

TO: EAST HAMPTON TOWN BOARD

FROM: AIRPORT FINANCE SUBCOMMITTEE

DATED: December 15, 2014

As anticipated in our Preliminary Airport Debt Capacity Analysis which we delivered on May 5, we are pleased to attach our Second Progress Report focusing on Revenue Enhancements—once again unanimously supported by our Subcommittee.

Our first report showed that, based upon a continuation of the trends of the prior 5 years (2009-13) and without any revenue enhancements, the town could generate cash flow from airport operations and properties to pay debt service on bonds to finance \$5.1 million of capital expenditures under the most pessimistic scenario of those presented (a 50% reduction in helicopter traffic), subject to the caveats and assumptions stated therein.

In this second report we have considered the actual results of operations during the first 9 months of 2014 (higher than previously assumed increases in flight operations, fuel flowage fees and landing fees). As a result, we have increased our estimate of debt capacity during the 5 year forecast period (now rolled forward by one year to 2015-19) for the most pessimistic scenario (described above) to about \$5.6 million and 2019 year end fund balance to approximately \$1.8 million before considering revenue enhancements. With readily achievable increases in landing fees (5% annually) and some new revenue enhancements-- paid parking and rentals of vacant properties along Industrial road and leasing land for new hangars-- debt capacity could increase to over \$9.7 million under our most pessimistic scenario.

None of our forecasts considered litigation expenses, which are unknowable but could be substantial, nor any special surcharges that could be considered to offset them in whole or in part.

Our Subcommittee was not charged with recommending capital improvements or prioritizing those being suggested by the other two Subcommittees. However it is now apparent that the airport, which has been neglected for many years, should be able to support substantial capital repairs and improvements. The Board is already moving forward with those projects posing the highest safety concerns. It now has the opportunity to work with its new airport engineers to fashion a very robust 5 year capital plan—without the need for any real estate taxes or other external revenues.

Once again our Subcommittee was greatly assisted by past and present airport management as well as the Finance, Planning and Natural Resource Departments and our Board Liaison, Kathee Burke-Gonzalez. We also benefitted from our continuing interaction with members of the helicopter and jet charter industry as well as local residents interested in airport activities.

We recently lost a most valued member, Tom Twomey, whose wisdom and humanity will be sorely missed.

Respectfully Submitted Arthur Malman, Chairman