[Customer Facility Charge]

(February 28, 2016 by Dafang Wu and Bing Zhu; [PDF Version])

This article discusses customer facility charge (CFC) project eligibility, current collection level, considerations in funding consolidated rental car facilities, and the typical structure of CFC-backed special facility bonds.

Background

Customer facility charge (CFC) is a user fee imposed by an airport operator on each rental car user, collected by rental car companies. CFC is regulated at the state level instead of the federal level. Therefore, the authorization, collection, and project eligibility vary from state to state. In general:

- CFC is collected for each rental car transaction or each rental car transaction day. Some airports choose to cap the total CFC transaction days at five or less. In other words, a rental car user will pay no more than five days of CFC at those locations.
- CFC revenues are generally used for capital and financing costs of rental-car-related projects, such as consolidated rental car facilities (ConRACs) and related roadway systems. Different from the FAA grants or passenger facility charge that can be used only for capital costs, CFC can be used for operating expenses of ConRAC or even the common bussing system to the ConRAC. In addition, if an airport chooses to use part of an existing park garage for rental car operations, CFC may be used to build replacement parking space elsewhere.
- CFC rate is typically adjusted from time to time to provide adequate revenues for all obligations. Therefore, the CFC rate is determined at the airport level instead of at the state level.

[The following dashboard] presents current CFC rates at all large-, medium-, and small-hub airports, gathered from Avis.com. This dashboard is updated from time to time, as dated on the dashboard.

CFC in California

The [California Civil Code Section 1936] provides the state's regulation regarding CFC collections, among other regulatory requirements. CFC revenues can be used to (a) finance, design, and construct ConRACs, (b) finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system, and (c) finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The aggregate amount to be collected shall not exceed the reasonable costs, as determined by an audit, by an independent auditor, paid for by the airport, to finance, design, and construct those facilities.

Section 1936(l) stipulates that an airport can either:

- Collect CFCs on a per-contract basis at $10 per contract, or
- Collect CFCs on an alternative basis, such as on a per-transaction-day basis after, among other requirements:
  - Filing an annual report to the Senate and Assembly Committee regarding CFC collection, expenditure, changes in budget and reason for change, and change in CFC level
  - Filing an audited report prior to CFC collection regarding total costs, CFC rate-setting, value engineering, and alternative of revenue generation, among other content
  - Filing a report prior to any CFC rate increase
  - Filing a report every three years regarding the common-use transportation system

- Conducting a public hearing before implementing the CFC
- Collecting a CFC at no higher than $7.50 per day starting January 1, 2014 or no higher than $9.00 per day starting January 1, 2017, for no more than five days per transaction

ConRAC Considerations

Consolidated rental car facilities are becoming popular in the U.S because they offer several obvious benefits:

1. Reduce landside congestion. The ConRAC is typically served by a common use transportation system: bus or automated people mover, thus eliminating the large number of rental car shuttle buses accessing the airport curbside. The related benefit in terms of noise and air quality is a major consideration for certain airports pursuing ConRAC.
2. Increase rental car revenues. To maintain a competitive advantage, a majority of rental car companies are willing to operate in the ConRAC. For airports that don't charge a 10 percent concession fee for off-airport operations, moving rental car companies to an on-airport location brings additional rental car revenues. Rental car companies operating off-airport after ConRAC would be required to transport passengers from the ConRAC facility rather than from the curbside, thus creating a "double-bussing" requirement for their patrons.
3. Free up on-airport properties. When the rental car companies move to the ConRAC, they return all or a portion of currently leased land to the airport, providing opportunities for further economic development.

When constructing a consolidated rental car facility, three types of activities are ongoing at the same time:

1. Capital planning: determining the site, design, cost, and schedule for the ConRAC; coordinate with the rental car companies for facility requirements
2. Business planning: negotiating concession and facility lease with rental car companies
3. Financial planning: examining affordability, calculating annual CFC level, preparing plan of finance, and obtaining bond funding

When Moody's examined ConRAC financing in April 2012, 11 bonds were outstanding for facilities at ANC, ATL, BNA, BWI, BOS, CLT, IAH, MCO, MSY, PHX, and PVD. Since then, AUS, ORD, SAN, SAT, and TPA have issued CFC-backed bonds, and several large hubs are planning for CFC financing, such as Hawaii and LAX. The CFC official statements are listed below.

CFC Official Statement	
Airport	CFC
ANC	2005 CFC
ATL	2006 CFC
AUS	2013 CFC
BNA	2010 CFC
BOS	2011AB CFC
BWI	2002 CFC
CLT	2011 CFC
IAH	2014 CFC
MCI	2005 CFC
MCO	2009 CFC
MIA	n.a. MIC funded by FDOT using TIFIA loans.
MSY	2009 CFC
ORD	2013 CFC
PHX	2004 CFC
PVD	2006 CFC
SAN	2014 CFC OS
SAT	2015 CFC
TPA	2015AB CFC

CFC Bond Financing

CFC bonds were typically issued as stand-alone bonds payable from CFC revenues and certain fund balance, without a claim to the airport's general revenues. That is because the airlines do not benefit from the ConRAC facility and, thus, do not want to provide residual protection for the financing. A single-source pledge is considered much riskier than a pledge of airport general revenues. Therefore, multiple articles are added to the CFC bond indenture to provide additional bond investor protection.

Rate Covenant

The bond issuer typically has the authority to increase CFC collection levels, and covenants to do so whenever needed to meet the bond payment obligations. In addition, all rental car companies operating in the ConRAC typically provide a contingency rent clause, whereby they collectively agree to pay whatever amount necessary to meet the bond payment obligations.

