



Airport Business Solutions

"Valuation and Consulting Services to the Aviation Industry"

131 Hollybrook Drive, Flat Rock, North Carolina 28731-8593

Phone (813) 855-3600 Fax (813) 200-1014

April 15, 2020

Ms. Tamarra Morris-Foulkes
Director
Office of Economic Development
New Castle County, Delaware
87 Reads Way
New Castle, Delaware 19720

RE: Supplemental Information & Clarification
White Paper on Airport Management Alternatives
Wilmington/New Castle County Airport
New Castle County, Delaware

Dear Ms. Morris-Foulkes:

As a follow-up to our previously submitted "White Paper" regarding our assessment of the Airport Management Alternatives for the Wilmington/New Castle County Airport, as well as to supplement questions/issues that arose from the Task Force conference call on Friday, April 10, 2020, ***Airport Business Solutions*** offers the following clarification.

During the Task Force conference call, a question arose about the amount of money the County should expect to receive from the Airport under an industry standard management and development agreement. Although not clearly set forth in the report, it is significant to note that the FAA prohibits an airport sponsor from removing revenues from an airport they own and/or manage. As such, any net revenues derived from the management and operation of the New Castle County Airport would be required to remain "on-airport" in the form of covering operational expenses, capital improvement costs, and/or matching grant funds from the FAA or other sources. However, in the case of the New Castle County Airport, the primary opportunity would be the County's ability to financially benefit from the indirect revenues that could be generated from the Airport through economic development at the Airport. In other words, the County's direct involvement in economic development opportunities at the Airport would allow them to better compete for prospective tenants by utilizing all resources available to them. (The current agreement only allows the County to get involved if directly requested by the DRBA.)

The question regarding utilization of the revenues generated by the Airport led us to further consider an issue that had not previously been considered. As indicated in our report, it appears that the Airport generates net income of close to \$1 million annually from Airport operations (prior to capital expenditures). The DRBA has indicated that their capital expenditures at the Airport, after extraction of FAA grants, will be just over \$60 million in 2025, while our initial estimates and those of PFM Financial Advisors puts that number somewhere between \$18 and \$50 million. However, we failed to consider that the \$1 million per year that the DRBA was generating from Airport operations must be deducted from the capital investment estimates, as the DRBA cannot "remove" the \$1 million from the Airport, only reinvest it into it. While the DRBA would be entitled to a reasonable annual management fee, that amount would only be a small percentage of the net revenues generated.

Solutions as Unique as the Problems . . .

Ms. Tamarra Morris-Foulkes

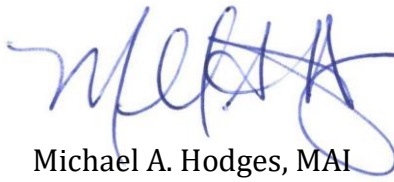
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In addition to the foregoing, it should be pointed out that in an e-mail to a tenant at the Airport, Thomas Cook, Executive Director of the DRBA, stated that the DRBA and Airport were not eligible for any of the CARES Act funding that would be available if they were not a government entity. However, based upon our research, the New Castle County Airport was allocated \$157,000 from the CARES Act. These funds are eligible to be used for any purpose at the Airport (operations, capital projects, etc.)

We appreciate the opportunity submit this supplemental letter to provide some additional information and clarification on this project. If you should have further questions, please do not hesitate to contact me.

Respectfully Submitted,



Michael A. Hodges, MAI
President/CEO

Airport Business Solutions