

BFAC/Airport Finance Group

Minutes of Meeting –February 23, 2015 at Town Hall

Arthur Malman, Chairman of Town of East Hampton’s Budget and Financial Advisory Committee (BFAC), called the meeting to order at 11 AM.

The following members of the BFAC/Airport Finance Group were present: Frank Dalene, Peter Wadsworth, Mike Diesenhaus, Bonnie Krupinski, David Gruber, Pat Trunzo III, Gene Oshrin, and Arthur Malman. Joining by conference call, for all or part of the meeting, were: Andrew Right, Munir Saltoun and John Shea. Toni Somerstein was out of town and was not able to call in

Attending the meeting by invitation were Kathee Burke-Gonzalez, Councilwoman and Board liaison for the BFAC and for the airport, Jemille Charlton, Airport supervisor. Also present was Zachary Cohen, Cindy Tuma of Sound Aircraft, an attorney who said he represented the Friends of EH Airport as well as a representative of Sabin Metals.

Arthur Malman invited all members of the public to join the discussion. Minutes of the last meeting were distributed and approved. The attached agenda had been previously distributed.

Kathee Burke-Gonzalez reported that there had been a small change in the “thoughtful line” for the definition of noisy aircraft under the proposed rules and that she and Supervisor Cantwell had met with various representatives of the aviation community about the effects of the proposed rules.

Arthur Malman reported that he and David Gruber had participated in a conference call with Kathee Burke Gonzalez and Town Attorney Elizabeth Vail to discuss the presently estimated \$3 million costs of the litigation; John Shea had been invited to join but his schedule would not permit. The call was with the Town’s lead counsel on aviation matters, Peter Kirsch of Kaplan Kirsch & Rockwell LLP, to confirm the reasonableness of this estimate based on the information know at the date of that conversation. It was noted that this conversation did not involve litigation strategy or tactics that would be covered in separate confidential attorney/client discussions between the Board and its counsel, which could have a material impact on the direction and course of litigation---and its eventual cost.

Moreover, the establishment of an actual final litigation budget by the Board will be an iterative process between the Town and its counsel, subject to adjustment—up or down—as litigation develops. The Board’s \$3 million estimate reflects litigations currently pending and outside counsel’s view of additional litigations that are likely to be brought—some of which may in fact never be brought. On the other hand, additional litigations not covered by the estimate may in fact be brought and could have a material effect on the litigation budget, depending on its nature and how aggressively it is prosecuted.

Actual litigation expenses will have a material effect on any forecasts because, unlike capital expenditures that can be financed with bond proceeds, litigation expenses must be paid for out of current operating revenues and/or surplus reserves (fund balances). By contrast, capital improvements at HTO can be financed by issuing long term bonds, in which case only the annual debt service (principal and interest payments) on the bonds must be paid for with current operating revenues and/or surplus reserves in any one year.

No member of the Committee expects to be present at the February 27, 2015 Washington meeting at the FAA to be attended by Supervisor Larry Cantwell, Councilwoman Kathee Burke-Gonzalez and attorney Peter Kirsch.

Arthur Malman led a discussion of the drafts of a range of forecasts that members of the Committee had developed since our last meeting and distributed a set of forecasts titled: Median Expectation, Stress Test I and Stress Test II, indicating that the Noise Subcommittee would be expected to do its own forecasts which might be more optimistic. A new format for the projections had been developed which focused more clearly on the variables relating to the probable effects of the rules rather than overall airport operations.

Arthur Malman indicated that he had spoken with Bonnie Krupinski and others about the parameters for stress tests if, as is often the case, there are unintended consequences of any new legislation

Peter Wadsworth, David Gruber and Arthur Malman who had worked on the formatting and assumptions discussed first the data and assumptions in the "Median Expectation" forecast which would probably be renamed something like Base Case in a final version.

Peter Wadsworth expressed lack of confidence in the results presented by David Gruber and Arthur Malman (discussed below) because: (a) they had not been corroborated using the financial model that had been developed, refined and reviewed by the Committee and the Town Budget Officer over the past year; and (b) certain assumptions were more aggressive than in the Committee's Progress Report II (December 2014), resulting in toward a more optimistic (less conservative) "Median" forecast.

