ADDRESSING A "GROWING" PROBLEM AT RDU

THE CAPITAL INFRASTRUCTURE FUNDING CHALLENGE FACING A POST-PANDEMIC RDU AIRPORT

RTA TASK FORCE FINDINGS AND RECOMMENDATIONS

Regional Transportation Alliance
RDU Airport Infrastructure Development (AID) Task Force

July 9, 2021

RTA is the voice of the regional business community on transportation

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PREMISE

RDU Airport is essential to the success and prosperity of the region, and our region's growth inevitably increases the demands for increased commercial air service.

Fortunately, RDU has developed an excellent "Vision 2040" master plan – a scalable game plan for capital investments at the airport that can serve us well as our region grows.

However, the growth in passengers – even in a post-pandemic travel environment – will not create sufficient funding for RDU to cover the capital infrastructure needs at the airport over the next 20 years.

In other words, while RDU can keep the lights on, it cannot pay for its growing capital program without identifying new revenue. Simply put, the Vision 2040 master plan will not be able to fund itself.

* * * * *

RTA reconvened an RDU task force in early 2021, with the strategic goal of encouraging the business community and the region to understand and proactively address the funding challenge facing RDU.

The summary of our findings: it will take a multifaceted approach, and it will not be resolved quickly.

The Federal Government may be able to help us – and we will ask them to, particularly concerning the necessary relocation of our primary runway. However, they won't be able to solve the funding problem.

Our state government continues to assist, at nearly $20 million annually. We are grateful for these recurring state investments – however, RDU's short- and long-term financial hole is larger than that.

The bottom line is this region will require an "all-of-the-above" strategy to provide sustainable capital funding for RDU, and we will need to focus on resources and investments that we control locally.

* * * * *

This report speaks to a series of options, that if implemented, could go a long way towards addressing the capital funding gap over the next decade. These options include new or increased user fees as well as modernizing and enhancing the investment in RDU by the four municipal co-owners of the airport.

These won't completely resolve the issue, but they will likely buy us time to identify some longer-term solutions and create a more sustainable capital investment funding model for RDU.

<u>While the regional business community believes that each of the recommendations in this report are reasonable to consider, our primary focus is not on any particular revenue option. Rather, our goal is to activate an effective regional conversation on the need for finding – and funding – viable solution paths.</u>

The future of RDU is essential to our community's success. Let's give that future the focus it deserves.

ADDRESSING A “GROWING” PROBLEM AT RDU

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SUMMARY OF RTA RDU AID TASK FORCE OBSERVATIONS AND RECOMMENDATIONS

Why this issue matters to the regional business community

- The ongoing success of an effective airport is foundational for economic and regional prosperity
- We recognize that RDU’s current business model cannot raise sufficient funding for its identified major capital expenditures – under either a low travel (pandemic) or high growth environment
- *The issue of sustainable funding for RDU remains RTA’s highest priority*

Overview of the challenge

- RDU has identified a \$500m revenue shortfall by 2030 – even if \$500m in additional debt issued
- RDU has identified an additional \$1b capital funding gap by 2040
- Significant elements of local funding for the airport haven’t changed since 1957
- State funding has increased, and federal funding should be, but these will not resolve the issue
- *The region does not fully understand RDU’s imperiled business model for capital investment*

Federal funding recommendations and context

- <u>Lobby for significant discretionary federal funds for main runway</u> (ideally \$150m)
- <u>Lobby for authority to raise per-ticket passenger facility charge (PFC) by \$1</u> (\$6m /yr.), indexing
- Lobby Congress for <u>fairer funding distributions</u> for any additional, formula-based federal funding

State funding recommendations and context

- <u>Applaud state legislature</u> for ongoing, bipartisan support of North Carolina’s commercial airports
- <u>Consider</u> seeking legislative authority for non-municipal 1.5% rental car tax (\$2m /yr.)

