



WAYNE COUNTY AIRPORT AUTHORITY POLICY AND PROCEDURES

POLICY NAME:

WAYNE COUNTY AIRPORT AUTHORITY TENANT REIMBURSEMENT POLICY AND PROCEDURES

PURPOSE:

The purpose of this Tenant Reimbursement Policy and Procedures (Policy) is to set forth uniform financial and management controls applicable to the reimbursement by the Wayne County Airport Authority (the Authority) of capital and other expenditures incurred by tenants of the Authority with respect to tenants' leased facilities at Detroit Metropolitan Airport and Willow Run Airport (Airports). The option of reimbursing costs incurred by Tenants to construct, upgrade or expand facilities and/or equipment at the Airports is a useful financial tool that will be utilized for the best interests (financial and otherwise) of the Authority. The Business Development Department, Finance Department, Planning, Design and Construction (PD&C) Division and Legal Department are the key Authority departments in this process. This Policy requires inter-departmental cooperation and coordination with the recognition that certain Authority departments and divisions have specific responsibilities and decision making authority.

This Policy recognizes that contracts are negotiated for individual tenants with unique requirements and circumstances which need to be taken into account when contemplating capital and other reimbursement arrangements. The Policy also recognizes the importance of adhering to accounting requirements and making business decisions based on sound financial analyses.

SCOPE:

This Policy is intended to apply to the Authority's expenditure of funds made in any form to reimburse third parties in business with the Authority for costs incurred on the Authority's behalf to construct, upgrade or expand real or personal property of the Authority. While the primary scope of this Policy is designed to apply to capital costs, the scope is not limited to capital costs alone and will apply to items classified under Authority requirements as non-capital, should those costs meet the criteria of this Policy as outlined below.

RESPONSIBILITIES:

The Chief Financial Officer is responsible for ensuring compliance with this Policy.

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I. POLICY

APPROVAL OF REIMBURSEMENT

1. The legal relationship between the Authority and a tenant with respect to the Airport facility used by the tenant is governed by a lease or other contract. All capital and other reimbursement arrangements will be set forth in the lease/contract and attached exhibits, as applicable.
2. Projects for which Authority reimbursement is being considered must be evaluated in the context of the overall capital plan of the Authority. A cost/benefit analysis of the proposed project and reimbursement by the Authority must be performed as described in this Policy. Alternative financing options for a capital project must be reviewed and evaluated prior to any proposal being made to a tenant whom the Authority is considering reimbursing for capital expenditures for its leased facility.
3. Reimbursement should not be authorized for capital assets constructed prior to the issuance of the approval of the reimbursement, except as otherwise approved in writing by the Chief Executive Officer and Chief Financial Officer.
4. Approved project reimbursements must be appropriately budgeted over the entire repayment term and be included in all disclosures of budgets to the airlines and the Board.
5. All reimbursements shall be for capital expenditures only, except as otherwise approved in writing by the Chief Executive Officer and the Chief Financial Officer.
6. Reimbursement agreements must include a maximum reimbursement amount. Any additional reimbursement amounts in excess of the original maximum reimbursement amount must be addressed through a contract amendment.
7. The Authority shall disallow all costs incurred by the tenant outside of the scope of the approved project, and/or related to projects not properly bid in accordance with the requirements of the contract.
8. Repayment criteria and method are to be determined prior to approval by the Board of an agreement for tenant reimbursement or the execution by the Authority of such agreement if Board approval is not otherwise required.
9. The Authority may choose to accelerate repayment in any form including, but not limited to, cash or credit memo.

COMPLIANCE & PAYMENT

1. The legal contract will set forth the competitive procedure that the Authority will require the tenant to use to solicit bids for work, the cost of which is to be reimbursed by the Authority. The Procurement Division, in consultation with the Legal Department shall establish the required procedure. Evidence of compliance by the tenant with the required competitive solicitation process must be received by the Authority before the Authority will begin to reimburse the tenant for any expenses incurred.

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2. Tenants must prepare adequate written supporting documentation for all expenses to be reimbursed, including payment support, asset support, and other required documents in a format prescribed in the tenant's contract. The adequacy of such documentation shall be solely determined by the Finance Department.
3. Commencement of repayment is contingent upon all agreed-upon criteria being met (as outlined in this Policy) and issuance from the PD&C Division of a completion certificate for the project and written notice from the Controller Division of repayment authorization.
4. Repayment may be issued prior to the completion of all work and receipt of all required deliverables and authorizations given individual contract negotiations and unique circumstances, as approved in writing by the Chief Executive Officer and the Chief Financial Officer.
5. If at any time it is determined that a tenant has not complied with the terms of the reimbursement arrangement, the arrangement will be renegotiated, suspended or cancelled, as necessary.
6. Once the Authority has completed the reimbursement of the expenses for a particular project, no additional tenant costs will be reimbursed under the agreement for that project, unless an amendment to the contract which accounts for additional reimbursement is executed.