Application of Revenues

Different from the application of general airport revenues, the first priority of the CFC bonds is typically to pay debt service rather than the operating expenses of the ConRAC. This approach is referred to as the gross pledge of the CFC revenues rather than the net pledge of the CFC revenues, which is the net of operation and maintenance expenses. The gross pledge is much preferred by the bond investors because the rental car companies cannot operate without paying the bond investors first.

The CFC indenture also sets out a list of funds and accounts to mitigate the risk of using a single-source revenue pledge. The rolling coverage account is sized at 25 percent to 50 percent of the annual debt service. The Rate Stabilization Fund may be set up to hold 5 percent to 10 percent of total bond proceeds, or 50 percent plus of annual debt service. The indenture may also set aside the O&M reserve fund and bus repair and replacement fund, among other funds and accounts.

Additional Bond Test

The additional bond test for the CFC bonds is stricter than that of the general airport revenue bonds. The historical test may require the bond issuers to have historical net revenues no less than 125 to 150 percent of maximum debt service on existing bonds and the proposed bonds. The prospective test may require the bond issuers to include only approved CFC increases rather than projected future CFC increases. In some documents, contingency rent cannot be included to demonstrate compliance under the prospective test.

Customer Facility Charge, U.S. Large, Medium, and Small-Hub Airports

(compiled from Avis.com on 2/28/2016, based on daily and weekly rentals starting 3/7/2016)

DWU CONSULTING LLC
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Number of Airports

Type	Sub_Type	Airports	% of Total
Daily	Per Day	61	88.4%
	MAX 3 Days	1	1.4%
	MAX 4 Days	1	1.4%
	MAX 5 Days	6	8.7%
No CFC	No CFC	52	100.0%
Per Transaction	Per Transaction	10	100.0%
Grand Total		131	100.0%

List of Airports by CFC Type

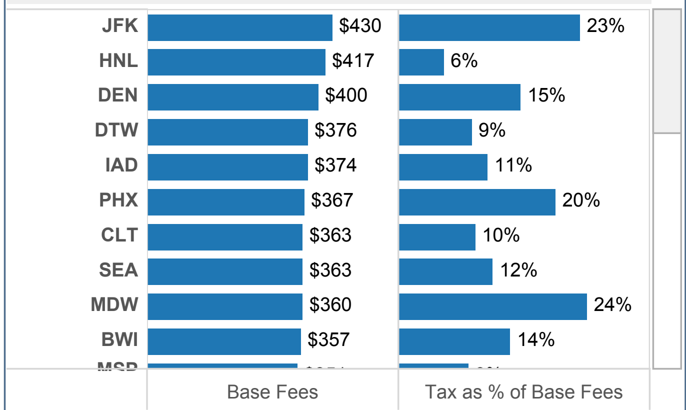
MAX 3 Days	LBB
MAX 4 Days	PDX
MAX 5 Days	BUR CAK FAT PWM SAN SJC
Per Transaction	FNT LAX LGB MKE OAK ONT PSP SAV SDF TUS

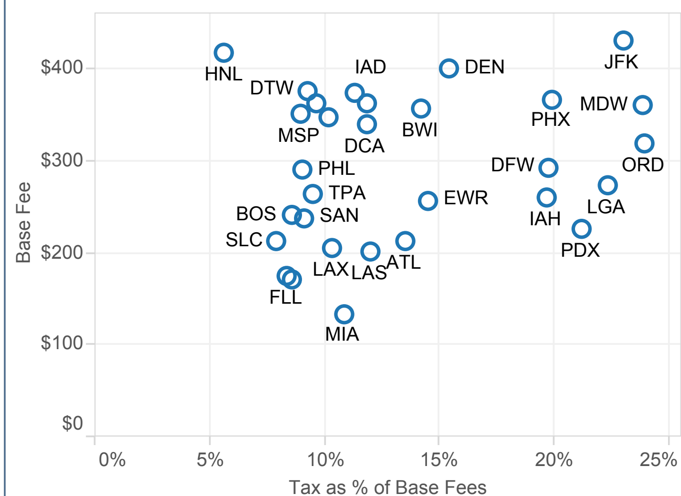
List of Airports by CFC Type

No CFC	ALB ANC BHM BLI BUF CLE DAL DFW ECP EWR EYW FAI FAR FLL FSD GSO GUM HOU HPN HSV IAD JAN JAX JFK LGA MAF MCO MFE MHT MIA MSN OMA PBI PHX PIE PIT PNS RDU ROC RSW SFB SFO SGF SJU SMF SNA SRQ STL STT SYR TPA TYS

Time Span: Weekly | Hub Size: L

Weekly Base Fee and Tax





Airport: All

CFC per Transaction Day

$8.00	ORD PHL
$7.50	SAN SJC
$6.20	MSY
$6.00	BDL BOS BUR CAE PDX PVD SEA
$5.95	AUS
$5.90	MSP
$5.50	CMH
$5.00	ATL SAT SLC
$4.75	CVG MDW
$4.50	BNA DAY FAT HNL ITO KOA LIH OGG OKC
$4.25	AVL
$4.00	BTV CLT GSP IAH ICT IND MEM MYR TUL
$3.75	BWI DSM GEG LAS MDT
$3.50	CHS ELP LBB LIT XNA
$3.00	ACY BIL EUG GRR MCI RIC
$2.75	BZN
$2.50	DCA ISP LEX
$2.25	ABQ
$2.15	DEN
$2.00	CAK
$1.88	CID
$1.50	COS
$1.25	RNO
$1.20	BOI
$1.00	DTW PWM
$0.72	ORF