OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

Ratings:
Moody's: A1
S&P: A+
(See "Ratings" herein)

In the opinion of Howell Linkous & Nettles, LLC, Bond Counsel to the District, under existing law and assuming compliance with certain covenants described herein, interest on the 2019 Bonds will be excludable from gross income for federal income tax purposes. Bond Counsel is of the further opinion that interest on the 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, under the laws of the State of South Carolina, as presently enacted and construed, interest on the 2019 Bonds is exempt from the income tax imposed by the State of South Carolina. See "TAX TREATMENT" herein for a more complete discussion of tax aspects of the 2019 Bonds.

CHARLESTON COUNTY
AVIATION AUTHORITY

$64,715,000
CHARLESTON COUNTY AIRPORT DISTRICT
CHARLESTON, SOUTH CAROLINA
AIRPORT REVENUE BONDS,
SERIES 2019 (Non-AMT)

Dated: Date of Issuance **Due: As shown on inside front cover**

The $64,715,000 Charleston County Airport District Airport Revenue Bonds, Series 2019 (Non-AMT) (the "*2019 Bonds*") and the interest thereon will be special obligations of the District payable from Net Revenues and other funds held by the Trustee under the Resolution (as such terms are defined herein) pledged to the payment thereof. The 2019 Bonds are being issued to provide funds (i) to pay or reimburse the District for costs of the 2019 Project (as defined herein), (ii) to fund interest on the 2019 Bonds through the anticipated completion date of the 2019 Project; (iii) to fund an account of the debt service reserve fund established for the 2019 Bonds, and (iv) to pay certain costs and expenses relating to the issuance and sale of the 2019 Bonds.

Upon issuance, the 2019 Bonds will bear interest payable semiannually on January 1 and July 1, of each year, commencing July 1, 2019, at the rates, and will mature on the dates and in the amounts, set forth on the inside front cover hereof. The 2019 Bonds are subject to optional and mandatory redemption prior to maturity as provided herein. See "DESCRIPTION OF THE 2019 BONDS-Redemption" herein.

THE 2019 BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET REVENUES AND OTHER FUNDS HELD BY THE TRUSTEE PLEDGED TO THE PAYMENT THEREOF. THE PLEDGE OF NET REVENUES IS ON A PARITY WITH THE PLEDGE OF NET REVENUES SECURING THE DISTRICT'S 2013 BONDS (AS DEFINED HEREIN) AND ANY ADDITIONAL BONDS (AS DEFINED HEREIN) ISSUED FROM TIME TO TIME ON A PARITY THEREWITH, ALL AS MORE FULLY DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE 2019 BONDS.

The 2019 Bonds will initially be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the 2019 Bonds, and purchases of beneficial ownership interest in such 2019 Bonds will be made in book-entry only form through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the 2019 Bonds. For so long as any purchaser is the beneficial owner of a Series 2019 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on such Series 2019 Bond. See "DESCRIPTION OF THE 2019 BONDS-Book-Entry Only System" herein.

The 2019 Bonds are offered when, as and if issued by the District and accepted by the Underwriters (as defined herein) subject to the approval of legality of the 2019 Bonds by Howell Linkous & Nettles, LLC, Charleston, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the District by its general counsel, Arnold S. Goodstein, Esquire, Summerville, South Carolina, and for the Underwriters by Pope Flynn, LLC, Charleston, South Carolina. PFM Financial Advisors LLC, Largo, Florida, is serving as Financial Advisor to the District. It is expected that delivery of the 2019 Bonds will be made against payment therefor through the facilities of DTC in New York, New York, on or about February 13, 2019.

BofA Merrill Lynch **Raymond James**

Dated: January 29, 2019

MATURITY SCHEDULE

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP[1]	Due July 1	Principal Amount	Interest Rate	Yield	CUSIP[1]
2023	$1,265,000	5.00%	1.80%	160070DK1	2031	$1,870,000	5.00%	2.78%*	160070DT2
2024	1,330,000	5.00	1.89	160070DL9	2032	1,965,000	5.00	2.88*	160070DU9
2025	1,395,000	5.00	2.03	160070DM7	2033	2,065,000	5.00	2.96*	160070DV7
2026	1,465,000	5.00	2.12	160070DN5	2034	2,165,000	5.00	3.02*	160070DW5
2027	1,540,000	5.00	2.22	160070DP0	2035	2,275,000	5.00	3.09*	160070DX3
2028	1,615,000	5.00	2.33	160070DQ8	2036	2,390,000	5.00	3.15*	160070DY1
2029	1,695,000	5.00	2.48	160070DR6	2037	2,505,000	5.00	3.21*	160070DZ8
2030	1,780,000	5.00	2.65*	160070DS4	2038	2,630,000	5.00	3.26*	160070EA2
					2039	2,765,000	5.00	3.29*	160070EB0

$12,505,000, 5.00% Term Bonds due July 1, 2043 Yield 3.40%* CUSIP[1] 160070EC8

$19,495,000, 5.00% Term Bonds due July 1, 2048 Yield 3.47%* CUSIP[1] 160070ED6

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* Yield calculated to first optional redemption date of July 1, 2029.

This Official Statement does not constitute an offering of any security other than the original offering of the 2019 Bonds identified on the cover pages hereof. No dealer, broker, sales representative or other person has been authorized by the District or Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc. (together, the *"Underwriters"*), to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2019 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the District. Information in this Official Statement has been obtained by the District from sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction; however, the Underwriters do not guarantee the accuracy or completeness of such information.

The Bank of New York Mellon Trust Company, N.A., as Trustee, Paying Agent and Registrar, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2019 Bonds; or (iii) the tax-exempt status of the interest on the 2019 Bonds.

UPON EXECUTION AND DELIVERY, THE 2019 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE, AND NO INDENTURE WILL BE QUALIFIED WITH RESPECT TO THE 2019 BONDS UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2019 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR IN THE OTHER MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF OR THE EARLIER DATES SET FORTH HEREIN AS OF WHICH CERTAIN INFORMATION CONTAINED HEREIN IS GIVEN.

The information in the section "DESCRIPTION OF THE 2019 BONDS - Book-Entry Only System" herein has been obtained from DTC, and no representation is made by the District or the Underwriters as to the completeness or accuracy of such information.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

Cautionary Statement Regarding Forward-Looking Information

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations, including, without limitation, the information under the heading, "REPORT OF THE AIRPORT CONSULTANT" and in Appendix B–"Report of the Airport Consultant." The words "expects," forecasts," "projects," "intends," anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, financial conditions of individual air carriers and the airline industry, technological change, changes in the tourism industry, changes at other service area airports, seismic events, international agreements or regulations governing air travel, and various other events, conditions and circumstances, many of which are beyond the control of the District. These forward-looking statements speak only as of the date of this Official statement. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CHARLESTON COUNTY AVIATION AUTHORITY

R. Walter Hundley, Chairman
Henry B. Fishburne Jr.
The Honorable Will Haynie
Jerome Heyward
Helen T. Hill
B. Spencer Pryor
Charlie Salmonsen
J. Elliott Summey
The Honorable R. Keith Summey
The Honorable John J. Tecklenburg
Paul Thurmond

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Senator Paul G. Campbell Jr.

DEPUTY DIRECTOR-CHIEF FINANCIAL OFFICER

Douglas R. Boston

DEPUTY DIRECTOR-CHIEF OPERATING OFFICER

Hernan E. Peña Jr.

GENERAL COUNSEL

Arnold S. Goodstein, Esquire

BOND COUNSEL

Howell Linkous & Nettles, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Mauldin & Jenkins, LLC

AIRPORT CONSULTANT

Ricondo & Associates, Inc.

FINANCIAL ADVISOR

PFM Financial Advisors LLC

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(The Table of Contents for this Official Statement is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Official Statement or the Appendices attached hereto.)

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OFFICIAL STATEMENT

$64,715,000
CHARLESTON COUNTY AIRPORT DISTRICT
CHARLESTON, SOUTH CAROLINA
AIRPORT REVENUE BONDS,
SERIES 2019

INTRODUCTION

This Official Statement, which includes the cover pages and the appendices hereto, provides certain information concerning the Charleston County Airport District, Charleston, South Carolina (the "*District*"), the Charleston International Airport (the *"Airport"*) and certain other information in connection with the issuance by the District of its $64,715,000 Airport Revenue Bonds, Series 2019 (Non-AMT) (the "*2019 Bonds*"). Unless otherwise indicated, capitalized terms used in this Official Statement have the meanings established in the hereinafter defined Master Resolution and the 2019 Supplemental Resolution. See "SUMMARY OF DEFINED TERMS" in Appendix C–"Summaries of the Master Bond Resolution and the Second Supplemental Bond Resolution."

The 2019 Bonds are being issued under Act No. 1235 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1970 (as amended from time to time, the "*Act*"); a Master Resolution adopted by the Charleston County Aviation Authority (the "*Authority*") on July 23, 2013 (as amended from time to time, the "*Master Resolution*") and a Second Supplemental Bond Resolution adopted by the Authority on January 17, 2019 (the *"2019 Supplemental Resolution*" and, together with the Master Resolution, the "*Resolution*"). The proceeds of the 2019 Bonds will be used, with other available funds, to (1) pay or reimburse the District for the costs of the design and construction of an approximately 3,000-space parking deck and related improvements (the *"2019 Project,"* as more particularly defined herein), (2) fund interest on the 2019 Bonds through the anticipated completion date of the 2019 Project; (3) fund an account of the debt service reserve account established for the 2019 Bonds, and (4) pay certain costs and expenses relating to the issuance of the 2019 Bonds. The Bank of New York Mellon Trust Company, N.A. is acting as Trustee, Paying Agent and Bond Registrar under the Resolution. See "DESCRIPTION OF 2019 PROJECT AND THE CAPITAL IMPROVEMENT PROGRAM" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2019 Bonds will be secured by and payable from the Net Revenues on a parity with the $138,625,000 outstanding principal amount of the District's $144,875,000 original principal amount Airport Revenue Bonds, Series 2013A (the "*2013A Bonds*") and $29,610,000 outstanding principal amount of the District's $29,610,000 original principal amount Airport Revenue Bonds, Series 2013B (the *"2013B Bonds,"* and together with the Series 2013A Bonds, the *"2013 Bonds"*), and any additional bonds issued from time to time on a parity therewith (*"Additional Bonds,"* as more particularly defined herein). The 2013 Bonds were issued pursuant to the Master Resolution and a First Supplemental Bond Resolution adopted by the Authority on July 23, 2013 (the *"2013 Supplemental Resolution"*).

DESCRIPTION OF THE 2019 BONDS

General

The 2019 Bonds will be issued in denominations of $5,000 or any integral multiple thereof, dated their date of delivery and bear interest at the rates set forth in the inside front cover page hereof. Interest on the 2019 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2019, to the persons whose names appear on the registration books kept by the Bond Registrar on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date. The 2019 Bonds will mature on the dates and in the principal amounts set forth on the inside front cover page hereof.

The 2019 Bonds will be initially issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for DTC, which will act as bond depository for the 2019 Bonds. Principal or redemption price of and interest on the 2019 Bonds are payable by the Paying Agent to Cede & Co., so long as Cede & Co. is the registered owner of the 2019 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners. See "-Book-Entry Only System."

Should the 2019 Bonds no longer be held in book-entry only form, the 2019 Bonds will be payable and subject to registration and transfer as provided in the Resolution.

Redemption

Optional Redemption of 2019 Bonds. The 2019 Bonds maturing on or after July 1, 2030, may be redeemed prior to their maturities, at the option of the District, in whole or in part, on any date on or after July 1, 2029, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the redemption date.

Sinking Fund Redemption. The 2019 Bonds maturing on July 1, 2043 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, at a redemption price equal to 100% of the principal amount of the 2019 Bonds being redeemed, without premium, plus accrued interest to the redemption date in the years and in the amounts set forth below:

YEAR	PRINCIPAL AMOUNT
2040	$2,900,000
2041	3,045,000
2042	3,200,000
2043†	3,360,000

†Maturity.

The 2019 Bonds maturing on July 1, 2048 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, at a redemption price equal to 100% of the principal amount of the 2019 Bonds being redeemed, without premium, plus accrued interest to the redemption date in the years and in the amounts set forth below:

YEAR	PRINCIPAL AMOUNT
2044	$3,525,000
2045	3,705,000
2046	3,890,000
2047	4,085,000
2048†	4,290,000

†Maturity.

Notice of Redemption. Notice of redemption of any 2019 Bonds will be given by the Bond Registrar at least 20 days before the date fixed for redemption (1) (a) to DTC or its nominee by registered or certified mail at the address provided to the Trustee by DTC or as otherwise permitted by DTC's rules and procedures or (b) if DTC or its nominee is no longer the Owner of the 2019 Bonds, by first class mail to the Owners of 2019 Bonds to be redeemed at the last address shown on the registration books kept by the Bond Registrar, and (2) to the Municipal Securities Rulemaking Board (the *"MSRB"*) in an electronic format as prescribed by the MSRB.

Selection of 2019 Bonds for Redemption. If less than all of the 2019 Bonds are called for redemption, the District will select the maturity or maturities of the 2019 Bonds to be redeemed and DTC will select the 2019 Bonds within the same maturity pursuant to its rules and procedures or if a book-entry only system is no longer in effect, the Bond Registrar will select the 2019 Bonds to be redeemed by lot. If the 2019 Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000. If a portion of a 2019 Bond is called for redemption, a new 2019 Bond in a principal amount equal to the unredeemed portion thereof shall be prepared for and delivered to the Registered Owner thereof.

Effect of Notice of Redemption. On the date fixed for redemption, notice having been given in the manner and under the conditions described above and money for the payment of the redemption price being held by the Paying Agent, the 2019 Bonds or portions thereof called for redemption will be due and payable at the redemption price provided therefor. From and after such date, interest on the 2019 Bonds or portions thereof called for redemption will cease to accrue; such 2019 Bonds or portions thereof will cease to be entitled to any benefits or security under the Resolution or to be deemed Outstanding; and the Owners of such 2019 Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2019 Bond will be issued for each maturity of the 2019 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has a Standard & Poor's (hereinafter defined) rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com (which is not intended to be an active hyperlink).

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of the actual purchaser of each 2019 Bond (*"Beneficial Owner"*) is in turn to be recorded on the DTC Participants' Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Bonds, except in the event that use of the book-entry only system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District, the Bond Registrar or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the District, the Bond Registrar or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, the Bond Registrar or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Sources of Payment

The Resolution provides that the 2019 Bonds, the 2013 Bonds and any Additional Bonds hereafter issued, are special obligations of the District payable solely from and secured solely by Net Revenues and funds established by the Resolution pledged to the payment of Bonds, and that the taxing power is not pledged to the payment of the Bonds either as to principal or interest. Upon their date of issuance, the 2019 Bonds and the 2013 Bonds will be the only obligations of the District outstanding under the Resolution. Under the Resolution, "*Net Revenues*" mean, for any given period, the Revenues for such period less the Operation and Maintenance Expenses for such period.

"Revenues" is generally defined under the Resolution to mean, except to the extent specifically excluded from such definition, all income, receipts, earnings and revenues received by the District from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, plus the principal portion of payments received pursuant to certain self-liquidating lease agreements, earnings on certain funds and accounts created under the Master Resolution, and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Resolution. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) ad valorem tax receipts, (ii) gifts, grants and other income which are restricted by their terms to purposes inconsistent with the payment of debt service on Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on Bonds unless utilized to pay Operation and Maintenance Expenses, and (iv) most Special Facilities Revenues. In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Resolution: (A) Rental Credit, (B) Passenger Facility Charges, (C) Customer Facility Charges, (D) Federal Direct Payments, (E) Released Revenues, (F) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Bond Resolution to be assessed to fund specific programs at the Airport System, (G) investment income derived from any money or securities which may be placed in escrow or trust to defease Bonds, (H) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and amounts held in a Rebate Fund and (I) Capitalized Interest. "Operation and Maintenance Expenses" are generally defined under the Resolution to mean the "reasonable and necessary costs paid or incurred by the District for maintaining and operating the Airport System, determined in accordance with generally accepted accounting principles, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, any principal or interest payment in respect of capital leases or indebtedness including the Bonds, any costs of issuance relating to any capital leases or indebtedness including the Bonds, amortization or intangibles, any non-cash Unfunded OPEB Obligations, and any Operation and Maintenance Expenses payable from money other than Revenues." See "SUMMARY OF DEFINED TERMS" in Appendix C–"Summaries of the Master Bond Resolution and the Second Supplemental Bond Resolution" for the full definition of "Revenues" and "Operation and Maintenance Expenses."

Pursuant to the 2013 Supplemental Resolution and the 2019 Supplemental Resolution, the Authority designated Customer Facility Charges received in each of the Fiscal Years ending in 2014 through 2028 as Revenues for purposes of the Master Resolution. In addition, Customer Facility Charges received in each Fiscal Year after the Fiscal Year ending in 2028 have also been designated and included as Revenues for purposes of the Master Resolution until such time as the Authority by Supplemental Resolution excludes and removes Customer Facility Charges from Revenues for purposes of the Master Resolution. See "–SUMMARY OF THE SECOND SUPPLEMENTAL BOND RESOLUTION-Designation of Customer Facility Charges (CFCs) as Revenues with Respect to Series 2019 Bonds" in Appendix C–"Summaries of the Master Bond Resolution and the Second Supplemental Bond Resolution."

THE 2019 BONDS SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE, AND THE DISTRICT HAS NOT PLEDGED ITS FULL FAITH AND CREDIT OR ITS TAXING POWER TO THE PAYMENT OF THE 2019 BONDS.

Rate Covenant

The Authority will, at all times while any Bonds shall be Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any amount deposited in the Rolling Coverage Account (subject to the limitation stated in the following sentence), will be equal to at least 125% of Annual Debt Service on the Outstanding Bonds in such Fiscal Year. For purposes of the preceding sentence, the balance in the Rolling Coverage Account which may be taken into account may not exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year. In addition, the District is required under the Master Resolution to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith so that Net Revenues in each Fiscal Year will be sufficient to pay or discharge all indebtedness, charges and liens whatsoever payable out of the Revenues.

Application of Revenues

All Revenues derived and to be derived by the District from the operation of the Airport System, including all Revenues derived by the District from all additions, extensions, enlargements and improvements of the Airport System hereafter made or acquired will be paid and deposited promptly in the Gross Revenue Fund, which will be segregated and kept separate and apart from the other revenues and funds of the District. On a monthly basis, all Revenues deposited into the Gross Revenue Fund will be set aside for the payment of the following amounts or deposited or transferred to the following funds and accounts in the order listed:

1. *Operation and Maintenance Expenses*. The District will first pay a sufficient amount of Revenues to pay all Operation and Maintenance Expenses due in the next month to the Operating and Maintenance Fund. The District will pay all Operation and Maintenance Expenses as they become due and payable from money available in the Operating and Maintenance Fund.

2. *Debt Service Fund; Other Amounts Due on Bonds.* The District will next pay a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Debt Service Fund in the amounts, at the times and in the manner provided in the Resolution to provide for the payment of the principal of and interest to come due on the Outstanding Bonds and for the payment of amounts, other than principal and interest, if any, due on the Outstanding Bonds.

3. *Common Reserve Account and Series Debt Service Reserve Accounts.* The District will next pay a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Common Reserve, the Series Debt Service Reserve Accounts and any other accounts within the Debt Service Reserve Fund, if any, at the times, in such amounts, and to be used in the manner provided for in the Resolution and any Supplemental Resolution.

4. *Subordinate Obligation Debt Service.* The District will next pay to the Subordinate Obligation Debt Service Fund and related reserve fund or funds (if any), such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including any Subordinate Obligations, issued pursuant to the terms of a subordinate resolution or other agreement, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.

5. *Operating and Maintenance Reserve Fund.* The District will next pay into the Operating and Maintenance Reserve Fund 1/12th of the amount needed to bring the balance in the Operating and Maintenance Reserve Fund to an amount equal to 1/6th of the amount of operating expenses budgeted by the District for the current Fiscal Year. If the balance in the Operating and Maintenance Reserve Fund is greater than or equal to 1/6th of the amount of operating expenses budgeted by the District for the current Fiscal Year, no deposit is required.

6. *Rebate Fund.* The District will next pay into the Rebate Fund such amount, if any, as required to satisfy the District's obligations with respect to any arbitrage rebate calculations related to a Series of Bonds.

7. *Airport Capital Fund.* When and after the District has made all monthly payments and credits from the Gross Revenue Fund required at the time to be made under the foregoing provisions of the Resolution, all remaining money in the Gross Revenue Fund will be credited to the Airport Capital Fund. Money in the Airport Capital Fund will be used for any lawful purpose of the Airport System. As determined by the District, money paid and credited to the Airport Capital Fund will be deposited into, and may be subsequently transferred among unless otherwise provided in a Supplemental Resolution, one or more of the following accounts (the listing of the accounts is not intended to establish a priority of one account over another):

(a) *Equipment and Capital Outlay Account* – the District may deposit money from the Airport Capital Fund into the Equipment and Capital Outlay Account in an amount to be determined by the District. Money in the Equipment and Capital Outlay Account may be used by the District to fund any equipment purchases or capital outlays that are included in the budget for the Airport System for a Fiscal Year.

(b) *Capital Projects Account* – the District may deposit money from the Airport Capital Fund into the Capital Projects Account in an amount to be determined by the District. Money in the Capital Projects Account may be used to fund all, or any portion of, capital projects that are included in the budget for the Airport System for a Fiscal Year, provided that such amounts shall not be used to pay any costs that are being funded from any Equipment and Capital Outlay Account.

(c) *Rolling Coverage Account* – the District may deposit money from the Airport Capital Fund into the Rolling Coverage Account in an amount to be determined by the District. Unless otherwise required by a Supplemental Resolution, the District is not required to make any deposit into the Rolling Coverage Account or to retain any such amount deposited in the Rolling Coverage Account. Any money in the Rolling Coverage Account may be taken into account for purposes of meeting the test for the issuance of additional bonds and the rate covenant of the Master Resolution, or transferred from this account into the Gross Revenue Fund, or used for any other lawful purpose of the Airport System.

(d) *General Capital Account* – subject to compliance with the immediately succeeding paragraph, all remaining money in the Airport Capital Fund not deposited to the Equipment and Capital Outlay Account, the Capital Projects Account, or the Rolling Coverage Account shall be deposited into the General Capital Account and may be accumulated by the District to be used to pay the costs of any future capital project or projects (whether or not such projects have been specifically identified), transferred to any other fund or account, or used by the District for any other lawful purpose of the Airport System.

The District has no general obligation indebtedness outstanding and no present intent to issue any general obligation bonds. If any general obligation bonds of the District are outstanding at the end of a Fiscal Year, then, within 60 days after the end of such Fiscal Year, after all deposits required to be made into each of the above Funds have been made, sufficient moneys remaining in the Gross Revenue Fund which are not required to make up deficiencies in any of the above Funds shall be transferred to the Charleston County Treasurer to be applied by the Charleston County Treasurer for the payment of the interest and principal on the general obligation bonds of the District for the next succeeding Fiscal Year; provided, however, in the event that the Charleston County Treasurer has at such time sufficient moneys available for payment of the principal of and interest to come due on all general obligation bonds for the next succeeding Fiscal Year no such transfer need be made and such excess shall be deposited in the General Capital Account. See "THE CHARLESTON COUNTY AIRPORT DISTRICT-Taxing Power and Authority to Issue General Obligation Indebtedness."