On the other hand, Munir Saltoun, who has a significant accounting and forecasting background, reviewed the old and new models prior to the meeting, and, without focusing on the content, indicated that he thought that current format developed originally by David Gruber was more useful in understanding the variables in the present analysis of the effect of the rules.

Arthur Malman pointed out that Peter Wadsworth seemed to be referring only to the chart on page 5 of the Progress Report II which was pointedly referred to in the report as "the most pessimistic scenario" since it showed no increase in air traffic, no fee increases and no revenue enhancements--all of which were purposely omitted in the interest of presenting a stress test

analysis on that particular page. Other sections of the same Progress Report presented what were viewed by some members of the Committee as more realistic, albeit conservative, assumptions for such items as revenue enhancements. For example the present Median Expectation used only half of the revenue enhancement forecast on page 6 of the Progress Report II. Peter Wadsworth responded that in light of the proposed restrictions now being considered by the Town Board, "the most pessimistic scenario" in Progress Report II was now far from pessimistic and that the various tweaks to the assumptions in Progress Report II resulted in a "Median Expectation" that added a cumulative \$2.5 million to the bottom line over the forecast period. David Gruber noted that the "tweaks" consisted only of assuming 3% inflation for ordinary income as well as the 3% inflation previously assumed for expenses only and replacement of the original assumed capital and planning budgets with the actual \$7 million capital budget that the Board had requested the committee to consider.

MEDIAN EXPECTATION

A spreadsheet prepared by David Gruber representing the "Median Expectation" (see [Exhibit I](#) attached) was distributed to the Committee.

--**the top 19 lines are historical airport unaudited operating results for 2014 in column B** (which could get refined slightly when the 2014 audit is completed, but as of now adjustments are not expected to be material), when clearly there were no new noise rules in effect. These numbers obviously included no possible revenue enhancements that the committee had worked on for paid parking, increased leasing of vacant industrial land etc. There were no objections found with these historical numbers.

--**Columns C-G of the top 19 lines are 2015-19 forecasts, still without considering the effect of the proposed rules or revenue enhancements.** Here we simply take 2014 actual results and increase them conservatively at 3% per year (8.1% per year for employee benefits based on advice from the Finance Department). The Fuel Flowage Fee is assumed to be increased from 30 cents per gallon to 35 cents in 2015 and then remain flat. Some members thought that the increases in revenues could be a little higher based on increases in traffic in recent years and some others felt that they could be a little lower because the recent traffic increases may not continue

--**lines 21-24 - airport capital improvement expenditures.** The Board has asked us to assume that \$7 million of new capital projects in the forecast period. We assume \$7 million of new debt will be issued from 2015-19, with the majority in the early years 2015-16 with \$2 million per year. Peter Wadsworth noted that no separate planning and development line item was included here as it had been in our prior projections. Arthur Malman replied that, based on preliminary conversations with Kathee Burke-Gonzalez and Charlene Kagel (Len Bernard being on vacation), it is assumed for these forecasts that all planning and development costs would be included with capital expenditures and financed with debt. He also noted that legal expenses and the noise and

other related studies were now being grouped under legal expenses. Peter Wadsworth noted that in his opinion this treatment would, in effect, reduce the capital and litigation budgets by almost \$1 million compared to the forecast methodology in Progress Reports I and II. [Peter Wadsworth reported that in a subsequent conversation with Len Bernard, it should probably be expected that there would be some planning and development expenditures in the next few years that could not be capitalized but not as much as historically been the case as the committee had been erroneously been assuming would continue at the same level as in the prior progress reports]

As had been historically the case for the town, during the first year of expenditures the town would issue bond anticipation notes (BANS) that would be rolled over the next year into longer term bonds. The BANS would have a somewhat lower interest rate than the bonds.

