Glossary of Terms
Relevant to Airport Fiscal Administration

Administration, Operating & Maintenance Expenses (AOM) – current expenses, paid or accrued, for administration, operation, maintenance, and ordinary repairs for an airport. AOM expenses typically do not include any allowance for depreciation or renewals or replacements or obsolescence of capital assets, or any operating expenses of special purpose facilities buildings where the lessees are obligated to pay such operating expenses. [Note: also referred to as O&M Expenses]

Air Taxi – air carrier activity operating under 14 CFR Part 135 and authorized to provide, on demand, public transportation of persons and property by aircraft. Generally operates small aircraft "for hire" for specific trips. Note: ATC classifies certain scheduled air service activity using aircraft with less than 60 seats as "air taxi/commuter" operations.

Aeronautical Use – any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to the operation of aircraft.

Aeronautical Revenues – income accrued from rates and charges associated with the use of aeronautical facilities.

Affiliate – provisions in an Airline Use Agreement that establish the relationship between an airport, regional airlines and their associated mainline airlines.

Aircraft Operation – aircraft movement for the purposes of flight (takeoff <u>or</u> landing). As a metric used by *Air Traffic Control (ATC)*:

- *air carrier (AC)* – operation by civilian aircraft capable of carrying more than 60 passengers
- *air taxi (AT)* – operation by commercial aircraft (Part 121/135) with up to 60 passengers
- *military* – operation by aircraft not otherwise classified as air carrier, air taxi or general aviation
- *general aviation* – operation by civilian aircraft not otherwise classified as air carrier, air taxi or military
- *local* – operation (1) within local traffic pattern; (2) within sight of airport; (3) known to be operating in local practice within 20-mile radius or; (4) executed simulated instrument approaches
- *itinerant* – operation not otherwise classified as local operation

Airfield – portions of an airport (excluding aircraft parking aprons, tie-downs and hangar areas) expressly provided for the landing, taking off, and taxiing of aircraft.

Airport/Airline Use (and/or Lease) Agreement ("Agreement") – specifies the financial obligations, terms of use, and other responsibilities that each party assumes with respect to the use of the airport's facilities. The Agreement sets the commencement and termination dates for the use of airport facilities, identifies the facilities to be used and the degree of use, the rate-making methodology, and defines the approved uses of the facility.

Airport Improvement Program (AIP) – FAA-administered program that provides funding grants for the planning and development of public-use airports included in the National Plan of Integrated Airport Systems (NPIAS). AIP is funded through the collection passenger ticket and excise taxes on aviation activity.

Airport Revenues – income accrued by an airport or airport system in accordance with generally accepted accounting practices, including investment earnings, from or in connection with the ownership or operation of the airport or airport system or any part thereof, or the leasing or use thereof.

Amortization – repayment of airport funds invested in capital projects over a defined term at an imputed interest rate.

Apron – paved area on the airside of the terminal (or cargo) building that is designated for the parking of aircraft and support vehicles, and the loading and unloading of aircraft.

Assurances – provisions contained in a federal grant agreement to which the recipient of federal airport development assistance has voluntarily agreed to comply in consideration of the assistance provided (essential the "strings attached" to federal grants).

Based Aircraft – airworthy aircraft currently using the airport as a home base as evidenced by hangar or long-term tie-down rental.

Bond Resolution – authorizes the issuance of airport revenue bonds and assures bondholders that the airport is a viable concern, able to continue operating and to fulfill its obligation to pay bond interest and principal. The bond resolution establishes the airport's "flow of funds" and deposit requirements.

Capital Improvement Program (CIP) – airport's planned capital program which typically covers a 5-year period. The CIP usually includes project descriptions, estimated project costs, and funding sources such as federal grants, PFCs, and proposed bond funding. Note: The FAA requires airports to develop an *Airport Capital Improvement Program (ACIP)* which is for budgeting federally eligible projects.

Commercial Service Airport – publicly owned airport having scheduled passenger service and 2,500 or more passenger enplanements per year (FAA). Commercial service airports are classified under the FAA's NPIAS, as follows:

Primary (Hub)	Metric	Examples
Large Hub	1% of total US Enpax & greater	ATL/ORD/MIA/MCO/BOS
Medium Hub	0.25% up to 1% US Enpax	HOU/RSW/PBI/DAL/BUF
Small Hub	0.05% up to .025% US Enpax	BOI/SAV/SRQ/PIE/SBA
Non-Hub	10,000 up to 0.05% Enpax	TLH/DAB/GRB/BGR/IAG
Non-Primary	2,500 up to 10,000 Enpax	TEX/BPT/VCT/MTL/MBL

Common Use Passenger Processing Systems (CUPPS) – standardized technology platform recommended by IATA (and other trade associations) that is recently being implemented by airports to enable multiple airlines and service providers the ability to share physical check-in or gate podium positions. Note: CUPPS replaces the older Common Use Terminal Equipment (CUTE)standards.