Debt Service Fund

The District will create a debt service account for each Series of Bonds within the Debt Service Fund (each, a "Debt Service Account"). The Debt Service Fund and each Debt Service Account shall be held in trust by the Trustee, and amounts to be used to pay principal of and interest on such Series of Bonds shall be deposited therein and used for such purpose.

Except as otherwise provided in a Supplemental Resolution, the District shall deposit money in each Debt Service Account from the Gross Revenue Fund (i) an amount equal to one-sixth ($1/6^{th}$) of the interest on Bonds of that Series bearing interest payable semi-annually scheduled to be due and payable on the next succeeding Payment Date so that there will be accumulated on such Payment Date, after taking into account interest earnings on amounts held in any such account, an amount not less than the interest on Bonds of that Series coming due on the immediately succeeding Payment Date, plus (ii) one-twelfth ($1/12^{th}$) of the principal amount on Bonds of that Series coming due by maturity or mandatory redemption on the next principal payment, maturity or mandatory redemption date, so that there will be accumulated in such account, after taking into account interest earnings on amounts held in such account, an amount not less than the principal on Bonds of that Series coming due by maturity or mandatory redemption on the immediately succeeding principal payment, maturity or mandatory redemption date. Notwithstanding any of the foregoing, no amount need to be transferred from the Gross Revenue Fund or otherwise deposited into any Debt Service Account for any Series of Bonds for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Bonds on the next succeeding Payment Date.

Deposit and Application of Passenger Facility Charges

The 2013 Supplemental Resolution and the 2019 Supplemental Resolution provide that, upon receipt by the District, all PFCs shall be set aside and immediately deposited directly to the credit of the accounts in the PFC Revenue Fund in the following order:

(a) First, to the PFC Debt Service Account, in each of the Fiscal Years 2014 through 2028, inclusive, all or such portion of PFCs received in such Fiscal Year as designated by the District up to any maximum that may be used for the payment of bond capital, financing and interest set forth by the PFC Final Agency Decision in such Fiscal Year.

(b) Second, to the PFC Project Account all PFCs so received by the District in each Fiscal Year not otherwise required to be applied by (a) above.

Any amounts credited to the PFC Debt Service Account shall be applied by the District to the payment of Annual Debt Service of the 2013 Bonds and any other Series of Bonds eligible for payment from PFCs under the PFC Final Agency Decision by transferring (i) on a pro rata basis of PFC-eligible Annual Debt Service for each such Series of Bonds amounts on deposit in the PFC Debt Service Account to the Debt Service Account for each such Series of Bonds in each Fiscal Year, or (ii) such other method as is consistent with the PFC Final Agency Decision. Any amounts remaining in the PFC Debt Service Account on the last day of the Fiscal Year shall be credited to the PFC Project Account. Amounts credited to the PFC Project Account may be applied to any lawful purpose relating to the Airport System as the Director of Airports may from time to time determine, including transfer to the PFC Debt Service Account. Debt Service on the 2019 Bonds will not be eligible for payment from PFCs.

The Master Resolution provides that if, pursuant to a Supplemental Resolution, the Authority has made an Irrevocable Commitment to use Passenger Facility Charges to pay Annual Debt Service on the Bonds for any Fiscal Year or period of Fiscal Years, then such amounts shall be deposited into the applicable Debt Service Account when received and shall be excluded from the computation of Annual Debt Service for the purpose of calculating Aggregate Annual Debt Service for the proposed issuance of any Series of Bonds and for the purpose of verifying compliance with the rate covenant. The District's obligation to apply PFCs in accordance with the provisions of the 2013 Supplemental Resolution and 2019 Supplemental Resolution for the period of time provided therein constitutes an Irrevocable Commitment for purposes of the Master Resolution.

Debt Service Reserve Fund

Under the terms of the Resolution, there is created a Debt Service Reserve Fund, in which there is established a Common Reserve Account and one or more Series Debt Service Reserve Accounts that may be held by the District or any agent of the District. Money held in the Common Reserve Account, including all accounts established therein, will be used for the purpose of paying principal of and interest on the Bonds participating in the Common Reserve Account on a pro rata basis with all Bonds then participating in the Common Reserve Account. If, on any Payment Date, the amounts in the Debt Service Fund for any Bonds participating in the Common Reserve Account available therefor are insufficient to pay in full the amount then due on such Bonds, money held in the Common Reserve Account will be used for the payment of principal of and interest thereon. If amounts in the Common Reserve Account consist of both cash and one or more Reserve Fund Surety Policies, the District will make any required payments of amounts in the Common Reserve Account first from any cash held in the Common Reserve Account, prior to making a draw upon any of such Reserve Fund Surety Policies. Money held in the Common Reserve Account may also be used to make any deposit required to be made to the Rebate Fund created for the Bonds participating in the Common Reserve Account at the written direction of the District if the District does not have other funds available from which such deposit can be made.

Instead of making a deposit to be made to the Common Reserve Account, the Authority may, at the time of issuance of any Series of Bonds, provide by Supplemental Resolution for the creation of a Series Debt Service Reserve Account as additional security for such Series of Bonds, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Series Debt Service Reserve Account, or provide that such Series of Bonds participate in a Series Debt Service Reserve Account previously created for an Outstanding Series of Bonds. Any Series Debt Service Reserve Account established under a Supplemental Resolution shall be funded, at the time of issuance of such Series of Bonds or over such other period of time as set forth in a Supplemental Resolution, in an amount equal to the Reserve Requirement with respect to the Bonds participating in such Series Debt Service Reserve Account.

In lieu of sharing in a Common Reserve Account or creating a Series Debt Service Reserve Account, at the time of issuance of any Series of Bonds, the Authority may provide pursuant to a Supplemental Resolution that neither a deposit to the Common Reserve Account nor a deposit to a Series Debt Service Reserve Account shall be required and that such Series of Bonds shall not be secured by the Common Reserve Account or a Series Debt Reserve Account.

The 2019 Bonds will participate in the Common Reserve Account. At the time of issuance of the 2019 Bonds, a portion of the proceeds of the 2019 Bonds will be deposited into the Series 2019 Reserve Account. The Series 2019 Reserve Account will be established, held, invested and used as an integral part of the Debt Service Reserve Fund and will be available to make payments on all Bonds participating in the Common Reserve Account of the Debt Service Reserve Fund. In the event a Reserve Fund Surety Policy is ever deposited to the Debt Service Reserve Fund, the Series 2019 Reserve Account will be credited with the portion of any Reserve Fund Surety Policy allocable thereto. In the event amounts in the Debt Service Reserve Fund exceed the Reserve Requirement for the Debt Service Reserve Fund, such excess allocable to the 2019 Bonds will be transferred to the Series 2019 Principal and Interest Account in the Debt Service Fund.

Additional Bonds

The Resolution, subject to certain exceptions, authorizes the issuance of any Series of Bonds subject to the conditions that there shall first be delivered to the District either:

(a) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative showing that the Net Revenues for the last Fiscal Year for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount on deposit in the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year, were at least equal to 125% of Aggregate Annual Debt Service with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds was then Outstanding; or

(b) (i) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative, showing that the Net Revenues for the last Fiscal Year for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount deposited in the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year, were at least equal to 125% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such Fiscal Year or other applicable period; and

(ii) a certificate from a Consultant showing that the estimated Net Revenues for each of three consecutive Fiscal Years beginning with the first Fiscal Year in which Annual Debt Service is due on or with respect to the Series of Bonds proposed to be issued, and for the payment of all of which provision has not been made as indicated in the report of such Consultant from the proceeds of such Series of Bonds and/or from interest that has been capitalized from the proceeds of previously issued Bonds, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds was then Outstanding).

For purposes of paragraph (a) above, the amount of any money deposited into the Rolling Coverage Account taken into account cannot exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds and the proposed Series of Bonds. For purposes of paragraph (b)(i) and (ii) above, the amount of any money deposited into the Rolling Coverage Account taken into account in any year cannot exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds in such year. For purposes of paragraph (b)(ii) above, in estimating Net Revenues, the Consultant may take into account Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided and an amount estimated by the Consultant to be on deposit during such period of time in the Rolling Coverage Account.

In addition, the District may issue:

(a) Notes, if an Authorized Authority Representative executes a certificate showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes, accompanied by a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the District will be in compliance with rate covenant described under "—Rate Covenant" above; or

(b) Bonds, the purpose of which is to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such Bonds does not exceed an amount equal to 15% of the principal amount of the Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the District (a) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (b) a certificate of an Authorized Authority Representative to the effect that (x) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (y) the then Estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus money available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Bonds plus money available in the Construction Fund established for the Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund (1) all Outstanding Bonds of one or more Series or one or more maturities within a Series, or (2) any Subordinate Obligations. Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds or one or more maturities within a Series shall be authenticated and delivered by the Trustee only on satisfaction of certain requirements, including either of the following:

1. An Authorized Authority Representative executes a certificate showing the Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service for any Fiscal Year prior to the issuance of such Refunding Bonds in the years through the final maturity of the Outstanding Bonds to be refunded; or

2. The District obtains a report from a Consultant demonstrating that the refunding will reduce the total debt service payments on all Outstanding Bonds on a present value basis.

Subordinate Obligations

The District may incur indebtedness that is subordinate to the Bonds, which is defined in the Resolution as a Subordinate Obligation. Any indebtedness of this type may be incurred at such times and upon such terms as the Authority shall determine provided that:

1. Any Supplemental Resolution authorizing the issuance of any Subordinate Obligations will specifically state that such lien on a security interest granted in the Net Revenue is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds; and

2. Payment of principal of and interest and other amounts due on such Subordinate Obligations will be permitted, provided that all deposits and payments required to be made pursuant to the Resolution have been made and satisfied.

Special Facility Obligations

The District shall be authorized to finance, from the proceeds of obligations, other than Bonds, issued by the District which are not payable from Revenues, capital improvements or facilities to be located on any property included under the definition of Airport System ("*Special Facilities*") without regard to any requirements of the Resolution with respect to the issuance of Additional Bonds, which obligations must be designated as Special Facility Obligations under the Resolution, provided Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from:

1. Special Facilities Revenue, which includes contractual payments derived by the District under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the District and other person, firm or corporation, either public or private, as they undertake the operation of a Special Facility;

2. proceeds of such Special Facility Obligations set aside exclusively to repay the Debt Service on such Special Facility Obligations, if any; or

3. subject to any covenants or other provisions of the Resolution, such Net Revenues, or other money not included in Net Revenues, made available by the District through a specific pledge to the payment of the principal of and interest on such Special Facility Obligation in such amounts and at such times as may be agreed to by the Authority, if any.

DESCRIPTION OF THE 2019 PROJECT AND THE CAPITAL IMPROVEMENT PROGRAM

Description of the 2019 Project

The 2019 Bonds are being issued to finance a portion of the cost of the design and construction of a five-level parking deck to provide approximately 2,400 spaces of public parking and approximately 600 spaces for rental car operations (the *"2019 Project"*). The 2019 Project also includes necessary signage and wayfinding as well as an elevated passageway connecting the terminal through the existing garage to the new parking deck. The 2019 Project, which is among the projects included in the District's CIP (hereinafter defined), is anticipated to be completed in Fiscal Year 2022. The total estimated cost of the 2019 Project is approximately $100 million, of which approximately $68 million is expected to be funded with the proceeds of the 2019 Bonds, and the remainder is anticipated to be funded with Customer Facility Charge revenues and Airport Improvement Program ("*AIP*") discretionary grant proceeds. As of December 31, 2018, the District had approximately $20 million in Customer Facility Charge revenues available for such purpose.

Architectural and engineering plans and specifications have been completed for the 2019 Project. After a solicitation of proposals, the District has entered into a fixed price construction contract with Roy Anderson Corp. (the *"Contractor"*) for the construction of the 2019 Project. The Contractor is a regional construction firm headquartered in Gulfport, Mississippi with substantial experience in parking deck construction. Construction of the 2019 Project is expected to commence February 18, 2019 and be completed by December 1, 2020. LS3P has acted as project architect for the 2019 Project and, together with ADC Engineering, will oversee the construction of the 2019 Project for the District.

Capital Improvement Program

The Authority plans for capital improvements to the Airport on an ongoing basis. The Authority's Fiscal Year 2019 through Fiscal Year 2028 Capital Improvement Program ("*CIP*") consists of approximately $321.6 million of total project costs. CIP projects for the Airport account for approximately $309.4 million, or 96.2% of the Authority's CIP, with the System's two general aviation airports accounting for the remaining $12.2 million. Because the USAF owns and maintains the runways and surrounding airfield areas, the Authority does not incur expense related to runway renovation or rehabilitation projects.

The additional Airport projects included in the CIP include expansions of surface lots, the terminal ticketing hall and the fuel farm, terminal annex renovations, terminal apron pavement renovations and a new Concourse C. The improvements at the two general aviation airports include lighting upgrades, certain road improvements, taxiway rehabilitations and a new hanger and related apron.

The terminal ticketing hall project will expand the main terminal ticketing hall at the Airport in order to adequately support existing air carrier services, accommodate new air carriers, and improve passenger flow. The expansion will increase the concourse ticketing area footprint by approximately 20,000 square feet and install the accompanying apron level baggage conveyor system and airport support areas.

The ticketing hall expansion project at the Airport will provide the necessary capacity required to accommodate high levels of extant passenger growth and preserve access to the Airport terminal facilities by the current and future air carriers.

Concourse C, the other major undertaking included in the CIP, will increase the overall capacity of the Airport's main terminal by adding another concourse totaling approximately 160,000 square feet of concourse-level facilities consisting of six gates, passenger boarding bridges, airport support facilities, passenger hold rooms, baggage conveyors, and passenger amenities.

The District anticipates funding the remainder of the CIP projects from funds of the District and the AIP grant proceeds. The actual sources of funding will depend on various factors, including the timing of the improvements and the availability of District funds and AIP grant proceeds for such purpose.

The following table presents the Authority's current CIP projects and the anticipated sources of funding for each project.

		FUNDING SOURCE			
PROJECT NAME	COST	AUTHORITY FUNDS	FEDERAL AND STATE FUNDS	2019 BONDS	CUSTOMER FACILITY CHARGES
2019 Project					
New Parking Deck Construction	$100,000,000		$12,000,000	$68,000,000	$20,000,000
TOTAL 2019 PROJECTS	**$100,000,000**	**$0**	**$12,000,000**	**$68,000,000**	**$20,000,000**
Airport CIP Projects					
Surface Parking Lot Expansion and Renovation	$4,500,000	$4,500,000			
Ticketing Hall Expansion (Design)	4,000,000	2,680,000	$1,320,000		
Ticketing Hall Expansion (Phase 1)	20,000,000	13,400,000	6,600,000		
Ticketing Hall Expansion (Phase 2)	20,000,000	13,400,000	6,600,000		
Fuel Farm Expansion	7,400,000	7,400,000			
Terminal Annex Renovations	2,500,000	2,500,000			
Terminal Apron Pavement Revitalization	1,000,000	100,000	900,000		
Concourse C	150,000,000	75,000,000	75,000,000		
TOTAL AIRPORT CIP PROJECTS	**$209,400,000**	**$118,980,000**	**$90,420,000**	**$0**	**$0**
Charleston Executive Airport ("JZI")					
Airfield Lighting Upgrades	$2,500,000	$250,000	$2,250,000		
Fort Trenholm Road Improvements	1,200,000	1,200,000			
Taxiway B&C Rehabilitation	7,000,000	700,000	6,300,000		
TOTAL JZI CIP PROJECTS	$10,700,000	$2,150,000	$8,550,000		
Mount Pleasant Regional Airport ("LRO")					
New T-Hangar Buildings and Apron	$1,500,000	$150,000	$1,350,000		
TOTAL LRO CIP PROJECTS	$1,500,000	$150,000	$1,350,000		
TOTAL CAPITAL PROGRAM INCLUDED IN FINANCIAL ANALYSIS	**$321,600,000**	**$121,280,000**	**$112,320,000**	**$68,000,000**	**$20,000,000**

SOURCE: Charleston County Aviation Authority, January 2019.

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ESTIMATED SOURCES AND USES OF FUNDS

The following table presents estimated information as to the sources and uses of the bond proceeds that will be used to finance a portion of the 2019 Project.

SOURCES OF FUNDS	
Principal Amount of 2019 Bonds	$64,715,000
Original Issue Premium	10,162,630
TOTAL SOURCES	$74,877,630
USE OF FUNDS	
Project Costs	$66,818,152
Debt Service Reserve Account	1,708,728
Capitalized Interest	5,693,154
Costs of Issuance[1]	657,596
TOTAL USES	$74,877,630

[1] Including underwriters' discount, legal, printing, rating, consulting and miscellaneous fees.

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DEBT SERVICE REQUIREMENTS

The following table presents information on the District's debt service obligations on the 2013 Bonds and the 2019 Bonds. For purposes of the following, debt service on the 2019 Bonds includes interest to be paid thereon through December 1, 2020 from proceeds of the 2019 Bonds.

Bond Year Ending		2019 Bonds			
July 1,	2013 Bonds	Principal	Interest	Total	Total
2019	$ 12,420,338	$ -	$ 1,240,371	$ 1,240,371	$ 13,660,708
2020	12,422,338	-	3,235,750	3,235,750	15,658,088
2021	12,424,213	-	3,235,750	3,235,750	15,659,963
2022	12,424,700	-	3,235,750	3,235,750	15,660,450
2023	12,419,950	1,265,000	3,235,750	4,500,750	16,920,700
2024	12,424,075	1,330,000	3,172,500	4,502,500	16,926,575
2025	12,423,063	1,395,000	3,106,000	4,501,000	16,924,063
2026	12,420,238	1,465,000	3,036,250	4,501,250	16,921,488
2027	12,423,163	1,540,000	2,963,000	4,503,000	16,926,163
2028	12,421,513	1,615,000	2,886,000	4,501,000	16,922,513
2029	12,424,738	1,695,000	2,805,250	4,500,250	16,924,988
2030	12,424,738	1,780,000	2,720,500	4,500,500	16,925,238
2031	12,421,638	1,870,000	2,631,500	4,501,500	16,923,138
2032	12,424,813	1,965,000	2,538,000	4,503,000	16,927,813
2033	12,424,413	2,065,000	2,439,750	4,504,750	16,929,163
2034	12,424,800	2,165,000	2,336,500	4,501,500	16,926,300
2035	12,421,200	2,275,000	2,228,250	4,503,250	16,924,450
2036	12,424,375	2,390,000	2,114,500	4,504,500	16,928,875
2037	12,422,600	2,505,000	1,995,000	4,500,000	16,922,600
2038	12,419,750	2,630,000	1,869,750	4,499,750	16,919,500
2039	12,424,400	2,765,000	1,738,250	4,503,250	16,927,650
2040	12,420,025	2,900,000	1,600,000	4,500,000	16,920,025
2041	12,421,775	3,045,000	1,455,000	4,500,000	16,921,775
2042	12,425,250	3,200,000	1,302,750	4,502,750	16,928,000
2043	12,426,750	3,360,000	1,142,750	4,502,750	16,929,500
2044	-	3,525,000	974,750	4,499,750	4,499,750
2045	-	3,705,000	798,500	4,503,500	4,503,500
2046	-	3,890,000	613,250	4,503,250	4,503,250
2047	-	4,085,000	418,750	4,503,750	4,503,750
2048	-	4,290,000	214,500	4,504,500	4,504,500
Total	$310,574,850	$64,715,000	$63,284,621	$127,999,621	$438,574,471

Note: Totals may not add due to rounding.

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THE AIR TRADE AREA

Introduction

The Airport primarily serves the three-county Charleston-North Charleston Metropolitan Statistical Area (referred to herein as the "*Air Trade Area*" or the "*Charleston MSA*") which has a total population of approximately 774,500 residents. According to the most recent U.S. Census Bureau data, the Air Trade Area is presently the 47th-fastest growing metropolitan area in the United States, gaining approximately 38 new residents each day. Population growth in the Air Trade Area over the past ten years has been significantly faster than the population growth experienced by the State and the United States.

The Air Trade Area has a relatively younger and better educated population than the national average. This relatively younger and well-educated population provides a strong workforce base for employment and economic growth, which generally leads to increased air travel demand. In the 2017 Milken Institute Best-Performing Cities Index, the Air Trade Area ranked 22nd out of the 201 largest U.S. metropolitan areas based on how well an area creates and sustains employment and economic growth. The Air Trade Area has been among the top 40 metropolitan areas in the ranking since 2005.

Average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for the State every year between calendar year (*"CY"*) 2007 and CY 2017. Average annual unemployment rates for the Air Trade Area were equal to or below the unemployment rates for the nation for every year between CY 2007 and CY 2017. The Air Trade Area's unemployment rate was 2.8% in October 2018. This rate was below the unemployment rates experienced by the State and the nation during the same period (3.3% and 3.5%, respectively).

Approximately 29 private or public entities are in the Air Trade Area with nearly 1,000 or more employees. The largest employer in the Air Trade Area is the consolidated U.S. Air Force/Navy military facility Joint Base Charleston with approximately 20,000 employees, followed by the Medical University of South Carolina (13,000 employees); The Boeing Company (7,400 employees); the Charleston County School District (6,000 employees); and the Berkeley County School District (6,000 employees).

Approximately 775,000 people live within a one-hour drive of Charleston, and approximately 1,245,000 within a two-hour drive. Interstate 26, the main highway artery for travel into the Charleston metropolitan area, is immediately adjacent to the Airport and connects the major population centers in South Carolina.

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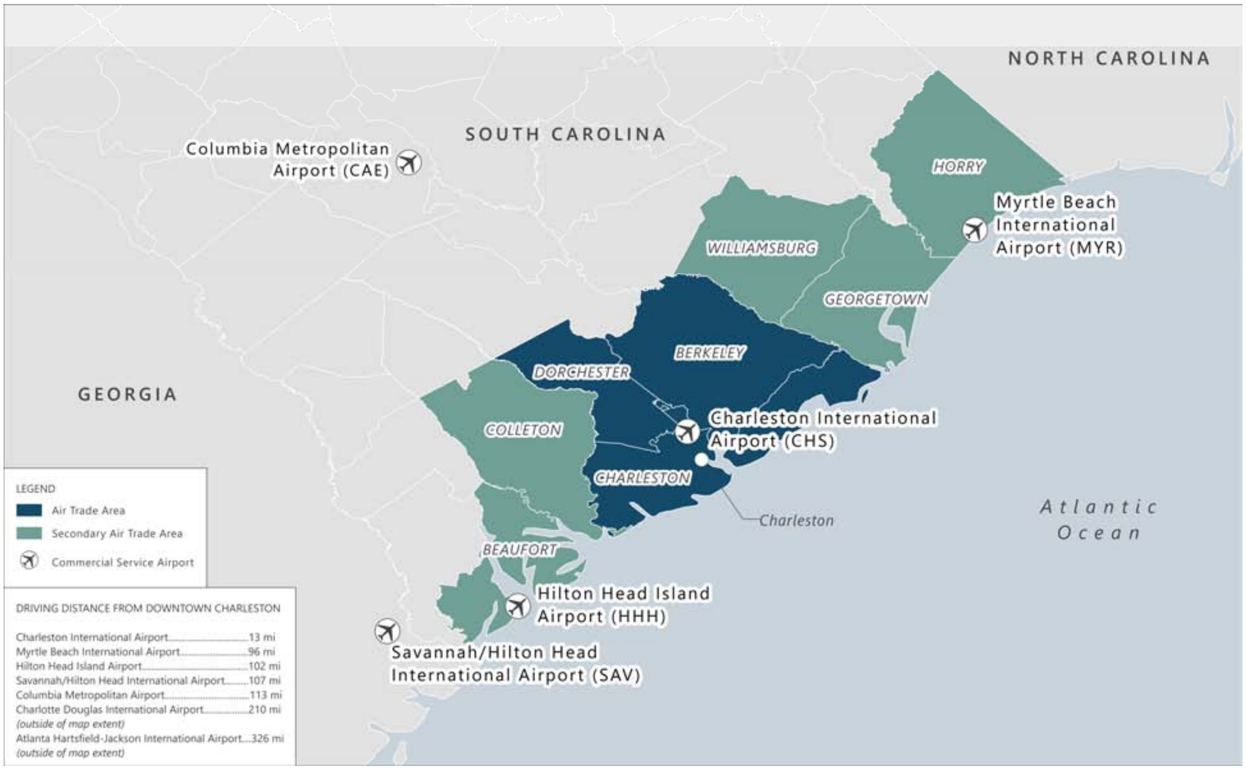
The following map depicts the location of the Airport in relation to the Air Trade Area, the District's secondary air trade area and various proximate major airports.