The present law allows an airport of HTO's size to only issue bonds for 10 years even if the capital projects had lives of 20-25 years, but legislation has been introduced to change this anomaly since larger airports of over 1000 acres could issue longer term bonds and thereby decrease annual debt service. While the prospects for this change in NY State law are reportedly quite good, the final maturity for all debt issued in the projections was limited to 15 years even for longer lived projects since the Town in recent years has not issued bonds with longer terms.

Some members pointed out that, given that we are already well into the year and little substantial work can be done at the airport over the busy summer season, \$2 million might be too aggressive for 2015. Gene Oshrin objected to the fact that the previously approved airport improvement plan had been largely ignored and, after many months, there had still been no report at all from the new airport engineers who had promised a detailed recommendation of project costs and sequencing. Moreover, despite requests, no member of the Aviation Committee had been permitted to talk with the engineers. David Gruber pointed out that neither had any member of the Noise Committee and Arthur Malman noted that no member of this committee had either. Kathee Burke-Gonzalez stated that she had hoped to have the engineers come up with neutral recommendations so had not had any member of the committees talk to them before their initial report (all conversations had been limited to Jemille Charlton and herself), was disappointed that no work product had been produced to date but thought that their report should be available in a few weeks and said she would follow up after the meeting.

--**line 25 legal fees** of \$3 million are the board's estimate over the five year forecast period and appeared reasonable at this time but would have to be reviewed and updated as stated above. We have assumed these would be front loaded at the rate of \$1 million per year in 2015-17. David Gruber and John Shea felt that these estimates might be excessive and that legal costs could be better controlled. Some members felt that these costs could mushroom and spiral out

of control because there were so many well-financed opponents of the proposed rules and cripple the airport's ability to move forward with critically needed capital projects.

--Lines 31-37 are the forecasted effects of the proposed rules. We have started with the Noise Committee's "static" analysis of lost landing fee revenue based on actual traffic in 2014 assuming the proposed rules were in effect. As has been previously noted this "static" analysis does not take into account the possibility that some passengers or aircraft could change their behavior or equipment from that in 2014 and avoid the effect of the rules—coming in a little later or earlier, fleet owners juggling equipment etc. Fuel fees are assumed to drop even faster than landings since many of the aircraft prohibited under the proposed rules are those that buy the most fuel.

"Other" revenues from airport advertising and vending machines are cut in half for the forecast period.

Bonnie Krupinski and other members felt that there would be many unintended consequences of these rules that could dramatically decrease these revenue projections as well as hurt the local economy. Many aircraft owners whose aircraft could come in only once a week or not at all on weekends, would move or divert their equipment elsewhere even though they could come into HTO at severely limited times—and so there would be no revenues from them. Harmful effects on the local economy could increase from year to year and customers and vacationer lost might never come back. Cindy Tuma stressed the devastating effect these rules could have on airport businesses and employment and there could be further declines in fuel sales and airport tenants could not be able to afford to pay their present rents. Frank Dalene and Pat Trunzo III thought these dire predictions were highly unlikely as the area had grown steadily for many years and any short term losses would be made up by new visitors and residents. David Gruber noted that, although these are real issues that should be considered seriously, they are not the question that the Board has currently asked the BFAC to address, which is the financial sustainability of the airport itself under the proposed rules, rather than impacts on third parties.

Arthur Malman pointed out that while no one knows exactly what will happen, we have modelled down side scenarios in the Stress Test I and Stress Test II forecasts. David Gruber said that if any members wanted to propose even more negative assumptions in additional forecasts they should be able to be included in the committees report. Arthur Malman also noted that we had already all agreed to include, as an appendix to our report, a letter from John Shea, Bonnie Krupinski, Gene Oshrin and others who may wish to join or submit additional dissenting opinions expressing their concerns over the effect of the proposed rules and the process by which they are being implemented on litigation, capital projects at the airport, aircraft owners and passengers, the airport and larger town wide economy.

--lines 43-48 are upsides from various sources. Revenue enhancements are new sources of airport revenue from paid parking, leasing additional vacant land to new tenants, etc. Members

agreed that even with the rules HTO over time should be able to achieve at least 50% of our Committee's prior estimates of incremental revenues from these sources and they are included at such 50% rate.

