

Tracking the Money

What consultants and airport managers need to know and do

There has been tremendous growth in passenger and cargo service, and this growth will continue. The FAA's Aerospace Forecast, released in March 2007, projects over 1,200 million enplanements, 81 trillion take-offs and landings, and 81.3 trillion revenue ton miles of cargo being shipped by air by 2020. Funding for airport capital projects, while falling short of what's needed to meet future demand, has grown substantially in recent years. This funding has come from various sources, including Federal airport grants, PFCs and airport bond revenues.

Due to the sheer magnitude of the funds being provided, the providers of these funds are introducing new requirements to insure that the monies are being spent properly by the airport operators. What can consultants and airport managers do to better manage the funding and required reports?

FAA Reporting

The FAA has established new quarterly grant reporting requirements that are similar to the PFC quarterly reporting requirements that have been in place for several years. Although there is no "standard" form for grant reporting, the information that is required under Federal Regulation 49 CFR Part 18 is standard for all FAA regions and districts. Airport sponsors are required to report quarterly, by grant, on the following: Actual Accomplishments versus Baseline Goals; an explanation for slippage of goals; the impact to other AIP funded projects, the impacts to PFC, F&E or Owner-funded projects; a summary of cost overruns and change orders; and a summary of any Letter of Credit drawdowns.

Airport Revenue Bonds

Keep in mind that federal airport grants only account for almost 30 percent of the overall funding that is made available for airport capital projects. In fact, airport revenue bonds fund half of the projects that are undertaken across the country. Airport revenue bonds are usually tax-exempt bonds that are issued by a state, county, city or airport authority to support the airport's capital development program. Similar to the way the FAA requires grant information to be reported, airport boards, underwriters and airport financial advisors also require detailed information on how bond proceeds are being used. This is particularly true of airport bonds that are backed by PFC income.

The Challenge

The burden of preparing these various reports can be substantial to the airport sponsor and will often require significant input from the design, construction and program/construction management consultants who are working on the federally funded projects. The relationships between an airport capital improvement project, its funding sources and the related

project contracts can vary widely in complexity. A small construction project may only have a single source of funds and one design and one construction contract, but a large airport expansion project could have dozens of funding sources and many design contracts. Most airport financial accounting systems do not have sufficient flexibility to effectively manage the inter-relationships between the various projects and contracts, and as a result the airport sponsors have a difficult time gathering and providing the required information to the funding agencies.

Airport consultants have a variety of tools available to them such as Primavera®, Expedition®, Microsoft Project® and others that can be used to manage an airport project, but these tools are often configured by the consultant in the best way to manage the design or construction project — which is not necessarily the configuration needed to provide airport management with the information needed to manage the overall capital program effectively. The major challenge “areas” for airport management in terms of having accurate and accountable information include changing cost estimates and budget estimates, changing design and construction schedules, estimated project close-out dates, and accurate and reliable justification for project change orders.

If airports do not comply with the reporting requirements, they risk losing eligibility for federal funding and may compromise their ability in the future to secure federal grants.

The consulting community can assist in alleviating these problems by:

- > Gaining a thorough understanding of funding reporting requirements prior to configuring project control systems;
- > Meeting with the airport sponsor to standardize both report formats and reporting elements;
- > Providing up-to-date information on project schedules and changes to project schedules;
- > Working aggressively to minimize change orders; and
- > Gaining a thorough understanding of other projects that may be impacted by slippage of the grant funded project.

Airport management can assist in this effort by:

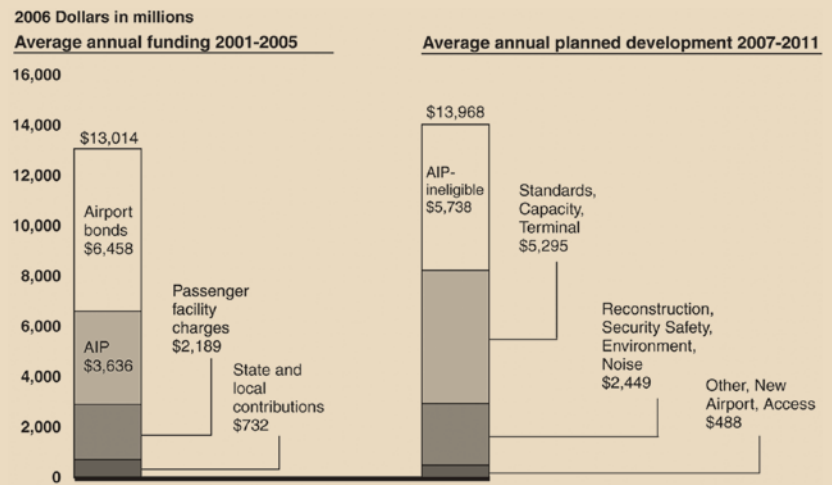
- > Standardizing the reporting requirements for all projects so that information being provided is consistent in definition and format regardless of the consultant or contractor performing the work;
- > Establishing meaningful timelines and submittal requirements so that quarterly reports can be completed in accordance with the funding provider’s guidelines; and
- > Investing in systems that can ease the reporting burden by consolidating project, funding source and contract information.

Conclusion

We need more funding for critical airport capacity projects, but we should expect to have strings attached. Airports and consultants need to be more vigilant in properly tracking and accounting for the funding from various sources that are being used for projects. Not only is this required, but it’s the right thing to do from a management perspective. ✈

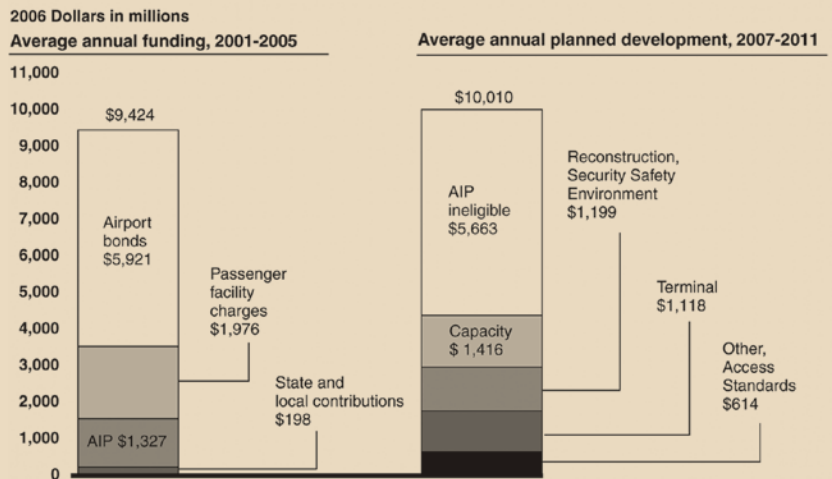
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FIGURE 1: COMPARISON OF HISTORICAL AIRPORT FUNDING TO FUTURE DEVELOPMENT COSTS



Sources: GAO analysis of FAA, ACI, Thomson Financial, and state grant data.

FIGURE 2: COMPARISON OF LARGER AIRPORTS’ HISTORICAL FUNDING TO FUTURE DEVELOPMENT COSTS



Sources: GAO analysis of FAA, ACI, Thomson Financial, and state grant data.