*HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB*

For the year ended June 30, 2020, the Commission recognized HIC Plan OPEB expense of \$35,030. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 110,063	\$ -
Changes of assumptions	6,243	6,535
Net difference between projected and actual earnings on HIC OPEB plan investments	-	251
Employer contributions subsequent to the measurement date	18,667	-
Total	\$ 134,973	\$ 6,786

Note 9. HEALTH INSURANCE CREDIT (HIC) PLAN (continued)

*HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB (continued)*

For the year ended June 30, 2019, the Commission recognized HIC Plan OPEB expense of \$14,195. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 463	\$ -
Changes of assumptions	-	7,899
Net difference between projected and actual earnings on HIC OPEB plan investments	-	598
Employer contributions subsequent to the measurement date	<u>18,732</u>	<u>-</u>
Total	<u>\$ 19,195</u>	<u>\$ 8,497</u>

\$18,667 and \$18,732 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal years ending June 30, 2021 and June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>2020</u>	<u>Year Ended June 30</u>	<u>2019</u>
2021	\$ 18,823	2020	\$ (1,463)
2022	18,823	2021	(1,463)
2023	18,902	2022	(1,463)
2024	18,945	2023	(1,385)
2025	19,221	2024	(1,294)
Thereafter	14,806	Thereafter	(966)

*HIC Plan Data*

Information about the VRS Political Subdivision HIC Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN

*Plan Description*

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

*Eligible Employees*

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

*Benefit Amounts*

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,473 as of July 30, 2020.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the years ended June 30, 2020 and June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and June 30, 2015, respectively. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Commission were \$46,504 and \$46,590 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020 and June 30, 2019, the entity reported a liability of \$743,661 and \$689,000, respectively for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and June 30, 2018. The total GLI OPEB liability used to calculate the June 30, 2020 Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Commission's proportion of the Net GLI OPEB Liability was based on the Commission's actuarially determined employer contributions to the GLI Plan for the years ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Commission's proportion was .04570% as compared to .04539% at June 30, 2018 and .04295% at June 30, 2017.

For the years ended June 30, 2020 and June 30, 2019, the Commission recognized GLI OPEB expense of \$25,848 and \$13,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB **(continued)**

At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 49,458	\$ 9,645
Net difference between projected and actual earnings on GLI OPEB plan investments	-	15,275
Change in assumptions	46,950	22,425
Changes in proportion	37,282	-
Employer contributions subsequent to the measurement date	<u>46,504</u>	<u>-</u>
Total	<u>\$ 180,194</u>	<u>\$ 47,345</u>

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 34,000	\$ 13,000
Net difference between projected and actual earnings on GLI OPEB plan investments	-	22,000
Change in assumptions	-	29,000
Changes in proportion	41,000	-
Employer contributions subsequent to the measurement date	<u>46,590</u>	<u>-</u>
Total	<u>\$ 121,590</u>	<u>\$ 64,000</u>

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB **(continued)**

\$46,504 and \$46, 590 reported as deferred outflows of resources related to the GLI OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal years ending June 30, 2021 and June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OEPB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	2020	Year Ended June 30	2019
2021	\$ 11,294	2020	\$ (2,000)
2022	11,295	2021	(2,000)
2023	17,764	2022	(2,000)
2024	22,929	2023	2,000
2025	18,547	2024	8,000
Thereafter	4,516	Thereafter	7,000

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018 and June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019 and June 30, 2018. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

*Actuarial Assumptions: (continued)*

*Mortality Rates – Non-Largest Ten Locality Employers-General Employees:*

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

*Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees:*

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

*Actuarial Assumptions: (continued)*

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

*NET GLI OPEB Liability*

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	\$ <u>1,627,266</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the Commission for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 10. GROUP LIFE INSURANCE (GLI) PLAN (continued)

**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following presents the Commission's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Commission's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate. The 2018 share is presented using the discount rate of 7.00% as well as the one percentage point decrease (6.00%) and one percentage point increase of 8.00%.

		Rate		
		1% Decrease	Current Discount	1% Increase
Commission's proportionate				
share of the GLI Plan	2019 \$	976,965	\$ 743,661	\$ 554,458
Net OPEB Liability	2018	901,000	689,000	517,000

*GLI Plan Fiduciary Net Position*

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11. LINE OF DUTY ACT (LODA) PROGRAM

*Plan Description*

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*Eligible Employees*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program.

*Benefit Amounts*

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

*Contributions*

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 and June 30, 2019 was \$705.77 and \$705.77, respectively per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and June 30, 2015, respectively and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$32,465 and \$33,877 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB*

At June 30, 2020 and June 30, 2019, the entity reported a liability of \$905,612 and \$735,000, respectively for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and June 30, 2018. The total LODA OPEB liability used to calculate the June 30, 2020 Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the years ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .25241% as compared to .23438% at June 30, 2018 and .20517% at June 30, 2017.

For the years ended June 30, 2020 and June 30, 2019, the entity recognized LODA OPEB expense of \$80,309 and \$59,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 131,630	\$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,793
Change in assumptions	42,492	78,506
Change in proportion	113,873	64,437
Employer contributions subsequent to the measurement date	<u>32,465</u>	<u>-</u>
Total	<u>\$ 320,460</u>	<u>\$ 144,736</u>

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Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (continued)*

At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 105,000	\$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	2,000
Change in assumptions	-	85,000
Change in proportion	75,000	75,000
Employer contributions subsequent to the measurement date	<u>33,877</u>	<u>-</u>
Total	<u>\$ 213,877</u>	<u>\$ 162,000</u>

\$32,465 and \$33,877 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021 and June 30, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>2020</u>	<u>Year Ended June 30</u>	<u>2019</u>
2021	\$ 17,067	2020	\$ 2,000
2022	17,070	2021	2,000
2023	17,348	2022	2,000
2024	17,643	2023	2,000
2025	17,730	2024	2,000
Thereafter	56,401	Thereafter	8,000

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*Actuarial Assumptions*

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate:	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*Actuarial Assumptions (continued)*

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

*Net LODA OPEB Liability*

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of measurement date of June 30, 2019, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	<u>2,839</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 358,787</u></u>

Plan Fiduciary Net Position as a Percentage  
 of the Total LODA OPEB Liability 0.79%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2019.

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*Discount Rate*

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

***Sensitivity of the Commission's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

The following presents the Commission's proportionate share of the net LODA OPEB liability using the 2018 discount rate of 3.50%, as well as what the Commission's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate. The 2018 share is presented using the discount rate of 3.89% as well as the one percentage point decrease (2.89%) and one percentage point increase of (4.89%).

		Discount Rate		
		1% Decrease	Current	1% Increase
Commission's proportionate				
share of the LODA	2019	\$ 1,050,575	\$ 905,612	\$ 790,956
Net OPEB Liability	2018	842,000	735,000	649,000

***Sensitivity of the Commission's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Commission's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the Commission's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate. The 2018 share is presented using the health care trend rate of 7.75% decreasing to 4.75% as well as the one percentage point decrease and one percentage point increase.

		Health Care Trend Rates		
		1% Decrease	Current	1% Increase
Commission's proportionate				
share of the LODA	2019	\$ 765,686	\$ 905,612	\$ 1,082,073
Net OPEB Liability	2018	626,000	735,000	871,000

Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

*LODA OPEB Fiduciary Net Position*

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)

*Plan Description*

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

The specific information for the VLDP OPEB, including eligibility, coverage, and benefits is described below:

*Eligible Employees*

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

*Benefit Amounts*

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*VLDP Notes*

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

*Contributions*

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the years ended June 30, 2020 and June 30, 2019 was 0.72% and 0.72%, respectively of covered employee compensation for employees in the VRS Political Subdivision Employee VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the VRS Political Subdivision Employee VDLP were \$14,031 and \$12,008 for the years ended June 30, 2020 and June 30, 2019, respectively.

*VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB*

At June 30, 2020 and June 30, 2019, the Commission reported a liability of \$10,933 and \$5,000, respectively for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and June 30, 2018, respectively. The total VLDP OPEB liability used to calculate the June 30, 2020 Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2020. The Commission's proportion of the Net VLDP OPEB Liability was based on the Commission's actuarially determined employer contributions to the VLDP OPEB plan for the years ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Commission's proportion of the VLDP was 0.53970% as compared to 0.59935% at June 30, 2018 and 0.58804% at June 30, 2017.

For the years ended June 30, 2020 and June 30, 2019, the Commission recognized VLDP OPEB expense of \$12,756 and \$10,000, respectively. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (continued)*

At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 5,484	\$ 336
Net difference between projected and actual earnings on VLDP OPEB program investments	37	-
Change in assumptions	313	418
Changes in proportion	-	459
Employer contributions subsequent to the measurement date	<u>14,031</u>	<u>-</u>
Total	<u>\$ 19,865</u>	<u>\$ 1,213</u>

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Change in assumptions	\$ -	\$ 1,000
Employer contributions subsequent to the measurement date	<u>12,008</u>	<u>-</u>
Total	<u>\$ 12,008</u>	<u>\$ 1,000</u>

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (continued)*

\$14,031 and \$12,008 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021 and June 30, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30	2020	Year Ended June 30	2019
2021	\$ 961	2020	\$ (1,000)
2022	954	2021	-
2023	948	2022	-
2024	960	2023	-
2025	923	2024	-
Thereafter	(125)	Thereafter	-

*Actuarial Assumptions*

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of program investment expenses including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*Actuarial Assumptions (continued)*

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*Net VLDP OPEB Liability*

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan	
	<hr/>	
Total Political Subdivision VLDP OPEB Liability	\$	3,989
Plan Fiduciary Net Position		<hr/> 1,962
Political Subdivision net VLDP OPEB Liability (Asset)	\$	<hr/> <hr/> 2,027

Plan Fiduciary Net Position as a Percentage of the	
Total Political Subdivision VLDP OPEB Liability	49.19%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Commission for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

Note 12. VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

*Sensitivity of the Commission's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate*

The following presents the Commission's proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Commission's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate. The 2018 share is presented using the discount rate of 7.00% as well as the one percentage point decrease (6.00%) and one percentage point increase of 8.00%.