Market Shifts are included at 50% of the Noise Committee's estimates and here several members felt that this was unduly optimistic. Arthur Malman pointed out that there were no revenue upsides from market shifts in Stress I or Stress II forecasts.

The seasonal control tower is included as an expense for 2015 but the Board has not made any decision about it in subsequent years. As a result it is assumed as a 50% chance of cost savings in subsequent years. Several committee members stated that, even with the elimination of almost all helicopters, the control tower should be retained for safety reasons and to assist the Town's enforcement of the proposed rules and they opposed showing a savings from a 50% possibility of its elimination in this Median Forecast as well as 100% possibility of its elimination in Stress I and Stress II. Others disagreed stating that with the substantial decrease in traffic there was no need for the seasonal tower and that the town had operated for many years without one until recently. Zach Cohen pointed out that the tower, unlike revenue enhancements or market shifts which can be assumed as 50% or some other percentage of their potential, is an all or nothing decision.

--Line 39 One Time Landing Fee Increase. This forecast assumes a 50% increase in landing fees in 2015 and no further increases. This is designed to allow the airport to keep surplus at all times above \$500,000, end up in 2019 at the same \$1.7 million of surplus it has at present, have substantial debt service coverage at all times and give it an annual operating surplus of about \$600,000 by 2019 to support further capital projects in years subsequent to the forecast period, such as repaving the main runway in 2020.

While the one-time 50% increase is shown to simplify the presentation, Peter Wadsworth pointed out that there are numerous ways that the Board can decide to raise the funding needed including a lesser initial increase for 2015 with annual increases thereafter, temporary surcharges etc.

David Gruber explained that: The Sensitivity Analysis that accompanies the Median Expectation illustrates, on a consistent basis, that is, an ending surplus of \$1.7 million, the one-time fee increase that would be needed to achieve the \$1.7 million ending surplus given varying assumptions about realization of the different potential upsides that have been identified, (1) paid parking and new leases, (2) adaptive behavior by airport users, and (3) elimination of the tower after 2015, without making any judgment about whether these will occur. The two documents together therefore illustrate cash flow and cash position based upon: (a) 2014 income with a pro forma 5 cent fuel fee increase and 3% inflation, (b) reduced by the impact of the Board's \$7 million capital budget and \$3 million litigation budget, (c) further reduced by the pro

forma impact of the proposed rules on 2014 operations and therefore as to landing fees, fuel fees, and other user-generated income, and (d) with a range of upside revenues and expense savings from zero to 100% of those identified. He also pointed out that the current income, if maintained, is sufficient to cover the Board's capital and litigation budgets so that the need is to replace the revenues lost due to operations excluded by the Board's proposed rules. The Sensitivity Analysis shows the range of one-time landing fee increases needed to replace the lost revenue.

STRESS TEST I

A spreadsheet prepared by David Gruber representing the "Stress Test I" (see [Exhibit II](#) attached) was distributed to the Committee.

This forecast has several different assumptions from the Median. The main assumptions are that traffic falls off beyond the effects of the proposed rules in 2016 by 10% and another 5% in 2017. Presumably while people have already made plans for the summer of 2015, people will choose to move or vacation elsewhere by 2016 and 2017 and then things will stabilize.

--lines 3-12 reflect the revenue effects of these traffic declines in 2016 and 2017.

--line 36 reflects a disproportionately greater decline in fuel flowage fees

--line 46 reflects no benefit from market shifts

--line 47 reflects elimination of the tower by 2016

--Line 39 One Time Landing Fee Increase. This forecast assumes a 98% increase in landing fees in 2015 and no further increases. This is designed to allow the airport to keep surplus at all times above \$500,000, end up in 2019 at the about \$1.5 million (slightly below the \$1.7 million of surplus it has at present), have substantial debt service coverage at all times and give it an annual operating surplus of over \$600,000 by 2019 to support further capital projects in years subsequent to the forecast period, such as repaving the main runway in 2020.

STRESS TEST II

A spreadsheet prepared by David Gruber representing the "Stress Test II" (see [Exhibit III](#) attached) was distributed to the Committee.