Regional / airport-controlled funding and policy recommendations and context

- <u>Raise parking fees by \$6/day</u> (\$10m /yr.); <u>implement \$2/day airport “access fee”</u> (\$10m /yr.)
- <u>Modernize, increase municipal contributions</u> from 4 airport owners to \$120k or more per year
  - *Raleigh, Durham, Durham Co., Wake Co. currently \$12,500 each; unchanged since 1957*
  - *Wake receives \$3m-\$7m /yr. in sales, property, rental car taxes generated at RDU*
- <u>Consider</u> reserving some hospitality tax revenues in future decades (e.g., start in 2045 +/-?)
- <u>Monetize airport lands</u> – with community input to increase potential revenue controlled by RDU
- <u>Hold line on airline fees, at least for now</u>, to maximize retention, recovery of routes and flights

Realign Vision 2040 campus plans with revenue reality; highlight implications to region

- Implementing recommendations above will address part of short-term gap, buy the region time
- RDU needs to highlight various funding scenarios and the benefits or consequences of each
- <u>Taking action on funding, and adjusting the future vision, will elevate needed awareness</u>

*To resolve the looming capital funding shortfall at RDU,
this region must take true ownership of RDU’s financial future,
by quickly raising or activating the airport user fees it can,
modernizing and increasing local funding,
and elevating and aligning the RDU 2040 campus vision with revenue reality.*

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ADDRESSING A "GROWING" PROBLEM AT RDU

EXECUTIVE SUMMARY OF RTA FINDINGS AND RECOMMENDATIONS

Overview of the infrastructure and capital funding challenge facing a post-pandemic RDU Airport

RDU's current business model for making necessary capital investments at the airport is imperiled.

While anticipated increases in passenger counts over time will provide additional financial resources, they will not generate enough revenue for RDU to cover its expected needs for infrastructure growth.

To put some numbers on the size of the problem: RDU has a nearly $1 billion projected funding gap over the remainder of this decade, under an expected, post-pandemic growth scenario consistent with regional population expansion. While the airport can utilize additional debt capacity, there would still be a nearly $500,000,000 financial hole to fill by 2030, for capital assets including a relocated runway, additional gates at both terminals, new taxiways, and so on.

Looking ahead to 2040, the expected gap to fund added infrastructure increases by another $1 billion.

Saying that RDU will be "short" by $1- $2 billion over the next two decades doesn't mean that RDU Airport will soon be unable to operate. However, it does mean that the RDU experience will involve unacceptably longer wait times in the terminals, inefficient or inadequate circulation space, excessive backups along our roadways and terminal curbs, and a comparative lack of flights.

This situation will arise due to the various gates, taxiways, runways, roadway expansions etc. that will not yet exist to serve the increasing commercial aviation demands – both business and leisure – of our growing market.

In addition, the pandemic further highlighted the challenges to RDU International's travel-dependent business model.

Our recent normal – prior to March 2020
Prior to the pandemic, RDU Airport experienced four consecutive years of record-breaking passenger volumes, with more than 14 million people flying through RDU in 2019. In addition, recent studies speak to a greater than $15 billion economic impact annually from RDU to the region.

In January 2020, at our RTA 18th annual meeting, the RTA RDU AID task force highlighted an urgent need to expand – and fund – infrastructure at the airport. The task force noted that 2019 air passenger levels were equivalent to projected 2031 levels. RDU reported that our community would need to invest between $3 billion and $4 billion by 2040 to meet travel demands – and that there was an expected $1-$2 billion revenue shortfall over the next two decades based on current funding sources.

Identifying a sustainable funding business model for RDU Airport has remained RTA's top priority for nearly two years, and we provided preliminary findings in January 2020, just before the pandemic hit.

The pandemic of the past 15 months
The coronavirus hit North Carolina and the world during March and April 2020. And that changed everything – at least for a while.

By mid-April 2020, air travel had fallen by more than 96% year-over-year, as a result of the devastating coronavirus, and stayed 70% below 2019 levels for months on end. With passenger traffic as the key driver, all major sources of operating revenue -- including parking, rental cars, concessions, landing fees, as well as per-ticket passenger facility charges that pay for capital debt service – largely went away.

Given this business model impact, RDU correctly pivoted to a "survival" budget, eliminating all but the most essential capital and operational needs.

The pandemic did have one positive impact: it further highlighted the fragile and insufficient nature of the airport's travel-dependent business model, and the need for urgent, creative action.

We reactivated our RTA RDU AID (airport infrastructure development) task force in early 2021, as soon as it became clear that our region had begun our air travel recovery, and that we were moving toward a post-pandemic policy and political environment.