Common Use Space – non-exclusive areas of an airport used in common by airlines, along with other authorized users of the airport.

Compensatory Methodology – airline tenants fees and rental charges are set to recover the actual cost of operating and maintaining the facilities being leased and/or used by the airline parties.

Comprehensive Annual Financial Report (CAFR) – set of public financial statements comprising the financial report of a governmental entity that complies with the accounting requirements promulgated by the *Governmental Accounting Standards Board (GASB)*. Note: Depending on the airport's governance, the specific financial information relevant to the airport may be independent or part of a larger CAFR.

Cost Centers – areas or functional activities of an airport or airport system used for the purposes of accounting for revenues, O&M expenses, amortization, and debt service.

Coverage – premium in excess of the annual debt service requirement established in the rate covenant of a bond resolution designed to provide liquidity and bondholder protection in the event of a short-term decline in revenues.

Customer Facility Charge – charge imposed by a car rental company upon a car rental customer arriving at an airport and renting a vehicle at an airport. The CFC is collected by the car rental company generally to assist in the funding of facility development and expansion for car rental companies.

Debt Service – any principal, interest, premium, and other fees and amounts either paid or accrued for bonds, and other accounts which may be established for payment of principal, interest, premium and other fees and amounts associated with financing instruments subordinated to the bonds.

Differential Rental Rate – terminal rental rate methodology in which rates are calculated based on the specific investment in the space. The user of a newer space generally pays a higher rate than the user of older space.

Disadvantaged Business Enterprise (DBE) – for-profit small business concerns where socially and economically disadvantaged individuals own at least a 51% interest and also control management and daily business operations. Note: *Airport Concession DBEs (ACDBE)* represent DBE businesses that provide passenger amenities such as rental cars, food & beverage services, etc.

Enplanement – domestic or international revenue passenger who boards an aircraft for scheduled & non-scheduled service of aircraft in intrastate, interstate, and foreign commerce. (Note: also referred to as an *enplaned passenger*).

Equalized Rental Rate – terminal rental rate setting methodology in which the same rental rate is applied to all users for the same class of space regardless of the age and condition of the space.

Exclusive Use Space – area rented to an airline for its sole use. Ticket counters, airline operational and administrative offices, and airline club rooms are commonly designated as exclusive use space in many Agreements. Exclusive use space is also typically associated with special facility leases (i.e., space built by and dedicated to one airline).

Fair Market Value (FMV) – price a knowledgeable and willing buyer would pay to a knowledgeable willing seller for property both acting in their own best interests and with no undue pressure to enter the transaction. Note: FMV is usually established by appraisals and FMV percentages are used to establish non-aeronautical rental values.

Fixed-Base Operator (FBO) – commercial business granted the right to provide a full range of aeronautical services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, etc. Note: *Specialized Aviation Service Operator (SASO)* are single-service providers or special FBOs performing less than full services. These types of companies differ from a full-service FBO in that they typically offer only one or two specialized aeronautical service such as aircraft sales, flight training, aircraft maintenance, or avionics services.

Fuel Flowage Fee – revenue collected from bulk delivery or per gallon sale of aviation fuel. Fees that are internal to an FBO lease can be viewed to as a concession fee for the right to sell aviation fuel to users. Fuel flowage fees that are set by ordinance or other external rate setting mechanism can be viewed as a user fee collected in lieu of landing fees.

Funded Coverage – calculated to recover the O&M expenses each year. Any built-up amounts are generally treated by establishing a fund to support airport capital improvements or the excess funds may be split between the airport and airlines.

General Airport Revenue Bonds – Municipal bonds secured by the revenues generated by the airport (e.g., landing fees, terminal rents, concession revenues, etc.).

Generally Accepted Accounting Principles (GAAP) – accounting rules used to prepare and standardize the reporting of financial statements, such as balance sheets, income statements and cash-flow statements.

Hybrid Agreement – agreement where the rates for terminal space and other cost centers are set using the compensatory methodology and airfield rates (landing fees, etc.) are governed by a residual methodology. Hybrid agreements may also include net revenue sharing of a percentage of non-aeronautical revenue.

Joint (or Common) Use Formula – formula that allocates the cost of a space between the airlines where some portion (e.g., 0%, 10%, or 20%) is divided equally between users and the remainder (e.g., 100%, 90%, or 80%) is allocated based on activity (e.g., enplaned passengers or landed weight).