Arthur Malman explained that this forecast has some more severe negative assumptions than Stress Test I. The main assumptions are that traffic falls off beyond the effects of the proposed rules in 2016 by 10% and another 15% in 2017. Presumably while people have already made plans for the summer of 2015, people will choose to move or vacation elsewhere by 2016 and even more by 2017 before things stabilize

--lines 3-12 reflect the revenue effects of these severe traffic declines in 2016 and but triple the 2017 traffic decline as compared to Stress Test I

--line 36 reflects the same disproportionately greater decline in fuel flowage fees as Stress Test I

--line 46 reflects no benefit from market shifts as in Stress Test I

--line 47 reflects elimination of the tower by 2016 as in Stress Test I

--Line 39 One Time Landing Fee Increase. This forecast assumes a 113% increase in landing fees in 2015 and no further increases. This is designed to allow the airport to keep surplus at all times above \$500,000, end up in 2019 at the about \$1 million (below the \$1.7 million of surplus it has at present), have good debt service coverage at all times and but gives it an annual operating surplus of only about \$260,000 by 2019, not really able to support further capital projects in years subsequent to the forecast period, such as repaving the main runway in 2020.

David Gruber discussed a sensitivity analysis (attached as Exhibit IV) he had developed to show the economic effects of various assumptions regarding different combinations of revenue enhancements, market shifts and tower retention/closure. Some committee members felt that there were too many assumptions built into this analysis to make it useful for them.

In the ensuing discussion it was pointed out that no matter what the proposed rules turn out being, the Board would be monitoring their effects and probably make adjustments if needed.

It was agreed that the letter from John Shea, Gene Oshrin and Bonnie Krupinski (attached as Exhibit V) would be attached to any report as an appendix.

A vote was requested on whether or not a majority of the committee would support this or some other range of projections or whether they felt that no forecasts were possible at this date.

The committee was evenly divided and it was determined that no report could be issued at this time. Munir Saltoun, Peter Wadsworth, David Gruber, Frank Dalene, Pat Trunzo III and Arthur Malman felt that the committee could report a range of financial projections, even if some of them could not support all of the proposed rules. Michael Diesenhaus, Toni Somerstein [who was subsequently contacted by telephone], Andrew Right, Bonnie Krupinski, Gene Oshrin and John Shea felt that the committee could not support reporting even a range of financial projections at this time.

The meeting adjourned at 1:30 PM after having the next meeting set for 11 AM on Friday, March 13, at Town Hall. [the March 13 meeting was subsequently postponed to March 28]

