



U.S. Department
of Transportation

**Federal Aviation
Administration**

Memorandum

Subject: PFC Update, PFC-35-02

Date: October 5, 2001

From: Manager, Airports Financial
Assistance Division, APP-500

Reply to: Eric Gabler, APP-530
Attn. of:

To: All Regional Airports Division Managers
and AMA-620
Attention: PFC Contacts

PFC-35-02. Temporary Emergency Authority To Use Unliquidated PFC Revenue For Interest Bearing Loans to Fund Other Airport Expenses. The FAA will permit public agencies, on a limited emergency basis, to use unliquidated PFC revenue on deposit in airport capital accounts pursuant to 14 C.F.R. § 158.67(a), for interest bearing loans to cover other airport expenses. This authority is being granted to assist public agencies in responding to short-term cash flow disruptions resulting from the recent terrorist attacks. A public agency must apply to the FAA in writing for this emergency authority, and the FAA must approve the application in writing before the authority becomes effective for the public agency. The application as approved by the FAA to use the emergency authority shall be considered an interest-bearing instrument and be assigned to the airport's capital fund. The instrument shall reflect the public agency's agreement to repay the full amount borrowed, with interest, to the airport capital fund for use in PFC approved projects.

This temporary emergency authority shall be in effect until repealed by the FAA, but no longer than one year from the date that such approval is granted to the public agency by the FAA. Outstanding emergency loans meeting the requirements of this memorandum may be due and payable after the expiration of this emergency authority as set out below.

This emergency authority is intended to provide cash flow, when needed, to keep some airports operating securely and safely at a time when costs have risen due to increased security requirements and operating revenues have fallen due to reduced air travel. The FAA expects that the most severe impacts on airport cash flow associated with the terrorist attacks will be in the short term and that these impacts will become evident before the end of calendar year 2001. Accordingly, the FAA is requiring that requests for the emergency authority be submitted to it by December 31, 2001. The FAA may consider extending this deadline if warranted by future developments.

Use of PFC funds must be consistent with any bond covenants at the public agency. For the duration of this temporary emergency authority the prohibition on internal loans in

section 7-16 of FAA Order 5500-1 of August 9, 2001, is suspended but only in accordance with this notice.

Conditions for Borrowing. A public agency may borrow PFC funds in its airport capital fund to meet airport requirements subject to the conditions in this memorandum. The FAA must agree in writing to the request before such borrowing may occur. All decisions to approve borrowing authority will be issued from Washington Headquarters.

1. The public agency must request the borrowing authority from the FAA in writing before the end of calendar year 2001. The public agency should provide the following information in its written application:
 - a) Why the borrowing of PFC funds for other airport expenses is necessary;
 - b) The amount of PFC funds that would be borrowed for such expenses;
 - c) The public agency's agreement to repay the full amount borrowed, with interest, to the airport capital fund for use in PFC approved projects;
 - d) A brief plan for how and when such borrowing would be repaid; and
 - e) An assurance that the use of PFC funds for other airport expenses would not conflict with any bond indenture(s).
2. Once authority is approved, the PFC funds on hand could be borrowed at any time up to the first anniversary date of the FAA's approval of the application (unless otherwise limited by the FAA).
3. While on loan for other airport expenses, the borrowed PFC funds must earn imputed interest at a rate equal to the Bond Market Association Municipal (BMA) Index rate (a short-term tax-exempt rate currently at 2.1 percent per annum) prevailing on the date the funds are borrowed. This interest rate would apply only to funds approved by the FAA under this limited authority--market rates of interest must be earned on other outstanding PFC balances.
4. The public agency must keep separate accounting records on all PFC funds loaned to meet other airport expenses and the interest paid on these funds. These records must be audited as part of the annual PFC audit for the public agency.
5. Repayment of PFC funds, with interest, must be made to the airport capital fund in time and sufficient amount to permit the public agency to implement (e.g., begin construction of) its approved PFC projects on the project schedule in accordance with 14 CFR 158.33. PFC projects are not to be delayed to aid the airport's cash flow. The repayment of the PFC loan must begin no later than 2 years from the actual loan date and be completed within 3 years of the loan date.

Public agencies should be cautioned to borrow PFC funds for other airport expenses only to the extent necessary for the safe and secure operation of their airports, and only if they are reasonably certain that such borrowing can be promptly repaid without adverse impacts on their PFC programs. Nothing in this memorandum relieves that public agency from its responsibility to meet the requirements of the PFC regulation or statute. Failure to comply with the terms of approved PFC borrowing authority could lead to enforcement actions by the FAA under the PFC regulation. Please refer any questions from public agencies about the above authority and conditions to APP-530.

Original signed by

Barry L. Molar