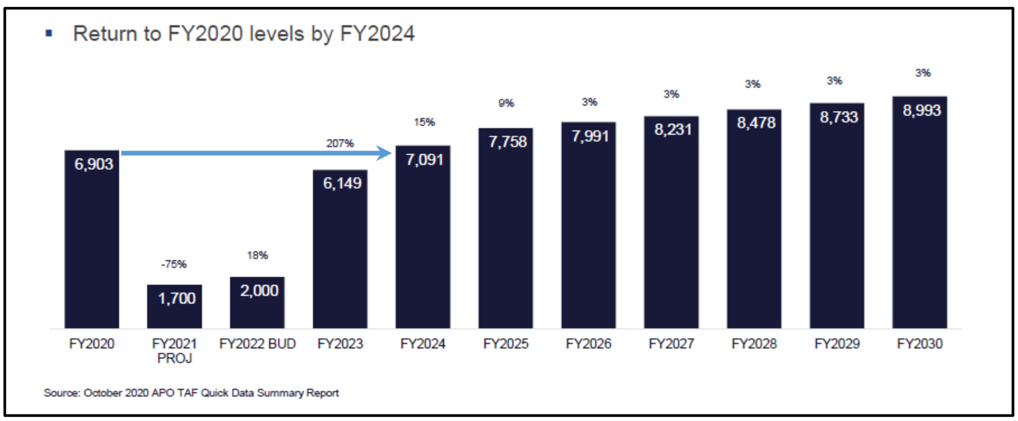
During winter and spring 2021, the task force examined updated passenger data and modeling along with new financial information, and reviewed in more detail potential funding options. We also analyzed how much RDU contributes to local, regional, state, and national tax coffers. We also spoke with several federal representatives about opportunities for federal funding under the new administration.

15 months and a devastating pandemic later, what has changed?
As we emerge from some of the most challenging impacts to our economy in a generation, we are experiencing an accelerated in-migration of people to our region, as well as several game-changing economic development announcements, which herald a return to significant growth in air travel, and therefore infrastructure needs at RDU International.

Air travel has recently recovered to around 70% of 2019 levels. Based on this trajectory, RDU could return to a new run of record-breaking passenger counts by or sooner than 2024.

Translation: while the pandemic bought us a 3-year respite, in no way did it "solve" the problem.

While business travel may or may not return to pre-coronavirus usage nationally, our overall economic growth may swamp any per-firm reduction in corporate travel here, in addition to continued increases in leisure trips. Going forward, our region's population expansion and overall affluence will continue to create the conditions for increased passenger counts, flights, and destinations over time.



RDU's pre- and post-pandemic experiences highlight the two poles of its precarious financial situation: *When air travel drops significantly, RDU cannot pay for all of its operational needs and even basic capital investments; when travel increases dramatically, RDU can cover operations and some capital costs, but it cannot generate enough revenue for the infrastructure needed to serve current and future travel demands.*

RDU's business model is substantially travel-based, with around 70% of all revenues directly driven by or related to passenger counts (see Appendix II). While dramatic increases in air travel do not provide sufficient revenues to accommodate the increase demands under the current financial model, sudden drops in usage are completely devastating. *While RDU has around $500m in debt capacity, any further bond financing will require sufficient additional operating revenues to support new debt.* In addition, RDU's campus is aging – even the "new" section of the "new" terminal is now more than 10 years old, with terminal 2 having completely opened all sections in January 2011.

Overview of potential solutions – over the near-term (2030) and beyond (2040)

There are a number of ways to begin to address the post-pandemic financial challenge facing RDU.

While some conditions have clearly changed, and our perspectives have sharpened, several of our 2021 preliminary recommendations are an affirmation of our 2020 report findings, which called for a shared responsibility, and a sense of urgency, for a new business model for RDU.