Respectively submitted, Arthur Malman

Exhibit I

Median Expectation

	A	B	C	D	E	F	G	H	I	J
		2014	2015	2016	2017	2018	2019	Totals	Rates	
1										
2										
3	Landing fees	1,735	1,787	1,841	1,896	1,953	2,011	11,223	3.0%	
4	Collection Losses	(58)	(60)	(62)	(63)	(65)	(67)	(375)	3.0%	
5	Vector Collection Fees	(218)	(225)	(231)	(238)	(245)	(253)	(1,410)	3.0%	
6	Net Landing Fees	1,459	1,503	1,548	1,594	1,642	1,691	9,437	3.0%	
7	Fuel Fees (\$30)	221	221	228	234	241	249	1,394	3.0%	
8	Fuel Fee Incr (\$0.05)		37	38	39	40	41	196		
9	Sub-Total User Fees	1,680	1,761	1,813	1,868	1,924	1,982	11,027	3.0%	
10	Rent	605	625	646	667	689	712	3,843	3.3%	
11	Other	53	55	56	58	60	61	343	3.0%	
12	Total Revenues	2,338	2,440	2,515	2,593	2,672	2,755	15,313		
13										
14	Expense	1,031	1,062	1,094	1,127	1,160	1,195	6,669	3.0%	
15	Benefits	149	161	174	188	203	220	1,096	8.1%	
16	Admin	178	183	189	195	200	206	1,151	3.0%	
17	Total Oper Expense	1,358	1,406	1,457	1,509	1,564	1,622	8,916		
18										
19	EBITDA	980	1,034	1,058	1,083	1,108	1,133	6,997		
20										
21	New Debt Issued	720	2,000	2,000	1,500	780	0	7,000		
22	Capital Expenditures	(720)	(2,000)	(2,000)	(1,500)	(780)	0	(7,000)		
23	Old Debt Service	(172)	(132)	(132)	(79)	(79)	(70)	(611)		
24	New Debt Service		(88)	(248)	(400)	(509)	(560)	(1,805)		
25	Legal	(260)	(1,000)	(1,000)	(1,000)			(3,260)		
26										
27	Tr to/(from) Surplus	848	(186)	(268)	(396)	520	803	721		
28										
29	End of Year Surplus	1,700	1,814	1,246	880	1,370	1,873			
30										
31	Rules Effects:									
32										
33	Landing Fees	(750)	(773)	(796)	(820)	(844)	(869)	(4,851)	3.0%	
34	Collection Losses	15	15	16	16	17	17	97	3.0%	
35	Vector Collection Fees	103	108	109	112	116	119	666	3.0%	
36	Fuel Fees	(78)	(80)	(83)	(85)	(88)	(90)	(505)	3.0%	
37	Other	(21)	(22)	(22)	(23)	(24)	(25)	(137)	3.0%	
38	One-Time Landing Fee Incr		419	428	440	454	467	2,204	80.2%	
39										
40			(338)	(348)	(359)	(369)	(381)	(1,795)		
41	Total Net Rule Effects									
42										Probability
43	Upsides:									
44										
45	Revenue Enhancements		25	75	143	211	267	720	50%	
46	Market shifts		43	44	46	47	48	228	50%	
47	Tower		68	280	354	428	491	1,622	50%	
48	Total Upsides									
49			(270)	(68)	(5)	59	110	(173)		
50	Net Adj to EBITDA									
51	Adj EBITDA		764	991	1,079	1,167	1,244	5,244		
52										
53	Adj Tr to/(from) Surplus		(456)	(336)	(400)	579	914	0		
54										
55	Adj End of Year Surplus	1,700	1,244	908	808	1,087	1,790			
56										
57										
58	Debt Coverage		3.48	3.03	2.25	1.98	1.97			

Stress Test I

	A	B	C	D	E	F	G	H	I	J
	2014	2015	2016	2017	2018	2019	Total	Rates		
1				-10%	-5%					
2		1,735	1,787	1,657	1,621	1,670	1,720	10,189	3.0%	
3	Landing fees	(58)	(60)	(55)	(54)	(56)	(57)	(341)	3.0%	
4	Collection Losses	(218)	(225)	(208)	(204)	(210)	(216)	(1,280)	3.0%	
5	Vector Collection Fees	1,459	1,503	1,393	1,363	1,404	1,446	8,566	3.0%	
6	Net Landing Fees	221	221	205	200	206	213	1,266	3.0%	
7	Fuel Fees (\$.30)		37	33	31	34	35	171		
8	Fuel Fee Incr (\$.05)	1,680	1,761	1,631	1,595	1,645	1,694	10,006	3.0%	
9	Sub-Total User Fees	605	605	605	605	605	605	3,630	0.0%	
10	Rent	53	55	56	58	60	61	343	3.0%	
11	Other	2,338	2,420	2,292	2,258	2,310	2,361	13,979		
12	Total Revenues									
13		1,031	1,062	1,094	1,127	1,160	1,195	6,669	3.0%	
14	Expense	149	161	174	188	203	220	1,096	8.1%	
15	Benefits	178	183	189	195	200	206	1,151	3.0%	
16	Admin	1,358	1,406	1,457	1,509	1,564	1,622	8,916		
17	Total Oper Expense									
18		880	1,014	896	749	748	739	8,063		
19	EBITDA									
20		720	2,000	2,000	1,500	780	0	7,000		
21	New Debt Issued	(720)	(2,000)	(2,000)	(1,500)	(780)	0	(7,000)		
22	Capital Expenditures	(172)	(132)	(79)	(79)	(79)	(70)	(611)		
23	Old Debt Service		(88)	(248)	(400)	(509)	(560)	(3,260)		
24	New Debt Service	(260)	(1,000)	(1,000)	(1,000)					
25	Legal									
26		848	(306)	(481)	(730)	387	109	(613)		
27	Tr to/(from) Surplus									
28		1,700	1,494	1,003	273	430	839			
29	End of Year Surplus									
30										
31	Rules Effects									
32		(750)	(773)	(796)	(820)	(844)	(869)	(4,851)	3.0%	
33	Landing Fees	15	15	16	16	17	17	87	3.0%	
34	Collection Losses	103	106	109	112	116	119	666	3.0%	
35	Vector Collection Fees	(128)	(132)	(136)	(140)	(144)	(148)	(828)	3.0%	
36	Fuel Fees	(21)	(22)	(22)	(23)	(24)	(25)	(137)	3.0%	
37	Other									
38			811	688	640	660	678	3,478	88%	
39	One-Time Landing Fee Incr									
40			7	(141)	(213)	(220)	(226)	(793)		
41	Total Net Rule Effects									Probability
42										
43	Upgrades:									
44			25	75	143	211	267	720	80%	
45	Revenue Enhancements		0	0	0	0	0	0	0%	
46	Market shifts				332	342	352	1,026	100%	
47	Tower		25	75	475	553	619	1,748		
48	Total Upgrades							952		
49			32	(66)	261	333	393	952		
50	Net Adj to EBITDA									
51			1,049	770	1,010	1,078	1,132	5,938		
52	Adj EBITDA									
53			(174)	(357)	(469)	480	802	(209)		
54	Adj Tr to/(from) Surplus									
55		1,700	1,826	869	800	890	1,481			
56	Adj End of Year Surplus									
57			4.76	2.36	2.11	1.83	1.80			
58	Debt Coverage									