		Rate		
		1% Decrease	Current Discount	1% Increase
Commission's				
proportionate share of the	2019 \$	12,573 \$	10,933 \$	9,499
Net VLDP OPEB Liability	2018	5,000	5,000	4,000

*Political Subdivision Employee VLDP OPEB Fiduciary Net Position*

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. PRE-65 MEDICAL PLAN FOR RETIREES

*Plan Description*

In addition to the benefits provided through VRS, the Commission administers a single-employer defined benefit healthcare plan, The Capital Region Airport Commission Pre-65 Medical Plan for Retirees. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Commission's pension plans. The plan does not issue a publicly available financial report.

*Benefits Provided*

Postemployment benefits provided to eligible retirees include medical, dental, and vision coverage. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Commission with a minimum of 15 years of continuous service that retire on or after July 1, 2019, are eligible to enroll in Commission sponsored medical plan at full cost of medical plan premiums until retiree reaches age 65. Retirees who have at least 15 years of service credit in VRS and who are participating in an acceptable health insurance plan are eligible for a health insurance credit to assist with the cost of their health insurance premiums. Disabled retirees are eligible for the full credit regardless of their length of service. The health insurance credit payment cannot exceed the amount of the health insurance premium for the retiree-only coverage. The plan does not include a pre-retirement death benefit.

Note 13. PRE-65 MEDICAL PLAN FOR RETIREES (continued)

*Plan Membership*

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	\$	180
Total active employees without coverage		-
Total retirees with coverage		-
Total retirees without coverage		-
		<hr/>
Total	\$	<u>180</u>

There were 12 active participants who retired during June 2020. Four elected to continue their health coverage into retirement, with two also electing to cover their dependents. This retirement and election experience is reflected in the Commission's June 30, 2020 total OPEB liability.

*Contributions*

The Commission does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Commission. The amount paid by the Commission for OPEB as the benefits came due during the year ended June 30, 2020 was \$0.

*Total OPEB Liability*

The Commission's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and projected forward to the measurement date of June 30, 2020. Any significant changes during this period have been reflected as prescribed by GASB 75.

*Actuarial Assumptions*

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2019
	2.50% per year as of June 30, 2020
Salary Increases	5.35% for 1 year gradually declining to 3.50% for 20 or more years of service for both 2019 and 2020
Discount Rate	3.50% as of June 30, 2019
	2.21% as of June 30, 2020

Note 13. PRE-65 MEDICAL PLAN FOR RETIREES: (continued)

*Actuarial Assumptions (continued)*

Mortality rates for Active employees and healthy retirees were based on a RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015 while mortality rates for disabled retirees were based on a RPH-2015 Disabled Mortality Table fully generational using scale MP-15. The RPH-2015 table is calculated based on a RPH-2014 table with 8 years of MP-2014 mortality improvement backed out and projected to 2015 using scale MP-2015.

The date of the most recent actuarial experience study for which significant assumptions were based covered the period from July 1, 2012 to June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

The Long-Term Expected Rate of Return on OPEB Plan investments is 3.50% as of June 30, 2019 and 2.21% as of June 30, 2020.

*Discount Rate*

The discount rates are based on the Bond Buyer General Obligation 20-Bond Municipal Index as of their respective measurement dates.

*Changes in Total OPEB Liability*

	<u>2020</u>
Balances at July 1	\$ 381,841
Changes for the year:	
Service cost	26,651
Interest	14,297
Difference between expected and actual experience	117,207
Changes in assumptions	41,759
Benefit payments	-
Net changes	<u>199,914</u>
Balances at June 30	<u>\$ 581,755</u>

Note 13. PRE-65 MEDICAL PLAN FOR RETIREES: (continued)

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	Rate		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability			
2020	\$ 626,547	\$ 581,755	\$ 540,578

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.90% decreasing to an ultimate rate of 3.00%) or one percentage point higher (8.90% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (6.90% decreasing to 3.00%)	Healthcare Cost Trend (7.90% decreasing to 4.00%)	1% Increase (8.90% decreasing to 5.00%)
Total OPEB Liability			
2020	\$ 517,298	\$ 581,755	\$ 658,604

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2020, the Commission recognized OPEB expense in the amount of \$74,066. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,789	\$ -
Changes in assumptions	33,059	-
Total	\$ 125,848	\$ -

Note 13. PRE-65 MEDICAL PLAN FOR RETIREES: (continued)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
 (continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 33,118
2022	33,118
2023	33,118
2024	26,494
2025	-
Thereafter	-

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 14. OPEB PLANS SUMMARY

The below table summarizes the OPEB plans aggregate totals of net OPEB liabilities, deferred outflows of resources, deferred inflows of resources and OPEB expense:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total/Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Health Insurance Credit Program (Note 9)	\$ 134,973	\$ (6,786)	\$ (258,491)	\$ 35,030
Group Life Insurance Program (Note10)	180,194	(47,345)	(743,661)	25,848
Line of Duty Act Program (Note11)	320,460	(144,736)	(905,612)	80,309
Virginia Local Disability Program (Note 12)	19,865	(1,213)	(10,933)	12,756
Retiree Medical Plan (Note 13)	125,848	-	(581,755)	74,066
Totals at June 30, 2020	<u>\$ 781,340</u>	<u>\$ (200,080)</u>	<u>\$ (2,500,452)</u>	<u>\$ 228,009</u>
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Health Insurance Credit Program (Note 9)	\$ 19,195	\$ (8,497)	\$ (124,590)	\$ 14,195
Group Life Insurance Program (Note10)	121,590	(64,000)	(689,000)	13,000
Line of Duty Act Program (Note11)	213,877	(162,000)	(735,000)	59,000
Virginia Local Disability Program (Note 12)	12,008	(1,000)	(5,000)	10,000
Totals at June 30, 2019	<u>\$ 366,670</u>	<u>\$ (235,497)</u>	<u>\$ (1,553,590)</u>	<u>\$ 96,195</u>

Note 15. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Commission entered into various recurring transactions with certain municipalities relating primarily to water and sewer fees, other utilities, roadway maintenance and advertising contracts.

Note 16. DEFERRED COMPENSATION PLAN

The Commission offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. All Commission employees are eligible to participate and may defer their gross income not to exceed a maximum of \$19,500 for the year 2020; with participants age 50 and older allowed to defer a maximum of \$26,000. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency. All plan assets are held in a custodial account for the exclusive benefit of participants and beneficiaries under the Plan. Accordingly, the related assets and liabilities associated with the plan are not reported as part of the Commission's financial information.

Note 17. COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Commission has commitments, contingent liabilities, lawsuits and claims. Commission management does not expect that any amount it may have to pay in connection with any of these matters would have a material adverse effect on the financial position of the Commission. As of June 30, 2020, the Commission had construction commitments of approximately \$19.6 million, of which approximately \$9.2 million will be paid from federal and state grants.

Note 18. COVID PANDEMIC

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. Management is monitoring the situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The Commission saw a sudden and significant reduction in passenger traffic in the last four months of the fiscal year (March – June 2020) which was (80%) lower than the same time period in the previous fiscal year. During July through September of fiscal year 2021, passenger traffic started to increase, but it was still (68%) lower than the same time period in the previous fiscal year. The Commission has continued with the cost cutting measures, implemented in fiscal year 2020, to offset the reduction in operating revenues associated with the loss of passenger traffic. The Commission continued the hiring freeze and the economy lots remain closed, eliminating the expense for shuttle operations and related staffing. Also, the staff reductions achieved in 2020, through early retirement for eligible Commission staff, will remain in place until passenger traffic returns to pre-COVID-19 levels.

Note 19. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through the date the financial statements were available to be issued in connection with the preparation of these financial statements. The following events were noted:

CARES Act Funding

As of October 26, 2020, of the awarded \$18.8 million in federal CARES Act grant funding the Commission has received \$15.8 million in reimbursements for operating and debt service expenses.

Extension to the Existing Airline Agreements

In September 2020, the Commission entered into a two-year extension of the existing airline agreement with the signatory airlines. As part of the extension agreement, the Commission agreed to issue advanced credits, on a monthly basis, for the estimated fiscal year 2021 rates and charges adjustment related to the operating expense reimbursement portion of the CARES Act funds applicable to fiscal year 2021. The total estimated credits to the signatory airlines was \$2.5 million. The agreement allows for an adjustment to the actual amount of credit due after the end of the fiscal year.

MAG Abatement Credits

Within the Commission's concession agreements with rental car, food and beverage and retail sales vendors, there are some provisions that require MAG (minimum annual guarantee) abatements when certain criteria have been met in relation to decreases in passenger traffic. The COVID-19 pandemic and the related reduction in passenger traffic has triggered these MAG adjustment provisions. The Commission issued \$1.2 million in MAG adjustment credits in the months of July through October 2020.



Now you're going places.