- **National-level funding:** Lobby for federal funding to relocate RDU runway 5L-23R
- **State-level funding:** Thank legislature for their foresight; applaud any additional funding; consider seeking complementary rental tax authority
- **Airport-led revenue:** Raise terminal parking fees, implement airport access fee
- **Local-level funding**: Increase funding from counties, consider future hospitality tax revenues
- **Airport strategy:** Hold line on increased airline fees, review and monetize airport lands
- **Federal policy:** Ask Congress to authorize small PFC increase, implement PFC indexing; lobby Congress to rationalize national Airport Improvement Program

While we extol the excellent state investments and we will push for federal capital help, the experience of the past 15 months coupled with our desire to maximize the competitiveness of RDU has heightened our focus on airport-enacted, locally-controlled revenue as this region's primary funding strategy.

In order to meaningfully address the capital needs over current decade, our region needs to quickly activate near-term solutions such as raising RDU fees and modernizing local owner contributions.

As a practical matter, local investments are the sorts of funding sources that our airport and community have sufficient control over to help address the minimum capital investment for the next 10 years is met.

If can get the airport's immediate needs addressed, we will have the time to focus on longer-term financial sustainability. RDU and this region will need to work on aligning the 2040 airport campus vision – amidst a $1 billion+ shortfall – with what our community needs, expects, and is willing to pay for.

To that point, it will be imperative that we take collective ownership over the funding challenge.

The core recommendation from the regional business community can be boiled down to this:

*RDU and this region must take ownership of RDU's financial future,
by quickly raising or activating the airport user fees it can,
modernizing and increasing local funding,
and elevating and aligning the RDU 2040 campus vision with revenue reality.*

From a national funding standpoint, we believe that RDU and its partners – including us – should continue to lobby for $150m+ in federal funding to help replace the primary 5L-23R runway, as well as a more rational federal funding allocation for RDU and peer airports. However, while Federal funding can be an important component, it alone will not solve our issues, near or long-term.

From a state funding standpoint: The State already makes a tremendous annual investment in the airport – nearly $20 million annually -- that we continue to applaud. This is a large, valuable, and impressive financial component, but again it will not resolve the gap.

From an airport user fee standpoint: our report suggests raising parking by $6, and activating a $2 airport access fee. We believe that each of these measures could raise up to $10 million annually.

We believe that raising or activating these fees at RDU will accomplish three essential goals:

- Enable RDU Authority and our region to focus on immediate financial areas that we control
- Demonstrate to federal partners that we are continuing to make investments in our airport
- Gain earned media attention and focus

To the last point: *we recognize that no one wants to pay more fees, even if they are user fees* – but doing so will demonstrate commitment, serve to highlight the problem for our growing region, and catalyze further discussion and action.

The report also speaks to increasing local contributions. *It turns out that annual contributions to RDU from the four owner cities and counties, $12,500/year each, have not been adjusted since 1957, and so we recommend significant increases in the investment in RDU from each owner*. The report also discusses consideration other strategic revenue possibilities such as monetizing airport lands, lobbying for an additional rental car tax, and potentially allocating hospitality funds in future decades.

We recognize that these and other local funding possibilities require both an equity and strategic policy objective lens. While how much (or whether) to increase local contributions is ultimately a decision from our local elected officials, we believe the opportunity, question, and recommendations herein are reasonable to consider – particularly as RDU directly and indirectly supports job growth and generates millions of dollars in additional tax revenue, such that even those who do not fly still benefit.

Finally, RDU needs to align the airport campus vision with funding reality. At every stage of the conversation, elected leaders and the broader community need to be aware of the implications of RDU's current business model on the future performance of the airport, including increased delays and reduced or "missing" flights. Similar to raising fees, this ongoing communication will serve to highlight the problem for our growing region, and encourage movement towards solutions.

Summary, next steps, and call to action

We do not expect that all or any of these or other recommendations to necessarily be implemented immediately. However, they do deserve the region's attention and focus – RDU's master plan cannot fund itself, and RDU's business model is way too vulnerable to changes in passenger demand. We would also be pleased if they inspired other thoughts, additional focus, and potential solution paths.

Naturally, no one wants to pay more money than they have to. Whether you are an air traveler or simply a relative picking up someone at the airport, or an airline with growing operations at RDU, or a taxpayer – no one wants to pay more. The regional business community supports that view – we want to keep as much money in the private sector as possible, so that those resources can create and sustain jobs and future investments in businesses and the economy, and to be available for other purposes.