Stress Test II

	A	B	C	D	E	F	G	H	I	J
		2014	2015	2016	2017	2018	2019	Totals	Rates	
1										
2				-10%	-15%					
3	Landing fees	1,735	1,787	1,657	1,450	1,494	1,539	9,662	3.0%	
4	Collection Losses	(58)	(60)	(55)	(48)	(50)	(51)	(323)	3.0%	
5	Vector Collection Fees	(218)	(225)	(208)	(182)	(188)	(193)	(1,214)	3.0%	
6	Net Landing Fees	1,459	1,503	1,393	1,220	1,256	1,294	8,125	3.0%	
7	Fuel Fees (\$30)	221	221	205	179	185	190	1,201	3.0%	
8	Fuel Fee Incr (\$05)		37	33	28	31	32	161		
9	Sub-Total User Fees	1,880	1,761	1,631	1,427	1,472	1,516	9,487	3.0%	
10	Rent	605	605	605	605	605	605	3,630	0.0%	
11	Other	53	55	56	58	60	61	343	3.0%	
12	Total Revenues	2,338	2,420	2,292	2,090	2,136	2,182	13,439		
13										
14	Expense	1,031	1,062	1,094	1,127	1,160	1,195	6,669	3.0%	
15	Benefits	149	161	174	188	203	220	1,099	8.1%	
16	Admin	178	183	189	195	200	206	1,191	3.0%	
17	Total Over Expense	1,358	1,406	1,457	1,509	1,564	1,622	8,916		
18										
19	EBITDA	980	1,014	836	881	872	861	4,843		
20										
21	New Debt Issued	730	2,000	2,000	1,500	780	0	7,000		
22	Capital Expenditures	(720)	(2,000)	(2,000)	(1,500)	(780)	0	(7,000)		
23	Old Debt Service	(172)	(132)	(79)	(79)	(79)	(70)	(611)		
24	New Debt Service		(88)	(248)	(400)	(509)	(560)	(1,805)		
25	Legal	(260)	(1,000)	(1,000)	(1,000)			(3,260)		
26										
27	Tr to/(from) Surplus	848	(206)	(491)	(898)	(16)	(69)	(1,132)		
28										
29	End of Year Surplus	1,700	3,484	1,003	108	89	20			
30										
31	Rules Effects:									
32		(750)	(773)	(796)	(820)	(844)	(869)	(4,851)	3.0%	
33	Landing Fees	15	15	16	16	17	17	97	3.0%	
34	Collection Losses	103	106	109	112	116	119	666	3.0%	
35	Vector Collection Fees	(128)	(132)	(136)	(140)	(144)	(148)	(828)	3.0%	
36	Fuel Fees	(21)	(22)	(22)	(23)	(24)	(25)	(137)	3.0%	
37	Other									
38	One-Time Landing Fee Incr		938	793	880	898	816	3,822	113%	
39										
40	Total Net Rule Effects		130	(36)	(273)	(281)	(290)	(751)		
41										
42										Probability
43	Upsides:									
44	Revenue Enhancements		25	75	143	211	267	720	80%	
45	Market shifts		0	0	0	0	0	0	0%	
46	Tower		25	75	143	211	267	1,026	100%	
47	Total Upsides		25	75	143	211	267	1,746		
48										
49	Net Adj to EBITDA		155	39	201	271	329	995		
50										
51	Adj EBITDA		1,169	875	782	843	890	4,859		
52										
53	Adj Tr to/(from) Surplus		(81)	(452)	(697)	(285)	(289)	(685)		
54										
55	Adj End of Year Surplus	1,700	3,440	1,197	800	788	1,018			
56										
57	Debt Coverage		5.32	2.68	1.63	1.43	1.41			