**REQUIRED SUPPLEMENTARY INFORMATION**

Capital Region Airport Commission  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
VRS PENSION PLAN  
Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,027,458	\$ 951,396	\$ 914,853	\$ 947,517	\$ 867,611	\$ 870,607
Interest	2,440,776	2,360,261	2,289,579	2,166,414	2,103,636	1,980,695
Changes in benefit terms	-	402,011	-	-	-	-
Differences between expected and actual experience	352,766	(1,116,875)	(470,663)	139,420	(733,014)	-
Changes in assumptions	1,086,066	-	(313,362)	-	-	-
Benefit payments	(1,507,664)	(1,385,500)	(1,435,808)	(1,551,901)	(1,130,913)	(1,059,085)
Net change in total pension liability	\$ 3,399,402	\$ 1,211,293	\$ 984,599	\$ 1,701,450	\$ 1,107,320	\$ 1,792,217
Total pension liability - beginning	35,622,064	34,410,771	33,426,172	31,724,722	30,617,402	28,825,185
Total pension liability - ending (a)	\$ 39,021,466	\$ 35,622,064	\$ 34,410,771	\$ 33,426,172	\$ 31,724,722	\$ 30,617,402
Plan fiduciary net position						
Contributions - employer	\$ 695,507	\$ 820,043	\$ 725,003	\$ 823,513	\$ 818,481	\$ 831,532
Contributions - employee	427,764	410,902	379,833	387,582	378,639	366,404
Net investment income	2,320,346	2,409,834	3,564,329	508,986	1,284,659	3,798,506
Benefit payments	(1,507,664)	(1,385,500)	(1,435,808)	(1,551,901)	(1,130,913)	(1,059,085)
Administrative expense	(22,798)	(20,544)	(20,502)	(18,229)	(17,267)	(20,146)
Other	(1,462)	(2,155)	(3,175)	(215)	(271)	200
Net change in plan fiduciary net position	\$ 1,911,693	\$ 2,232,580	\$ 3,209,680	\$ 149,736	\$ 1,333,328	\$ 3,917,411
Plan fiduciary net position - beginning	34,720,060	32,487,480	29,277,800	29,128,064	27,794,736	23,877,325
Plan fiduciary net position - ending (b)	\$ 36,631,753	\$ 34,720,060	\$ 32,487,480	\$ 29,277,800	\$ 29,128,064	\$ 27,794,736
Commission's net pension liability (asset) - ending (a) - (b)	\$ 2,389,713	\$ 902,004	\$ 1,923,291	\$ 4,148,372	\$ 2,596,658	\$ 2,822,666
Plan fiduciary net position as a percentage of the total pension liability	93.88%	97.47%	94.41%	87.59%	91.82%	90.78%
Covered payroll	\$ 8,888,823	\$ 8,509,044	\$ 7,819,559	\$ 7,318,266	\$ 7,739,286	\$ 7,327,589
Commission's net pension liability (asset) as a percentage of covered payroll	26.88%	10.60%	24.60%	56.69%	33.55%	38.52%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Capital Region Airport Commission  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
VRS PENSION PLAN  
Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 693,622	\$ 693,622	\$ -	\$ 8,889,384	7.80%
2019	695,525	695,525	-	8,888,823	7.82%
2018	837,690	837,690	-	8,509,044	9.84%
2017	740,837	740,837	-	7,819,559	9.47%
2016	810,132	810,132	-	7,318,266	11.07%
2015	856,739	856,739	-	7,739,286	11.07%
2014	831,381	831,681	-	7,327,589	11.35%
2013	805,152	805,152	-	7,093,850	11.35%
2012	533,974	533,974	-	6,759,167	7.90%
2011	522,388	522,388	-	6,612,509	7.90%

Capital Region Airport Commission  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 VRS PENSION PLAN  
 Year Ended June 30, 2020  
 Changes of Benefit Terms

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Capital Region Airport Commission  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
VRS HEALTH INSURANCE CREDIT (HIC) PROGRAM  
Measurement Dates of June 30, 2017 through 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability			
Service cost	\$ 8,076	\$ 7,363	\$ 7,515
Interest	10,103	9,655	9,551
Differences between expected and actual experience	128,810	533	-
Changes in assumptions	7,333	-	(10,627)
Benefit payments	<u>(12,265)</u>	<u>(10,044)</u>	<u>117</u>
Net change in total HIC OPEB liability	\$ 142,057	\$ 7,507	\$ 6,556
Total HIC OPEB Liability - beginning	<u>150,460</u>	<u>142,953</u>	<u>136,397</u>
Total HIC OPEB Liability - ending (a)	<u>\$ 292,517</u>	<u>\$ 150,460</u>	<u>\$ 142,953</u>
Plan fiduciary net position			
Contributions - employer	\$ 18,732	\$ 17,946	\$ 15,147
Net investment income	1,982	1,611	928
Benefit payments	(12,265)	(10,044)	117
Administrative expense	(45)	(46)	(35)
Other	<u>(2)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	\$ 8,402	\$ 9,467	\$ 16,157
Plan fiduciary net position - beginning	<u>25,624</u>	<u>16,157</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 34,026</u>	<u>\$ 25,624</u>	<u>\$ 16,157</u>
Commission's net HIC OPEB liability - ending (a) - (k)	\$ 258,491	\$ 124,836	\$ 126,796
Plan fiduciary net position as a percentage of the total HIC OPEB liability	11.63%	17.03%	11.30%
Covered payroll	\$ 8,920,207	\$ 8,545,428	\$ 7,196,592
Commission's net HIC OPEB liability as a percentage of covered payroll	2.90%	1.46%	1.76%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Capital Region Airport Commission  
**SCHEDULE OF COMMISSION'S SHARE OF NET OPEB LIABILITY**  
 VRS COST SHARING PLANS  
 Years Ended June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net OPEB Liability (Asset) (3)	Employer's Covered Payroll* (4)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll* (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (6)
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**Group Life Insurance (GLI) Plan**

2019	0.04570%	\$ 743,661	\$ 8,959,555	8.30%	52.00%
2018	0.04539%	689,000	8,637,145	7.98%	51.22%
2017	0.04295%	647,000	7,921,717	8.17%	48.86%

**Line of Duty Act (LODA) Program**

2019	0.25241%	\$ 905,612	\$ 2,677,315	33.83%	0.79%
2018	0.23438%	735,000	2,446,312	30.05%	0.60%
2017	0.20517%	539,000	2,136,055	25.23%	1.30%

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

In fiscal year 2020, LODA covered-employee payroll was recalculated for all years presented to include law enforcement, who also receive these benefits.

**Virginia Local Disability Program (VLDP)**

2019	0.53970%	\$ 10,933	\$ 1,667,813	0.66%	49.19%
2018	0.59935%	5,000	1,455,262	0.34%	51.39%
2017	0.58804%	3,000	1,094,433	0.27%	38.40%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Capital Region Airport Commission  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
VRS OPEB PLANS  
Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll* (4)	Contributions as a % of Covered Payroll* (5)
<b>Health Insurance Credit (HIC) Plan</b>					
2020	\$ 18,667	\$ 18,667	\$ -	\$ 8,889,384	0.21%
2019	18,732	18,732	-	8,920,207	0.21%
2018	17,946	17,946	-	8,545,428	0.21%
2017	15,147	15,147	-	7,196,592	0.21%

Schedule is intended to show information for 10 years. HIC participation was effective August 1, 2016 therefore no prior information. However, additional years will be included as they become available.

<b>Group Life Insurance (GLI) Plan</b>					
2020	\$ 46,504	\$ 46,504	\$ -	\$ 8,930,161	0.52%
2019	46,590	46,590	-	8,959,555	0.52%
2018	44,885	44,885	-	8,637,145	0.52%
2017	41,192	41,192	-	7,921,717	0.52%
2016	36,527	36,527	-	7,605,435	0.48%
2015	35,963	35,963	-	7,484,696	0.48%
2014	35,464	35,464	-	7,386,518	0.48%
2013	37,597	37,597	-	7,093,850	0.53%
2012	18,926	18,926	-	6,759,167	0.28%
2011	18,515	18,515	-	6,612,509	0.28%

<b>Line of Duty Act (LODA) Program</b>					
2020	\$ 32,465	\$ 32,465	\$ -	\$ 2,590,710	1.25%
2019	33,877	33,877	-	2,677,315	1.27%
2018	24,964	24,964	-	2,446,312	1.02%
2017	22,000	22,000	-	2,136,055	1.03%
2016	23,348	23,348	-	1,845,002	1.27%
2015	20,754	20,754	-	2,233,608	0.93%
2014	22,445	22,445	-	2,005,827	1.12%
2013	18,966	18,966	-	2,013,820	0.94%
2012	10,057	10,057	-	1,808,133	0.56%
2011	N/A	N/A	N/A	N/A	N/A

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions.

In fiscal year 2020, LODA covered-employee payroll was recalculated for all years presented to include law enforcement, who also receive these benefits.

Capital Region Airport Commission  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 VRS OPEB PLANS  
 Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll* (4)	Contributions as a % of Covered Payroll* (5)
Virginia Local Disability Program (VLDP)					
2020	\$ 14,031	\$ 14,031	\$ -	\$ 1,951,422	0.72%
2019	12,008	12,008	-	1,667,813	0.72%
2018	8,732	8,732	-	1,455,262	0.60%
2017	6,570	6,570	-	1,094,433	0.60%
2016	4,019	4,019	-	669,772	0.60%
2015	1,944	1,944	-	323,953	0.60%
2014	88	88	-	14,635	0.60%

Schedule is intended to show information for 10 years. The Commission did not participate in the program until the new hybrid retirement plan in 2014.

Capital Region Airport Commission  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 VRS OPEB PLANS  
 Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Health Insurance Credit (HIC), Group Life Insurance (GLI), and Virginia Local Disability Program (VLDP) Plans**

Non-Largest Ten Locality Employers - General Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Line of Duty Act (LODA) Program**

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Capital Region Airport Commission  
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (ASSET) AND RELATED RATIOS  
 PRE-65 MEDICAL PLAN FOR RETIREES  
 Measurement Date of June 30, 2020

	<u>2020</u>
Total OPEB liability	
Service cost	\$ 26,651
Interest	14,297
Differences between expected and actual experience	117,207
Changes in assumptions	41,759
Benefit payments	-
Net change in total OPEB liability	\$ 199,914
Total OPEB liability - beginning	<u>381,841</u>
Total OPEB liability - ending	<u>\$ 581,755</u>
Covered-employee payroll	\$ 8,780,176
Commission's total OPEB liability (asset) as a percentage of covered-employee payroll	 6.63%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Capital Region Airport Commission  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 PRE-65 MEDICAL PLAN FOR RETIREES  
 Year Ended June 30, 2020

Valuation Date: 1/1/2019  
 Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2019; 2.21% as of June 30, 2020
Inflation	2.50% per year as of June 30, 2019; 2.50% per year as of June 30, 2020
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.90% in 2019 and gradually declines to 4.00% by the year 2074.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Disability Rates	25% of disability cases are assumed to be service related for general employees and 35% for public safety employees.
Mortality Rates - General Employees	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement Mortality Rates: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.
Mortality Rates - Public Safety Employees	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year. 35% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years. Post-Disablement Mortality Rates: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Definitions and Summary of Certain Provisions of the Bond Resolution**

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## **DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

The following, in addition to the information presented in the Official Statement under “THE SERIES 2021 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS,” is a summary of certain provisions of the Airport Revenue Bond Resolution Authorizing Airport Revenue Bonds of the Commission, adopted November 21, 1984, as previously amended and supplemented (the “Resolution”) and as amended and supplemented by the Fourteenth Supplemental Resolution adopted by the Commission on April 27, 2021 (the “Fourteenth Supplemental Resolution”) (collectively, the “Bond Resolution”). This summary does not purport to be complete and is qualified in its entirety by reference to the Bond Resolution for complete information on its terms and on the terms of the Series 2021 Bonds, the applicable security provisions and the application of the Revenues.