And to be clear "doing nothing" – or at least, not increasing the investments at RDU – <u>is</u> an option, although it is not an option without consequences. If you happened to fly out of RDU during 2018 or early 2019, you have experienced some of those – longer lines, extended delays – essentially not the near blissful RDU travel experience we enjoyed even four or five years ago.

* * * * *

The release of this report continues a broad-based advocacy effort with RTA member firms and member chambers of commerce, along with other organizations, on the importance of the airport and investing in its future success and financial sustainability.

We will thank the state legislature for their continued bipartisan support of airports across North Carolina.

We will continue to support and pursue federal funding for the runway. We will also encourage a more rational federal aid program for airport funding, which recognizing that success will require acting in concert with allied groups beyond this region.

As noted previously, an important step will be for the Airport Authority to elevate and align the RDU 2040 campus vision with revenue reality. In other words, for RDU to commit to building what the region wants and is willing to support, after a purposeful, regional discussion of costs, benefits, tradeoffs, and the implications of various policy and investment choices. RTA will support, encourage, and elevate this conversation, and the opportunity it presents our community.

<u>There remains broad appreciation for RDU Airport across our region, from an economic, connectivity, and an overwhelmingly positive "first impression" standpoint. The regional business community would like to keep it that way, by ensuring that RDU can successfully serve our future intercity air travel needs – and the future of our region.</u>

ADDRESSING A "GROWING" PROBLEM AT RDU

ADDITIONAL DETAILS: RTA RDU AID TASK FORCE RECOMMENDATIONS

Federal funding recommendations

Help for funding the primary runway
We urge the Federal Aviation Administration (FAA) to provide funding a substantial percentage of the costs needed to relocate RDU's primary runway, 5L-23R. RDU has experienced record-breaking passenger counts until the pandemic, and those are likely to return soon. RDU provides hundreds of millions in federal aviation taxes each year; receiving an allocation for our primary runway is reasonable.

The total cost of the runway replacement is $390 million, and we are suggesting a federal contribution of $150m or greater.

A request to fund the runway is not a request for our fair share back in funding; it is a request for our national government to fund the most important two miles of pavement in our region, that happens to be our region's primary contribution to the national commercial aviation system.

Ask Congress to authorize a $1 PFC increase and PFC indexing
Passenger facility charges (PFCs) are authorized by Congress but activated on an individual airport basis. *In our 2020 report, we recommended that Congress increase the maximum allowable PFC level by $1, and then index PFCs to inflation; this continues to be our recommendation. RDU's current $4.50 PFC charge – at the federal maximum level – generates $27 million for the Airport. A $1 increase would generate around $6 million more for RDU annually.*

Rationalize the national AIP program
RDU, similar to other "medium hub" airports nationally, receives only 6% back from its contributions to the federal Airport Improvement Program (AIP). While we recognize that an equal return from federal contributions for all airports is not possible – if it were, there would be no need for a national program – a 6% "return" (i.e., a 94% loss or transfer payment subsidy to other airports) is not reasonable, particularly for an airport that is literally billions short of funding its infrastructure.

We support a national airport infrastructure investment program – but we urge a more rational and reasonable allocation of AIP funding, particularly for any <u>new</u> AIP resources. While we do not weigh in on every federal policy issue, we would oppose adding any more resources to this program until a fairer distribution occurs, and we will encourage business groups in other markets to support this view.

State-level funding recommendations

Thank the legislature for their foresight, applaud any additional funding
As we noted in 2020, the North Carolina General Assembly has been a great partner for RDU—and all of the state's commercial airports—by providing a recurring funding source for capital needs. North Carolina is in the top three in providing state support for commercial aviation. This bipartisan foresight continues to pay dividends for the citizens and businesses in the state.

RDU currently receives about $18 million annually in recurring appropriations. The regional business community offers thanks to the legislature and the governor for this outstanding support; of course, any additional resources would be welcomed, and applauded.

Consider requesting authorization for an additional, municipal-equivalent, car rental tax
Our understanding is that there is a 1.5% county car rental tax, and a companion 1.5% county-collected municipal car rental tax, that were both authorized statewide in 2000. As RDU is not a municipality, nor it is located within one, it does not receive any of these funds.