Population Growth in Air Trade Area

The table below presents, by county, population growth in the Air Trade Area since 1997. The estimated 2017 population of the Air Trade Area was 774,467, which is an approximate 46.6% increase over the 1997 estimated population of 528,354. The Air Trade Area is the fastest growing metropolitan statistical area in the State.

	County			
Year	Berkeley	Charleston	Dorchester	Total
1997	133,195	305,243	89,916	528,354
2007	164,913	337,147	126,324	628,384
2017	217,080	400,899	156,488	774,467

Source: Woods and Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source (CEDDS), April 2018.

Major Employers

The largest employers located within the Charleston MSA and the approximate number of employees are listed below.

EMPLOYER	DESCRIPTION	# OF EMPLOYEES
Joint Base Charleston	Area U.S. military commands	20,000
Medical University Of South Carolina (MUSC)	Hospital, post-secondary education, research	13,000
The Boeing Company	Aircraft manufacturing	7,400
Charleston County School District	Education/public schools	6,000
Berkeley County School District	Education/public schools	6,000
Roper St. Francis Healthcare	Roper and Bon Secours St. Francis Hospitals	5,500
Dorchester County School District II	Education/public schools	3,500
Trident Health System	Hospital system	2,500
Walmart Inc.	Retail merchandise	2,300
College of Charleston	Post-secondary education	2,200
Charleston County	Local government	2,100
U.S. Postal Service	Postal service	2,000
Robert Bosch LLC	Antilock brake systems, fuel injectors, common rail and unit injectors	1,800
City of Charleston	Local government	1,700
Kiawah Island Golf Resort/The Sanctuary at Kiawah	Resort	1,500
SAIC	System engineering and integration services	1,500
Trident Technical College	Post-secondary education	1,400
Blackbaud, Inc.	Specialty computer software development and design	1,300
IHG (Intercontinental Hotels Group)	Inbound reservation center and accommodations for Holiday Inn, Holiday Inn Express, Staybridge, and Candlewood Suites hotels	1,300
Santee Cooper	Electric and water utility	1,250
Berkeley County	Local government	1,200
City of North Charleston	Local government	1,200
Bi-Lo Stores	Retail grocery stores	1,200
Publix Supermarkets	Retail grocery stores	1,200
Verizon Wireless	Inbound/outbound call center for communications company	1,200
iQor	Inbound/outbound customer service call center	1,200
Benefitfocus	Custom benefits software	1,000
Nucor Steel	Manufacture carbon and alloy steel in various forms	1,000
KapStone Charleston Kraft LLC	Manufacture specialty paper and packaging	1,000

SOURCE: Charleston Metro Chamber of Commerce, Center for Business Research, June 2017.

THE CHARLESTON COUNTY AIRPORT DISTRICT

General Description of the District

Pursuant to the Act, the District was created as a political subdivision of the State to acquire, construct, operate and maintain air transport facilities of suitable size and with suitable equipment to enable all types of air transport to operate safely in the County. The District is authorized to finance all costs that may be incurred by it in the acquisition, construction and equipping of such air transport facilities.

The Authority

The corporate powers and duties of the District are exercised and performed by the Authority. The Authority is composed of 11 members, three of whom are appointed by the Governor upon the recommendation of the Charleston County House of Representatives Delegation and three of whom are appointed by the Governor upon the recommendation of the Charleston County Senate Delegation. The seventh voting member is appointed by the Governor upon the recommendation of the City and County Councils of Charleston jointly. The four remaining ex-officio members are the Mayor of the City of Charleston, Mayor of the City of North Charleston, the Mayor of the Town of Mount Pleasant and the Chairman of the County Council, or their respective proxies. The members appointed by the Governor serve for terms of four years, or until their successors are appointed. Members of the Authority receive no salaries but are entitled to a statutory per diem and are eligible for reimbursement of reasonable expenses incurred.

Authority Members

The present members of the Authority, their years of service and occupations are set forth below. All are residents of the County.

NAME	YEARS OF SERVICE	OCCUPATION
R. Walter Hundley, Chairman	10	Attorney
Henry B. Fishburne Jr.	5	Attorney
The Honorable Will Haynie†	2	Mayor, Town of Mount Pleasant
Jerome Heyward	*	Consultant
Helen T. Hill	5	CEO, Explore Charleston
B. Spencer Pryor	20	Public Relations
Charlie Salmonsen	*	Real Estate
J. Elliott Summey†	*	Real Estate Developer
The Honorable R. Keith Summey†	20	Mayor, City of North Charleston
The Honorable John J. Tecklenburg†	3	Mayor, City of Charleston
Paul Thurmond	*	Attorney

† *Ex officio* member.
* Denotes less than one year.

Authority Management

Direct supervision of Airport operations is exercised by the Authority. The Executive Director and Chief Executive Officer, the General Counsel to the Authority, and Bond Counsel to the Authority are hired or engaged directly by the Authority. All other employees of the District are hired by or under the authority of the Executive Director and Chief Executive Officer. The Federal Aviation Administration (the "FAA") has regulatory authority over equipment, air traffic, and operating standards at the Airport. The Authority is responsible for managing, operating and developing the Airport System; setting rentals, fees and charges; negotiating leases, use agreements and concession contracts; supervising the collection of revenues generated by the Airport System; and coordinating aviation activities with the FAA.

The Executive Director and Chief Executive Officer is directly responsible for all functional areas at the Airport. The staff includes Deputy Director and Chief Operating Officer, Deputy Director and Chief Financial Officer, Director of Public Safety, Director of Engineering, Director of Procurement, Corporate Ombudsperson & Executive Assistant to the Executive Director and Chief Executive Officer, Police Captain, Media Communications Coordinator, Manager of Airport Operations, Manager of Engineering & Construction, Manager of Facilities, Manager of Airport Security, IT Operations Manager, Manager of Human Resources, Manager of Ground Transportation, Manager of Administration, M/W SBA Coordinator, Manager of Properties and Contract and clerical and maintenance personnel. Airport security and police protection are provided by the Charleston County Aviation Authority Police Department. Crash, fire and rescue services are provided by the United States Air Force (*"USAF"*) pursuant to the Joint Use Agreement (hereinafter defined). Structural fire protection is provided by the City of North Charleston.

Senator Paul G. Campbell Jr., Executive Director and Chief Executive Officer, has been with the Authority since 2013. Senator Campbell has been a member of the South Carolina Senate since 2007. His experience in the areas of management and engineering spans 40 years. Prior to joining the Authority, Senator Campbell was the president of the southeast region for Alcoa Primary Metals from which he retired. He has a bachelor of science in chemical engineering and a master's in business administration.

Arnold S. Goodstein, Esquire, General Counsel, has been General Counsel to the Authority for over 20 years. He has a bachelor of science in economics from Davidson College. Following distinguished service with the U.S. Army in Vietnam, Mr. Goodstein graduated with honors from the University of South Carolina School of Law. Mr. Goodstein served in the South Carolina House of Representatives from 1970 to 1975 and in the South Carolina Senate from 1975 to 1980. In 1996, he was elected by the State Legislature as the Highway Commissioner for the First District. He has also served on the Charleston Area Transportation Committee and the Berkeley, Charleston and Dorchester Council of Governments. In addition to serving as General Counsel to the Authority, Mr. Goodstein engages in the practice of law in the Goodstein Law Firm LLC, Summerville, South Carolina.

Hernan E. Peña Jr., Deputy Director and Chief Operating Officer, has been with the Authority since 2016. Mr. Pena previously served the City of Charleston as Director of Transportation for 29 years, and was the Authority's proxy for the City of Charleston for the last 16 years. He has a bachelor of science and a master's degree in engineering.

Douglas R. Boston, Deputy Director and Chief Financial Officer, has been with the Authority since 2016. Mr. Boston's leadership experience spans 32 years, with 19 of those serving in the capacity of chief financial officer in a variety of industries. He is a certified public accountant and has a master's degree in business administration.

As of December 31, 2018, the Authority had 184 full-time equivalent employees. Under State law, municipal employees may not be represented by collective bargaining organizations. State law requires all eligible persons except those specifically excluded to become members of the South Carolina Retirement System as a condition of their employment and requires employers to make certain contributions to the South Carolina Retirement System Plan. Authority employees are members of the South Carolina Retirement System (the *"SCRS"*) and the Police Officers' Retirement System (the *"PORS"*). All contributions required by law have been made by the Authority. See "FINANCIAL MATTERS OF THE DISTRICT-Pension; Other Post-Employment Benefits."

Taxing Power and Authority to Issue General Obligation Indebtedness

The District is a political subdivision of the State formed in accordance with the Act. Under the terms of the Act and the State Constitution, the Authority is authorized to issue general obligation indebtedness secured by the full faith, credit and taxing power of the District. Article X, Section 14 of the

State Constitution provides that the amount of outstanding general obligation indebtedness of the District may not exceed 8% of the assessed value of all taxable property located in the District (the "*Debt Limit*"). General obligation indebtedness approved by referendum is not subject to the Debt Limit. The District has no general obligation indebtedness outstanding and no present intent to issue any general obligation bonds.

The Airport

Charleston International Airport is centrally located in the Charleston metropolitan area in North Charleston. The Airport is situated adjacent to Charleston Air Force Base and uses the airfield facilities at the Air Force Base jointly with the USAF. The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF.

The Airport primarily serves passengers whose travel originates or terminates in the Charleston MSA. The Airport is defined as a small hub airport under FAA enplanement criteria. A small hub is a community enplaning between 0.05% and 0.25% of the total enplaned revenue passengers in all services and operations of U.S. certified route air carriers within the 50 states, the District of Columbia, and other U.S. territorial possessions, as designated by the FAA. In Fiscal Year 2018, a total of approximately 2,097,000 passengers were enplaned on the scheduled, commuter, and charter airlines serving the Airport.

The airfield has a main instrument runway which is 9,000 feet long and 200 feet wide and a crosswind runway which is 7,000 feet long and 150 feet wide. The runways are interconnected by a system of taxiways. Each runway is equipped with high intensity runway lighting and one runway has category II instrument landing systems to permit all-weather operation. All runways are constructed on a firm foundation of compacted base and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The FAA control tower provides airport traffic and radar approach control service.

The Airport passenger Terminal Building opened on April 10, 1985. The Terminal Building has three levels (i.e., the apron, concourse, and administration levels) and currently totals approximately 430,000 square feet of enclosed and covered unenclosed space. In October 2016, the Authority completed the Terminal Redevelopment and Improvement Program (*"TRIP"*), which increased the previously existing 330,000 square foot Terminal Building footprint by approximately 100,000 square feet and included the following improvements:

- new Central Hall;
- redeveloped Ticket Hall with new central marketplace with shopping and dining options;
- new Rental Car Pavilion;
- expanded baggage handling system;
- addition of five new passenger boarding gates with new passenger boarding bridges on each new gate; and
- new restrooms, concessions, and hold room areas.

The Terminal Building consists of two concourses (piers) connected to the main core of the Terminal Building. The two-level east pier is referred to as Concourse A, and the two-level west pier is referred to as Concourse B. The lower (apron) level is within the Secure Identification Display Area and it generally contains airline operations offices, storage space, utility space, workshops, and covered unenclosed space. The second (concourse) level principally contains the secure areas (post security screening checkpoints), including holdrooms, concession spaces, restrooms, and miscellaneous spaces. Federal Inspection Services facilities occupy a large separate section on Concourse B. The Terminal Building contains airline and Airport operational areas on the lower (apron) level; passenger ticketing, bag claim, rental car counters, and concessions at the concourse-level; and Authority offices and boardroom occupy the third (administration) level.

The aircraft parking area is striped for 17 terminal aircraft parking positions and seven remain overnight aircraft, not including any aircraft parking positions on the cargo ramp.

The terminal curbside area consists of an inner curbside roadway and an outer curbside roadway. The inner and outer roadways are separated by a concrete median that provides shelter for passengers waiting for vehicles on the outer roadway.

The terminal roadway was constructed on a berm so that the curb, ticket lobby, and bag claim hall are one level above the aircraft apron. The inner roadway consists of two passenger loading and unloading lanes adjacent to the terminal, as well as two through-lanes. The outer roadway consists of a single passenger loading and unloading lane adjacent to the median, two through-lanes, and a single outer passenger loading lane. The innermost lane is used for valet pickup and drop-off, taxicab pickup, courtesy shuttle pickup, and Charleston Area Regional Transportation Authority buses. The center two lanes are circulating lanes for through traffic. The outermost lane is used for limousine pickup and valet pickup and drop-off.

Four public parking lots provide a total of approximately 4,700 parking spaces for Airport patrons as follows:

- Existing Parking Deck (located across the terminal roadway from the Terminal Building) – approximately 1,300 spaces on three levels.

- Surface Parking Lot (located south of the Existing Parking Deck) – approximately 2,300 parking spaces.

- Overflow Parking Lot (located south of the Surface Parking Lot) – containing an additional approximately 1,100 parking spaces.

The Airport campus also includes two employee parking lots, a cell phone lot and a ride share waiting lot.

The following six rental car brands operate on Airport: Alamo, Avis, Budget, Enterprise, Hertz and National. Each brand has passenger-accessible counter space in the rental car pavilion portion of the Terminal Building, as well as ready/return spaces located in a surface parking area immediately west of the Terminal Building. Each rental car company also has a vehicle service and storage facility and administrative offices. Dollar and Thrifty rental car brands currently provide off-Airport car rentals.

An air cargo building and apron serve incoming and outgoing cargo operations at the Airport. The cargo apron is located south of terminal apron and provides five aircraft parking positions. Further south is a multitenant cargo building in which cargo is handled by Atlas, Mountain Air, FedEx, American, United, Southwest and Delta.

General aviation services at the Airport are provided by two fixed base operators (*"FBOs"*): Atlantic Aviation and Signature Aviation. Both FBOs are located on the northeast side of the airfield with access to Taxiway G. The FBO facilities consist of three hangars and two terminal buildings that total 106,200 square feet. The two aircraft parking aprons used by the FBOs provide 74,100 square yards of aircraft parking area.

Airport support facilities consist of aircraft rescue and firefighting facilities, Airport maintenance facilities, and fuel storage facilities. These facilities and operations are controlled by either the USAF or the Authority, with all facilities located within the Airport boundary.

Other System Airports

Charleston Executive Airport. Charleston Executive Airport serves as a general aviation reliever airport for Charleston International Airport. The Charleston Executive Airport encompasses 1,373 acres and has two active runways. The primary runway is 5,350 feet long and is equipped with an FAA Instrument Landing System, Precision Approach Path Indicators at both ends of the primary runway, and a UNICOM. The FBO facility includes a 6,000 square foot terminal, two open-bay hangars, several individual hangars and two ton-unit T-hangars. Airport services provided by the fixed based operator include fuel and major airframe and power plant repairs. Other tenants include the United States Coast Guard and Charleston County Mosquito Abatement.

Mount Pleasant Regional Airport. Mount Pleasant Regional Airport also serves as a general aviation airport in the County. The Mount Pleasant Regional Airport has a 3,700 foot runway and medium intensity lighting, a rotating beacon, Precision Approach Path Indicators at both runway ends and a UNICOM. The facility also includes a maintenance hangar and six ten-unit T-hangars, two of which are privately owned. Airport services are provided by an FBO, including fuel and minor repairs.

The Joint Use Agreement

Charleston International Airport is a joint use airport. The airfield is owned and operated by the USAF as part of the Charleston Air Force Base. The District owns and maintains approximately 1,500 acres adjacent to the Charleston Air Force Base. The USAF and the Authority entered into the initial Joint Use Agreement on December 29, 1978, allowing for the grant to both general aviation and certificated air carriers of certain rights and privileges, including the right to use the airfield. The initial Joint Use Agreement was amended and superseded on February 20, 1985, and expired on February 20, 2008. The Authority and the USAF entered into a new Joint Use Agreement on February 21, 2008 (the "*Joint Use Agreement*"), which supersedes all previous agreements entered into between the Authority and the USAF. The Joint Use Agreement has a term of 50 years.

The Joint Use Agreement provides that, within its assigned capabilities, equipment, and available personnel, the USAF will provide aircraft crash, rescue and fire-fighting services for both the Joint Use Area and the Civil Use Area, as those terms are defined in the Joint Use Agreement. Maintenance and service in the Joint Use Area is the responsibility of the USAF, and maintenance and service in the Civil Use Area is the responsibility of the District. In times of war or national emergency, the USAF has the sole discretion pursuant to the Joint Use Agreement to restrict civil operations at the airfield to avoid interference with USAF operations. This restriction has been included in prior joint use agreements dating back to 1952. However, significant restrictions have never been imposed since the inception of the Joint Use Agreement, even during the Korean, Vietnam and Middle East conflicts.

The Authority makes a lump sum payment to the USAF on or before January 15 of each calendar year in an amount equal to one-half of the total landing fees collected by the Authority during the immediately preceding calendar year. The Authority's lump sum payment to the USAF for Fiscal Year 2018 totaled $325,030.

Boeing South Carolina

Boeing South Carolina's facilities, the single largest industrial investment in South Carolina's history, currently occupy approximately 730 acres of land adjacent to the Airport and employ approximately 7,400 people (primarily in relatively higher-wage manufacturing, engineering and managerial positions). The ongoing economic impact of the Boeing South Carolina operations in the Air Trade Area is estimated to be approximately $11.0 billion per year according to the Center for Business Research, "The Economic Impact of Charleston International Airport Complex," January 2015.

In October 2009, Boeing selected the North Charleston site for a new $750 million B-787 final assembly and delivery line and, in 2010, began building a new facility to supply B-787 interior parts to the final assembly and delivery facility. The first B-787 aircraft from the Charleston facilities was delivered to Air India in October 2012. Boeing South Carolina builds all three versions of the 787 – the 787-8, 787-9 and 787-10, at the facility and is the sole manufacturer of the B-787-10 aircraft.

In 2011, Boeing opened the first three facilities at a new 141-acre north campus, ten miles from Boeing South Carolina's main campus; the new facility manufactures 787 interior parts. The north campus expanded in 2014, with the opening of the Boeing Research & Technology Center, which focuses on advanced manufacturing technology and composite fuselage manufacturing; and Propulsion South Carolina, where the design and assembly of the 737 MAX engine nacelle inlet are done. Boeing has invested more than $2 billion in land, facilities, infrastructure and tooling in South Carolina since breaking ground in 2009; most recently a 256,000 square-foot decorative paint facility on the main campus that opened in late 2016.

Airlines Serving the Airport

As of January 2019, eight scheduled passenger air carriers operate at the Airport. As listed in the table below, in addition to the eight mainline carriers, 11 additional regional carriers provide service as affiliates or subsidiaries of various legacy/mainline carriers on a contract basis.

MAINLINE CARRIERS	REGIONAL CARRIERS
Alaska	Champlain Enterprises Inc. d/b/a CommutAir (United)
Allegiant	Endeavor Air (Delta)
American	Envoy Air Inc. (American)
Delta	ExpressJet (United)
Frontier	GoJet Airlines LLC (Delta, United)
JetBlue	Mesa Airlines (United)
Southwest	Piedmont Airlines (American)
United	PSA Airlines, Inc. (American)
	Republic Airline (American, Delta, United)
	SkyWest Airlines (Delta, United)
	Trans States Airlines (American, United)

Source: Innovata, August 2018.

Airline service at the Airport is primarily short and medium-haul markets. New York and Washington, the top two origin-destination cities for passengers using the Airport, account for about 24% of total passenger traffic. Of the Airport's top 20 domestic origin-destination markets, only four are considered to be long-haul (more than 1,800 miles away). See Section 5.2.2 in Appendix B–"Report of the Airport Consultant."

Historical Enplanements

The table below presents historical data on enplaned passengers at the Airport and the nation in Fiscal Years 2009 through 2018, and for the five-month periods ending November 30, 2017 ("FY 2018 YTD") and November 30, 2018 ("FY 2019 YTD").

Fiscal Year	Airport Enplanements	Airport Growth	United States Enplanements	United States Growth	Airport Market Share
2009	1,109,396	- %	712,683,239	- %	0.16%
2010	1,053,845	(5.0)	711,490,954	(0.2)	0.15
2011	1,117,705	6.1	731,339,148	2.8	0.15
2012	1,308,725	17.1	741,294,916	1.4	0.18
2013	1,350,379	3.2	742,321,472	0.1	0.18
2014	1,523,681	12.8	755,664,133	1.8	0.20
2015	1,630,147	7.0	782,140,736	3.5	0.21
2016	1,810,542	11.1	823,411,928	5.3	0.22
2017	1,914,668	5.8	848,034,622	3.0	0.23
2018[1]	2,096,750	9.5	882,134,514	4.0	0.24
FY 2018 YTD[2]	870,487	-	-	-	-
FY 2019 YTD[2]	998,323	14.7	-	-	-

Compounded Annual Growth Rate	Airport	United States
2009 – 2010	(5.0)%	(0.2)%
2010 – 2018	9.0	2.5
2009 – 2018	7.3	2.5

[1] U.S. Total Enplanements for 12 months ended May 2018 (latest data available).
Source: Charleston County Aviation Authority (Airport Enplaned Passengers), November 2018; Federal Aviation Administration, T-100 (U.S. Total Enplanements), November 2018.
See Appendix B–"Report of the Airport Consultant," Table 5.2.3.
[2] From July 1 through November 30 for the Fiscal Year shown.

As shown in the table above, the Airport's historical share of nationwide enplaned passengers has increased over the last ten years from approximately 0.16% in Fiscal Year 2009 to 0.24% in the 12 months ended January 2018. While passenger activity trends at the Airport have fluctuated over this period, passenger growth at the Airport has often exceeded passenger growth for the nation. For this period, enplaned passengers at the Airport increased at a compound annual growth rate (*"CAGR"*) of 7.3% compared to 2.2% nationwide. Enplanements increased approximately 11.1%, 5.8% and 9.5% in Fiscal Years 2016, 2017 and 2018, respectively. Enplanements for the first five months of Fiscal Year 2019 (through November 2018) were 998,323, compared to 870,487 for the comparable period in Fiscal Year 2018, an increase of 14.7%.

The Airport has experienced periods of strong passenger growth over this ten-year period, including double-digit percentage increases in Fiscal Years 2012, 2014 and 2016, compared to nationwide passenger growth of 1.4%, 1.8% and 5.3%, respectively, in those years. The Airport experienced declines due to an economic recession that depressed demand for air service, evidenced by the Airport's 5.0%

decrease in Fiscal Year 2010. Nationwide enplaned passengers also experienced declines during the recession.