### **Definitions**

The following terms have the following meanings when used in the Bond Resolution:

“Additional Project” means the acquisition and construction of any aviation facilities for the Airport or any additions, extensions, improvements and betterment to and reconstructions of the Airport to be financed, in whole or in part, from the proceeds of any Additional Bonds issued pursuant to the Resolution.

“Aggregate Debt Service” means as of any date of calculation and with respect to any period for the Series of Bonds or other indebtedness with respect to which such computation is to be made, an amount equal to the sum of (i) interest accruing during such period, except to the extent that such interest is to be paid from deposits held by the Trustee and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts during the period for which such calculation is made. Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no indebtedness will cease to be outstanding except by reason of the payment of each Principal Installment on the due date thereof, unless the indebtedness is no longer “outstanding” within the meaning of the Resolution in the case of any bonds or within the meaning of the authorizing resolution or indenture for other indebtedness. Indebtedness which bears interest that is excluded from gross income for Federal income tax purposes at a variable rate shall be deemed to bear interest at a fixed annual rate equal to the average of the “PSA Municipal Swap Index<sup>TM</sup>” rates as published in *The Bond Buyer, Bloomberg Financial Service* or other financial service for the preceding five (5) years (or, if such rate is no longer published, such appropriate similar substitute rate approved by the issuer or issuers of any outstanding municipal bond insurance policy, or if none is outstanding, by the Trustee) next preceding the date of computation. Indebtedness which bears interest that is not excluded from gross income for Federal income tax purposes at a variable rate shall be deemed to bear interest at a fixed annual rate equal to the average of the 30-day LIBOR rate (London Interbank Offered Rates) as published by Telerate or *The Wall Street Journal* for the preceding five (5) years (or, if such rate is no longer published, such appropriate similar substitute rate approved by the issuer or issuers of any outstanding municipal bond insurance policy or if none is outstanding, by the Trustee) next preceding the date of computation. Indebtedness which does not bear interest at a variable rate or fixed rate to maturity shall be deemed to bear interest at a fixed annual rate equal to the initial rate fixed for such indebtedness on the date next preceding the date of computation. In each case described in the three preceding sentences amounts to pay liquidity support and/or remarketing fees shall be included in the computation of such rate as additional interest and shall be paid from the account for such Bonds in the Debt Service Account. The term “Aggregate Debt Service” shall not be applicable to any indebtedness which is payable solely from Excluded Revenues. For purposes of this definition, variable rate shall mean a rate which may vary from one interest period to the next interest period based on an interest rate resetting or remarketing, if the interest period is 270 days or less.

“Airport” means the Richmond International Airport owned and operated by the Commission, including all improvements and facilities now in existence, as such Airport may be hereafter added to, extended, improved or constructed and equipped; provided, however, such term shall not include any Non-Aviation Facilities.

“Airport Consultant” means the airport consultant or airport consulting firm or corporation at the times retained by the Commission to perform the acts and carry out the duties provided for such Airport Consultant in the Bond Resolution.

“Annual Budget” means the annual capital and operating budgets of the Commission, as amended or supplemented, adopted or in effect for a particular Fiscal Year.

“Bond” or “Bonds” means any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution. ***Upon issuance of the Series 2021 Bonds, the Series 2021 Bonds, the Series 2001A Bonds, the Unrefunded Series 2013A Bonds and the Unrefunded Series 2016A Bonds (each as defined in the forepart of the Official Statement) will be the only Bonds outstanding under the Bond Resolution.***

“Bond Fund” means the Airport Bond Fund established by the Resolution.

“Budget Request Date” shall mean January 15 of each year or such supplemental budget request date as shall be agreed to by the Localities, or if the budgetary or appropriation procedures of any Locality shall have changed such date as shall be designated by such Locality by notice to the Commission and the Trustee.

“Business Day” means any day other than a Saturday, Sunday or day on which banking institutions are authorized or obligated by law to close in the Commonwealth of Virginia or at the place where the principal office of the Trustee is located.

“Construction Fund” means the Airport Construction Fund established by the Resolution.

“Cost of Construction,” with respect to an Additional Project, means the Commission’s costs properly attributable to the construction or acquisition thereof, all as more particularly set forth in the Resolution.

“Debt Service Account” means the Debt Service Account established within the Bond Fund by the Resolution.

“Debt Service Reserve Account” means the Debt Service Reserve Account established within the Bond Fund by the Resolution.

“Debt Service Reserve Requirement” means with respect to any Series of Bonds for which a subaccount has been established in the Debt Service Reserve Account, as of any date of calculation, an amount equal to the least of (a) 10% of the proceeds of such Series, (b) the maximum Aggregate Debt Service on such Series in the then current or in any future Fiscal Year or (c) 125% of the average Aggregate Debt Service on such Series.

“Equipment and Capital Outlay Fund” means the Airport Equipment and Capital Outlay Fund established by the Resolution.

“Excluded Revenues” means (a) revenue or income from any Special Facilities, except ground rentals therefor, (b) income or revenues from Non-Aviation Facilities, (c) income or revenues received from grant agreements or passenger facility charges, if such charges are permitted under applicable federal legislation, (d) payments received under the Tripartite Agreement or under the Enabling Act, (e) membership contributions received pursuant to the Tripartite Agreement or under the Enabling Act, (f) payments received from the City of Richmond as an offset against certain 1976 debt, (g) contributions received from third parties, and (h) certain surpluses, and earning thereon, that existed on December 31, 1984. ***Upon the effectiveness of the springing amendments described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Springing Amendments,” the following sentence will be added to the end of this definition: “Grants received from the federal government as stimulus, relief or recovery funds which, by the terms of the grant, may be used by the Issuer to pay debt service, shall not be deemed Excluded Revenues hereunder.”***

“Fiscal Year” means the annual accounting period of the Commission for its general accounting purposes which period consists of the twelve consecutive calendar months ending with the last day of June of any year or any other twelve month year adopted by the Issuer.

“Fourteenth Supplemental Resolution” means the Fourteenth Supplemental Resolution adopted by the Commission on April 27, 2021, which supplements and amends the Resolution.

“Net Revenues” means the Revenues less Operation and Maintenance Expenses. (See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Source of Payment” in the Official Statement).

“Non-Aviation Facilities” means the land (and any facilities thereon) determined by the Commission to be surplus as shown on Exhibit A to the Resolution and any land or facilities acquired on or after May 16, 1994, unless the Commission by resolution determines not to include any such land or facilities as Non-Aviation Facilities.

“Operation and Maintenance Expenses” means the Commission’s expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction (exclusive of expenses to be reimbursed from grants-in-aid) of the Airport and includes, without limitation, administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee, benefit funds, and any other expenses required to be paid by the Commission under the provisions of the Bond Resolution or by law or consistent with standard practices; for airports similar to the properties and business of the Airport and applicable in the circumstances, the expenses, liabilities and compensation of the Trustee required to be paid, under the Bond Resolution, all to the extent properly attributable to the Airport. “Operation and Maintenance Expenses” does not include any capital cost or any allowance for depreciation or interest on any debt or any operation or maintenance costs for certain special facilities or non-aviation facilities. (See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Source of Payment” in the Official Statement.)

“Operation and Maintenance Fund” means the Airport Operation and Maintenance Fund established by the Resolution.

“Operation and Maintenance Reserve Fund” means the Airport Operation and Maintenance Reserve Fund established by the Resolution.

“Principal Installment” means, as of the date of calculation and with respect to any indebtedness, (i) the principal amount of such indebtedness due on a certain future date for which no mandatory sinking fund installments have been established or (ii) the outstanding balance of any mandatory sinking fund installments due on a certain future date. The term “Principal Installment” shall not be applicable to any indebtedness payable solely from Excluded Revenues.

“Rate Covenant” means the Rate Covenant described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Rate Covenant” in the Official Statement.

“Resolution” means the Airport Revenue Bond Resolution Authorizing Airport Revenue Bonds of the Commission, adopted November 21, 1984, as amended and supplemented.

“Revenue Fund” means the Airport Revenue Fund established by the Resolution.

“Series” means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 506 or Section 1106 of the Resolution, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

“Special Facilities” means certain capital improvements or facilities financed from indebtedness not payable from Revenues and subject to certain limitations and requirements set forth in the Resolution.

“Subaccount” means any subaccount established within an Account by any Supplemental Resolution.

“Subordinated Indebtedness” means any evidence of debt referred to in the Bond Resolution as subordinate to the deposits and credits required to be made to the Debt Service Account and the Debt Service Reserve Account and to the security for the Bonds.

“Subordinated Indebtedness Fund” means the Airport Subordinated Indebtedness Fund established by the Resolution.

“Supplemental Resolution” means any resolution of the Commission amending or supplementing the Bond Resolution and adopted or becoming effective in accordance with terms of the Bond Resolution.

“Surplus Fund” means the Airport Surplus Fund established by the Resolution.

“Tripartite Agreement” means the Tripartite Agreement dated as of January 1, 1976, between the City of Richmond, the County of Henrico and the Commission as previously amended and supplemented and as may be amended and supplemented from time to time by the parties thereto.

### **Pledge Effected by the Bond Resolution**

Pursuant to the Resolution and the Enabling Act, Bonds are secured by a pledge of and the bondholders are granted an express lien on (i) Net Revenues and (ii) certain funds established by the Resolution, including the investments thereof, if any, subject in all cases to the provisions of the Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Resolution, including that any Subaccount established by a Supplemental Resolution is pledged only to the Series of Bonds for which such Subaccount has been established. (Resolution, Section 401). All Revenues will be deposited by the Commission into the Revenue Fund, from which the Commission will make withdrawals as provided in the Resolution. (Resolution, Section 404).

### **Additional Bonds**

The Resolution authorizes the issuance of Additional Bonds for the purpose of paying the Cost of Construction of any Additional Projects. The issuance of Additional Bonds is subject to certain conditions and tests, including:

(a) Net Revenues for the Fiscal Year next preceding the authentication and delivery of the Additional Bonds were not less than the greater of (i) 1.0 times the Aggregate Debt Service on the Bonds and on any Subordinated Indebtedness and all other deposits required to be made to funds and accounts pursuant to Section 404(3), (5) and (7) of the Resolution for such period or (ii) 1.25 times Aggregate Debt Service on the Bonds for such period; and

(b) A report of the Airport Consultant forecasting that the estimated Net Revenues during each of the three Fiscal Years following the Fiscal Year in which the Additional Project is estimated to be completed will meet the Rate Covenant.