One option would be to seek to amend existing state law to enable major commercial airports in the state that are not located within municipalities (i.e., all but Charlotte) to have counties activate and then collect a municipal-equivalent 1.5% car rental tax; counties could then remit the proceeds to their respective commercial service airports.

For RDU, based on FY 2020 numbers, a municipal-equivalent 1.5% rental car tax activated by Wake County, if authorized by the legislature, might generate around $2 million per year for RDU.

Note: this is not the existing car rental tax collected in Orange, Durham, and Wake counties with proceeds going to GoTriangle.

Airport-controlled revenue recommendations

Raise terminal parking fees
We believe that Dallas-Fort Worth (DFW) International Airport can serve as a helpful point of comparison and opportunity.

While the Dallas-Fort Worth region of north Texas is significantly more populous than the metropolitan Research Triangle, the markets are both high growth, geographically dispersed, and polycentric, with the airport in the center of their respective regions. Both markets have significant tech economies and similar per capita income levels. Parking is the largest non-airline revenue for both airports. RDU's 2019 cost-per-enplanement (CPE) is lower than DFW (8.59 vs. 12.95).

DFW's drive-up terminal parking rates are 2x RDU prices (i.e., $24 vs. $12); online discounts generally still result in the same 2:1 pricing ratio between the airports (e.g., $20 for DFW, $10 for RDU).

By implementing a terminal parking price increase of $6, that would bring parking rates closer to, but still lower than, DFW Airport, we believe that RDU can generate around $10,000,000 in increased revenue annually.

Our example proposal is an increase in terminal parking rates of $6, or an approximate $10 increase in RDU parking revenue per transaction. The $10 per transaction calculation assumes an average stay of 2 days in the terminal (e.g., $6 price increase per day, x 2 days = $12, call it $10 to be conservative). We understand RDU to have about 1,000,000 transactions annually in RDU ParkCentral terminal parking pre-coronavirus; the $10 million revenue calculation is based on $10 increase / transaction x 1,000,000 transactions = $10 million.

There is also an opportunity to raise premier parking fees for additional revenue; we have not calculated that amount.

While DFW is obviously a much larger airport (74 million passengers versus 14 million for RDU in 2019), the majority of DFW users are connecting travelers through the American hub, while RDU has less than 1% connecting passengers. Focusing solely on "origin and destination (O&D)" passengers that can potentially use terminal parking, DFW only had around about 2x as many passengers as RDU in 2019 (31 million vs 14 million), so the comparison between these airports is less stark than it may first appear.

Implement airport access fee
Continuing with the DFW analogy: DFW charges an access fee to all vehicles entering the airport, ranging from $2 to $3 depending on whether the stay was less or greater than 30 minutes, up to two hours. Less than 8 minutes, the charge is actually $6, since the assumption is that the vehicle is using the airport as a cut-through between two freeways.

While we don't recommend a "pass through" charge on Aviation Parkway at this time, we do believe an airport access fee is reasonable. The rationale for the fee is that RDU has to make the roadways and infrastructure available for all users visiting the airport campus, not just those parking there.

We believe that a flat access fee of $2, similar to DFW levels, could result in $10,000,000 in annual revenue for RDU. This assumes a ratio of "meeters-and-greeters" or "drop offs" to terminal parkers of about 6:1, similar to DFW. A calculation of 1,000,000 parking transactions x 6:1 ratio x $2 fee = $12,000,000; as before, we call it $10,000,000 to be conservative.

Airport strategy recommendation

Hold line on increased airline fees for now, review and monetize airport lands
In light of the pandemic and coronavirus recovery, we are not currently recommending any increases in fees to airlines, to ensure that RDU is not creating any barriers to retaining or adding air service.

However, we continue to support a review of the entire RDU campus for potential opportunities to monetize airport lands, particularly in concert and partnership with Wake County. RDU estimates that developing 500 acres of airport land could generate $2-4 million annually. Opportunities for additional "privatization" should also be at least considered – at a minimum, doing so will serve as a viable point of comparison to other possible solution paths.

Local-level funding recommendations

Increase funding from counties, leverage opportunity to invest in RDU
RDU's four local owners – Wake and Durham Counties, and the cities of Durham and Raleigh – currently contribute a total of $50,000 a year (i.e., $12,500 each) to RDU's operations and capital program. Given the economic impact that RDU provides to these jurisdictions and the broader region, under any set of assumptions, these $12,500 individual investments are likely orders of magnitude too low.