The FAA classifies the Airport as a small-hub facility based on its percentage of nationwide passenger activity. Based upon CY 2017 results, the Airport ranked 64th in the United States with 1.9 million enplaned passengers.

The number of enplaned passengers at the Airport increased from approximately 1,109,000 enplaned passengers in Fiscal Year 2009 to approximately 2,097,000 enplaned passengers in Fiscal Year 2018. Specific details concerning passenger activity at the Airport for this period are discussed below:

Fiscal Year 2009 and 2010. Enplaned passengers decreased 5.0% at the Airport and 0.2% for the nation in Fiscal Year 2010, as the economic recession continued to negatively affect passenger activity. AirTran eliminated service to Atlanta in December 2009, thus ceasing operations at the Airport entirely. Delta ceased operations to its Boston and Memphis hubs in Fiscal Year 2010, and reduced capacity to New York-LaGuardia. American commenced service to Miami in Fiscal Year 2010.

Fiscal Year 2011 and 2012. Passenger activity at the Airport increased 6.1% in Fiscal Year 2011 and a further 17.1% in Fiscal Year 2012, to approximately 1,308,700 enplanements. The year-over-year increases are primarily a result of Southwest's entry into the market in Fiscal Year 2011, in which service to Baltimore, Chicago Midway, Houston and Nashville was initiated. Over this same period, Delta increased its capacity to Atlanta by transitioning some operations from smaller regional jets to mainline aircraft. In Fiscal Year 2011, Delta reintroduced service to Washington-Reagan. In Fiscal Year 2012, almost all carriers (except for American) experienced increased passenger activity. American decreased capacity to all destinations at the Airport in Fiscal Year 2012, with capacity to LaGuardia and Miami reduced by more than 25.0%. United introduced four-times daily service to Newark and twice-daily service to Houston in March 2012.

Fiscal Year 2013 and 2014. Passenger traffic increased 3.2% in Fiscal Year 2013 while seat capacity increased 2.1%. Capacity decreases by American were offset by increased capacity from Delta, JetBlue and United. JetBlue initiated twice-daily service to New York-Kennedy and once-daily service to Boston in late February 2013. In Fiscal Year 2014, passenger traffic increased 12.8% while seat capacity increased 5.8%. The increases were largely the effect of a full year of JetBlue's service to New York-Kennedy and Boston. JetBlue also introduced twice-daily service to Washington-Reagan in June 2014.

Fiscal Year 2015 and 2016. Passenger traffic increased 7.0% in Fiscal Year 2015 while seat capacity increased 5.7%. JetBlue upgauged its average aircraft size serving New York-Kennedy from the Airport, from mostly 100-seat Embraer E-190 aircraft to mostly 150-seat Airbus A320 aircraft. The Airport also benefitted from a full year of JetBlue service to Washington-Reagan. United replaced 50-seat regional jets with 70-seat regional jets on its service to Washington-Dulles and Chicago-O'Hare. In Fiscal Year 2016, passenger traffic increased 11.1% while seat capacity increased 10.8%. All airlines increased seat capacity in Fiscal Year 2016, with all but Delta and American increasing capacity by more than 10%. Alaska initiated service at the Airport with four-times weekly service to Seattle in November 2015. Southwest's seat capacity increased by 10.3% due to the full year effect of a once daily flight to Dallas-Love Field, which began as once weekly in April 2015 before increasing to once daily in August 2015.

Fiscal Year 2017 and 2018. In Fiscal Year 2017 passenger traffic increased 5.8% while seat capacity increased 5.6%. JetBlue increased seat capacity to all its destinations served from the Airport. Fiscal Year 2017 was the first full year of Alaska's service to Seattle and JetBlue's service to Ft. Lauderdale. In Fiscal Year 2018, passenger traffic increased an additional 9.5% while seat capacity increased 11.3%. Frontier and Allegiant initiated service at the Airport in February 2018 and April 2018, respectively. Frontier introduced twice-weekly flights to Austin and Chicago-O'Hare, three-times weekly flights to Denver and four-times weekly flights to Philadelphia and Trenton. Allegiant introduced twice-weekly flights to Indianapolis and Pittsburgh and three-times weekly flights to Cincinnati. United and American increased seat capacity by 24.2% and 14.4%, respectively, in Fiscal Year 2018. United increased seat capacity largely by upgauging from 50-seat regional jets to larger aircraft on flights to Newark, Houston and Chicago-O'Hare. American increased seat capacity by increasing frequencies to Dallas-Fort Worth, Miami, and Philadelphia and introduced service to Chicago-O'Hare.

Fiscal Year 2019 to Date. Through the first five months of Fiscal Year 2019, passenger traffic increased 14.7%. British Airways is expected to initiate service at the Airport in April 2019, with twice-weekly flights to London-Heathrow. Other new service anticipated in Fiscal Year 2019 includes once-daily service to Denver by United and once-daily service to Minneapolis-St. Paul (*"MSP"*) by Delta, as well as twice-weekly seasonal service to MSP by Frontier.

Airline Market Shares

The following table presents the historical share of enplaned passengers by airline at the Airport between Fiscal Year 2014 and Fiscal Year 2018. In each year Delta held the largest market share, serving at least 28.5% of total enplaned passengers, with a peak of 34.4% in Fiscal Year 2014.

In each of these years American held the second highest market share. American's market share peaked in Fiscal Year 2014 at 26.7%, before slowly declining to 23.7% in Fiscal Year 2017. The top two carriers in Fiscal Year 2018 (Delta and American) accounted for at least 53.1% of total Airport enplaned passengers in each year of the period presented in the table below.

Southwest ranked as the third largest carrier at the Airport in Fiscal Year 2018 serving 16% of enplaned passengers. United ranked fourth and served 14.6% of enplaned passengers in Fiscal Year 2018. JetBlue ranked fifth in Fiscal Year 2018 with 12.8% of enplaned passengers.

	2014		2015		2016		2017		2018	
Airline[1]	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share
Delta	524,833	34.4%	524,842	32.2%	569,754	31.5%	581,183	30.4%	598,160	28.5%
American [2]	406,817	26.7%	413,478	25.4%	433,699	24.0%	452,975	23.7%	515,043	24.6%
Southwest	277,271	18.2%	288,676	17.7%	308,574	17.0%	314,893	16.4%	335,630	16.0%
United	204,375	13.4%	216,596	13.3%	254,702	14.1%	264,195	13.8%	306,741	14.6%
JetBlue	108,886	7.1%	181,163	11.1%	221,587	12.2%	272,975	14.3%	268,677	12.8%
Alaska	0	0.0%	0	0.0%	15,221	0.8%	26,885	1.4%	31,961	1.5%
Frontier	0	0.0%	0	0.0%	0	0.0%	0	0.0%	28,900	1.4%
Allegiant	0	0.0%	0	0.0%	0	0.0%	0	0.0%	10,014	0.5%
Other [3]	1,499	0.1%	5,392	0.3%	7,005	0.4%	1,562	0.1%	1,624	0.1%
Airport Total [4]	**1,523,681**	**100.0%**	**1,630,147**	**100.0%**	**1,810,542**	**100.0%**	**1,914,668**	**100.0%**	**2,096,750**	**100.0%**

NOTES: Fiscal year ended June 30.
1 Includes regional/commuter affiliates.
2 US Airways merged with American, and the FAA granted a single operating certificate to American on April 8, 2015. All data include US Airways airlines.
3 Includes airlines with minimal market share or airlines that may not operate at the Airport as of Fiscal Year 2018.
4 May not sum to total due to rounding.
SOURCE: Charleston County Aviation Authority, September 2018.

FINANCIAL MATTERS OF THE DISTRICT

The financial operation of the District is governed by the Act, the Ordinance (defined below) and the Resolution.

Enabling Act

The Act empowers the Authority to establish rates and charges for the use of Airport facilities. Specifically, the Act states that the Authority may "place in effect, and, from time to time, revise such schedules of licenses, rates, and charges for the use of its facilities as may be necessary or desirable to the orderly operation of its Airport facilities; provided that all such licenses, rates and charges shall be reasonable and nondiscriminatory." The District's fiscal year is July 1 through June 30.

Rates and Charges

The Authority Ordinance No. 2018-02 (the "*Ordinance*"), established the current rates and charges and operating requirements at the Airport. Generally, rates and charges under the Ordinance are based upon the District's budget for the applicable period.

Terminal Building Space Rentals. Under provisions of the Ordinance, the rental rates for space in the terminal building are calculated under a "cost center residual cost" formula in which Terminal Building Area revenues from sources other than airline rentals are to be credited against total Terminal Building Area costs (including allocable debt service on Bonds). Airline terminal building rental rates are then established to recover this residual Terminal Building Area Cost. See Appendix B–"Report of the Airport Consultant," Table 6-7.

Landing Fees. The current landing fee rate at the Airport is $.20 per 1,000 pounds of maximum gross takeoff weight, the rate established under the Joint Use Agreement for civil operations. The Joint Use Agreement allows the Authority to set landing fees and other such charges without regulation by the USAF. See Appendix B–"Report of the Airport Consultant," Table 6-8.

Terminal Apron Fees. Airline Apron use fees are also calculated according to a cost center residual cost formula under which all costs attributable to the Apron and Taxiway Area cost center are recovered through such fees. See Appendix B–"Report of the Airport Consultant," Table 6-9.

Historical Financial Trends

The District reports financial operations in accordance with generally accepted accounting principles for governmental entities. Revenues and Operation and Maintenance Expenses are accounted for on an accrual basis.

The table below presents a summary of the District's operating results for the Fiscal Years 2014 through 2018. This summary has been derived from the District's audited results of operations for the years indicated. The District's Financial Report for the Fiscal Years ended June 30, 2018 and 2017 (the *"2018 Financial Report"*) is included as Appendix A to this Official Statement.

	2014	2015	2016	2017	2018
Operating Revenues					
Aviation Support	$ 689,723	$ 832,952	$ 869,399	$ 933,677	$ 1,059,979
Domestic and International	12,328,711	14,799,381	19,640,759	25,770,729	30,894,152
Airfield Area	468,561	526,437	581,427	587,420	648,289
Apron and Taxiway	216,181	294,732	357,729	489,005	161,969
Airline Service Area	209,464	198,652	235,828	270,140	262,934
Fuel Storage	1,441,105	1,590,382	1,680,999	1,732,449	2,009,890
Reliever Airports	195,538	328,556	594,869	553,368	708,440
Commercial/Industrial Area	4,386,984	4,541,777	4,701,004	4,844,280	4,992,014
Parking/Roadway Area	10,175,786	11,423,816	12,614,385	14,660,278	15,942,011
Total Operating Revenues	30,112,053	34,536,685	41,276,399	49,841,346	56,679,678
Operating Expenses					
Personnel Services	11,552,288	11,926,492	13,285,092	15,004,915	16,271,519
Administrative Services	1,143,329	1,197,603	1,616,191	1,920,975	2,154,397
Utilities	1,574,206	1,730,203	2,073,042	2,047,166	2,069,354
Building Repairs and Maintenance	124,253	135,542	215,652	235,160	254,014
Heating, ventilation, and air condition	81,497	70,036	91,494	108,307	173,616
Field Maintenance	206,063	193,170	212,740	208,554	221,172
Vehicle Maintenance	134,327	139,585	120,621	119,926	57,908
Loading Bridges	40,198	26,335	71,240	30,850	56,652
Supplies	365,688	351,847	386,088	509,731	613,048
Contractual Services	1,417,586	1,416,949	1,371,330	1,841,222	2,867,402
Insurance	352,620	403,430	458,539	483,107	545,476
Professional Services	105,712	365,330	710,604	468,182	375,184
Legal Services	372,805	272,079	267,184	284,552	341,109
Other Expenses	261,783	325,485	368,270	705,043	957,427
Total operating expenses without depreciation	17,732,355	18,554,086	21,248,087	23,967,690	26,958,278
Operating income before depreciation	12,379,698	15,982,599	20,028,312	25,873,656	29,721,400
Depreciation	10,086,605	10,788,175	17,024,610	22,009,191	23,051,409
Operating income	2,293,093	5,194,424	3,003,702	3,864,465	6,669,991
Non-Operating Revenues (Expense)					
Passenger facility charges	6,209,711	6,436,768	7,233,037	7,947,394	9,204,733
Interest Income	86,158	137,480	418,133	160,360	230,711
Unrealized and realized loss on investments	(545,072)	(221,961)	(2,446)	14,663	123,014
Gain (loss) on disposal of Capital Assets	13,023,523	-	(2,158,370)	22,790	-
Interest Expense	(333,428)	(66,406)	(4,569,240)	(9,155,267)	(9,095,636)
Bond issuance costs	(1,410,600)	-	-	-	-
Other	85,821	74,876	322,041	317,553	(11,525)
Total Non-Operating Revenues (expenses)	17,116,113	6,360,757	1,243,155	(692,507)	451,297
Income before contributions	19,409,206	11,555,181	4,246,857	3,171,958	7,121,288
Capital contributions	2,625,461	487,968	9,906,871	13,274,023	4,516,553
Change in net position	22,034,667	12,043,149	14,153,728	16,445,981	11,637,841
Net position, beginning of year, as originally stated	210,530,550	232,565,217	229,685,358	243,839,086	259,287,931
Implementation effect of GASB 68	-	(14,923,008)	-	-	-
Implementation effect of GASB 75	-	-	-	(997,136)	-
Net position, beginning of year, as restated	210,530,550	217,642,209[1]	229,685,358	242,841,950[2]	259,287,931
Net position, end of year	$232,565,217	$229,685,358	$243,839,086	$259,287,931	$270,925,772

[1] The District implemented the provisions of the GASB Statement No. 68 for Fiscal Year ended June 30, 2015, resulting in a restatement of net position by and a decrease in net position at July 1, 2014 of $14,923,008

[2] The District implemented the provisions of GASB Statement No. 75 for Fiscal Year ended June 30, 2016, resulting in a restatement of net position by and a decrease in net position of July 1, 2017 of $997,136. See Note 11 to the 2018 Financial Report included as Appendix A.

The following table, prepared by the Authority's staff, presents a comparison of the unaudited operating results of the District for the five-month periods ended November 30, 2017 and 2018.

	Five Months Ended November 30, 2017	Five Months Ended November 30, 2018
Operating Revenues		
Aviation Support	$ 424,500	$ 427,682
Domestic and International	12,973,363	14,093,840
Airfield Area	273,518	305,084
Apron and Taxiway	156,888	(32,570)
Airline Service Area	112,477	114,564
Fuel Storage	840,531	996,523
Reliever Airports	334,686	216,339
Commercial/Industrial Area	2,079,338	2,342,787
Parking/Roadway Area	6,625,184	7,451,877
Total Operating Revenues	23,820,485	25,916,126
Operating Expenses		
Personnel Services	6,140,706	6,465,487
Administrative Services	795,614	884,609
Utilities	929,493	787,266
Building Repairs and Maintenance	97,863	77,791
Heating, ventilation, and air condition	63,852	77,809
Field Maintenance	106,455	39,389
Vehicle Maintenance	44,644	50,592
Loading Bridges	20,716	5,481
Supplies	240,889	322,979
Contractual Services	979,218	1,446,327
Insurance	202,784	189,049
Professional Services	145,906	95,179
Legal Services	167,343	142,996
Other Expenses	348,610	201,342
Total operating expenses without depreciation	10,284,093	10,786,296
Operating income before depreciation	13,536,392	15,129,830
Depreciation Expense	9,637,885	9,616,988
Operating income	3,898,507	5,512,842
Non-Operating Revenues (Expense)		
Passenger facility charges	3,818,080	3,801,314
Interest Income	93,860	586,987
Unrealized and realized loss on investments	-	-
Gain (loss) on disposal of Capital Assets	-	11,662
Interest Expense	(3,785,433)	(3,735,255)
Bond issuance costs	-	-
Other	(23,460)	1,573
Total Non-Operating Revenues (expenses)	103,047	666,281
Income before contributions	$4,001,554	$6,179,123

Management's Discussion of Recent Financial Results

Over the previous five Fiscal Years the District has almost doubled its annual operating revenues, from $30 million in Fiscal Year 2014 to $57 million in Fiscal Year 2018; a CAGR of 13.5%. All categories of revenue experienced growth, primarily driven by increases in traveler volume, which was 38% more in Fiscal Year 2018 than Fiscal Year 2014; a CAGR of 6.6%. Alaska, Frontier, and Allegiant all began service during this five-year span, contributing to the increased revenue associated with the rise in passenger traffic. The number of enplanements increased from 1.5 million to 2.1 million during this time. This growth necessitated a terminal expansion and redevelopment project, completed in Fiscal Year 2017, which added 30% more space and expanded opportunities for additional concession and advertising revenues. The largest increase of revenue affected by the terminal expansion was in airline rent, which rose from $4.3 million in Fiscal Year 2014 to $18.8 million in Fiscal Year 2018. An increase of $5.8 million was recorded in the parking/roadway category. Another area that saw a significant increase over the five years was fuel sales. Revenues from fuel sales increased 39% due to the three airlines mentioned above and existing airlines increasing their number of flights and destinations. The number of non-stop destinations rose from 18 in Fiscal Year 2014 to 31 in Fiscal Year 2018.

Operating revenue growth continues at an accelerated rate in the first five months of Fiscal Year 2019, up 8.8% from the same period in Fiscal Year 2018, propelled by enplanement growth year-over-year of 14.7%. The largest proportional areas of growth included in the 8.8% increase are concession, rental car, Customer Facility Charges and automobile parking revenues. In the first five months of Fiscal Year 2019, Customer Facility Charge revenues increased $263,000 and parking revenues increased $624,000 over the previous year.

Annual operating expenses before depreciation experienced an 8.9% CAGR over the five Fiscal Year period. This is mostly due to the addition of staff to accommodate growth, increased pension and insurance costs, and the increased utility and contractual costs necessary to operate and maintain the terminal post-expansion. Over the five Fiscal Year period, annual personnel services (wages/fringes) increased $4.7 million, annual utilities increased $500,000 and annual contractual (janitorial) services increased $1.4 million. Operating expenses during the first five months of Fiscal Year 2019 are up 4.8% versus the same period in Fiscal Year 2018, evidencing a return to the expected 3% to 5% range.

During the five Fiscal Years, the District experienced a 240% increase in operating income before depreciation, from $12 million in Fiscal Year 2014 to $30 million in Fiscal Year 2018. Operating income before depreciation continued to grow over the first five months of Fiscal Year 2019, up 11.7% from the same period in the previous Fiscal Year and exceeding budgeted expectations by 29%.

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Historical Debt Service Coverage; Cost Per Enplanement

The table below presents the District's debt service coverage and cost per enplanement for Fiscal Years 2014 through 2018.

	2014[1]	2015	2016	2017	2018
Revenues[2]	$43,308	$34,537	$41,276	$49,841	$56,680
(Operation and Maintenance Expenses)	(17,732)	(18,554)	(21,248)	(23,968)	(26,958)
Net Revenues	25,576	15,983	20,028	25,874	29,721
Annual Debt Service[3]	2,030	2,048	7,128	6,898	6,818
Total Debt Service Coverage[4]	12.60x	7.80x	2.81x	3.75x	4.36x
Cost Per Enplanement	$4.28	$4.61	$7.91	$9.06	$8.50

Source: The District.

(1) Fiscal Year 2014 Revenues includes approximately $13.8 million of proceeds from a land sale to Boeing.

(2) Includes Customer Facility Charges.

(3) Net of PFCs used to pay debt service on Series 2013 Bonds in the approximate amounts of $4.2, $5.5 and $5.5 million in Fiscal Years 2016, 2017 and 2018, respectively.

(4) Does not include any amounts on deposit in the Rolling Coverage Account. The District may deposit money from the Airport Capital Fund into the Rolling Coverage Account in an amount to be determined by the District. Any money in the Rolling Coverage Account may be taken into account for purposes of meeting the test for the issuance of Additional Bonds and the rate covenant of the Master Resolution (in each case up to an amount equal to 25% of Aggregate Annual Debt Service in a Fiscal Year), or transferred from this account into the Gross Revenue Fund, or used for any other lawful purpose of the Airport System.

Note: Dollars shown in thousands; totals may not sum due to rounding.

Federal Grants

The Airport and Airway Improvement Act of 1982 created the AIP grant program which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers, and discretionary funds are available at the discretion of the FAA based upon a national priority system. The amount of entitlement grants received by an airport will vary based on the actual number of enplaned passengers at the airport, the total appropriations for the AIP, and any revisions of the statutory formula for calculating such grants.

In the Fiscal Years 2014 through 2018, the District received $42,348,477 in total AIP entitlement and discretionary grants as follows:

2014	$18,352,841
2015	161,143
2016	3,000,719
2017	13,115,406
2018	7,718,368

Passenger Facility Charges

Under the Aviation Safety and Capacity Expansion Act of 1990 (the "*PFC Act*"), as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, the FAA may authorize a public agency that controls an airport to impose a passenger facility charge ("*PFC*") of up to $4.50 for each qualifying enplaned passenger at such airport. The proceeds of a PFC may be used for eligible airport-related projects. In order to receive authorization to impose PFCs and use the PFC, the public agency must submit an application requesting that the FAA approve the imposition of the PFC for, and the use of PFCs on, specific eligible capital projects described in such application. PFCs are collected on behalf of airports by air carriers and their agents and remitted to the public agency.

The Authority has been collecting a PFC of $4.50 per enplaned passenger since March 1, 2010, and is currently authorized to collect PFCs until it collects a total of $189.5 million or through July 1, 2039 (the current date at which the District's authority to collect PFCs terminates), whichever occurs first, the majority of which will be used to fund a portion of PFC-eligible debt service for the project financed with the proceeds of the 2013 Bonds. The Authority intends to apply PFCs up to the amount approved by the FAA to the payment of debt service related to PFC-eligible portions of the 2013 Bonds and, if approved by the FAA, the PFC-eligible debt service on any Additional Bonds issued to finance future PFC-eligible projects and the costs of such PFC-eligible projects. See "INVESTMENT CONSIDERATIONS-PFCs."

Customer Facility Charges

The Authority currently collects a Customer Facility Charge in the amount of $3.50 per day on each rental car contract entered into between the District's rental car company concessionaires (the "*Operators*") and their customers for automobiles to be picked up from or delivered to the Airport. The Authority, by resolution, has increased the Customer Facility Charge to $5.00 per day effective March 1, 2019. The Customer Facility Charges are collected monthly from the Operators by the District. The Customer Facility Charges may be applied by the District for various rental car-related purposes, including the payment of debt service on debt issued to finance rental car-related facilities. The District collected $4.5 million in Customer Facility Charges in Fiscal Year 2018 and, as of December 31, 2018, had approximately $20 million in collected Customer Facility Charges, in a restricted account pending application for permitted purposes. The District intends to apply $20 million of Customer Facility Charges to defray a portion of the cost of the 2019 Project.