As an alternative to subparagraphs (1) and (2) above, a certificate of an authorized officer of the Commission (a) setting forth for the Fiscal Year next preceding the authentication and delivery of such Series, the Net Revenues for such period, and (b) demonstrating that for such period Net Revenues were not less than the greater of (i) 1.0 times the Aggregate Debt Service on the Bonds outstanding and the Additional Bonds to be issued and on any Subordinated Indebtedness and all other deposits required to be made to funds and accounts pursuant to Section 404(3), (5) and (7) of the Resolution for such period, or (ii) 1.25 times the Aggregate Debt Service for such period on the Bonds outstanding and the Additional Bonds to be issued. (Resolution, Section 204).

### **Refunding Bonds**

One or more series of Bonds may be issued to refund all outstanding Bonds of one or more series or maturities within a series.

The issuance of Bonds to refund outstanding Bonds is subject to the conditions, among others, that either (i) the Aggregate Debt Service on all Bonds outstanding for the then current and each future Fiscal Year is not increased by such refunding, or (ii) the conditions and tests respecting the issuance of Additional Bonds for Additional Projects (as set forth in the preceding section) can be met. (Resolution, Section 205).

**Creation of Funds**

The Resolution establishes the following funds for the application of Revenues:

<u>Fund</u>	<u>Held By</u>
Revenue Fund.....	Commission
Operation and Maintenance Fund .....	Commission
Bond Fund .....	Trustee
Operation and Maintenance Reserve Fund .....	Trustee
Equipment and Capital Outlay Fund .....	Trustee
Subordinated Indebtedness Fund .....	Trustee
Surplus Fund .....	Commission
Construction Fund .....	Trustee
(Resolution, Section 402)	

**Application of Revenues**

A. All Revenues shall be promptly deposited by the Commission into the Revenue Fund. On the last business day of each month, the Commission shall cause all moneys from the Revenue Fund to be deposited in the following Funds in the following order of priority in the amounts set forth below:

To the Operation and Maintenance Fund an amount equal to one-twelfth of the amount of money budgeted for Operation and Maintenance Expenses as set forth in the then current Annual Budget;

To the Bond Fund for credit to the Debt Service Account an amount equal to one-twelfth (or such greater fraction if the period is less than twelve months as may be appropriate) of the amount necessary to pay Principal Installments on the Bonds coming due within the next twelve months and (unless to be paid from the Capitalized Interest Account within the Construction Fund) one-sixth of the amount due as interest on the Bonds coming due within the next six months;

To the Bond Fund for credit to the Debt Service Reserve Account, an amount, if and to the extent necessary, so that the balance in such account shall be equal to the Debt Service Reserve Requirement;

To the Operation and Maintenance Reserve Fund, one-twelfth of the amount which is equal to the difference between the sum on deposit in such Account at the beginning of the then current Fiscal Year and one month's Operation and Maintenance Expenses as set forth in the then current Annual Budget until one month's Operation and Maintenance Expenses are held and maintained in the Fund;

To the Equipment and Capital Outlay Fund, an amount equal to one-sixth of the money budgeted for such Fund as set forth in the then current Annual Budget;

To the Subordinated Indebtedness Fund the monthly amount, if any, required to be set aside for the payment of principal and interest on any Subordinated Indebtedness, as shown on a certificate filed by the Commission with the Trustee;

To the Surplus Fund any amounts remaining in the Revenue Fund after all deposits required to be made into each of the aforesaid Funds have been made.

If requested by the Commission, the Trustee shall provide the Commission the required amount for each deposit required to be made by the Resolution within three business days of such request.

B. On the last Business Day of each month, the Trustee shall transfer all earnings on all Funds held by the Trustee, including each account therein, other than the Construction Fund, to the Revenue Fund for application in accordance with the provisions described in Part A above. All other earnings shall be retained in the same Funds from which such earnings were derived. If at any time the Trustee is unable to make a deposit in the amount required to be made as described above, there shall be deemed to be a deficit in such Fund equal to the difference between the amount deposited and the amount so required. The Net Revenues distributed at the end of each month shall be used to reduce or eliminate such deficits in each Fund into which a deposit is made. In the event the deficits continue to exist in any Fund established under the Resolution, on the last day of each month the Commission or the Trustee, as the case may be, shall beginning with the Surplus Fund and continuing, as necessary, with each Fund having the next higher priority transfer amounts as may be necessary to meet such deficits beginning with transfers to the Operation and Maintenance Fund and continuing, as necessary, with transfers to each Fund having the next lower priority until all such deficits are met. (Resolution, Section 404).

### **Construction Fund**

The Resolution creates the Construction Fund and therein separate accounts for payment of Costs of Construction of each Additional Project the costs of which are to be paid in whole or in part out of the Construction Fund. (Resolution, Section 403).

### **Investment of Funds**

Any moneys held in the Funds created by the Bond Resolution may be separately invested and reinvested by the Commission, or, if the holder of any such Fund is the Trustee, by the Trustee as directed by an authorized officer of the Commission, in Investment Obligations. For the purpose of the Bond Resolution, "Investment Obligations" shall mean:

(a) Bonds, treasury notes and other obligations of the United States of America and securities unconditionally guaranteed as to payment of principal and interest by the United States of America (or certain repurchase agreements with respect thereto);

(b) Obligations of Federal Land Banks, Federal Home Loan Banks, Federal Farm Credit Banks, Federal Intermediate Credit Banks and Federal Banks for Cooperatives (or certain repurchase agreements with respect thereto);

(c) Bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia and securities unconditionally guaranteed as to payment of principal and interest by the Commonwealth of Virginia (or certain repurchase agreements with respect thereto);

(d) Savings accounts, time deposits and certificates of deposit in any bank, including the Trustee, (1) within the Commonwealth of Virginia, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law or (2) without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than \$50,000,000; and

(e) Savings accounts and certificates of (1) savings and loan associations that are under supervision of the Commonwealth of Virginia and (2) Federal associations organized under the laws of the United States of America and under Federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Savings and Loan Insurance Corporation or any successor Federal agency.

(Resolution, Section 601).

*Upon the effectiveness of the springing amendments described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Springing Amendments," the following paragraph (f) will be added to the above list of permitted Investment Obligations:*

***“(f) Any other investments that are at the time (i) legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended, or any successor provision of law, and (ii) structured to permit adequate liquidity for the purpose of the Fund or Account to be satisfied.”***

Moneys held in the Debt Service Account and the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Obligations which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, and in the case of the Debt Service Reserve Account at least fifty percent (50%) of the moneys held therein not later than two years and no more than fifty percent (50%) of the moneys held therein not later than ten (10) years. Moneys in the Revenue Fund and the Construction Fund may be invested in Investment Obligations which mature not later than such times as shall be necessary to provide moneys when needed to provide payments from such Funds. Moneys in the Operation and Maintenance Fund may be invested in Investment Obligations which mature within ninety (90) days and moneys in the Equipment and Capital Outlay Fund may be invested in Investment Obligations which mature within ninety (90) days. Moneys in the Operation and Maintenance Reserve Fund may be invested in Investment Obligations which mature in not more than one (1) year. Moneys in the Surplus Fund may be invested in Investment Obligations which mature within five years and in any case not later than such times as shall be necessary to provide moneys when needed for payment from such Fund. (Resolution, Section 601).

The Trustee (and the Commission, as applicable) shall make such investments in accordance with any instructions received from an authorized officer of the Commission. The Trustee may make any and all such investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee. (Resolution, Sections 601 and 605).

#### **Covenants of the Commission**

**Indebtedness and Liens:** The Commission covenants not to issue any bonds, notes or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge of the revenues or of the moneys, securities or funds held or set aside by the Commission or the Trustee under the Resolution and shall not create or cause to be created any lien or charge on the Net Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the Commission from issuing Subordinated Indebtedness. (Resolution, Section 706).

**Insurance:** So long as any Bonds are outstanding, the Commission shall at all times carry insurance or cause insurance to be carried with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business.

All proceeds of insurance for the Airport shall, to the extent necessary and desirable, be applied to repair and replace any damaged or destroyed properties of the Airport. If any of said proceeds received are not used to repair or replace property, such proceeds shall be paid into the Debt Service Account in the Bond Fund (Resolution, Sections 403 and 709). The foregoing shall not apply to the proceeds of insurance received in respect of Non-Aviation Facilities or Special Facilities. (Resolution, Section 709).

**Accounts and Reports:** The Commission shall keep or cause to be kept proper books of record and account relating to Revenues and each Fund and Account established under the Resolution. Such books shall at all times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of the Bonds then outstanding. (Resolution, Section 715).

The Commission shall file annually with the Trustee and the Localities an annual report, accompanied by an accountant's certificate, which includes a schedule of receipts and disbursements with respect to each Fund and Account established under the Resolution, a schedule of the details of all Bonds issued, paid, purchased or redeemed, a schedule of the amounts on deposit at the end of the prior Fiscal Year in each Fund and Account established under the Resolution, a schedule of the amounts of proceeds received from the sales of property

constituting part of the Airport, a list of all insurance policies with respect to the Airport, and a statement as to the existence of any default under the provisions of the Resolution. (Resolution, Section 715).

The Commission also agrees to prepare and file with the Trustee prior to the beginning of each Fiscal Year an Annual Budget setting forth for the ensuing Fiscal Year in reasonable detail, among other things, estimated Revenues, Operation and Maintenance Expenses, deposits into each of the Funds and Accounts established under the Resolution, and estimated expenditures for the replacement of capital assets or any unusual or extraordinary maintenance or repairs, for the building and constructing of permanent improvements, alterations runways, taxi strips and aprons of the Airport. The Commission may at any time adopt an amended Annual Budget for the then current Fiscal Year. (Resolution, Section 714).

The reports, statements and other documents required to be furnished to the Trustee shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the Commission. The Commission may charge a reasonable fee to each Bondholder requesting said items. (Resolution, Section 715).

**Sale, Lease or Encumbrance of Property:** The Commission covenants not to sell or otherwise dispose of or encumber any part of the Airport, except Non-Aviation Facilities, Special Facilities and property which is no longer useful or profitable in the operation thereof. In addition, the Commission may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to any part of the Airport which does not impede or restrict the operation of the Airport by the Commission. Proceeds from the sale or disposition of property (other than Non-Aviation Facilities and Special Facilities) not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Resolution shall be applied in the same manner and to the same purposes as Revenues. (Resolution, Section 707).