For many years, there was no apparent local funding issue for the airport, as growth at RDU seemingly paid for itself. With a more mature airport campus that is nonetheless in need of expansion, particularly amidst a changing air travel environment, this region no longer has the luxury of relying on existing passenger facility charges, other rates and charges for carriers and vendors, and current parking revenues alone to provide sufficient funding for capital and operations.

Obviously RDU is not the only or even primary responsibility for our region's largest county and city governments. Still, we urge the four owners to migrate to an "ownership" model investment framework, and for Wake County, the home of RDU International, to consider a leadership investment.

For Durham County, and for the cities of Durham and Raleigh, we suggest annual contributions of $120,000 or more from each of these owners for an important regional asset. We recognize that these amounts are far above their current individual $12,500 investments; however, those amounts have not changed since 1957 (in current dollars those 1957 investments would be about $120,000 today).

For Wake County, where RDU is located, we also suggest an annual investment of $120,000 or more, with the potential for a significantly higher amount in light of the nearly $6 million in annual direct tax revenue generated at RDU for Wake County (from sales, rental, and property taxes, excluding transit funds – see Appendix III). While substantially larger amounts may not be achievable immediately, or even be a preferred financial pathway, we believe the economic impact and tax proceeds generated by RDU warrant consideration above the $12,500 current amount, unchanged since 1957.

Wake County – and other counties in the Research Triangle metropolitan area – has the opportunity to consider a more strategic investment in RDU, by leveraging future hospitality tax revenues in future decades. For example, in 2019, Wake County collected nearly $52 million in occupancy and prepared food taxes. We recognize that these are largely or completely "spoken for" in the short-to-medium term for investments including PNC Arena, the Raleigh Convention Center, and other hospitality-related items. However, RDU has an enormous regional impact and importance from both a tourism and overall economic standpoint, so the airport would be a natural future recipient of some of these funds in future decades. Perhaps there could be a date certain (e.g., 2045 +/-?) where RDU could begin receiving a percentage of hospitality tax revenues from Wake County.

Complementary efforts, and next steps

While the principal responsibility for identifying a sustainable financial model falls on the RDU Authority and the airport's excellent professional team, the regional business community can offer support, suggestions, focus, and perspective.

RDU has embarked on a new "Carry On" marketing and advertising initiative to encourage comfort, consideration, and usage of RDU. RTA supports and is helping to fund that effort, and we believe that the various communication elements can help raise awareness of both the opportunity that RDU provides each of us as residents of this region, along with the importance of securing its future.

As alluded to earlier in this report, we will be encouraging a broad-based advocacy effort in concert with RTA member chambers of commerce and other allied organizations and partners to maximize needed and reasonable federal funding. We will also highlight the inequity in current federal funding models.

RTA RDU AID Task Force members

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Forge Communications
Kane Realty
MetLife
Raleigh Chamber
Wake County Economic Development

RTA GOLD
Clark Nexsen
Duke Energy
Google
HDR
IBM Corporation
Kimley-Horn
Red Hat, Inc.
Summit Design and Engineering
VHB
Wetherill Engineering, Inc.
WSP

RTA SILVER MEMBERS
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Citrix
Coastal Federal Credit Union
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GoTriangle
KDC
Lenovo
Martin Marietta
McAdams
Montieth Construction
ms consultants, inc.
North Carolina Railroad Company
North Carolina State University
Novo Nordisk
Raleigh-Durham Airport Authority
Ramey Kemp & Associates, Inc.
RATIO
SAS Institute, Inc.
Smith Anderson
Stewart
STV Inc.
The Sunrock Group
Truist
The Umstead Hotel and Spa
UNC Chapel Hill
UNC Health Care / UNC REX Healthcare
Wake Technical Community College

RTA SENIOR REGIONAL PARTNERS
Capital Area MPO
Durham-Chapel Hill-Carrboro MPO
City of Durham
GoRaleigh/City of Raleigh
GoTriangle
Raleigh-Durham Airport Authority
Town of Cary
Triangle J Council of Governments