Pension; Other Post-Employment Benefits

South Carolina Retirement System. The District contributes to both the SCRS and to the PORS, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the South Carolina Public Employee Benefit Authority (*"PEBA"*). Both the SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad hoc basis, life insurance benefits and survivor benefits. The Plans' provisions are established under Title 9 of the Code of Laws of South Carolina 1976, as amended. A publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SCRS is available at www.peba.sc.gov (which is not intended to be an active hyperlink) and may be obtained by writing the South Carolina Public Employee Benefit Authority at 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Contributions to the SCRS and PORS (together, the *"Retirement System"*) are prescribed by law. PEBA may increase the Retirement System employer and employee contribution rates on the basis of actuarial valuations, but any increase may not result in a differential between the employee and employer contributions rate that exceeds 2.9% of earnable compensation. Generally, an increase in contribution rates may not be increased by PEBA by more than one-half of one percent in any one year. However, if the scheduled employee and employer contributions provided by statute or the rates last adopted by PEBA are insufficient to amortize unfunded plan liabilities over 30 years, PEBA is required to increase the contribution rates as necessary to maintain the 30-year amortization of unfunded plan liabilities.

An employee member of the Retirement System with an effective date of membership prior to July 1, 2012 is a Class Two member and an employee member of the Retirement System on or after July 1, 2012 is a Class Three member. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 credited years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirements that the total of a member's age and the member's creditable service equals at least 90 years.

Required employee contribution rates to the SCRS and PORS for Fiscal Year 2018 were 9.00% and 9.75%, respectively, of earnable compensation for all Class Two and Class Three members. The required employer contribution rate to the SCRS for Fiscal Year 2018 was 13.41% of earnable compensation for Class Two and Class Three members and .15% of earnable compensation to fund employer incidental death benefits. The required employer contribution to the PORS in Fiscal Year 2018 for Class Two and Class Three members was 15.84% earnable compensation plus .40% of earnable compensation to fund employer incidental and accidental death benefits. As of June 30, 2018, the District reported a liability of $22.13 million representing its proportionate share of the Retirement System's net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of such date. See Note 9 of the 2018 Financial Report included as Appendix A.

The Retirement System Funding and Administration Act of 2017 (the *"RSFAA"*) was signed by the Governor on April 25, 2017 and had an effective date of July 1, 2017. Significant features of the RSFAA include increasing the employer base contribution rate for the SCRS to 13.56% and for the PORS to 16.24% beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which will result in the SCRS and PORS employer rates totaling 18.56% and 21.24%, respectively, for Fiscal Year 2023 and thereafter. The RSFAA also increases and caps the SCRS and PORS employee contribution rate to 9% and 9.75%, respectively, permits, after June 30, 2027, a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of the SCRS's assets and the actuarial value of the applicable System's liabilities is equal to or greater than 85%, lowers the assumed annual rate of return from 7.50% to 7.25%, and over time reduces the funding period of unfunded liabilities from 30 years to 20 years. State revenues reimbursed the District for one-half of the increased employer contributions for Fiscal Year 2018.

Deferred Compensation Plans. The District offers its employees deferred compensation plans, offered through the State, created in accordance with Internal Revenue Code Sections 457 and 401(k). The 457 plan, available to all regular full-time and part-time employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship. The District also offers its employees participation in a defined contribution plan, offered through the State, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State.

Post-Employment Benefits. The District has offered its retired employees a defined contribution plan for health insurance benefits. A retired employee can receive $10 per month for each year of service up to a maximum of $250 per month toward District-provided health insurance. When a retiree reaches age 65 and is eligible for Medicare, the insurance premium is reduced to 75% of the full premium. Therefore, the contribution can be reduced to $7.50 per month for each year of service. The Plan is financed on a pay-as-you-go basis. For the year ended June 30, 2012, the District paid $10,723 toward the cost of retiree health insurance for nine eligible retired employees.

Under GASB 45, determination of an employer's benefit obligation typically requires that an actuarial valuation be performed by a specialist. However, as a sole employer in a plan with fewer than one hundred total plan members the District has the option to apply a simplified *alternative measurement method* that does not require obtaining an actuarial valuation.

The alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by non-specialists. As a result of applying the *alternative measurement method,* the management of the District determined the calculated liability is not material.

GASB Statement No. 75. GASB Statement No. 75 (*"GASB 75"*) was issued by the Government Accounting Standards Board in June 2015. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Effective July 1, 2016, the District implemented GASB 75 which requires the District to report a net OPEB liability and OPEB expense on its financial statements, along with the related deferred outflows and inflows of resources. As a result of the implementation, the District restated its beginning unrestricted net position for Fiscal Year 2017, which resulted in a decrease in the beginning unrestricted net position of $997,136. See Note 11 to the 2018 Financial Report included as Appendix A.

REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc., prepared the Report of the Airport Consultant, which is included as Appendix B to this Official Statement.

The Report of the Airport Consultant describes key factors that will affect future air traffic, presents airline traffic and financial forecasts for Fiscal Year 2019 through Fiscal Year 2028 and sets forth the assumptions upon which the forecasts are based. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecast and actual results, and those difference may be material. See "INVESTMENT CONSIDERATIONS."

The Report of the Airport Consultant has been included herein in reliance on the knowledge and experience of Ricondo & Associates, Inc., as airport feasibility consultants.

Projected Passenger Enplanements

The following table presents the projection of passenger activity at the Airport for Fiscal Years 2019 through 2028. Total enplaned passengers are projected to experience a CAGR of approximately 2.5% through Fiscal Year 2028.

FISCAL YEAR	TOTAL ENPLANEMENTS	ANNUAL GROWTH
2019	2,400,899	14.5%
2020	2,505,637	4.4
2021	2,554,705	2.0
2022	2,594,017	1.5
2023	2,628,427	1.3
2024	2,662,554	1.3
2025	2,696,533	1.3
2026	2,730,197	1.2
2027	2,763,477	1.2
2028	2,796,440	1.2
COMPOUND ANNUAL GROWTH RATE		
2018 – 2028	2.9%	

Source: Charleston County Airport Authority.

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Projected Net Revenues

The Report of the Airport Consultant sets forth projections for Net Revenues for Fiscal Years 2020 through 2028. See Appendix B–"Report of the Airport Consultant," for additional information with respect to the projections, including the underlying assumptions and methodology.

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue										
Airline Terminal Space Rentals	$19,843,982	$20,862,804	$22,345,679	$23,545,049	$24,816,230	$27,969,456	$29,398,392	$30,913,282	$32,518,673	$34,220,159
Airline Landing Fee Revenues	648,645	673,574	683,348	690,412	696,090	701,619	707,038	712,304	717,399	722,345
Apron Fee Revenues	408,928	420,891	433,525	446,867	460,959	475,843	491,565	508,174	525,720	544,259
Nonairline Revenues-includes CFCs	37,930,201	39,754,810	42,410,019	43,452,836	46,776,128	47,616,082	48,468,262	49,331,489	50,205,349	51,090,582
Investment Earnings	86,436	87,732	89,048	90,384	91,740	93,116	94,513	95,930	97,369	98,830
Total Revenues	**$58,918,193**	**$61,799,812**	**$65,961,619**	**$68,225,548**	**$72,841,146**	**$76,856,115**	**$79,159,770**	**$81,561,179**	**$84,064,511**	**$86,676,175**
Operating Expenses	$30,733,399	$32,519,030	$34,632,987	$36,470,613	$38,589,060	$40,643,772	$42,812,848	$45,102,813	$47,520,589	$50,073,517
Net Revenues	**$28,184,793**	**$29,280,781**	**$31,328,633**	**$31,754,935**	**$34,252,085**	**$36,212,343**	**$36,346,922**	**$36,458,366**	**$36,543,922**	**$36,602,658**
O&M Reserve Requirement	862,403	562,851	446,408	528,489	459,407	529,612	513,678	542,269	572,491	604,444
Series 2013 Rev Bond Debt Service (Paid from Net Revenues)	6,909,037	6,857,130	6,858,165	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,435
Equipment & Capital Outlays	1,290,000	1,328,700	1,368,561	1,409,618	1,451,906	1,495,464	1,540,327	1,586,537	1,634,133	1,683,157
Funds Remaining From Operations	**$19,123,353**	**$20,532,100**	**$22,655,499**	**$22,958,394**	**$25,482,338**	**$27,328,833**	**$27,434,482**	**$27,471,125**	**$27,478,863**	**$27,456,621**
Coverage Calculation										
Total Revenues	$58,918,193	$61,799,812	$65,961,619	$68,225,548	$72,841,146	$76,856,115	$79,159,770	$81,561,179	$84,064,511	$86,676,175
LESS: Operating Expenses	30,733,399	32,519,030	34,632,987	36,470,613	38,589,060	40,643,772	42,812,848	45,102,813	47,520,589	50,073,517
Net Revenues	**$28,184,793**	**$29,280,781**	**$31,328,633**	**$31,754,935**	**$34,252,085**	**$36,212,343**	**$36,346,922**	**$36,458,366**	**$36,543,922**	**$36,602,658**
Rolling Coverage Account [1/]	$1,727,259	$1,714,283	$2,239,578	$2,614,671	$2,967,171	$2,967,046	$2,967,296	$2,966,609	$2,966,234	$2,967,359
Series 2013 Rev Bond Debt Service (Paid from Net Revenues)	$6,909,037	$6,857,130	$6,858,165	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,435
Series 2013 Rev Bond Debt Service (Paid from PFCs)	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Series 2019 Rev Bond Debt Service (Paid from Net Revenues)	0	0	2,100,146	3,600,250	5,010,250	5,009,750	5,010,750	5,008,000	5,006,500	5,011,000
LESS: PFCs Applied to Debt Service	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Net Revenue Bond Debt Service	**$6,909,037**	**$6,857,130**	**$8,958,311**	**$10,458,684**	**$11,868,684**	**$11,868,184**	**$11,869,184**	**$11,866,434**	**$11,864,934**	**$11,869,435**
Debt Service Coverage Ratio	**4.08**	**4.27**	**3.50**	**3.04**	**2.89**	**3.05**	**3.06**	**3.07**	**3.08**	**3.08**
Debt Service Coverage Ratio-includes Coverage Deposit Account	**4.33**	**4.52**	**3.75**	**3.29**	**3.14**	**3.30**	**3.31**	**3.32**	**3.33**	**3.33**

Note: [1]Does not exceed 25% of debt service.
Sources: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., January 2019 (Projected).

Projected Debt Service Coverage and Airline Cost Per Enplaned Passenger

The following table summarizes the Airport Consultant's forecast for Fiscal Years 2020 through Fiscal Year 2028 of (1) debt service coverage on all Bonds Outstanding under the Resolution, and (2) airline cost per enplaned passenger during the forecast period, in each case taking into account the issuance of the 2019 Bonds.

FISCAL YEAR	NET REVENUES	DEBT SERVICE COVERAGE[1]	AIRLINE COST PER ENPLANED PASSENGER
2020	$29,280,781	4.27	$8.76
2021	31,328,633	3.50	9.18
2022	31,754,935	3.04	9.52
2023	34,252,085	2.89	9.88
2024	36,212,343	3.05	10.95
2025	36,346,922	3.06	11.35
2026	36,458,366	3.07	11.77
2027	36,543,922	3.08	12.22
2028	36,602,658	3.08	12.69

(1) Does not take into account amounts, if any, on deposit in Rolling Coverage Account.
See Appendix B–"Report of the Airport Consultant," Tables A-8 and A-9.

Conclusions of The Airport Consultant

Based on the projections of Net Revenues for the Fiscal Years 2020 through 2028 (the *"Forecast Period"*) set forth in the Report of the Airport Consultant, the Airport Consultant projects that the District will, for the entire Forecast Period, satisfy the debt service coverage requirement (125%) set forth in the Resolution. The Airport Consultant believes that the assumptions underlying the projections are reasonable, based on national aviation trends and the historical operations of the Airport. The Airport Consultant is also of the opinion that throughout the Forecast Period the Airport's airline rates and charges will remain reasonable on an airline cost per enplaned passenger basis compared to other comparably sized U.S. airports that have recently undertaken a significant capital program.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the 2019 Bonds involve certain risks. The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the 2019 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the 2019 Bonds. In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the 2019 Bonds. Investors should note that the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Dependence on Levels of Airline Traffic and Related Activity

The 2019 Bonds are payable solely from and secured by a pledge of the Net Revenues and certain funds and accounts held under the Resolution. Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions; population and economy of the Airport service region; national and local unemployment rates; political conditions including wars, other hostilities and acts of terrorism; aviation security and public health concerns; the financial health of the airline industry and of individual airlines; airline service and route networks; airline competition and airfares; airline mergers, the sale of airlines, alliances and consolidations; availability and price of aviation and other fuel; employee cost and availability and labor relations within the airline industry; capacity of the national air transportation system and of the Airport; business travel substitutes, including teleconferencing, videoconferencing and web-casting; accidents involving commercial passenger aircrafts; visa requirements and other limitations on the ability of foreign citizens to enter the United States; currency exchange rates and the occurrence of pandemics and other natural and man-made disasters, some of which are discussed in further detail hereafter in this section.

The airline industry is cyclical and subject to competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant impact on the industry. As a result, airline financial performance can fluctuate dramatically from one reporting period to the next.

In addition to revenues received from the airlines, the District derives a significant portion of its Revenues from parking and from concessionaires including merchandisers, car rental companies, restaurants, and others. Declines in Airport passengers may adversely affect parking revenues and the commercial operations of Airport concessionaires. Severe financial difficulties affecting a concessionaire could lead to a reduction in, or failure to pay, rent due under its lease agreement with the Airport or could lead to the cessation of operations of such concessionaire.

Concentration of Airline Market Share

The major air carriers operating at the Airport, by local market share, are Delta, American and Southwest. Except for these airlines, no single airline accounted for more than 15% of passenger enplanements at the Airport in 2018 or more than 12% of either the airline rentals, fees and charges component of the District's operating revenues or the Revenues in 2018. Major domestic airlines have joined or may be forming alliances with other major domestic airlines. Depending on which airlines serving the Airport merge or join alliances, the result may be fewer flights by one or more airlines, which decreases could be significant. For example, Delta, American and Southwest were responsible for 28.5%, 24.6% and 16.0% of the Airport's passenger enplanements in 2018. If any of these airlines were to reduce or cease service at the Airport, such flights would not necessarily be replaced by other airlines. While historically when airlines have reduced or ceased operations at the Airport other airlines have absorbed the traffic with no significant adverse impact on Airport revenues, it is possible that were Delta, American or Southwest to cease or significantly cut back operations at the Airport, Revenues, PFC collections and costs for other airlines serving the Airport could be adversely affected.

No assurances can be given with regard to the future level of activity of Delta, American or Southwest at the Airport, or that, in the event that the operations of these airlines at the Airport are reduced or discontinued, for whatever reason, such operations would be replaced by other carriers. See "Passenger Demand and Air Service Analysis" in Appendix B–"Report of the Airport Consultant."

Current Economic Conditions

Historically, airline passenger traffic nationwide has correlated closely with the condition of the U.S. economy and levels of real disposable income. Previous recessions and periods of stagnant economic conditions in the U.S., South Carolina and Charleston metropolitan area contributed to reduced passenger traffic at the Airport. For a discussion of the effect of the economy on airline traffic and for economic and demographic information with respect to the Charleston metropolitan area, see “Demographic and Economic Analysis” in Appendix B–“Report of the Airport Consultant.”

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economic conditions, trade balances, currency exchange rates, political relationships, and hostilities are important influences on passenger traffic at U.S. airports, including the Airport. Sustained future increases in passenger traffic at the Airport will depend in part on stable international conditions as well as national and global economic growth. See “Passenger Demand and Air Service Analysis” in Appendix B–“Report of the Airport Consultant.”

Cyber-Security

Computer networks and data transmission and collection are vital to the safe and efficient operation of the Airport, the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of the Airport, any of the airlines serving the Airport or any other tenants at the Airport may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the Airport and/or the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the District to generate Revenues.

The federal government regulates various aspects of airport operations and the FAA and the Transportation Security Administration (“*TSA*”) both impose various regulations and security directives that affect the design, policies and procedures of the information technology and physical access security of the Airport. The District’s information technology staff has yearly initiatives that minimize the risk to airport operations such as upgrades to servers, computers, network devices, security related hardware and software, security assessments, audits, reviews and policies and procedures. Major investments have also been made to increase the posture to the Airport cyber security related initiatives in order to minimize risk. In addition, the District is committed to replacing the current electronic badging system to the next generation access and identify system that will greatly reduce and minimize the threats of a physical compromise to airport security access.

Security, Public Health and Natural Disasters Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and terrorist attacks may influence passenger travel behavior and air travel demand. Travel behavior also may be affected by anxieties about the safety of flying, the inconveniences and delays associated with more stringent security screening procedures, the potential exposure to severe illnesses and natural disasters, all of which could lead to the avoidance of airline travel or the use of alternate modes of transportation. Any decrease in passenger activity at the Airport would cause a corresponding decline in Revenues. The District is unable to predict how serious the impact of natural disasters, or future pandemic may become, what effect they may have on air travel to and from the Airport, and whether any such effects will be material. See “Passenger Demand and Air Service Analysis” in Appendix B–“Report of the Airport Consultant.”

Travel Substitutes

Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Additionally, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings.

Financial Condition of the Airlines

The ability of the Airport to derive revenues from its operations depends largely upon the financial health of the airlines serving the Airport and the airline industry as a whole. The financial results of the airline industry have historically been volatile and many carriers have had extended periods of unprofitability in the past. The airline industry is sensitive to a variety of factors, including the cost and availability of labor, fuel, aircraft, supplies and insurance; general economic conditions; international trade; currency values; competitive considerations, including effects of airline ticket pricing; governmental regulations, including security and climate change-related regulations; taxes imposed on airlines and passengers; maintenance and environmental requirements; passenger demand for air travel; strikes and other union activities; availability of financing; and disruptions caused by airline accidents, criminal accidents, public health concerns and acts of war or terrorism.

Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier's operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in the Middle East or other petroleum producing regions could dramatically impact the price and availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Fuel prices peaked between 2011 and 2014 before significantly decreasing in mid-2014. While fuel prices have declined in the past few years due to strong global supply, increased U.S. oil production and other factors, fuel prices generally increased between August 2017 and October 2018, though not to the levels of 2011 to 2014, and further increases in the cost of aviation fuel may occur in the future. Significant and prolonged increases in the cost of aviation fuel have had and are likely in the future to have an adverse impact on the air transportation industry by increasing airline operating costs and reducing airline profitability.

In addition, the airline industry has undergone significant changes, including mergers, acquisitions and bankruptcies. Additional bankruptcy filings, mergers, consolidations and other major restructuring by airlines are possible. In recent years, airlines have taken a variety of measures to increase their profitability, including closures or reductions of unprofitable routes, reductions of work forces, implementation of pay cuts, streamlining of operations and introduction of new fees. The District is not able to predict whether any future airline mergers, consolidations, reorganizations or liquidations will occur or the impact that any such events may have on the airline traffic at the Airport or the operations of the Airport. The District makes no representation concerning the financial health of the airlines, and no assurance can be given regarding the impact, if any, that future unfavorable events affecting airline users, or the airline industry more broadly might have upon Revenues See "Passenger Demand and Air Service Analysis" in Appendix B–"Report of the Airport Consultant."

Airport Competition

In general, an airport's potential service area is limited by the distance from an airport and further defined by the availability and quality of air service at the surrounding airports. Airports evaluated as competitors for this analysis are Columbia Metropolitan ("*CAE*"), Hilton Head Island Airport ("*HHH*"), Myrtle Beach International ("*MYR*"), and Savannah/Hilton Head International ("*SAV*").

All four competing airports are approximately 100 miles away; approximately a two-hour drive. CAE is located to the northwest, MYR is located along the coast and to the northeast, and HHH and SAV are located along the coast and to the southwest. Interstate 26 provides the quickest route to CAE where three carriers, American, Delta and United, provided an average of 28 daily departures to eight domestic destinations as of August 2018. All eight destinations served by CAE are also served from the Airport.

MYR is served by eight carriers (Allegiant, American, Delta, Elite Airways, Frontier, Spirit, United and WestJet), which provide an average of 48 daily departures to 43 domestic destinations and one international destination (as of August 2018). Eight of the 43 domestic destinations served from MYR are also served from the Airport. SAV is served by seven carriers (Air Canada, Allegiant, American, Delta Frontier, JetBlue and United), which provide an average of three daily departures to 22 domestic destinations and one international destination (as of August 2018). Four markets served by SAV are not served from the Airport. HHH is served by one carrier, American, which offers turboprop service to Charlotte three times daily. See "Passenger Demand and Air Service Analysis-Factors Affecting Demand at the Airport-Other Airports in the Region" in Appendix B–"Report of the Airport Consultant."

Ability to Meet Rate Covenant

As discussed in "SECURITY FOR THE BONDS-Rate Covenant," the District has covenanted in the Resolution to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year Net Revenues, together with amounts deposited to the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year (not to exceed 25% of the Aggregate Annual Debt Service on the Bonds Outstanding in the applicable Fiscal Year), will be at least 125% of Annual Debt Service on the Outstanding Bonds in such Fiscal Year. In addition, the District expects to use approximately $5.5 million of PFCs in Fiscal Year 2019 to pay a portion of the debt service on the 2013 Bonds. To the extent that PFCs have been Irrevocably Committed to pay Annual Debt Service on Bonds for any Fiscal Year or period of Fiscal Years, such amounts when received and deposited to the applicable Debt Service Account, shall be excluded from the calculation of debt service on the Bonds; thus, decreasing debt service and increasing debt service coverage for purposes of the rate covenant under the Resolution.

If Net Revenues, together with amounts deposited to the Rolling Coverage Account (as available for such purpose under the Resolution), were to fall below the levels necessary to meet the rate covenant set forth in the Resolution, the Resolution provides for procedures under which the District would retain and direct a Consultant to make recommendations as to the revision of the District's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the District in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the District is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the District in connection with the Airport may be subject to contractual, statutory and regulatory restrictions. Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport System could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport.

In the event that Net Revenues for any Fiscal Year are less than the amount required by the Resolution, but the District promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as required by Resolution, such deficiency in Net Revenues shall not constitute an Event of Default under the Resolution. Nevertheless, if after taking the measures required by the Resolution to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding Fiscal Year are less than the amount required by the Resolution, such deficiency in Net Revenues shall constitute an Event of Default under the Resolution.

The Report of the Airport Consultant bases the forecasts of Net Revenues, debt service coverage and airline costs per enplaned passenger on the assumption that the airlines will pay the rates and charges established by the District. While the District believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable, no assurance can be given that challenges will not be made to the rates and charges established by the District or its method of allocating particular costs.

PFCs

Pursuant to the PFC enabling legislation, the FAA has approved the collection by the District of a $4.50 PFC on each enplaning passenger at the Airport. The 2013 Supplemental Resolution and 2019 Supplemental Resolution provide that, upon receipt by the District, all PFCs shall, through 2028, be set aside and immediately deposited first to the PFC Debt Service Account in an amount up to any maximum that may be used for the payment of PFC-eligible debt service in such Fiscal Year, and all PFCs not deposited to the PFC Debt Service Account shall be deposited to the PFC Project Account. Amounts credited to the PFC Debt Service Account shall be applied by the District to the payment of Annual Debt Service of the Series 2013 Bonds and any Additional Bonds issued to finance PFC-eligible projects by transferring on a pro rata basis of PFC-eligible Annual Debt Service for each such Series of Bonds amounts on deposit in the PFC Debt Service Account to the Debt Service Account for such Series of Bonds in each Fiscal Year, or in such other manner as is consistent with the PFC Final Agency Decision. Any amounts remaining in the PFC Debt Service Account on the last day of the Fiscal Year shall be credited to the PFC Project Account. To the extent that PFCs have been Irrevocably Committed to pay Annual Debt Service on Bonds for any Fiscal Year or period of Fiscal Years, such amounts when received and deposited to the applicable Debt Service Account, shall be excluded from the calculation of debt service on the Bonds; thus, decreasing debt service and increasing debt service coverage for the proposed issuance of Bonds and the purposes of the rate covenant under the Resolution. See "SECURITY AND SOURCES OF PAYMENT-Rate Covenant," "-Deposit and Application of Passenger Facility Charges" and –"Additional Bonds."