#### **Operation and Maintenance Fund; Surplus Fund**

The Commission has covenanted to hold, maintain and dispose of the Operation and Maintenance Fund and the Surplus Fund pursuant to the provisions of the Resolution.

#### **Discharge of Lien of the Resolution**

When (1) all Bonds have become due and payable in accordance with their terms or otherwise as provided in the Resolution or have been duly called for redemption or irrevocable instructions to call the Bonds or to pay the Bonds at maturity have been given by the Commission to the Trustee and (2) the Trustee holds for such purpose cash or noncallable obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which at maturity will be sufficient (a) to redeem in accordance with the Resolution all Bonds that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (b) to pay at maturity all Bonds not irrevocably called for redemption, (c) to pay interest accruing on all Bonds prior to their redemption or payment at maturity, and (d) to pay to the Trustee its reasonable fees and expenses and any other fees and expenses for which the Commission is responsible under the Resolution, then the pledge of any Net Revenues and other moneys and securities pledged under the Resolution and all covenants, agreements and obligations of the Commission to the bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. If the conditions described above have been satisfied with respect to any Series of Bonds, then such Series of Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Commission to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for which moneys or securities shall have been set aside as aforesaid and held in trust by the Trustee shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. (Resolution, Section 1201).

## **Defaults and Remedies**

Each of the following events shall be an “Event of Default” upon the conditions and subject to the limitations provided in the Resolution: (1) default in the due and punctual payment of any interest on any Bond, (2) default in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, upon acceleration or call for redemption or otherwise), (3) default in the performance or observance of the Rate Covenant, provided, however, that a failure to comply with the Rate Covenant shall not constitute an Event of Default unless the Commission shall fail in the succeeding Fiscal Year to comply with the Rate Covenant or to restore any deficiencies which occurred in any Fund in the preceding Fiscal Year, (4) subject to certain provisions, default in the observance or performance of any other covenant, condition or agreement on the part of the Commission under the Resolution or in the Bonds, (5) abandonment of the Airport by the Commission, (6) failure promptly to repair, replace or reconstruct any substantial part of the Airport the destruction of which has impaired the efficient operation of or substantially adversely affected the generation of revenues by the Airport, and (7) failure of the Commission to pay generally its debts as they become due and certain events of bankruptcy, assignment, dissolution, liquidation or reorganization by or against the Commission.

Certain of the Commission’s obligations, other than the obligation to make all payments on the Bonds, may be suspended if by reason of *force majeure*, as defined in the Resolution, the Commission is unable to carry out such obligations.

In each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee may (by notice in writing to the Commission), and upon written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds outstanding (by notice in writing to the Commission and the Trustee) shall, declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. (Resolution, Section 801).

If an Event of Default shall happen and shall not have been remedied, the Trustee may proceed, and upon written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds outstanding shall proceed, to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any, power therein granted, or for an accounting against the Commission as if the Commission were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

In certain events, the holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the holders of a majority in principal amount of the Bonds then outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders. (Resolution, Section 804).

## **Waivers of Events of Defaults**

Prior to the declaration of maturity of the Bonds as provided in the Resolution and the above-captioned “Defaults and Remedies,” the holders of not less than sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds at the time outstanding, or their attorneys in fact duly authorized, may on behalf of the holders of all the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium, if any, on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon. (Resolution, Section 807).

## **Rights and Remedies of Bondholder**

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Resolution, and the holders of at least twenty-five percent (25%) in principal amount of the Bonds then outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise its powers or to institute such action, suit or proceeding, and (2) there shall have been offered to the Trustee adequate security and indemnity against Its costs, expenses and liability to be incurred and the Trustee shall have refused to comply with such request within thirty (30) days after receipt of such notice. (Resolution, Section 805).

## **Supplemental Resolutions**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Commission may be adopted without any consent of or action by the Bondholders:

- (i) To close the Resolution against, or provide limitations and restrictions to the limitations and restrictions contained in the Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
- (ii) To add other covenants and agreements which are not contrary to or inconsistent with the Resolution;
- (iii) To add other limitations and restrictions which are not contrary to or inconsistent with the Resolution;
- (iv) To authorize Bonds of a series or to determine the terms and details thereof, provided the requirements of the Resolution are satisfied;
- (v) To confirm any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution of the Net Revenues or of any other moneys, securities or funds;
- (vi) To modify any of the provisions of the Resolution in any respect whatever, provided that such modification shall be effective only after all Bonds of any series outstanding at the date of the adoption of such Supplemental Resolution shall cease to be outstanding;
- (vii) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; and
- (viii) To insert such provisions clarifying matters or questions arising under the Resolution theretofore in effect.

Any other modification or amendment of the Resolution and of the rights and obligations of the Commission and of the holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent (i) of the holders of at least 66 2/3 percent in principal amount of the Bonds outstanding at the time such consent is given, and (ii) in case less than all of the several series of Bonds then outstanding are affected by the modification or amendment, of the holders of at least 66 2/3 percent in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given. Notwithstanding the foregoing sentence, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or sinking fund installment or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. The terms and provisions

of the Resolution and the rights and obligations of the Commission and of the holders of the Bonds may be modified or amended in any respect upon the adoption and filing by the Commission of a Supplemental Resolution and the consent of the holders of all the Bonds then outstanding. (Resolution, Sections 1001, 1002, 1003, 1102, 1103 and 1104).

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**Summary of Airline Agreement**

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## **SUMMARY OF AIRLINE AGREEMENT**

Effective as of July 1, 2015, the Commission and certain air passenger carriers (the “Signatory Airlines,” or “Signatory Airline” individually) entered into the Airline Operating Agreement and Terminal Building Lease (the “Airline Agreement” or collectively the “Airline Agreements”) for use of the Airport facilities. The Airline Agreements cancel and terminate all previous terminal and building leases and operating agreements executed between the Commission and the Signatory Airlines. The Airline Agreements grant the Signatory Airlines the right to use the Airport and its facilities for the business of transporting persons, property, cargo, and mail by air. Currently the following airlines are Signatory Airlines: American Airlines, Delta Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines.

The Airline Agreements set forth the operational and financial relationship at the Airport between the Commission and the Signatory Airlines and are substantially the same, differing primarily with respect to the amount and type of rental space for each Signatory Airline.

Set forth below is a summary of the Airline Agreement. This summary does not purport to be complete or definitive and reference should be made to the Airline Agreements, copies of which are available from the Commission, for a full and complete statement of its provisions. The headings or titles in this APPENDIX D are solely for convenience of reference.

### **USE OF PREMISES**

Under the Airline Agreements, the Commission grants to the Signatory Airlines and their employees, passengers, guests, patrons, agents, and invitees the right to use, in common with other duly authorized users, the Airport and equipment, together with all facilities, improvements, equipment, and services that have been or will be provided for common use at or in connection with the Airport.

### **TERM**

The Airline Agreements became effective on July 1, 2015 and continued through June 30, 2020, at which time they were extended and will continue through June 30, 2022, subject to prior termination by their terms.

### **HOLDING OVER**

Should an Airline use the Leased Premises without the written consent of the Commission after its Airline Agreement has terminated, the resulting tenancy shall be on a month-to-month basis, during which tenancy the parties to the Airline Agreement shall continue to adhere to all covenants, conditions and provisions of the Airline Agreement. However, unless otherwise agreed to by the President and CEO of the Commission, such Airline shall be deemed to be a Non-Signatory Airline and shall pay the then-current non-signatory airline rentals, fees and charges (except during the period when the Airline and the Commission are negotiating in good faith a new terminal building lease or the renewal or extension of their Airline Agreement).

### **PREMISES**

Airlines have the opportunity to lease the following areas in the terminal building on a Common, Preferential, or Joint Use basis, as summarized below. No space is leased to an Airline on an exclusive use basis.

[Table appears on following page]

Preferential		Joint Use	Common
Ticket Counter Areas (queuing and non-public)	Ticket Counter Office Area (non-public)	Concourse Circulation Area	Inbound Baggage Area
Hold Room Area	Concourse Operations Area (non-public)		Baggage Claim Area
Ramp Service Area (non-public)	Outbound Baggage Area		Security Screening Area
Baggage Service Office	Outbound Baggage Carousel Area		Loading Dock and Equipment Area
Aircraft Parking Positions (gates)*			Tug Drive Area

\*Aircraft parking positions (gates) at the terminal building are assigned on a preferential use basis; however, the Commission may, after coordinating with the local management of a Signatory Airline, temporarily assign one or more of its gates to other airlines as long as unassigned gates are not available and the gate is scheduled to be vacated at least 30 minutes prior to the airline's next arrival or departure from the gate.

The Airline Agreements specify that the Commission and the Signatory Airlines will work together to find satisfactory solutions to needs that may arise, including the space requirements of new airline entrants at the Airport, the desire of one or more Signatory Airlines to expand operations at the Airport, the need to move an airline within the terminal building, or the need to relocate airlines due to terminal modifications. Solutions may include the assignment, sublease, or temporary shared use of a Signatory Airline's leased premises, construction of new facilities, or other solutions. The Commission's decision on these matters is considered to be final.

A Signatory Airline's use of its gates is subject to the condition that the Signatory Airline schedules a monthly flight average for its gates equal to the monthly flight average achieved by all airlines during the previous six-month period. If the Signatory Airline's average flights per gate fall below the monthly average for all airlines, the Commission may cancel the Signatory Airline's right to use one or more of its gates. Events beyond the control of the Airline that prevent such minimum use may be classified as hardships that do not work as forfeiture of preferential rights. Examples of such events including, but are not limited to, acts of God, war or insurrection, labor strikes, mechanical failures and inclement weather.

### **CALCULATION OF RENTALS, FEES, AND CHARGES**

The Signatory Airlines pay to the Commission certain rentals, fees, and charges, which are recalculated annually based upon budgeted cost center allocations, together with allocations of any annual debt service associated with bond proceeds used to fund terminal building capital projects plus costs of capital improvements paid for with Commission funds.