RTA MEMBER CHAMBERS
Angier
Apex
Benson Area
Cary
Chapel Hill-Carrboro
Chatham
Clayton
Franklin County
Fuquay-Varina
Garner
Greater Durham
Hillsborough/Orange County
Holly Springs
Knightdale
Moore County
Morrisville
Raleigh
Rocky Mount Area
Rolesville Area
Roxboro Area
Sanford Area
Triangle East
Wake Forest
Wayne County
Wendell
Zebulon

ADDRESSING A "GROWING" PROBLEM AT RDU

APPENDIXES

APPENDIX I

2030 RDU CAPITAL PROGRAM SHORTFALL

9-year cash available towards 2030 RDU capital program

Beginning cash	$300M
+ RDU net operating revenue	$130M
+ PFC revenue	$190M
+ NC grants	$170M
Total cash available:	**$790M**

2030 RDU capital program:	**$ 1,820M**	
- Total cash available:	$790M	
- Potential debt issuance:	$550M	***(requires RDU AA action; maximizes debt utilization)***
Net cash shortfall:	***$480M***	

POTENTIAL IMPACT BY 2030 OF ADDITONAL RECURRING REVENUE

RDU parking fee increase	**$ 10M/year**	***(requires RDU AA action)***
RDU airport access fee	**$ 10M/year**	***(requires RDU AA action)***
RDU land development	**$ 3M/year**	***(requires public-private agreement with RDU AA)***
Increased owner contribution	**$ 1M/year**	***(requires action by individual owner jurisdictions)***
Activated rental car tax	**$ 2M/year**	***(requires state legislative approval, RDU AA action)***
$1 PFC increase	**$ 6M/year**	***(requires Congressional approval, RDU AA action)***
	$ 32M/year = $256M over 8 years until 2030	

Current 2030 RDU cash shortfall	**= $480M**
Proposed new revenue	**= $256M**
NEW 2030 RDU shortfall	**= $224M**

$1.8B in funding needed for remaining Vision 2040 capital program after 2030, in addition to shortfall

Incremental additional revenue above $224M if inflated, would cover a portion but not all of 2030-2040 shortfall; we have not calculated this amount.

APPENDIX II

SUMMARY OF RDU CURRENT PRIMARY REVENUE SOURCES

FY 19: year ended March 31, 2020

Variable **revenues (~70%)**	
Parking fees	$ 65m
Rental car rents	$ 18m
Rental car customer fees	$ 17m
Aeronautical landing fees	$ 16m
Cargo landing fees	$ 1m
Fueling systems	$ 2m
Airport Passenger Facility Charges	$ 28m
Vendor rents (% sales)	$ 12m
Other	$ 8m
	$ 167m

Fixed **revenues (~20%)**	
Aeronautical rents	$ 41m
Cargo rents	$ 3m
General aviation rents	$ 2m
Vendor rents	$ 1m
Other	$ 2m
	$ 49m

Other **revenues (~10%)**	
Federal grants	$ 9m
State contributions	$ 15m
	$ 24m

Total: $ 240m

APPENDIX III

SUMMARY OF TAX REVENUES GENERATED AT RDU

5-year average: 2015-2019

RDU-GENERATED TAXES FOR STATE OF NC: ANNUAL AVERAGE FOR 2015-2019		
State Sales Tax	**State Highway Use Tax**	**Total RDU tax contributions to state of NC**
$ 4,238,655	$ 11,437,772	**$ 15,676,427**

RDU-GENERATED TAXES FOR WAKE COUNTY: ANNUAL AVERAGE FOR 2015-2019				
Wake County sales tax (2%)	**Wake County Prepared Food & Beverage (1%)**	**Wake County Rental Vehicle Tax (1.5%)**	**Wake County Property Tax paid by RDU General Aviation**	**Total RDU non-transit tax contributions to Wake Co.**
$ 1,784,697	$ 62,350	$ 2,144,582	$ 1,651,059	**$ 5,642,688**

Wake County Transit Tax (0.5%)	Triangle Region Vehicle Rental Tax (5%)	Total RDU transit-dedicated tax contributions to Wake Co. and region
$ 37,850	$ 7,148,607	**$ 7,186,457**