Joint Use Space – terminal areas which may be assigned to two or more airlines.

Landing Fee – charge for use of the airfield, typically assessed based on the 1,000 lb units of the maximum gross landed weight of the aircraft. Smaller aircraft may have lump sum landing fee rates.

Majority-in-Interest Clause (MII) – clause found in some Agreements that provides signatory airlines the opportunity to review and, by a prescribed percentage of airlines, approve or veto capital projects that would be funded through the airline rate base.

Minimum Annual Guarantee (MAG) – rate structure usually applied to non-aeronautical concessions agreements remitting a percentage of revenues. MAGs are established to protect the airport from revenue reductions based on traffic downturns.

Minimum Standards – qualifications or criteria that must be met by businesses engaged in on-airport commercial aeronautical activities for the right to conduct those activities. Minimum standards are designed with the goal of protecting the level, quality, and safety of services offered to the public.

National Plan of Integrated Airport Systems (NPIAS) – FAA database that identifies existing and proposed public use airports that are considered significant to national air transportation and thus eligible to receive federal grants under the *Airport Improvement Program (AIP)*.

Non-Aeronautical Revenues – sources of airport revenue collected from parking, concessions, car rentals, and building and land rentals, etc.

Non-Signatory Airline – airline that has not executed an Agreement with a particular airport. These airlines may pay higher rates and charges than Signatory airlines in exchange for the flexibility of not having a long-term contractual commitment.

Passenger Airline Aeronautical Revenue – includes landing fees, terminal rentals and leases, gate use fees, federal inspection fees, and any other costs associated with the terminal that may be billed to the passenger airline separately, such as terminal area apron charges and aircraft tie-down fees.

Passenger Facility Charges (PFC) – per enplanement fee imposed by airport to supplement funds available from federal AIP grants to assist in airport development and expansion. They are approved by the FAA and are collected by the airlines through an addition to the price of the ticket for each enplaned passenger. PFC revenue can be used to fund only specific capital improvement projects that will preserve or enhance safety, capacity or security; reduce noise; or increase airline competition.

PFC Backed Bonds – airport development bonds supported by PFC revenues. These can include: (1) stand-alone PFC backed bonds secured only by PFC revenue and (2) "double-barrel" bonds backed by both PFCs and airport revenue.

Preferential Use Space – space rented to an airline in which it has preferred, but not exclusive, use of the space and may be required to share the space if a certain level of activity is not maintained.

Rate Covenant – pledge to bondholders that an airport will set rates and charges sufficient to generate net revenues (revenues less O&M expenses) equal to at least the annual debt service requirement plus the coverage requirement.

Rates & Charges (Term) Sheet – document that outlines the terms and conditions for fees and units prices for Agreements, leases and other activities. These are updated regularly based on changing rate-setting variables.

"Rates by Ordinance" – rate-setting methodology where local government legislation specifies the terms and conditions for Rates & Charges as opposed to a compensatory, residual, or hybrid rate basis.

Reserve Requirements – financial cushions designed to give bondholders extra security to ensure that airport will meet debt requirements. The three most common reserve requirements are (1) debt service reserves (typically one year of debt service payments); (2) O&M reserves; and (3) renewal and replacement reserves.

Residual Methodology – signatory airlines agree to pay any costs of operating the airport system, airport, or a specific cost center that are not allocated to other users or covered by non-airline revenues. Signatory airlines assume the risk of overall revenue shortfall and receive the benefit from any revenue surpluses.

Revenue Diversion – illegal use of airport revenue for purposes other than the capital or operating costs of the airport and directly and substantially related to the air transportation of passengers or property.

Revenue Sharing – agreement provisions that indicate how surplus revenues will be split between the airport and the airlines. Revenue sharing can be cost-center specific or airport-wide depending on the Agreement.

Signatory Airline – airline that executes a long-term Use Agreement and thus, pay lower rates and charges than a Non-Signatory airline. In some Agreements, signatory airlines may also be granted MII rights.

Special Facility Revenue Bonds – municipal bonds are used to finance airport projects or improvements (e.g., terminal) that are for the benefit of a particular airline. The bonds are issued based on the airport's creditworthiness, and backed entirely by the tenant's lease payments to use the facility.

"Use It or Lose It Provision" – agreement provision applicable to preferential use gates that typically requires an airline to maintain a certain number of departures at a gate each day or else the airport is given the right to reassign the airline's gate to another airline.

Source: adapted from [ACRP Report 36: Airport/Airline Agreements—Practices and Characteristics]