

FREQUENTLY ASKED QUESTIONS REGARDING FBO ACQUISITION

Jackson Hole Airport

May 16, 2018

What is an FBO?

A fixed base operator or “FBO” exists at almost all commercial airports. Unlike a commercial airport, which is open to the public to utilize commercial air service, FBOs provide services such as aircraft fueling, hangar storage, ramp services and aircraft maintenance. The FBO also services all general aviation aircraft (privately owned aircraft). These services are essential to airport operations. At the Jackson Hole Airport, the FBO is currently owned and operated by Jackson Hole Aviation LLC (“JHA”), a private company. JHA operates under a hangar lease and operating agreement with the Jackson Hole Airport Board, which owns and operates the airport.

Why has the Airport Board decided to purchase the FBO?

The Board’s decision to purchase FBO assets was not based primarily on finances. The Board found that the acquisition will allow the Airport to have direct management of FBO operations and expansion; this will avoid the construction of duplicate facilities with an already constrained site, and allow the Airport to directly influence safety and customer service, and support environmental initiatives. Acquiring the FBO will also allow the Airport to better plan for the use of our small land area within Grand Teton National Park more efficiently for the benefit of all segments of the traveling public and our community. Earnings from the FBO would also help the Airport to remain financially self-sufficient, by retaining FBO revenues to be used for needed projects and enhancements.

Are FBO assets worth the \$26 million purchase price?

Yes, the assets being purchased are worth at least \$26 million. Among other things, the Airport is acquiring contractual and leasehold rights to operate the FBO at the Airport over the next five-years – the remaining term of Jackson Hole Aviation’s lease rights. To value the property being acquired, we brought revenue forecasts together with likely overhead cost and other factors. Using this information, our consultants, Aviation Resource Group International, “ARGI”, arrived at the following projection of revenue and earnings:

JHAB Operated FBO

\$Millions	2019	2020	2021	2022	2023
Revenue	\$24.6	\$25.6	\$26.9	\$28.1	\$29.4

Earnings	\$6.9	\$7.6	\$8.0	\$8.3	\$8.6
-----------------	-------	-------	-------	-------	-------

To these findings ARGI applied a range of discount rates common in the industry to evaluate the present value of future income. The lower discount rate used was 10% and the upper was 15%. This resulted in the following projected values;

- \$29.5 million @ 10% Discount Rate
- \$26.0 million @ 15% Discount Rate

This gave us the assurance that the price agreed upon would provide a good return on our investment. A multiple of projected annualized earnings for the FBO is a common method to evaluate the purchase price. The multiple for this sale is about 3.3. Even those who publicly oppose the purchase have agreed that this multiple of annualized earnings represents a good price for the Airport and community.

If there is an economic downturn will the Airport lose money on the acquisition?

Using a 15% discount rate is a way of hedging against the risk of an economic downturn. This 15% “risk factor” is applied to the first year’s projected revenues. All other things being equal, if revenues fall by 15% in the first year, the Airport will not lose money on the transaction. Revenues could fall by a greater amount in the following years. For the Airport to actually lose money on the acquisition there would need to be a very significant economic downturn in the next five years. But as noted above, the primary reasons the Airport Board has decided to purchase the FBO assets are not financial, but related to operations, land use, planning, customer service and environmental benefits.

Will the acquisition be funded by revenues from other Airport operations?

Acquisition of FBO assets will be funded from the revenues of FBO operations. The value calculation described above considers only revenues produced from the FBO and no contribution of revenues from other Airport operations are used. In fact, the Airport Board anticipates that in the near future revenue from FBO operations will be available to not only fund the FBO, but also other needed Airport projects and programs.

Does the Airport use tax dollars to finance its operations?

No tax dollars are used for Airport operations. The Airport is operated like a business enterprise and is intended to be financially self-sufficient. The Airport does not have the authority to tax and does not use tax dollars for operations. Aeronautical revenues are collected from aviation users including the fixed base operator, Jackson Hole Aviation

(JHA), and the airlines. Non-aeronautical revenues are collected from a variety of sources including terminal concessions, rental cars and parking. These revenue streams are used to fund operating expenses such as maintenance, supplies, utilities and contractual services. All revenue received by the Airport stays with the Airport to be reinvested into the facilities and services provided. This financial practice is consistent with FAA grant assurances.

What other types of funding does the Airport utilize?

Most capital expenses such as equipment purchases and infrastructure construction are funded through the Airport's Capital Improvement Program (CIP). Capital funds include those received through the Federal Airport Improvement Program (AIP) grants, state grants, Passenger Facility Charges (PFCs) and rental car Customer Facility Charges (CFCs) collected from Airport users. These often require a "match" using Airport funds.

Is the Jackson Hole Airport privately owned and operated?

The Jackson Hole Airport Board is a governmental entity, known as a joint powers board, which was created by the Town and County for the purpose of owning and operating the Jackson Hole Airport. It operates under a Joint Powers Agreement pursuant to Wyoming Statute g16-1-104(d) with the Town and County. The Town and County jointly appoint Board members, and annually review and approve the Airport Budget.

Why would the Board approve the lease renewal for Jackson Hole Aviation if there was a chance it would then purchase FBO assets?

In 2003 Jackson Hole Aviation made an investment in facilities on the Airport, and the Board then granted it a First Right to enter into a new lease for Hangars 4 and 5 and a new FBO Operating Agreement when the existing agreements expired in April 2018. The Board was therefore contractually bound to offer a Lease and Operating Agreement to JHA for five-year terms ending in 2023.

When did the Board decide to purchase Jackson Hole Aviation?

The Board reviewed two options at their November 1st Board meeting. Option one was to issue an RFP for operation of a second FBO at the airport. Option two was to purchase FBO assets from JHA for approximately \$26M, in which event the Airport Board would operate a single FBO at the Airport. After reviewing the documents, hearing presentations from consultants, and taking and considering public comment, the Board voted to adopt Resolution 2017-16 approving signature of the Asset Purchase Agreement with Jackson Hole Aviation, LLC and expressing the Board's intent to exercise its propriety exclusive right to operate FBO services on the Airport.

Will the Airport keep all of employees that currently work for JHA?

With the exception of JHA's owner, the APA provides that to the extent JHA's employees satisfy the Board's standard conditions of employment, they will be offered employment effective on the closing date. Like all Airport employees, JHA's employees hired by the Airport will be expected to perform to a high level, and will be judged according to their performance. The roster and pay levels of current JHA employees is confidential information obtained from JHA and cannot be released. When these individuals become Airport employees, their pay ranges per position will be made available. The Board intends to pay those employees as much or more than they are currently making.

Why does the Airport want to buy FBO assets now? Why not wait 5 years, when Jackson Hole Aviation's lease expires?

For a variety of reasons, the Jackson Hole Airport would benefit by acquiring the assets of the FBO now. It would allow us to have direct management of general aviation operations sooner rather than later. The Airport is eager to better control compliance with the voluntary noise curfews and implementing a Fly Quiet Program. Acquisition now rather than later will also allow us to ensure that the limited space on the Airport is efficiently used. If acquisition is delayed, the Airport may be required to permit the construction of duplicate facilities or those which are unnecessary in the long run. In short, if the Airport waits until the expiration of Jackson Hole Aviation's lease in 2023 to acquire FBO assets, we will not have the same opportunities we have today. Finally, since FBO operation is expected to pay for itself over the next five years there is no financial benefit to waiting.