*Cost Centers.* Following is a list of the direct and indirect cost centers specified in the Airline Agreements for purposes of calculating airline rates and charges:

#### **Direct Cost Centers**

Terminal Building Area  
Airfield Area  
Apron Area  
Parking  
Other Buildings and Grounds Area

#### **Indirect Cost Centers**

Access and Terminal Roadways  
Airport Administration  
Airport Maintenance

The allocation of costs to the indirect cost centers is made on the following basis:

- a. All costs related to Access and Terminal Roadways are allocated 70% to the Terminal Building Area and 30% to the Airfield Area.
- b. All costs related to Airport Administration and Airport Maintenance are allocated to the direct cost centers in proportion to each direct cost center's share of direct operation and maintenance expenses.

### **Terminal Building Rent**

The Signatory Airlines are required to pay for their Exclusive Use Space (if any), Preferential Use Space, Joint Use Space, and Common Use Space in the terminal building according to a "compensatory methodology," whereby the airlines pay their pro rata share of the total "Terminal Building Area Cost." Rentals for Joint Use Space among the Signatory Airlines and other airline tenants are based upon the proportion of each user's Joint Use Space compared to total Joint Use Space. Rentals for Common Use Space are calculated based upon the number of enplaning passengers attributed to an Airport user compared to the total enplaned passengers of all such users; except that as to baggage claim space and inbound baggage space twenty per cent (20%) of the rental shall be prorated equally among the Signatory Airlines and other scheduled airlines using the space and 80% of such rental shall be prorated on the basis of passenger enplanements. For the calculations, passenger enplanement statistics for the most recently available month immediately preceding the month of calculation will be used. In the event that a new airline begins service at the Airport, or if an airline ceases service at the Airport, the Commission in consultation with the Signatory Airlines will recalculate the costs.

Included in the calculation of the total Terminal Building Area Cost charged to the airlines are operation and maintenance (O&M) expenses, equipment purchases and capital outlays less than \$50,000, and the annual amortization cost of any terminal building capital improvements paid for with Commission funds. If applicable, the Signatory Airlines are required to pay an amount equal to 125% of the pro rata portion of annual debt service associated with bond proceeds used to fund terminal building capital projects.

The estimated total Terminal Building Area Cost for the Fiscal Year is divided by the total amount of usable space in order to determine the average rental rate per square foot. The total amount of space leased by the Signatory Airlines is then multiplied by the average rental rate per square foot to determine the "Signatory Airline Rental Requirement."

Following the end of the Fiscal Year, the Commission will determine the actual total Terminal Building Area Cost. Any overpayment by an airline will be credited against the airline's space rentals over the remaining months of the current Fiscal Year. Any underpayments will be recovered through additional charges over the remainder of the Fiscal Year.

### **Airfield Area Landing Fees**

The Signatory Airlines agree to pay fees to the Commission for their use of the airfield area. Such fees, called "landing fees", are calculated based on a landing fee rate per 1,000-pound unit of Maximum Certified Gross Landed Weight. The Commission's estimated "Airfield Area Cost" for the Fiscal Year is calculated by totaling O&M expenses, equipment purchases and capital outlays less than \$50,000, an amount equal to 125% of the pro rata portion of annual debt service associated with bond proceeds used to fund airfield area capital projects, and the annual amortization costs of any airfield capital improvements paid for with Commission funds. The Airfield Area Cost is then divided by the total landed weight of all aircraft arrivals for the Fiscal Year,\* as estimated by the Commission, to determine the "Signatory Airline Landing Fee Rate." Following the end of each Fiscal Year, the Commission calculates the actual Signatory Airline Landing Fees based on actual costs and actual Total Landed Weight. In the event of overpayment, the overpaid amount will be applied as direct credits against landing fee charges over the remaining months of the current Fiscal Year. In the case of underpayment, the amount will be recovered through additional landing fee charges over the remaining months of the current Fiscal Year.

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\* Excluding unscheduled landings and nonrevenue ferry and positioning flights.

## **Apron Fees**

The Signatory Airlines agree to pay for terminal apron space on a per-square foot rental rate, which is calculated by totaling O&M expenses, equipment purchases and capital outlays that cost less than \$50,000, an amount equal to 125% of the pro rata portion of annual debt service associated with bond proceeds used to fund apron area capital projects, and the annual amortization cost of any apron area capital improvements paid for with Commission funds. The total costs are then divided by the actual total area of all aircraft parking positions to determine the Apron Fee Rate per square foot. The Apron Fee Rate per square foot is then multiplied by the user's total square footage of apron area to determine the user's annual Apron Fee. As soon as possible following the close of each Fiscal Year, the Commission will determine the actual required annual Signatory Airline Apron Area Fees. The Commission will then compare the actual amount owed to the actual amount paid, at which time any overpayment will be applied as direct credits against apron fees due over the remaining months of the current Fiscal Year. Any underpayment will be recovered through additional charges over the remaining months of the current Fiscal Year.

## **Extraordinary Rate Adjustments**

If, at any time during a Fiscal Year, the Commission estimates that any of the components of the Terminal Building Cost, Airfield Area Cost, Apron Area Cost, or the total Signatory Airline landed weight will vary by 10% or more from the estimates used in setting the airline rates and charges for that Fiscal Year, the Commission may adjust the airline rates and charges if such adjustment is considered by the Commission to be necessary to ensure that adequate airline revenues will be received to cover the corresponding costs.

## **SURPLUS FUND**

After making the required periodic deposits to all other funds or accounts established under the Bond Resolution and after adjustments, any net revenues are to be deposited into the Surplus Fund. The Commission is to transfer 50% of the remaining balance in the Surplus Fund to the Airline Discretionary Account and 50% to the Commission Discretionary Account. The amount transferred to the Airline Discretionary Account is then credited against each Signatory Airline's monthly building space rentals, apron fees, and landing fees.

## **BUDGET PROCEDURES**

The Commission is required to provide to each Signatory Airline the Commission's annual proposed budgets and audited financial statements, accompanied by supplemental financial data related to the calculation of airline rentals, fees, and charges. If requested by the Commission or the Signatory Airlines, a meeting shall be held between the Commission and the Signatory Airlines to discuss the proposed budgets and the calculation of the airline rentals, fees, and charges. After the annual budgets are adopted, the Commission provides each Signatory Airline with a copy of the approved budgets and the supporting airline rate calculations.

Prior to the beginning of a Fiscal Year, the Commission is required to consult with the Signatory Airlines regarding the Commission's plans for capital improvements at the Airport. However, the Commission is not required to obtain the approval of any of the Signatory Airlines prior to undertaking any capital project or the financing of a capital project.

## **CANCELLATION PROVISIONS**

Events Permitting Termination by Airline. A Signatory Airline may terminate its Airline Agreement and all of its future obligations anytime that the airline is not in default of its payments or obligations to the Commission by giving the Commission thirty (30) days advance written notice if: (1) the airline is prohibited by law from using the Airport for a period exceeding sixty (60) days because of any deficiency of the Airport or an unsafe operating condition existing at the Airport, or (2) the Commission is in breach of any of the covenants or agreements contained in the Airline Agreement for a period exceeding sixty (60) days after receipt of written notice of such a breach from the airline.

Events Permitting Termination by Commission. The Commission may terminate the Airline Agreement and all of its obligations upon written notice to the airline and may exercise all rights of entry and re-entry upon the leased space, with or without process of law, if any of the events that constitute default under the Airline Agreement occur, including if the Airline (1) fails to pay rent or any other payment past due under the Airline Agreement within thirty (30) days after receipt of written notice of a past due account, (2) fails to commence immediately to keep and perform any of its other covenants and agreements within thirty (30) days after receipt of written notice, (3) fails to continue with diligence to complete any of its covenants and agreements after 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, (4) fails to provide regularly scheduled passenger flights to and from the Airport (except by reason of strike or causes beyond control of Airline) for a period of thirty (30) days, (5) fails to remit Passenger Facility Charge revenue in the amounts and within the times as required by federal law or regulation, or (6) fails to provide security deposits as and when required under the Airline Agreement.

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**APPENDIX E**

**Forms of Opinions of Bond Counsel**

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*Set forth below is the proposed form of opinion of  
Butler Snow LLP, Bond Counsel.  
It is preliminary and subject to change prior to delivery of the Series 2021A Bonds.*

August 11, 2021

Capital Region Airport Commission  
One Richard E. Byrd Terminal Drive  
Richmond International Airport, Virginia 23250

\$13,615,000  
Capital Region Airport Commission  
Airport Revenue Refunding Bonds  
Series 2021A (Non-AMT)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the “Series 2021A Bonds”) by the Capital Region Airport Commission (the “Commission”). In such capacity, we have examined the applicable law, including Chapter 380 of the 1980 Acts of the General Assembly of Virginia, as amended (the “Act”), and certified copies of proceedings and documents relating to the organization of the Commission and the issuance and sale by the Commission of the Series 2021A Bonds. Reference is made to the form of the Series 2021A Bonds for information concerning their details, including payment and redemption provisions, their purpose, and the proceedings pursuant to which they are issued.

The Series 2021A Bonds are issued under, and are equally and ratably secured by, an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984, as previously supplemented and amended (the “Master Resolution”), and as further supplemented and amended by a Fourteenth Supplemental Bond Resolution adopted by the Commission on April 27, 2021 (the “Fourteenth Supplemental Resolution” and, collectively with the Master Resolution, the “Bond Resolution”), on parity with all Outstanding Bonds issued thereunder. Such Outstanding Bonds, together with any additional Bonds ranking equally therewith that may be issued pursuant to the Bond Resolution, are collectively referred to herein as the “Parity Bonds.” Capitalized terms used but not defined herein shall have the meanings given such terms in the Bond Resolution.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Commission and others with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The Commission has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2021A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2021A Bonds, all as set forth in the proceedings and documents providing for the issuance of the Series 2021A Bonds (collectively, the “Covenants”). In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified copies.

Based upon the foregoing, and subject to the qualifications and assumptions herein, we are of the opinion, as of the date hereof and under existing statutes, regulations, rulings, and court decisions, that:

1. The Commission is duly organized and validly existing as a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) under the Act.
2. The Series 2021A Bonds have been authorized and issued in accordance with the Act and the Bond Resolution and constitute valid and binding limited obligations of the Commission payable solely from the

Commission's Net Revenues and certain other funds established under the Bond Resolution and are secured on parity with all Parity Bonds as provided in the Bond Resolution. The Series 2021A Bonds do not create or constitute a debt or pledge of the faith and credit of the Commonwealth or any political subdivision thereof other than the Commission, including the City of Richmond, Virginia, and the Counties of Henrico, Chesterfield and Hanover, Virginia.