The District's receipt of PFC revenues is subject to several risks. First, the District's current authorization to collect PFCs ends on the earlier of July 1, 2039 or until such time as $189.5 million is collected, and to the extent the District has not fully collected the authorized amount of PFCs by July 1, 2039, it will need to apply to the FAA for authorization to collect the difference. Second, the amount of PFCs received by the District in future years depends on the actual number of PFC-eligible passenger enplanements at the Airport. If enplanements decline so will the Airport's PFC revenues. Third, the District's authority to impose PFCs may be terminated (subject to procedural safeguards) for various reasons, including for a failure by the District to observe FAA requirements regarding use of these revenues. The District may also seek approval to apply PFCs for other projects or purposes. No assurance can be given that the Airport's authority to impose a PFC will not be terminated by Congress or the FAA; that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the District; or that the Airport will not seek to decrease the amount of PFCs to be collected, provided that such decrease does not violate the District's covenants in the Resolution. A shortfall in PFC revenues may cause the District to increase rentals, fees and charges at the Airport to meet the debt service requirements on the Bonds.

The PFC enabling legislation provides that PFCs collected by the airlines constitute a trust fund held for the benefit of the eligible agency (i.e., the District) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC enabling legislation attempts to provide certain statutory protections for the District of PFC collections. However, it is unclear whether the District would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a bankruptcy filing by an airline, particularly where the bankruptcy filing results in a liquidation or cessation of business. The District also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the District, whether the bankruptcy estate would have sufficient moneys to pay the District in full for PFCs owed by such airline, or whether the funds would be determined to constitute property of the airline's bankruptcy estate, leaving the District with a general unsecured claim for PFCs collected but not remitted by the airline.

Pension and Post-Retirement Benefits

As described in "FINANCIAL MATTERS OF THE DISTRICT – Pension; Other Port-Employment Benefits" and in Note 10 to the 2018 Financial Report included as Appendix A, eligible employees of the District participate in the Retirement System. As a result of the enactment of RSFAA, the District's required contribution rate will materially increase with the statutory mandated employer contribution rate increases. Also, the amount of the District's GASB 68 allocation of the Retirement System liability may increase in amounts that may or may not be material, depending on a variety of actuarial factors, and which the District cannot predict with any certainty.

Cost of Capital Improvement Program

The estimated costs of, and the projected schedule for, the 2019 Project and the CIP are subject to a number of uncertainties. The ability of the District to complete the 2019 Project and the District's other capital projects may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the existing projects will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional Series of Bonds and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive.

Federal Funding; Impact of Federal Sequestration

Federal legislation affects the grant funding that the District receives from the FAA. In February 2012, Congress passed a four-year reauthorization bill for the FAA, the "FAA Modernization and Reform Act of 2012" (the "*2012 FAA Act*"), as a longer-term legislative solution to the temporary short-term extensions that had been enacted as funding stop-gaps over the previous five years. This \$63.6 billion reauthorization continued the federal cap on PFCs at \$4.50 and authorized \$3.35 billion per year for the AIP through Fiscal Year 2015. The AIP continued to operate from October 1, 2015 on various short-term authorization extensions, the last of which extended the FAA's authorization and appropriation through October 7, 2018, continuing the \$3.35 billion annual funding for the AIP. On April 27, 2018, the U.S.

House of Representatives passed the FAA Reauthorization Act of 2018 (the "*2018 FAA Act*"), which extends general expenditure authority through September 30, 2023. In addition, the 2018 FAA Act removes certain obsolete restrictions on PFCs and addresses miscellaneous provisions relating to air travel and the FAA. On October 3, 2018, the U.S. Senate also passed the 2018 FAA Act, which was signed into law by the President on October 5, 2018. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). There can be no assurance that the FAA will continue to receive spending authority, notwithstanding the passage of the 2018 FAA Act. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The District is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the District for the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues, or Additional Bonds) or (ii) extend the timing for completion of certain projects. See "Capital Program, 2019 Project, and Funding Sources" in Appendix B–"Report of the Airport Consultant."

The District depends upon federal funding not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, U.S. Customs and Border Protection (*"CBP"*), air traffic control and other FAA staffing and facilities. Another factor that has affected the industry in the last several years is the federal budget reductions, enacted through implementation of the sequestration provisions of the Budget Control Act of 2011. The sequestration provisions were first triggered in 2013, cutting the budgets of federal agencies, including the FAA, CBP and TSA. While reductions have continued in some form in every year since, Congress has acted several times to prevent "sequester" cuts to discretionary programs. The Sequester will return in 2020 under current law. Should sequestration be triggered again, it could adversely affect FAA, CBP and TSA budgets and operations, as well as the availability of certain federal grant funds such as AIP funding. Such budget cuts could also lead to the FAA, CBP and TSA being forced to implement furloughs of their employees and freeze hiring, which could result in flight delays and cancellations.

Potential Tax Law Changes

From time to time, there are legislative proposals in Congress and in state legislatures that, if enacted, could alter or amend the treatment of the 2019 Bonds for federal and state tax purposes or adversely affect the market value or marketability of the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, from time to time regulatory actions are announced or proposed, and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the 2019 Bonds. It cannot be predicted whether any such regulatory action will be implemented, whether any particular litigation or judicial action will be commenced or, if commenced, how it will be resolved, or whether the 2019 Bonds or the market value or marketability thereof would be affected thereby. Prospective purchasers of the 2019 Bonds should consult their tax advisors regarding any future, pending or proposed legislation, regulatory initiatives, rulings or litigation as to which Bond Counsel expresses no opinion. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2019 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation. See "TAX TREATMENT."

Regulations and Restrictions Affecting the Airport

The District is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The District is highly regulated by federal agencies including the FAA, the TSA, Customs and Border Protection and the U.S. Department of Health. The District is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or its financial condition.

The operations of the District are also affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the federal acts authorizing the imposition, collection and use of PFCs, and extensive federal legislation and regulations applicable to all domestic airports. It is not possible to predict whether future restrictions or limitations on District operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the District or whether such restrictions or legislation or regulations would adversely affect Revenues.

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Airport and on the airlines operating at the Airport. The United States Environmental Protection Agency (the "*EPA*") has taken steps towards regulation of greenhouse gas ("*GHG*") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On June 10, 2015, the EPA proposed to find that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. The endangerment finding and a related cause/contribute finding were finalized on July 25, 2016 and published as a final rule in the Federal Register Vol. 81, No. 157 on August 15, 2016, as the EPA Administrator found that GHGs emitted from certain classes of engines used in certain aircraft are contributing to air pollution that endangers public health and welfare; however, the final rule has not yet been codified in the Code of Federal Regulations and the EPA has not yet issued proposed or finalized aircraft engine GHG emissions standards.

Federal Regulation Regarding Rates and Charges Disputes

The FAA Authorization Act of 1994 establishes that airline rates and charges set by airports be "reasonable" and mandates an expedited administrative process by which the Secretary of Transportation (the "*Secretary*") shall review rates and charges complaints. An affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise. Application of these provisions could adversely impact the amount of airline rates and charges received by airports.

New Technologies and Services

One significant category of non-airline revenues is from ground transportation activity, including use of on-Airport parking garages; trip fees paid by taxi, limousine and transportation network companies ("*TNCs*"), such as Uber Technologies Inc., Lyft, Inc., and Tickengo, Inc. d/b/a/ Wingz; and rental car transactions by Airport passengers. While passenger levels are increasing, the relative market share of these sources of revenue is shifting. As one example, the popularity of TNCs has increased because of the increasing number of cities where TNCs operate, the other technological innovations in ground transportation, convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver, and competitive pricing. In Fiscal Year 2018, TNCs recorded 231,912 Airport pick-ups/drop-offs resulting in $812,692 in trip fee revenue for the District, compared to 153,152 Airport pickups/drop-offs and $536,032 in trip fee revenue in Fiscal Year 2017. For the first three months of Fiscal Year 2019, passenger traffic continued to grow, the District's revenues from ground transportation has increased 34% as compared to the same period in the prior Fiscal Year, largely as a result of TNC growth.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the District makes every effort to anticipate demand shifts, there may be times when the District's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The District cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The District also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Force Majeure Events; Hurricanes

The District's ability to generate Revenues also is at risk from other force majeure events, such as extreme weather events and other natural occurrences, earthquakes, fires, explosions, spills of hazardous substances, strikes and lockouts, sabotage, or wars, terrorist or other attacks, blockades or riots. No assurance can be given that such events will not occur while the 2019 Bonds are outstanding. Although the District has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and business interruption insurance, no assurance can be given that such insurance will always be available in sufficient amounts, at a reasonable cost or available at all, or that insurers will pay claims in a timely manner or at all.

The District's facilities have not suffered any significant damage from force majeure events, including the hurricanes that have hit the State, in recent years. The District was closed for two days in September 2018 due to Hurricane Florence, and also experienced a four-day closure in January 2018 due to an atypical snow and ice event. The District has adopted a hurricane plan in an effort to, among other things, establish protective measures to be affected in the District's facilities and to make its facilities safer in case of a hurricane strike. To the extent that the District's facilities are damaged, or the District's operations are interrupted for any material period of time due to hurricane or other weather-related catastrophe, such damage or interruption could materially adversely affect Revenues.

No Acceleration Rights; Enforcement of Remedies

The Master Resolution does not contain provisions allowing for the acceleration of the 2019 Bonds or any other Bonds in the event of a payment default or other Event of Default under the terms of the Resolution, except with respect to the rights of a Credit Provider or a Liquidity Provider as set forth in a Supplemental Resolution or a written agreement between the District and a Credit Provider or Liquidity Provider. See Appendix C under the heading "SUMMARY OF THE MASTER BOND RESOLUTION-Events of Default" and "-Remedies." Further, the Resolution provides only limited remedies upon an Event of Default and does not require the Trustee to seek any remedies, even at the direction of the owners of the 2019 Bonds. Upon the occurrence of an Event of Default under the Resolution, the Trustee may, but is not required to, proceed to protect and enforce the rights of the owners of the 2019 Bonds by such remedies provided in the Master Resolution as it deems most effective to protect and enforce such rights. If the District fails to comply with its covenants under the Resolution, including its covenants to pay principal and interest on the 2019 Bonds, there can be no assurance that the available remedies will be adequate to fully protect the interests of the owners of the 2019 Bonds.

The rights and remedies available to the Owners of the 2019 Bonds may become subject to, among other things, the federal bankruptcy code; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally, now or hereinafter in effect; equity principles; limitations on the specific enforcement of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain circumstances, of the police powers inherent in the sovereignty of the State and its governmental bodies having an interest in serving a significant and legitimate public purpose; and regulatory and judicial actions that are subject to discretion and delay. The foregoing could subject the Owners of the 2019 Bonds to, among other things, judicial discretion and interpretation of rights; the automatic stay provisions of the federal bankruptcy code; rejection of significant agreements; avoidance of certain payments to the Owners of the 2019 Bonds as preferential payments; assignments of certain obligations, including those in favor of the Owners of the 2019 Bonds; significant delays, reductions in payments and other losses to the Owners of the 2019 Bonds; an adverse effect on the liquidity and values of the 2019 Bonds; additional borrowings, which borrowings may have a parity lien on Net Revenues; alterations to the interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants) and other terms or provisions of the Resolution or the 2019 Bonds.

Legal opinions to be delivered concurrently with the delivery of the 2019 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2019 Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State. In the event the District fails to comply with its covenants under the Resolution, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the 2019 Bonds.

Airline Bankruptcy

In general, risks associated with an airline bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the District may not be able to enforce any of its remedies under the agreements with a bankrupt airline.

In the event of a bankruptcy proceeding of a customer of the District, the debtor customer may not, absent a court order, make any payments to the District on account of goods and services provided prior to the bankruptcy. Thus, the District's stream of payments from a debtor customer would be interrupted to the extent of pre-petition goods and services, including accrued tariffs and rents. In addition, payments made by a customer within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy.

A customer that has an executory contract with the District and seeks protection under the U.S. bankruptcy laws must assume or reject its executory contracts prior to the confirmation of a plan of reorganization. In the event of assumption and/or assignment of any agreement to a third party, the customer would be required to cure any pre-and post-petition monetary defaults and provide adequate assurance of future performance under the applicable preferential assignment agreement, lease or other agreements.

With respect to a customer in bankruptcy proceedings in a foreign country, the District is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Bankruptcy of the District

As noted in "No Acceleration Rights; Enforcement of Remedies" above, the enforceability of the rights and remedies of the Owners, the obligations of tenants or customers of the District, and of the District and the liens and pledges created by the Resolution are subject to the United States Bankruptcy Code (the "*Bankruptcy Code*") and/or to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under South Carolina law of certain remedies and to exercise by the United States of America of powers delegated to it by the United States Constitution. Some of the risks associated with a bankruptcy, insolvency or dissolution are described below and include the risks of delay in payment and of nonpayment. Potential purchasers of the 2019 Bonds should consult their own attorneys and advisors in assessing the risk and the likelihood of recovery in the event the District, its tenants or customers, or any other party becomes a debtor in a bankruptcy, insolvency or dissolution case prior to the time bondholders are paid in full.

In addition, payments made by a bankrupt entity within 90 days (up to 366 days if the entity is found to be an insider) of a filing of a bankruptcy case could be deemed to be "avoidable preferences" under the Bankruptcy Code and thus could be subject to recapture in bankruptcy, including from the bondholders. If an entity is in bankruptcy, parties (including the bondholders) may be prohibited from taking action to collect from or to enforce obligations of such entity without permission of the bankruptcy court, and the District may be prevented from making payments to the bondholders from funds in its possession. These restrictions may result in delays or reductions in payments on the 2019 Bonds.

Should the District become the debtor in a bankruptcy case, the holders of the 2019 Bonds will not have a lien on Net Revenues received by the District after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the District believes that Revenues should be treated as "special revenues," no assurance can be given that a bankruptcy court would not find otherwise. If Revenues are not "special revenues," there could be delays or reductions in payments on the 2019 Bonds.

There may be other possible effects of a bankruptcy of the District or customers of the District that could result in delays or reductions in payments on the 2019 Bonds or result in losses to bondholders. Regardless of any specific adverse determinations in any such bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2019 Bonds.

Report of the Airport Consultant

The Report of the Airport Consultant was prepared in connection with, but prior to the actual offering and sale of the 2019 Bonds, and consequently makes various assumptions as to the principal amounts and debt service requirements of the 2019 Bonds. It will not be revised to reflect the actual principal amounts and Debt Service Requirements of the 2019 Bonds as marketed and sold. The Report of the Airport Consultant also makes various assumptions that were used to develop the forecasts, including forecasts of Net Revenues and Aggregate Annual Debt Service. The Report of the Airport Consultant should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the forecasts discussed in the Report of the Airport Consultant will be achieved or that the assumptions upon which the forecasts are based will be realized. As noted in such report, any forecast is subject to uncertainties; therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the 2019 Bonds. See Appendix B–"Report of the Airport Consultant."

LEGAL MATTERS

Litigation

No litigation is now pending or, to the best of the District's knowledge, threatened, against or affecting the District which seeks to restrain or enjoin the authorization, issuance or delivery of the 2019 Bonds or the Resolution, or which contests the validity or the authority or proceedings for the adoption, authorization, issuance or delivery of the 2019 Bonds, or the District's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the District's authorization, issuance and delivery of the Resolution or the 2019 Bonds, or the District's authority to carry out its obligations thereunder, or which would have a material adverse impact on the District's condition, financial or otherwise.

Opinions of Counsel

The legal proceedings relating to the issuance of the Series 2019 Bonds were prepared by Howell Linkous & Nettles, LLC, Charleston, South Carolina, Bond Counsel to the Authority, whose approving opinion as to certain legal matters relating to the authorization, issuance and sale of the Series 2019 Bonds and tax status of interest thereon will be available at the time of delivery of the Series 2019 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix D hereto. The actual legal opinion to be delivered may vary from that text, if necessary, to reflect facts and law on the date of delivery.

Arnold S. Goodstein, Esq., General Counsel to the Authority, will opine upon certain legal matters for the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Pope Flynn, LLC, Charleston, South Carolina.

Each legal opinion to be delivered concurrently with the delivery of the Series 2019 Bonds will speak only as of its date of delivery and will be qualified in certain customary respects, including as to the enforceability of the various legal instruments, by limitations imposed by state and federal law affecting remedies and by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The legal opinions express the professional judgment of counsel rendering them, but are not binding on any court or other governmental agency. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Related Parties

Howell Linkous & Nettles, LLC serves as bond counsel for the District and, from time to time they and Pope Flynn, LLC, counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the District nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the District or for the Underwriters on the successful issuance of the 2019 Bonds.

TAX TREATMENT

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the *"Code"*), establishes certain requirements that must be met subsequent to the issuance and delivery of the 2019 Bonds for interest on the 2019 Bonds to be and remain excluded from gross income of the owners thereof for federal income tax purposes under Section 103(a) of the Code and for purposes of South Carolina income taxation. Noncompliance with such requirements may cause interest on the 2019 Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the 2019 Bonds, regardless of when such noncompliance occurs.

The District has covenanted to do and perform all acts and things permitted by law and necessary to assure that interest paid on the 2019 Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes under Section 103(a) of the Code and South Carolina income tax purposes (the *"Covenants"*). The Tax Regulatory and Non-Arbitrage Certificate executed by the District with respect to the 2019 Bonds (the *"Tax Certificate"*), which will be delivered concurrently with the delivery of the 2019 Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The District, in executing the Tax Certificate, will certify to the effect that the District expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinions described below with respect to the 2019 Bonds, Bond Counsel has relied upon the Covenants and has assumed the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate.

Certain requirements and procedures contained or referred to in the Resolution, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2019 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2019 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Howell Linkous & Nettles, LLC.

Tax Opinions

In the opinion of Howell Linkous & Nettles, LLC, Bond Counsel to the District, under existing law, including current statutes, regulations, rulings, and judicial decisions and assuming continuing compliance by the District with the Covenants and the Tax Certificate, interest on the 2019 Bonds is excludible from gross income for federal income tax purposes under Section 103(a) of the Code, except as discussed below.

Bond Counsel is of the further opinion that interest on the 2019 Bonds is not a specific preference item for the purposes of the alternative minimum tax imposed by the Code.

Bond Counsel is also of the opinion that, under the laws of the State of South Carolina, as presently enacted and construed, interest on the 2019 Bonds is exempt from income taxation by the State of South Carolina. Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in South Carolina a fee or franchise tax computed at the rate of 4 ½% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that "entire net income" includes income derived from any source whatsoever including interest on obligations of any state or political subdivision thereof. Interest on the 2019 Bonds will be included in such computation.

Ownership of the 2019 Bonds may result in certain collateral federal income tax consequences to certain Bondholders.

The proposed form of the opinion letter of Bond Counsel for the 2019 Bonds is set forth in Appendix D, attached hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by re-circulation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), including non-compliance with the Covenants or other provisions of the Tax Certificate, or any other matters coming to Bond Counsel's attention after the date of issuance of the 2019 Bonds may adversely affect the value of, or the tax status of interest on, the 2019 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon, in connection with any such actions, events, or matters.

Certain Federal Tax Consequences

The following is a discussion of certain federal income tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular Bondholders of the 2019 Bonds. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion letter, and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing of the 2019 Bonds on the tax liabilities of the individual or entity.

Although Bond Counsel has rendered an opinion that, with certain assumptions, interest on the 2019 Bonds is excludible from gross income for federal and South Carolina income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2019 Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction.

For example, ownership or disposition of the 2019 Bonds may result in other collateral federal, state, or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code. Ownership of the 2019 Bonds may also result in the limitation of interest, and certain other deductions for financial institutions and certain other taxpayers under Section 265 of the Code. Finally, residence of the holder of the 2019

Bonds in a state other than the State of South Carolina or being subject to tax in a state other than the State of South Carolina may result in income or other tax liability being imposed by such states or their political subdivisions based on the interest or other income from the 2019 Bonds.

Changes in Federal and State Tax Law

From time to time, legislative proposals are pending in the United States Congress that if enacted would alter or amend one or more of the federal tax matters referred to above in certain respects or adversely affect the market value of the 2019 Bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the 2019 Bonds for federal income tax purposes for all or certain taxpayers. It cannot be predicted whether or in what form any of such proposals may be enacted and there can be no assurance that such proposals will not apply to the 2019 Bonds. In all such events, the market value of the 2019 Bonds may be affected and the ability of the Bondholders to sell their 2019 Bonds in the secondary market may be reduced. The 2019 Bonds are not subject to adjustment in the event of any such change in the tax treatment of interest on the 2019 Bonds.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the 2019 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2019 Bonds or the market value thereof would be impacted thereby.

Information Reporting Requirement

Interest on tax-exempt obligations such as the 2019 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. In general, such information reporting requirements are satisfied if the Bondholder completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or the Bondholder is one of a limited class of exempt recipients, such as corporations. Backup withholding (i.e., the requirement for the payor to deduct and withhold a tax, calculated in the manner determined under the Code, from the interest payment) may be imposed on payments made to any Bondholder who fails to provide the required information, including an accurate taxpayer identification number, to any person required to collect such information under Section 6049 of the Code. Neither the compliance with this reporting requirement nor backup withholding, in and of itself, affects or alters the excludability of interest on the 2019 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A BONDHOLDER'S PARTICULAR SITUATION. IT IS NOT INTENDED TO ADDRESS ALL ASPECTS OF FEDERAL TAXATION THAT MAY BE RELEVANT TO BONDHOLDERS. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE 2019 BONDS UNDER FEDERAL OR APPLICABLE STATE OR LOCAL LAWS, INCLUDING THE EFFECT OF ANY PENDING OR PROPOSED LEGISLATION, REGULATORY INITIATIVES OR LITIGATION. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

BOND COUNSEL'S OPINION IS BASED ON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY

AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE 2019 BONDS. EACH SUCH OPINION IS FURTHER BASED ON BOND COUNSEL'S KNOWLEDGE OF FACTS AS OF THE DATE THEREOF. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINION TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL'S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL'S OPINION IS NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE INTERNAL REVENUE SERVICE (THE *"SERVICE"*); RATHER, SUCH OPINION REPRESENTS BOND COUNSEL'S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH RESPECTIVE OPINIONS.

THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF ANY COMPONENT OF THE 2019 BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES, THE SERVICE IS LIKELY TO TREAT THE DISTRICT AS THE TAXPAYER AND THE BONDHOLDERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE 2019 BONDS COULD ADVERSELY AFFECT THE VALUE OF THE 2019 BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

Original Issue Premium on 2019 Bonds

The 2019 Bonds have been sold at an initial public offering price which is greater than the amount payable at maturity (the *"Premium Bonds"*). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Premium Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

UNDERWRITING

The 2019 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc. (collectively, the "*Underwriters*"), at a purchase price of $74,684,399.30 (equal to the principal amount of the 2019 Bonds, plus an original issue premium of $10,162,630.45, less an Underwriters' discount of $193,231.15). The Underwriters may offer and sell the 2019 Bonds to certain dealers (including dealers depositing the 2019 Bonds into investment trusts) and others at prices or yields different from the initial public offering prices or yields stated on the inside front cover page hereof. The public offering prices or yields may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

AUDITED AND OTHER FINANCIAL INFORMATION

The 2018 Financial Report is included in this Official Statement as Appendix A–"Charleston County Airport District's Financial Report for the Fiscal Years Ended June 30, 2018 and 2017." The financial statements included in the 2018 Financial Report have been audited by Mauldin & Jenkins, LLC, as set forth in its report dated November 6, 2018. Mauldin & Jenkins, LLC, has consented to the inclusion of its report in Appendix A, but has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness, or fairness of the statements made in this Official Statement, and no opinion is expressed by Mauldin & Jenkins, LLC, with respect to any event subsequent to its report dated November 6, 2018.

