



PO Box 196960
Anchorage, AK 99519-6960
www.aiaa.alaska.gov

March 30, 2020

RE: AIAA Payment Deferral Program in Response to COVID-19 Crisis

Dear Valued AIAA (ANC/FAI) Customer:

The Alaska International Airports System (AIAA), comprised of the Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI), is an enterprise fund of the State of Alaska, operated by the Alaska Department of Transportation and Public Facilities.

AIAA is acutely aware of the financial cost associated with the COVID-19 crisis. We are watching the sharp decline in air travel and feeling the direct effects from reduced airline, concession, parking and other revenues that go directly to the Alaska International Airport Revenue Fund. While we are hopeful that business will return to "normal" quickly, we do not know precisely when the crisis will be over, when members of the public will return to normal travel schedules, or when the airlines will be able to resume normal operations.

We understand that our partners operating at ANC and FAI are also feeling the effects. We have been in close contact with many businesses and recognize that the reduction in air travel affects not only the airlines but also concessionaires, rental car companies, and many of our other business partners providing direct and indirect services to ANC and FAI, the airlines and airport passengers.

AIAA will do everything reasonably within our power to ensure that our business partners weather this crisis as a community. We are looking closely at spending to see how we can cut costs which can offset at least part of the reduced revenue, and we are working with our trade associations to make sure that Congress and the Administration recognize the impact of COVID-19 on airports and aviation and include our industry in any federal relief efforts. Several customers and tenants have inquired about rent abatement, forgiveness from airport fees, and other financial relief. Some of our agreements have contract provisions which may modify rent payments, usually as a result of significant changes in monthly passenger traffic levels, and for our contracts containing such provision, we intend to honor those provisions to the best of our ability.

AIAS has a fiduciary duty and legal commitments to its bondholders and to the federal government that greatly limit our flexibility. In addition, AIAS is a State of Alaska enterprise fund, which means we must pay all of our operating expenses, maintenance and capital expenses, debt obligations and other airport costs solely from the operating revenue generated at ANC and FAI, Federal Grants, and Passenger Facility Charge Funds – AIAS has no support from taxes or other local contributions.

AIAS operates under a residual-rate making model which incorporates risk-sharing with our signatory airline and some concession customers in order to operate with lower rate & fee schedules than would be required under a compensatory rate-making model. That risk-sharing provides significant benefits when business is good, but also entails significant obligation when business is not as good. Prior to this event, we were extremely pleased with AIAS's performance in recent years and optimistic about the future.

We are confident that our fundamentals remain strong and we will endure the present crisis. However, because we operate under a residual rate-making model, we simply do not have sufficient cash reserves to make up for a significant decline in direct revenue in order to offer financial relief to our business partners in the form of rent waiver or abatement.

However, at this time we believe it is permissible and appropriate to afford certain payment deferral options to airline, concessionaire, and land-rent lease customers, given the anticipated significant adverse financial impact to our customers likely to result from the COVID-19 pandemic. We will offer payment forbearance options for payments otherwise due for April, May, and June 2020 activity of airline, concessionaire, and land-rent customers until July 2020 activity payment due-date subject to the following the conditions:

- 1) Continued timely and complete filing of all certified activity reports (CAR's) and/or other required reporting obligations under lease contracts with current or hold-over status.
- 2) Along with next report submittal in accordance with 1) above, customer will submit a letter signed by authorized customer officer or representative that:
 - a. requests forbearance as described above,
 - b. identifies the specific activity period (i.e. months) of the requested permissible payment deferrals,
 - c. provides brief description and explanation of how COVID-19 impact necessitates the forbearance request,

- d. acknowledges customers understanding of the terms of forbearance offered herein,
- e. agreement that customer will pay full amount of any contractually obligated payments deferred under this forbearance no later than payment due date for their July 2020 activity payment.

AIAS, along with other U.S. airports, has worked closely with Airports Council International-North America in successfully recommending that Congress provide at least \$10 billion in general fund revenue to U.S. commercial service airports, to assist with the economic impacts related to COVID-19, and is currently working to see how the benefit of the recently created CARES act will impact the operations of AIAS and its airport customers.

This is a dynamic situation. Our top priority has been and will remain the safety of ANC & FAI passengers, our employees, and our partners. We are hopeful that our airports can continue to operate smoothly, and all businesses remain open, if perhaps on a reduced schedule or with certain limitations in place or other modification in conditions or operational schedules. Short of abating rents and fees, we will continue to work with our partners on how they can stay open, offer quality products and services, and keep the focus on providing the best possible airport experience for our passengers.

Sincerely,



John R Binder III, A.A.E
AIAS Executive Director
Alaska Department of Transportation & Public Facilities, Deputy Commissioner Aviation
907.269.0730