II. PROCEDURES

The process of determining the method of financing for a capital project or repair and maintenance needed by the Authority commences as part of the capital planning process, O&M budgeting process, or through periodic assessments of existing facilities by Authority staff. Additionally, facility and infrastructure evaluations also may be initiated by the Airport tenants or customers who use them. Regardless of how the projects are first identified, all potential costs to the Authority for projects performed and initially funded by tenants of the Authority must adhere to the terms of this Policy. Prior to payment of Authority funds in any manner under this Policy, all approvals and procedures (as outlined below) must be complete.

A. Project Approval

Authority staff must evaluate all capital projects within the overall capital plan of the Authority to determine priority, appropriate timing, and estimated cost. Potential projects identified by Authority departments other than the PD&C Division must be described in a request for project consideration sent to PD&C, with a copy to the Finance Department. Regarding Tenant reimbursement arrangements, the Business Development Department and the PD&C Division will work together to determine if the project that is under consideration for reimbursement is part of an existing capital plan.

1. Proposed projects that are added to the Authority capital plan will receive direct Authority funding and follow the annual capital budgeting process.
2. If a project is not added to the Authority's current capital plan and directly funded by the Authority, the Business Development Department will submit a written request to the Finance Department to propose alternate or tenant funding options.

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- a. The request shall contain the following:
 - i. Project description and discussion of need
 - ii. Estimated project timeline
 - iii. Estimated project costs and nature of costs
 - iv. For Airport tenants, summary of all proposed rental and/or lease rates and terms
 - v. Cost/benefit analysis including:
 - A. Provisions by the Business Development Department
 - i. Justification of the business purpose and rationale behind reimbursing the tenant through a rent credit
 - ii. Investigation into additional funding sources
 - iii. Demonstration of complete financial return on investment
 - B. Provisions by the Finance Department
 - iv. Availability of funds for reimbursement including budget priorities and Activity Fee impact
 - v. Analysis of current interest rates and time value of money
 - vi. Determination of whether project meets Authority capitalization criteria
 - vii. Analysis of payment and collection history of tenant
 - viii. Evaluation of project within context of financial compliance parameters
- b. Upon completion of the above analysis, the Finance Department will recommend approval or disallow the project in writing based on the results of analysis.
 - i. If a project is approved, the Finance Department will:
 - A. Calculate maximum amount to be paid by the Authority for approved project, including any additional stipulations noted as condition of approval
 - B. Recommend repayment period and accounting for expenditures
 - C. Recommend method of payment.
 - ii. Upon receipt of the Finance Department's recommendations, the Business Development Department will review the recommendations internally and with the tenant to determine if they are acceptable or require further discussion.
 - iii. When the Business Development Department, the Finance Department and the tenant are in agreement, the Finance Department will ensure project costs are incorporated into the Authority's budget as appropriate
 - iv. Business Development Asset Coordinators will inform Authority Asset Management prior to project commencement for Authority-designated

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asset categories and details of requirements for accounting and recordkeeping for costs incurred.

- c. Upon acceptance of construction by the PD&C Division, the tenant will furnish to the Business Development Department and the Controller Division the following:
 - i. An itemized account of all project costs identified by Authority-designated asset categories, including costs not eligible for reimbursement, in order to establish total project value, certified by an outside party
 - ii. Supporting documentation for said costs including:
 - A. Proof of payment
 - B. Invoice copies
 - C. Project budget to actual comparisons
 - D. Any additional documentation requested by Authority on an “as needed” basis
 - iii. Formal request for reimbursement
 - iv. Current digital photographs of all items constructed as part of project in format prescribed by Authority

B. Payment Terms

- 1. Once all required documentation has been received by Business Development Department and the PD&C Division, the Controller’s Office will do the following:
 - a. Documentation will be reviewed for completeness, accuracy, compliance, and reasonableness by the Controller Division.
 - b. Ineligible costs will be disallowed.
 - c. Final eligible reimbursement amount & effective date will be determined
 - d. Method of reimbursement will be determined
 - e. Asset value and capitalization criteria will be reviewed, finalized, and signed off by the Authority Asset Manager
 - f. Reimbursement amount and payment issuance must be approved by the Controller or Assistant Controller
 - g. Once all required approvals are in place, tenant and all necessary Authority Divisions will be informed of payment
- 2. Upon payment, title to all capital improvements will vest in the Authority
- 3. In instance of payments made in installments:
 - a. The Finance Department may accelerate frequency of payment at any time to meet financing and budgeting needs of Authority.
 - b. The Finance Department may issue full payment of balance due at any time to meet financing and budgeting needs of Authority.
 - c. The Finance Department may cease repayments to tenant should customer account balance indicate an arrearage as determined by Controller’s Office.