CONTINUING DISCLOSURE OBLIGATION

Rule 15c2-12. Pursuant to a Continuing Disclosure Undertaking (the "*Continuing Disclosure Undertaking*"), the District will covenant for the benefit of the registered owners and the Beneficial Owners (as defined in the following paragraph) of the 2019 Bonds, to provide certain financial information and operating data relating to the Airport System by not later than February 1 after the end of each of the District's Fiscal Years, commencing with the report for the Fiscal Year ended June 30, 2019 (the "*Annual Report*"), and to provide notices of the occurrence of certain enumerated events with respect to the 2019 Bonds, within ten business days of the occurrence. The Annual Report and the event notices will be filed by or on behalf of the District with the MSRB. The specific nature of the information to be contained in the Annual Report and the events for which notice is required is set forth in Appendix E–"Form of Continuing Disclosure Undertaking." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2- 12(b)(5).

As provided in the Continuing Disclosure Undertaking, if the District fails to comply with any provision of the 2019 Supplemental Resolution relating to continuing disclosure, any registered owner or Beneficial Owner of the 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its continuing disclosure obligations under the Continuing Disclosure Undertaking. *"Beneficial Owner"* is defined in the Continuing Disclosure Undertaking to mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019 Bonds (including persons holding 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2019 Bonds for Federal income tax purposes. If any person seeks to cause the District to comply with its continuing disclosure obligations under the Continuing Disclosure Undertaking, it is the responsibility of such person to demonstrate that it is a Beneficial Owner within the meaning of the Continuing Disclosure Undertaking.

Failure to Timely File. The District previously agreed with regard to the issuance of certain prior issues of its bonds (collectively, the "Prior Bond Issues") to provide Annual Reports to EMMA (the District's agreements with respect to the Prior Bond Issues are referred to collectively herein as the District's "Prior Undertakings"). The District recently discovered that the Annual Report for the Fiscal Year ended June 30, 2013, required under the Prior Undertakings, was posted 27 days late on EMMA on February 27, 2014, and may not have been correctly linked to all relevant bond CUSIP numbers represented on EMMA. The District linked the Annual Report to all relevant bond CUSIP numbers on January 15, 2019. On November 20, 2015, S&P Global Ratings ("*S&P*") upgraded the credit rating of the District's Prior Bond Issues from "A" to "A+." Notice of the rating upgrade was posted six days late on EMMA on December 15, 2015.

State Law Requirement. Pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, the District has covenanted to file with a central repository for availability in the secondary bond market, when requested, an annual independent audit, within 30 days of its receipt of the audit, and event specific information within 30 days of an event adversely affecting more than 5% of the revenues of the District.

RATINGS

The 2019 Bonds have been rated "A1" by Moody's Investors Service, Inc. ("*Moody's*") and "A+" by S&P Global Ratings ("*S&P*"). Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings are not a recommendation to buy, sell or hold the 2019 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2019 Bonds. Neither the District nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2019 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Largo, Florida, serves as financial advisor to the District. Although the financial advisor assisted the District in the preparation of this Official Statement, and in other matters relating to the planning, structuring, and issuance of the 2019 Bonds and provided other advice, the Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information or statements contained in this Official Statement or the appendices hereto. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the 2019 Bonds.

CONCLUSION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the 2019 Bonds.

CHARLESTON COUNTY AIRPORT DISTRICT, SOUTH CAROLINA

/s/ R. Walter Hundley
Chairman, Charleston County Aviation Authority

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APPENDIX A

CHARLESTON COUNTY AIRPORT DISTRICT'S FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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CHARLESTON COUNTY AIRPORT DISTRICT

FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

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CHARLESTON COUNTY AIRPORT DISTRICT

FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Charleston County Aviation Authority
North Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying basic financial statements of the **Charleston County Airport District** (the "District") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

508 HAMPTON STREET, 1ST FLOOR • COLUMBIA, SC 29201 • 803-799-5810 • FAX 803-99-5554 • www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charleston County Airport District as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 10 and 11, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2016. This standard significantly changed the accounting for the District's total other postemployment benefits (OPEB) liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 - 15), the Schedule of Changes in the District's Total OPEB Liability and Related Ratios (on page 57), the Schedules of District's Proportionate Share of the Net Pension Liability (on page 58), and the Schedules of District Contributions (on page 59) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Operating and Non-operating Revenues – Budget and Actual, the Schedule of Operating and Non-operating Expenses – Budget and Actual, and the Schedule of Expenditures of Passenger Facility Charges (as specified by the Federal Aviation Administration in the *Passenger Facility Charge Audit Guide for Public Agencies*), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating and Nonoperating Revenues – Budget and Actual, the Schedule of Operating and Nonoperating Expenses – Budget and Actual, and the Schedule of Expenditures of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating and Nonoperating Revenues – Budget and Actual, the Schedule of Operating and Nonoperating Expenses – Budget and Actual, and the Schedule of Expenditures of Passenger Facility Charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
November 6, 2018

CHARLESTON COUNTY AIRPORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Charleston County Airport District (the "District") activities and financial performance provides the reader with an introduction and overview to the financial statements of the Airport for the fiscal year ended June 30, 2018. Following this MD&A are the basic financial statements of the Airport together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

Organization

The Charleston County Airport District ("District") is a political and corporate subdivision of the State of South Carolina whose corporate powers are exercised through the Charleston County Aviation Authority ("Authority"). The Authority is composed of six members appointed to four-year terms by the Governor and five ex-officio members: the Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the Town of Mount Pleasant, the Chairman of the Charleston County Council, and one member selected jointly by the City of Charleston and County of Charleston, or their respective proxies. The Authority is responsible for managing, operating and developing all public airports in the District including Charleston International Airport, Charleston Executive Airport (Johns Island) and the Mount Pleasant Regional Airport. The Authority coordinates its activities with the Federal Aviation Administration and the South Carolina Aeronautics Commission.

The Airport

Charleston International Airport is centrally located in the Charleston metropolitan area in North Charleston. The Airport is situated adjacent to Charleston Air Force Base and uses the airfield facilities at the Air Force Base jointly with the USAF. The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF.

The Airport primarily serves passengers whose travel originates or terminates in the Charleston Metropolitan Service Area (MSA). The Airport is defined as a small hub airport under FAA enplanement criteria. A small hub is a community enplaning between 0.05% and 0.25% of the total enplaned revenue passengers in all services and operations of U.S. certified route air carriers within the 50 states, the District of Columbia, and other U.S. territorial possessions, as designated by the FAA. In Fiscal Year 2018, a total of 2,096,750 passengers were enplaned on the scheduled, commuter, and charter airlines serving the Airport.

The airfield has a main instrument runway which is 9,000 feet long and 200 feet wide and a crosswind runway which is 7,000 feet long and 150 feet wide. The runways are interconnected by a system of taxiways. Each runway is equipped with high intensity runway lighting and one runway has category II instrument landing systems to permit all-weather operation. All runways are constructed on a firm foundation of compacted base and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The FAA control tower provides airport traffic and radar approach control service.

The Airport passenger terminal building opened in 1985. The terminal building has three levels (i.e., the apron, concourse, and administration levels) and currently totals 430,000 square feet of enclosed and covered unenclosed space. In 2016, the Authority completed its Terminal Redevelopment and Improvement Program (TRIP), which increased the previously existing 330,000 square foot terminal building footprint by 100,000 square feet and included the following improvements:

- new central hall;
- redeveloped ticket hall with new central marketplace including shopping and dining options;
- new rental car pavilion;
- expanded baggage handling system;
- addition of five new passenger boarding gates with new passenger boarding bridges on each new gate;
- new restrooms, concessions, and hold room areas.

The terminal building consists of two concourses (piers) connected to the main core of the terminal building. The two-level east pier is referred to as Concourse A and the two-level west pier is referred to as Concourse B. The lower (apron) level is within the Secure Identification Display Area (SIDA) and generally contains airline operations offices, storage space, utility space, workshops, and covered unenclosed space. The second (concourse) level principally contains the secure areas (post security screening checkpoints), including boarding hold rooms, concession spaces, restrooms, and miscellaneous spaces. Federal Inspection Services facilities occupy a large separate section on Concourse B. The terminal building contains airline and Airport operational areas on the lower (apron) level; passenger ticketing, bag claim, rental car counters, concessions at the concourse level; and Authority offices and boardroom occupy the third (administration) level.

The aircraft parking area is striped for 17 terminal aircraft parking positions and seven overnight aircraft, not including any aircraft parking positions on the cargo ramp.

The terminal curbside area consists of an inner curbside roadway and an outer curbside roadway. The inner and outer roadways are separated by a concrete median that provides shelter for passengers waiting for vehicles on the outer roadway.

The terminal roadway was constructed on a berm so that the curb, ticket lobby, and bag claim hall are one level above the aircraft apron. The inner roadway consists of a single passenger loading and unloading lane adjacent to the terminal, and three through lanes. The outer roadway consists of a single passenger loading and unloading lane adjacent to the median, two through lanes, and a single outer passenger loading lane. The innermost lane is used for valet pickup and drop- off, taxicab pickup, courtesy shuttle pickup, and Charleston Area Regional Transportation Authority (CARTA) buses. The center two lanes are circulating lanes for through traffic. The outermost lane is used for limousine pickup and valet pickup and drop-off.

Four public parking lots provide a total of 4,706 parking spaces for Airport patrons as follows:

- Parking Deck (located across the terminal roadway from the terminal building) – 1,271 spaces on three levels.
- Surface Parking Lot (located south of the Parking Deck) – 2,330 parking spaces.
- Western and Eastern overflow parking lots (located south of the Surface Parking Lot) – containing an additional 1,105 parking spaces.

The Airport campus also includes two employee parking lots, a cell phone lot and a ride share waiting lot.

The following six rental car brands operate on Airport: Alamo, Avis, Budget, Enterprise, Hertz and National. Each brand has passenger-accessible counter space in the rental car pavilion portion of the terminal building and ready/return spaces located in a surface parking area immediately west of the terminal building. Each rental car company also has a vehicle service and storage facility and administrative offices. Dollar and Thrifty rental car brands currently provide off-Airport car rentals.

An air cargo building and apron serve incoming and outgoing cargo operations at the Airport. The cargo apron is located south of terminal apron and provides five aircraft parking positions. Further south is a multitenant cargo building in which cargo is handled by FedEx, Delta Air Lines, American Airlines, and Atlas Air.

General aviation services at the Airport are provided by two fixed base operators (FBOs): Atlantic Aviation and Odyssey Aviation. Both FBOs are located on the northeast side of the airfield with access to Taxiway G. The FBO facilities consist of three hangars and two terminal buildings totaling 106,000 square feet. The two aircraft parking aprons used by the FBOs provide 74,000 square yards of aircraft parking area.

Airport support facilities consist of aircraft rescue and firefighting facilities, Airport maintenance facilities, and fuel storage facilities. These facilities and operations are controlled by either the USAF or the Authority, with all facilities located within the Airport boundary.

OTHER SYSTEM AIRPORTS

Charleston Executive Airport. Charleston Executive Airport serves as a general aviation reliever airport for Charleston International Airport. The Charleston Executive Airport encompasses 1,373 acres and has two active runways. The primary runway is 5,350 feet long and is equipped with an FAA Instrument Landing System, Precision Approach Path Indicators at both ends of the primary runway, and a UNICOM. The FBO facility includes a 6,000 square foot terminal, two open-bay hangars, several individual hangars and two ton-unit T-hangars. Airport services provided by the fixed based operator include fuel and major airframe and power plant repairs. Other tenants include the United States Coast Guard and Charleston County Mosquito Abatement.

Mount Pleasant Regional Airport. Mount Pleasant Regional Airport also serves as a general aviation airport in the County. The Mount Pleasant Regional Airport has a 3,700 foot runway and medium intensity lighting, a rotating beacon, Precision Approach Path Indicators at both runway ends and a UNICOM. The facility also includes a maintenance hangar and six ten-unit T-hangars, two of which are privately owned. Airport services are provided by an FBO, including fuel and minor repairs.

THE JOINT USE AGREEMENT

Charleston International Airport is a joint use airport. The airfield is owned and operated by the USAF as part of the Charleston Air Force Base. The District owns and maintains approximately 1,500 acres adjacent to the Charleston Air Force Base. The USAF and the Authority entered into the first Joint Use Agreement in 1952, allowing for the grant to both general aviation and certificated air carriers of certain rights and privileges, including the right to use the airfield. The Authority and the USAF entered into a new Joint Use Agreement in 2008, which supersedes all previous agreements entered into between the Authority and the USAF. The Joint Use Agreement has a term of 50 years.

The Joint Use Agreement provides that, within its assigned capabilities, equipment, and available personnel, the USAF will provide aircraft crash, rescue and fire-fighting services for both the Joint Use Area and the Civil Use Area, as those terms are defined in the Joint Use Agreement. Maintenance and service in the Joint Use Area is the responsibility of the USAF, and maintenance and service in the Civil Use Area is the responsibility of the District. In times of war or national emergency, the USAF has the sole discretion pursuant to the Joint Use Agreement to restrict civil operations at the airfield to avoid interference with USAF operations. Significant restrictions have never been imposed since the inception of the Joint Use Agreement, even during the Korean, Vietnam and Middle East conflicts.

BOEING SOUTH CAROLINA

Boeing South Carolina's B-787 manufacturing facilities, the single largest industrial investment in South Carolina's history ($750 million) currently occupy 730 acres of land adjacent to the Airport and employ approximately 7,400 people. The ongoing economic impact of the Boeing South Carolina operations in the Air Trade Area is estimated to be approximately $11.0 billion per year.

AIRLINES SERVING THE AIRPORT

Eight scheduled passenger air carriers operate at the Airport. These carriers are listed in the table below.

MAINLINE CARRIERS	REGIONAL CARRIERS
Alaska	Champlain Enterprises Inc. d/b/a CommutAir (United)
Allegiant	Endeavor Air (Delta)
American	Envoy Air Inc. (American)
Delta	ExpressJet (United)
Frontier	GoJet Airlines LLC (Delta, United)
JetBlue	Mesa Airlines (United)
Southwest	Piedmont Airlines (American)
United	PSA Airlines, Inc. (American)
	Republic Airline (American, Delta, United)
	SkyWest Airlines (Delta, United)
	Trans States Airlines (American, United)

Historical Enplanements by Airline
(Unaudited)

Airline	FY2018 Enplanements	Share	FY2017 Enplanements	Share	FY2016 Enplanements	Share
Delta Air Lines [1]	598,160	28.6%	581,183	30.4%	569,754	31.5%
American Airlines [1]	515,043	24.6%	452,975	23.7%	433,699	24.0%
Southwest Airlines	335,630	16.0%	314,893	16.4%	308,574	17.1%
United Airlines [1]	306,741	14.7%	264,195	13.8%	254,702	14.1%
JetBlue Airlines	268,677	12.9%	272,975	14.3%	221,587	12.3%
Alaska Airlines [2]	31,961	1.6%	26,885	1.4%	15,221	0.9%
Frontier Airlines [3]	28,900	1.4%	0	0.0%	0	0.0%
Allegiant Airlines [4]	10,014	0.5%	0	0.0%	0	0.0%
Silver Airlines	0	0.0%	0	0.0%	5,488	0.3%
Other	1,624	0.1%	1,499	0.1%	1,517	0.1%
Total	2,096,750	100%	1,914,605	100%	1,810,542	100%

Note: 1) Includes commuter and regional airlines
2) Alaska Airlines began service November 2015
3) Frontier Airlines began service February 2018
4) Allegiant Airlines began service April 2018

Passenger enplanements for the fiscal year ending June 30, 2018 were 2,096,750, which represents a 9.5% increase from the previous fiscal year due to higher enplanements for several airlines and the addition of Allegiant and Frontier Airlines.

At the end of fiscal year 2018, the airlines serving Charleston International Airport provided 71 daily departures to 31 non-stop destinations.

	FY2018	FY2017	FY 2016
ENPLANEMENTS	2,096,750	1,914,605	1,810,542
% increase/(decrease)	9%	6%	11%
NUMBER OF FLIGHTS	24,808	22,885	23,032
% increase/(decrease)	8%	(1)%	12%
TAKE-OFF WEIGHT	2,686,536	2,448,819	2,388,792
% increase/(decrease)	9%	3%	20%
DAILY DEPARTURES	71	63	63
% increase/(decrease)	13%	0%	11%

Airline market share for enplaned passengers and gross takeoff weight is provided for fiscal year 2016 through fiscal year 2018. In fiscal year 2018, Delta and its affiliates ranked first with 29% of enplaned passengers and 27% of gross takeoff weight. American ranked second with 25% of enplaned passengers and 25% of gross takeoff weight.

Historical Gross Takeoff Weight (GTOW) By Airline
(000 LBS.)
(Unaudited)

Airline	FY2018 GTOW	Share	FY 2017 GTOW	Share	FY2016 GTOW	Share
Delta Air Lines [1]	714,076	26.6%	728,902	29.8%	751,389	31.5%
American Airlines [1]	681,282	25.4%	601,394	24.6%	587,424	24.6%
Southwest Airlines	447,445	16.7%	423,715	17.3%	420,392	17.6%
United Airlines	395,803	14.8%	301,777	12.3%	300,828	12.6%
JetBlue Airlines [2]	366,388	13.7%	360,801	14.7%	300,916	12.6%
Frontier Airlines [3]	33,926	1.3%	0	0.0%	0	0.0%
Alaska Airlines [2]	32,447	1.2%	28,438	1.2%	17,774	0.8%
Allegiant Airlines [4]	11,197	0.5%	0	0.0%	0	0.0%
Silver Airlines	0	0.0%	0	0.0%	5,871	0.3%
Other	3,971	0.2%	3,792	0.2%	4,198	0.2%
Total	2,686,536	100%	2,448,819	100%	2,388,792	100%

Note: 1) Includes commuter and regional airlines
2) Alaska Airlines began service November 2015
3) Frontier Airlines began service February 2018
4) Allegiant Airlines began service April 2018

Overview of Annual Financial Report

Management’s Discussion & Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management’s examination and analysis of the District’s financial condition and performance. Summary financial statement data and key financial and operational indicators used in the District’s budgeting and other management tools are used for this analysis.

The District’s financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and Notes to Financial Statements. The Statement of Net Position presents the financial position of the District on a full accrual, historical cost basis, and provides information about the nature and amount of resources and obligations at the end of the year.

The Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District’s recovery of its costs. The District’s rates and charges are based on a cost recovery methodology provided for in the airline ordinance. The primary objective of the rates and charges model is to determine the costs not covered by non-airline sources and to annually compute terminal rents and apron fees which will provide sufficient funding to reimburse the District.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The Notes to Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the District’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. The financial statements were prepared from the detailed books and records of the District.

As discussed in the notes to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* through which accounting for OPEB plans and the related disclosure requirements were modified as of July 1, 2016. The implementation of the statement required the District to modify the method of measuring its other postemployment benefits obligation during the measurement period (fiscal year ending June 30, 2016). To the extent practical, in the first period that this Statement is applied, changes made to comply with this Statement should be reported as an adjustment of prior periods, and financial statements presented for the periods affected should be restated. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to beginning net position as of June 30, 2017. As a result, beginning unrestricted net position for the District for the year ending June 30, 2017 decreased by $997,136.

Financial Highlights

Financial Position Summary

The Charleston County Airport District's assets exceeded liabilities by $270,925,772 at June 30, 2018, an increase of $11,637,841 from June 30, 2017.

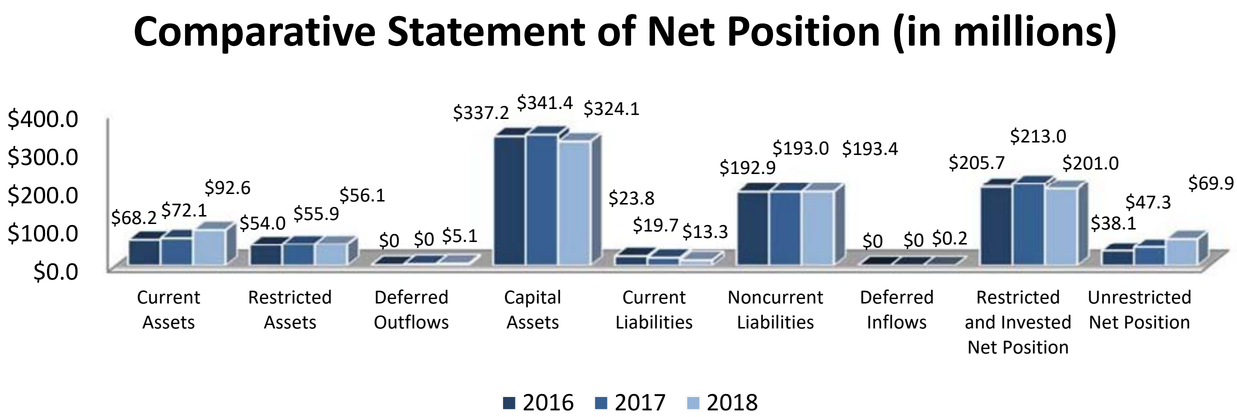
A condensed summary of the District's Statement of Net Position at June 30, is shown below:

	FY2018	FY2017	FY2016
ASSETS:			
Current Unrestricted Assets	$92,592,650	$72,102,176	$68,166,119
Current Restricted Assets	56,133,153	55,879,165	54,045,342
Property, Plant & Equipment	324,103,044	341,472,430	337,246,097
Deferred Outflows	5,141,185	3,768,579	1,485,310
TOTAL ASSETS AND DEFERRED OUTFLOWS	477,970,032	473,222,890	460,942,868
LIABILITIES:			
Current Liabilities (payable from Unrestricted Assets)	5,567,378	11,952,371	19,082,005
Current Liabilities (payable from Restricted Assets)	7,810,169	7,736,419	4,686,419
Noncurrent Liabilities	171,294,109	174,575,612	177,629,054
Deferred Inflows	246,873	263,638	358,857
Pension Obligation	22,125,731	19,406,919	16,344,583
TOTAL LIABILITIES AND DEFERRED INFLOWS	207,044,260	213,934,959	218,100,918
NET POSITION:			
Net investment in capital assets	151,438,909	165,699,607	165,516,041
Restricted by bond covenant	26,148,928	26,470,935	22,549,193
Restricted by contributor	23,462,839	20,871,401	17,641,000
Unrestricted	69,875,096	46,245,988	37,135,716
TOTAL NET POSITION	$270,925,772	$259,287,931	$242,841,950

The largest portion of the District's net position (56% at June 30, 2018), represents its net investment in capital assets (i.e. land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets.

The District uses these capital assets to provide services to its passengers and visitors to the Airport; therefore, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations.

An additional portion of the District's net position is restricted by bond covenant and contributor (18% at June 30, 2018). The unrestricted portion of net position (26% at June 30, 2018), may be used to meet any of the District's ongoing obligations.