3. The Fourteenth Supplemental Resolution is authorized and permitted by the Bond Resolution, has been duly and lawfully adopted by the Commission in accordance with the provisions of the Master Resolution, is valid and binding upon the Commission, and is enforceable against the Commission in accordance with its terms.

4. The Commission is required by the Act to fix, revise, charge and collect fees, rents and other charges for the use and services of the Commission's airport facilities so that such fees, rents and other charges of the Commission shall be sufficient to pay the cost of maintaining, repairing and operating the Commission's airport facilities and to pay principal of and interest on the Bonds, the Parity Bonds and any additional bonds subsequently issued on a parity therewith, as the same become due, and to provide certain reserves therefor.

5. The rights of the holders of the Bonds and the enforceability of such rights, including enforcement by the Trustee of the obligations of the Commission under the Bond Resolution, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

6. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Series 2021A Bonds is excludible from gross income for federal income tax purposes. Furthermore, interest on the Series 2021A Bonds will not be an item of tax preference under Section 57(a)(5) of the Code in computing the federal alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance by the Commission subsequent to the issuance of the Series 2021A Bonds with all requirements of the Code that must be satisfied in order that interest on the Series 2021A Bonds not be included in gross income for federal income tax purposes. Failure by the Commission to comply with the Covenants, among other things, could cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

7. Under current law, interest on the Series 2021A Bonds is not subject to income taxation by the Commonwealth of Virginia or any political subdivision thereof.

Our services as bond counsel to the Commission have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2021A Bonds and the tax status of the interest thereon. We express no opinion herein as to the financial resources of the Commission, its ability to provide for payment of the Series 2021A Bonds or the accuracy or completeness of any information, including the information contained in the Commission's Preliminary Official Statement dated July 21, 2021, and its Official Statement dated July 29, 2021, that may have been relied upon by anyone in making the decision to purchase Bonds.

Except as expressly stated above, we express no opinion as to any other federal or any other state income tax consequences of acquiring, carrying, owning, or disposing of the Series 2021A Bonds. Holders of the Series 2021A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Series 2021A Bonds, which may include purchase at a market discount or at a premium, taxation upon sale, redemption, or other disposition, and various withholding requirements.

It is to be understood that the rights of the holders of the Series 2021A Bonds and the enforceability of the Series 2021A Bonds, the Bond Resolution, and the Fourteenth Supplemental Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We understand that Assured Guaranty Municipal Corp. has issued a Municipal Bond Insurance Policy and Debt Service Reserve Fund Policy (together, the "Policies") relating to the Series 2021A Bonds. We express no opinion as to the validity or enforceability of the Policies or the security afforded thereby.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is given solely for the use and benefit of the addressee hereof, and only in connection with the issuance and delivery of the Series 2021A Bonds and may not be used or relied upon by any other person or in connection with any other transaction, except with express consent of this firm.

Very truly yours,

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*Set forth below is the proposed form of opinion of  
Butler Snow LLP, Bond Counsel.  
It is preliminary and subject to change prior to delivery of the Series 2021B Bonds.*

August 11, 2021

Capital Region Airport Commission  
One Richard E. Byrd Terminal Drive  
Richmond International Airport, Virginia 23250

\$545,000  
Capital Region Airport Commission  
Airport Revenue Refunding Bonds  
Series 2021B (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the “Series 2021B Bonds”) by the Capital Region Airport Commission (the “Commission”). In such capacity, we have examined the applicable law, including Chapter 380 of the 1980 Acts of the General Assembly of Virginia, as amended (the “Act”), and certified copies of proceedings and documents relating to the organization of the Commission and the issuance and sale by the Commission of the Series 2021B Bonds. Reference is made to the form of the Series 2021B Bonds for information concerning their details, including payment and redemption provisions, their purpose, and the proceedings pursuant to which they are issued.

The Series 2021B Bonds are issued under, and are equally and ratably secured by, an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984, as previously supplemented and amended (the “Master Resolution”), and as further supplemented and amended by a Fourteenth Supplemental Bond Resolution adopted by the Commission on April 27, 2021 (the “Fourteenth Supplemental Resolution” and, collectively with the Master Resolution, the “Bond Resolution”), on parity with all Outstanding Bonds issued thereunder. Such Outstanding Bonds, together with any additional Bonds ranking equally therewith that may be issued pursuant to the Bond Resolution, are collectively referred to herein as the “Parity Bonds.” Capitalized terms used but not defined herein shall have the meanings given such terms in the Bond Resolution.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Commission and others with respect to certain facts relevant to our opinion. In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified copies.

Based upon the foregoing, and subject to the qualifications and assumptions herein, we are of the opinion, as of the date hereof and under existing statutes, regulations, rulings, and court decisions, that:

1. The Commission is duly organized and validly existing as a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) under the Act.

2. The Series 2021B Bonds have been authorized and issued in accordance with the Act and the Bond Resolution and constitute valid and binding limited obligations of the Commission payable solely from the Commission’s Net Revenues and certain other funds established under the Bond Resolution and are secured on parity with all Parity Bonds as provided in the Bond Resolution. The Series 2021B Bonds do not create or constitute a debt or pledge of the faith and credit of the Commonwealth or any political subdivision thereof other than the Commission, including the City of Richmond, Virginia, and the Counties of Henrico, Chesterfield and Hanover, Virginia.

3. The Fourteenth Supplemental Resolution is authorized and permitted by the Bond Resolution, has been duly and lawfully adopted by the Commission in accordance with the provisions of the Master Resolution, is valid and binding upon the Commission, and is enforceable against the Commission in accordance with its terms.

4. The Commission is required by the Act to fix, revise, charge and collect fees, rents and other charges for the use and services of the Commission's airport facilities so that such fees, rents and other charges of the Commission shall be sufficient to pay the cost of maintaining, repairing and operating the Commission's airport facilities and to pay principal of and interest on the Bonds, the Parity Bonds and any additional bonds subsequently issued on a parity therewith, as the same become due, and to provide certain reserves therefor.

5. The rights of the holders of the Bonds and the enforceability of such rights, including enforcement by the Trustee of the obligations of the Commission under the Bond Resolution, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

6. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Series 2021B Bonds is not excludible from gross income for federal income tax purposes.

7. Under current law, interest on the Series 2021B Bonds is not subject to income taxation by the Commonwealth of Virginia or any political subdivision thereof.

Our services as bond counsel to the Commission have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2021B Bonds and the tax status of the interest thereon. We express no opinion herein as to the financial resources of the Commission, its ability to provide for payment of the Series 2021B Bonds or the accuracy or completeness of any information, including the information contained in the Commission's Preliminary Official Statement dated July 21, 2021, and its Official Statement dated July 29, 2021, that may have been relied upon by anyone in making the decision to purchase Bonds.

Except as expressly stated above, we express no opinion as to any other federal or any other state income tax consequences of acquiring, carrying, owning, or disposing of the Series 2021B Bonds. Holders of the Series 2021B Bonds should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Series 2021B Bonds, which may include purchase at a market discount or at a premium, taxation upon sale, redemption, or other disposition, and various withholding requirements.

It is to be understood that the rights of the holders of the Series 2021B Bonds and the enforceability of the Series 2021B Bonds, the Bond Resolution, and the Fourteenth Supplemental Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We understand that Assured Guaranty Municipal Corp. has issued a Municipal Bond Insurance Policy and Debt Service Reserve Fund Policy (together, the "Policies") relating to the Series 2021B Bonds. We express no opinion as to the validity or enforceability of the Policies or the security afforded thereby.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is given solely for the use and benefit of the addressee hereof, and only in connection with the issuance and delivery of the Series 2021B Bonds and may not be used or relied upon by any other person or in connection with any other transaction, except with express consent of this firm.

Very truly yours,

**APPENDIX F**

**Form of Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) dated August 11, 2021 is executed and delivered in connection with the issuance of \$14,160,000 in aggregate principal amount of Airport Revenue Refunding Bonds, Series 2021 (the “Bonds”) of the Capital Region Airport Commission (the “Commission”). The Commission undertakes as follows:

**Section 1. Purpose.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) by providing certain annual financial information and event notices required by the Rule (collectively, the “Continuing Disclosure”).

**Section 2. Annual Disclosure.** (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer for each Fiscal Year as set forth in the Official Statement in the sections “INTRODUCTION – The Airport,” “OUTSTANDING DEBT OF THE COMMISSION,” “THE AIRPORT” (consisting of such historic and operating data of the type and in the format included in the subsections “Historical Activity” (including “Annual Enplanements” and “Monthly Enplanements”), “Airlines Serving the Airport”, “Commission Financial Operations”, and “Historical Debt Service Coverage”), and “CERTAIN AGREEMENTS FOR USE OF THE COMMISSION’S FACILITIES” (pertaining to the table showing the breakdown of operating revenues among major revenue categories).

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the Issuer shall file such statements as audited when available.

(b) The Issuer shall file annually with the Municipal Securities Rulemaking Board (“MSRB”) the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) no later than six months following the end of the Issuer’s Fiscal Year, commencing with the Issuer’s Fiscal Year ending June 30, 2021.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Issuer shall file with the MSRB in a timely manner the notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The Issuer shall file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (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 Internal Revenue Service 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;\*
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Issuer, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation<sup>†</sup> of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation<sup>2</sup> of the Issuer, any of which reflect financial difficulties.

**Section 4. Termination.** The obligations of the Issuer hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

**Section 5. Amendment.** The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Certificate as so modified complies with the Rule as it exists at the time

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\* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

† For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term “financial obligation” is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. Numerous other terms contained in these subsections and/or in the definition of “financial obligation” are not defined in the Rule; SEC Release No. 34-83885 contains a discussion of the current SEC interpretation of those terms. For example, in the Release, the SEC provides guidance that the term “debt obligation” generally should be considered to include only lease arrangements that operate as vehicles to borrow money.

of modification. The Issuer shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

**Section 6. Defaults.** (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Certificate, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Issuer's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Certificate (i) shall not be deemed to constitute an event of default with respect to the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

**Section 7. Filing Method.** Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

**Section 8. Additional Disclosure.** The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

**Section 9. Governing Law.** This Disclosure Certificate shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 11th day of August 2021.

**CAPITAL REGION AIRPORT COMMISSION**

By: \_\_\_\_\_  
President and Chief Executive Officer

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**APPENDIX G**

**Specimen Municipal Bond Insurance Policy**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)