EXHIBIT V

PROPOSED MINORITY STATEMENT FROM JOHN SHEA, BONNIE KRUPINSKI AND GENE OSHRIN

The BFAC financial impact analysis is premised upon the Town's rejection of FAA grants that traditionally provide 75% to 95% of the funding for airports throughout New York State for improvements and maintenance.

Due to the rejection of FAA funding, the Town will have to increase landing fees and fuel charges, in addition to other measures, to service the debt the Town will have to incur to generate the \$7 Million required to maintain safety and infrastructure at the Airport and to pay for noise restriction litigation and administrative proceedings in the range of \$3 Million.

As stated in the BFAC Progress Report, certain members of the BFAC are of the opinion that some of the proposed noise restrictions may not be legally sustainable and other restrictions should be modified.

With respect to the analysis of the financial impacts of the the proposed noise restrictions, certain members of the BFAC believe that alternative noise control measures involving routes, altitudes, approaches and landing patterns could have been pursued without a drastic reduction in Airport revenues, but they recognize that is not the direction the Town is likely to pursue at this time.

We also want to note that the BFAC analysis has been conducted without the benefit of a Town Board commitment to a completed capital plan with explicit priorities for maintenance, improvements and repairs. Expenses are being projected without the benefit of stated priorities and bid quality information.

The BFAC analysis of the "Financial Impact of Proposed Restrictions" does not address the financial impact of the restrictions on the Town's local businesses, workforce and economy. Likewise, there is no financial analysis of the loss of jobs and businesses at the Airport itself.

The proposed restrictions will limit some local aircraft to one round trip per week. That will interfere with the ability of certain local businesses that rely on regular air transportation to sustain their business operations on the East End. That financial impact is not the subject of the BFAC analysis.

The proposed restrictions will generate years of litigation expenses that could drain airport reserves that should be devoted exclusively to airport safety and maintenance, not noise restriction litigation. That is of serious concern to us.

We believe that for the foreseeable future, the costs of the airport tower should be included in BFAC financial projections. In addition to its safety benefits during the summer season, the tower could prove to be useful for the monitoring and enforcement of noise control measures that may ultimately be implemented, including takeoff curfews, routing, altitudes, approaches and patterns. If eliminated, reinstating the tower with the FAA would be time consuming and an added expense. We believe the tower should be maintained unless and until it becomes clear that it serves no purpose. Accordingly, it should continue to be included as an expense in BFAC analyses.

Lastly, we believe that the proposed noise restrictions, if upheld in court and fully implemented, may have certain unintended financial consequences. The BFAC did not have either the ability or responsibility to predict and analyze all financial impacts of the proposed shift away from the resort community passenger services and commercial operations that have been provided at the Airport since the 1940's.