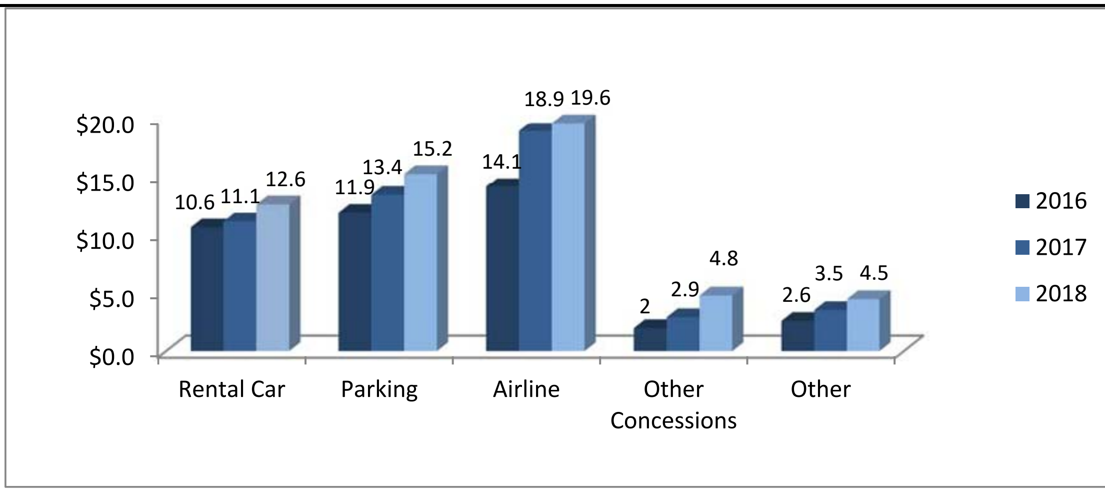
Summary of Operations and Changes in Net Position

Operating revenues increased by 13.7% from $49,841,346 to $56,679,678 as a result of the following:

- Terminal and Parking Revenue increased due to the overall increase in passenger enplanements by multiple airlines, including the addition of Frontier and Allegiant Airlines.
- Fuel Sales increased 4.6 million gallons (into farm).
- The overall increase in passengers also had an impact on the revenue for the Commercial / Industrial Area, which includes the rental car companies.

A summary of revenue for the year ending June 30, 2018, and the amount and percentage of change in relation to prior year amounts is as follows:

	2018	Percent of Total	2017	Increase (Decrease) from 2017	Percent Increase (Decrease)	2016
OPERATING REVENUE						
Aviation Support	$1,059,979	1.6%	$933,677	$126,302	13.5%	$869,399
Domestic and international terminal	30,894,152	46.7%	25,770,729	5,123,423	19.9%	19,640,759
Airfield area	648,289	1.0%	587,420	60,869	10.4%	581,427
Apron and Taxiway	161,969	0.3%	489,005	(327,036)	(66.9)%	357,729
Airline service area	262,934	0.4%	270,140	(7,206)	(2.7)%	235,828
Fuel Storage	2,009,890	3.0%	1,732,449	277,441	16.0%	1,680,999
Reliever airports	708,440	1.1%	553,368	155,072	28.0%	594,869
Commercial/industrial area	4,992,014	7.5%	4,844,280	147,734	3.0%	4,701,004
Parking/roadway area	15,942,011	24.1%	14,660,278	1,281,733	8.7%	12,614,385
TOTAL OPERATING REVENUE	56,679,678	85.7%	49,841,346	6,838,332	13.7%	41,276,399
NON-OPERATING INCOME						
Interest income	353,725	0.5%	175,023	178,702	102.1%	418,133
Gain (loss) on disposition of property, plant and equipment	0	0%	22,790	(22,790)	(100)%	(2,158,370)
Passenger Facility Charge	9,204,733	13.9%	7,947,394	1,257,339	15.8%	7,233,037
Miscellaneous non-operating Income (Expense)	(11,525)	(0.0)%	317,553	(329,078)	(103.6)%	322,041
TOTAL NON-OPERATING INCOME	9,546,933	14.3%	8,462,760	1,084,173	12.8%	5,814,841
TOTAL REVENUES	$66,226,611	100%	$58,304,106	$7,922,505	13.6%	$47,091,240

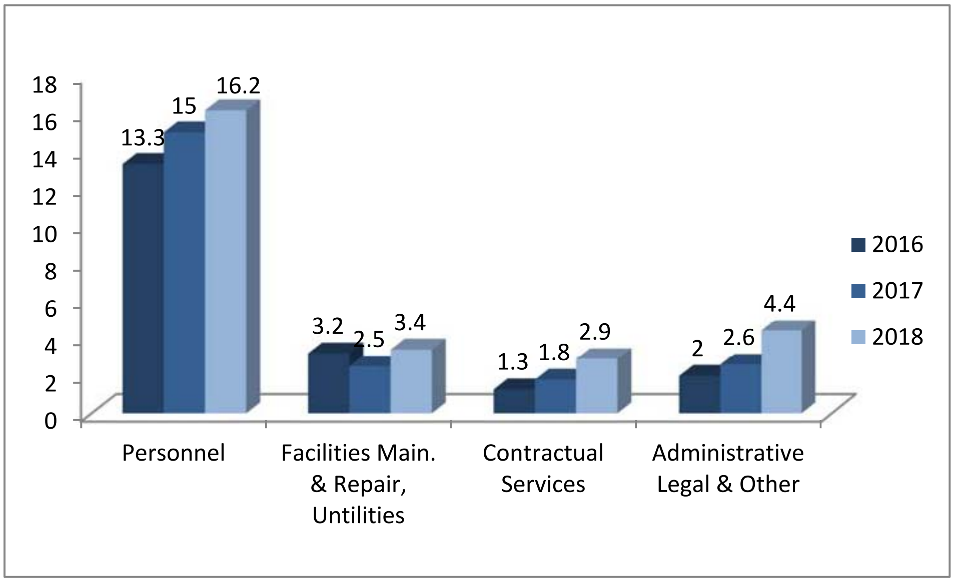


Operating Expenses (less depreciation expense) increased by 12.5% from $23,967,690 to $26,958,278 as a result of the following:

- Personnel services increased due to staff additions, merit wage increases, and increased pension costs
- Contractual Services increased due to janitorial services

A summary of expenses for the year ending June 30, 2018, and the amount and percentage of change in relation to prior year amounts is as follows:

	2018	Percent of Total	2017	Increase (Decrease) from 2017	Percent Increase (Decrease)	2016
OPERATING EXPENSES						
Personnel Services	$16,271,518	27.5%	$15,004,915	$1,266,603	8.4%	$13,285,092
Administrative Services	2,154,397	3.6%	1,920,975	233,422	12.2%	1,616,191
Utilities	2,069,354	3.5%	2,047,166	22,188	1.1%	2,073,042
Building repairs and maintenance	254,014	0.4%	235,160	18,854	8.0%	215,652
Heating, ventilation, and air conditioning	173,616	0.3%	108,307	65,309	60.3%	91,494
Field Maintenance	221,172	0.4%	208,554	12,618	6.1%	212,740
Vehicle Maintenance	57,908	0.1%	119,926	(62,018)	(51.7)%	120,621
Loading Bridges	56,652	0.1%	30,850	25,802	83.6%	71,240
Supplies	613,048	1.1%	509,731	103,317	20.3%	386,088
Contractual services	2,867,402	4.9%	1,841,222	1,026,180	55.7%	1,371,330
Insurance	545,476	0.9%	483,107	62,369	12.9%	458,539
Professional services	375,184	0.6%	468,182	(92,998)	(19.9)%	710,604
Legal Services	341,109	0.6%	284,552	56,557	19.9%	267,184
Other Expenses	957,427	1.6%	705,043	252,384	35.8%	368,270
TOTAL OPERATING EXPENSES	26,958,278	45.6%	23,967,690	3,010,227	12.5%	21,248,087
Depreciation	23,051,409	39.0%	22,009,191	1,042,218	4.7%	17,024,610
NON-OPERATING EXPENSES						
Interest expense	9,095,636	15.4%	9,155,267	(59,631)	(0.7)%	4,569,240
Miscellaneous non-operating expenses		0%	0	0	0%	2,446
TOTAL NON-OPERATING EXPENSES	9,095,636	15.4%	9,155,267	(59,631)	(0.7)%	4,571,686
TOTAL EXPENSES	$59,105,323	100%	$55,132,148	$3,992,814	7.2%	$42,844,383



The net result of the above was operating income before depreciation increased by $3,847,744. Depreciation increased from $22,009,191 in 2017 to $23,051,409 in 2018. Operating income after depreciation but before non-operating revenue and expenses increased from $3,864,465 in fiscal year 2017 to $6,669,991 in fiscal year 2018.

Non-operating Revenue (Expenses), increased from net expense of $692,507 in fiscal year 2017 to net revenue of $451,297 in fiscal year 2018, due to an increase in passenger facility charges collected and interest income.

Capital contributions through AIP funded projects decreased from $13,274,023 in fiscal year 2017 to $4,516,553 in fiscal year 2018.

A condensed summary of the District's increase in net position at June 30, 2018, 2017, and 2016 is shown below.

	FY2018	FY2017	FY2016
Operating revenues	$56,679,678	$49,841,346	$41,276,399
Operating expenses	(26,958,278)	(23,967,690)	(21,248,087)
Operating income before depreciation	29,721,400	25,873,656	20,028,312
Depreciation	(23,051,409)	(22,009,191)	(17,024,610)
Operating income	6,669,991	3,864,465	3,003,702
Non-Operating revenues (expenses)	451,297	(692,507)	1,243,155
	7,121,288	3,171,958	4,246,857
Capital contributions	4,516,553	13,274,023	9,906,871
Increase in net position	$11,637,841	$16,445,981	$14,153,728

Capital Acquisitions and Construction Activities

During fiscal year ending June 30, 2018, the District expended $12,838,552 on capital activities which included $3,268,710 for the Inline Checked Baggage Inspection System and $1,486,755 for the Parking Structure Design Phase at Charleston International Airport.

Property and Equipment are capitalized at cost. Acquisitions are funded using federal grants and airport revenues. Please see the notes to the financial statements for more detailed information on capital asset activity.

Construction commitments remaining on June 30, 2018 total $15,080,545. This includes $12,213,611 for the Inline Checked Baggage Inspection System and $2,753,537 for the design of the new Parking Structure at Charleston International Airport.

During fiscal year 2018, no new grants were awarded.

Long-Term Debt Administration

In 2013, the airport issued $174,485,000 of Airport System Revenue Bonds dated September 5, 2013, maturing annually from 2017 through 2043. Interest costs at rates ranging from 3.5% to 5.875% will be due semi-annually beginning July 2014. The bond issue funded a Terminal Redevelopment and Improvement Program (TRIP), substantially completed in late 2015.

A summary of debt outstanding as of June 30, 2018, 2017 and 2016 is provided below:

	2013 Revenue Bond
FY 2018	$172,664,135
FY 2017	$175,838,837
FY 2016	$175,966,918

Please see the notes to the financial statements for more detailed information on long-term debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Director of Airports, Charleston County Aviation Authority, 5500 International Boulevard, #101, Charleston, South Carolina 29418.

Respectfully submitted,

Douglas R. Boston
Chief Financial Officer

FINANCIAL SECTION

CHARLESTON COUNTY AIRPORT DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	**$ 59,173,428**	$ 48,347,664
Investments	**28,113,600**	18,949,047
Accounts receivable - customer (less allowance for doubtful accounts of $34,693 and $70,917 for 2018 and 2017, respectively)	**4,358,036**	3,930,430
Inventories of materials and supplies	**622,496**	377,404
Prepaid expenses	**325,090**	458,741
Restricted assets:		
Cash and cash equivalents	**12,062,701**	18,115,736
Investments	**37,549,068**	29,243,604
Government grants receivable	**4,323,692**	7,525,507
Passenger facility charge receivable	**2,197,692**	1,033,748
Total current assets	**148,725,803**	127,981,881
Non-current assets:		
Capital assets:		
Non-depreciable	**25,378,343**	21,873,030
Depreciable, net of accumulated depreciation	**298,724,701**	319,599,400
Total non-current assets	**324,103,044**	341,472,430
Total assets	**$ 472,828,847**	$ 469,454,311
Deferred outflows of resources:		
Pension	**$ 5,141,185**	$ 3,768,579
Total deferred outflows of resources	**$ 5,141,185**	$ 3,768,579

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2018	2017
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	**$ 1,106,496**	$ 1,036,865
Accrued salaries and other liabilities	**897,113**	902,590
Accrued compensated absences	**459,881**	472,251
Due to other governments	**164,337**	145,994
Deposits	**195,676**	217,676
Unearned revenue	**451,966**	-
Capital improvements contracts payable	**1,928,719**	1,554,217
Retainage payable	**363,190**	7,622,778
Payable from restricted assets:		
Revenue bonds payable	**3,200,000**	3,050,000
Accrued revenue bonds interest payable	**4,610,169**	4,686,419
Total current liabilities	**13,377,547**	19,688,790
Non-current liabilities:		
Revenue bonds payable	**169,464,135**	172,788,837
Net pension liability	**22,125,731**	19,406,919
Total other postemployment benefits liability	**1,829,974**	1,786,775
Total non-current liabilities	**193,419,840**	193,982,531
Total liabilities	**$ 206,797,387**	$ 213,671,321
Deferred inflows of resources:		
Pension	**$ 168,467**	$ 263,638
Other postemployment benefits	**78,406**	-
Total deferred inflows of resources	**$ 246,873**	$ 263,638
Net position:		
Net investment in capital assets	**$ 151,438,909**	$ 165,699,607
Restricted by:		
Bond covenant	**26,148,928**	26,470,935
Contributor	**23,462,839**	20,871,401
Unrestricted	**69,875,096**	46,245,988
Total net position	**$ 270,925,772**	$ 259,287,931

See Notes to Financial Statements.

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CHARLESTON COUNTY AIRPORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues:		
Aviation support	$ 1,059,979	$ 933,677
Domestic and international terminal	30,894,152	25,770,729
Airfield area	648,289	587,420
Apron and taxiway	161,969	489,005
Airline service area	262,934	270,140
Fuel storage	2,009,890	1,732,449
Reliever airports	708,440	553,368
Commercial/industrial area	4,992,014	4,844,280
Parking/roadway area	15,942,011	14,660,278
Total operating revenues	56,679,678	49,841,346
Operating expenses:		
Personnel services	16,271,519	15,004,915
Administrative services	2,154,397	1,920,975
Utilities	2,069,354	2,047,166
Building repairs and maintenance	254,014	235,160
Heating, ventilation, and air conditioning	173,616	108,307
Field maintenance	221,172	208,554
Vehicle maintenance	57,908	119,926
Loading bridges	56,652	30,850
Supplies	613,048	509,731
Contractual services	2,867,402	1,841,222
Insurance	545,476	483,107
Professional services	375,184	468,182
Legal services	341,109	284,552
Other expenses	957,427	705,043
Depreciation	23,051,409	22,009,191
Total operating expenses	50,009,687	45,976,881
Operating income	6,669,991	3,864,465
Non-operating revenues (expenses):		
Passenger facility charges	9,204,733	7,947,394
Investment income	230,711	160,360
Unrealized and realized gain on investments	123,014	14,663
Gain on disposal of capital assets	-	22,790
Interest expense	(9,095,636)	(9,155,267)
Other	(11,525)	317,553
Total non-operating revenues (expenses), net	451,297	(692,507)
Income before capital contributions	7,121,288	3,171,958
Capital contributions	4,516,553	13,274,023
Change in net position	11,637,841	16,445,981
Total net position, beginning of year, as previously reported	259,287,931	243,839,086
Restatement for change in accounting principle	-	(997,136)
Total net position, beginning of year, as restated	259,287,931	242,841,950
Total net position, end of year	$ 270,925,772	$ 259,287,931

See Notes to Financial Statements.

CHARLESTON COUNTY AIRPORT DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Receipts from customers and users	**$ 56,682,038**	$ 49,060,254
Payments to suppliers	**(10,440,783)**	(15,388,457)
Payments to employees	**(14,916,726)**	(14,741,146)
Net cash provided by operating activities	**31,324,529**	18,930,651
Cash Flows From Investing Activities:		
Purchases of investments	**(70,849,154)**	(3,855,252)
Proceeds from sale of investments	**53,379,137**	8,500,000
Income from investments	**353,725**	175,023
Net cash provided by (used in) investing activities	**(17,116,292)**	4,819,771
Cash Flows From Noncapital Financing Activities:		
Other receipts (expenses)	**(11,525)**	317,553
Net cash provided by (used in) noncapital financing activities	**(11,525)**	317,553
Cash Flows From Capital and Related Financing Activities:		
Proceeds from passenger facility charge	**8,040,789**	7,927,646
Proceeds from government grant contributions	**7,718,368**	13,115,406
Acquisition and construction of capital assets	**(12,836,552)**	(26,090,669)
Principal payments on revenue bonds	**(3,050,000)**	-
Interest paid on revenue bonds	**(9,296,588)**	(9,428,203)
Proceeds from the sale of capital assets	**-**	22,790
Net cash (used in) capital and related financing activities	**(9,423,983)**	(14,453,030)
Net increase in cash and cash equivalents	**4,772,729**	9,614,945
Cash and cash equivalents:		
Beginning of year	**66,463,400**	56,848,455
End of year	**$ 71,236,129**	$ 66,463,400
Classified as:		
Cash and cash equivalents	**$ 59,173,428**	$ 48,347,664
Restricted assets, cash and cash equivalents	**12,062,701**	18,115,736
	$ 71,236,129	$ 66,463,400

	2018	2017
Cash Flows From Operating Activities:		
Operating income	**$ 6,669,991**	$ 3,864,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**23,051,409**	22,009,191
Changes in assets and liabilities:		
Increase in accounts receivables	**(427,606)**	(497,917)
Increase in inventories	**(245,092)**	(112,707)
(Increase) decrease in prepaid expenses	**133,651**	(11,234)
Increase in deferred outflows of resources - pension	**(1,372,606)**	(2,283,269)
Increase (decrease) in accounts payable and accrued liabilities	**333,597**	(6,889,330)
Increase in net pension liability	**2,718,812**	3,062,336
Increase in total other postemployment benefits liability	**43,199**	124,639
Increase (decrease) in compensated absences	**(12,370)**	21,603
Increase (decrease) in deposits and unearned revenue	**429,966**	(283,175)
Increase in amounts due to other governments	**18,343**	21,268
Decrease in deferred inflows of resources - pension	**(95,171)**	(95,219)
Increase in deferred inflows of resources - other postemployment benefits	**78,406**	-
Net cash provided by operating activities	**$ 31,324,529**	$ **18,930,651**

See Notes to Financial Statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental entities. The following is a summary of the more significant accounting policies.

Reporting Entity

The Charleston County Airport District (the "District") owns and operates the Charleston International Airport, Charleston Executive Airport (Johns Island), and the Mt. Pleasant Regional Airport (formerly East Cooper). Chartered in 1970 by the State of South Carolina, it is responsible for managing, operating, and developing all public airports in the District and supervising the financial operations of the District. The District coordinates its activities with the Federal Aviation Administration and the South Carolina Division of Aeronautics.

The District is a municipal corporation established by the General Assembly of the State of South Carolina in 1970 and is governed by the District. The District is composed of six members appointed to four-year terms by the Governor and five ex-officio members: the Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the Town of Mount Pleasant, the Chairman of the Charleston County Council, and one member selected jointly by the City of Charleston and County of Charleston, or their respective proxies.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity,* as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units,* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*, which defines a primary government as an entity with a governing body elected in a general election and which is legally separate and fiscally independent. Any entity that does not meet the above criteria is potentially a component unit of a primary government.

A component unit is a legally separate entity for which a primary government is financially accountable by virtue of the fact that it both appoints the governing board and is able to impose its will on the component unit, or the fact that it provides financial benefits or imposes a financial burden on the primary government.

Based on the above requirements, there are no entities which meet the criteria detailed above for inclusion with the District's financial statements as component units, nor is the District considered a component unit.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

Proprietary funds are accounted for using the *flow of economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Enterprise funds are a type of proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The District accounts for its activities in an enterprise fund.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are terminal, parking lot, and roadway revenues. Operating expenses for proprietary funds include the cost to provide services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including restricted assets, with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application,* investments are carried at fair value.

The District has a number of financial instruments, none of which are held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits and repurchase agreements, are reported at cost which approximates fair value. See Note 2 for additional information.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Customer receivables are shown net of an allowance for uncollectibles. At year-end, the allowance account is adjusted to an amount based on prior years' experience and an analysis of specific accounts. The allowance for uncollectible accounts was $34,693 and $70,917 at June 30, 2018 and 2017, respectively.

Funds that have been expended in accordance with grant requirements, but have not yet been reimbursed by grant funds are recorded as governmental grants receivable.

Inventory and Prepaid Assets

Inventories consist of various spare parts and supplies used in the maintenance of the airport system and gasoline and fuel inventory as a reliever airport and are valued at the lower of cost (first-in, first-out) or market. Inventories are reported as expenses when they are consumed.

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaid items in the financial statements. Prepaid items are accounted for using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Assets donated to the District are recorded at their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the respective assets were charged to expense in the current period. Gains and losses arising from the sale or disposition of capital assets are included in the change in net position.

Major expenditures for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of assets is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Interest capitalized on assets not acquired with tax exempt debt is the product of the average accumulated expenditures during the year for such assets and the weighted average interest rate on debt. Interest is not capitalized on assets acquired or constructed with gifts and grants. Interest costs are not capitalized when immaterial in amount, for small projects under $200,000, or those for which the construction period is less than six months in the current year.

Capital assets and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Terminal building, improvements, and land improvements	15 - 40 years
Other buildings and improvements	15 - 25 years
Runways, taxiways, aprons, and airfield lighting	10 - 20 years
Vehicles, furniture, and equipment	5 - 10 years
Parking lot and parking lot equipment	5 - 10 years

Restricted Assets

Certain proceeds from the issuance of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

- The Construction Fund is used to pay the costs of the District's projects as provided in the provisions of the bond covenants.
- The Gross Revenue Fund receives the revenues to be distributed in the following order as provided in the provisions of the bond covenants:
  - Operation and Maintenance Reserve Account – an amount equal to three months of the annual budgeted operation and maintenance reserve
  - Debt Service and Debt Service Reserve Accounts – balance equal to the accrued aggregate debt service

Funds collected under the passenger facility charge program are restricted by law for specific airport improvement projects. All donor restricted support is reflected as restricted assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Five items relating to the District's Retirement Plans qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Pension". The first item, experience losses, result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, changes of actuarial assumptions, adjusts the net pension liabilities and are amortized into pension expense over the expected remaining service lives of plan members. The third item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred outflow of resources. The fourth item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions and is recorded as a deferred outflow of resources and is amortized into pension expense over the expected remaining lives of the plan members. Additionally, any contributions made by the District to the pension plan before year-end but subsequent to the measurement date of the District's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statements of Net Position report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the District's Retirement Plans and one item relating to the District's Other Postemployment Benefits Plan qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Pension" and "Other postemployment benefits", respectively. The first item, experience gains, result from periodic studies by the actuary of the Retirement Plans, which adjust the net pension liabilities for actual experience for certain trend information that was previously assumed. These experience gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. Both of these items are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The third item, changes in actuarial assumptions, adjusts the total other postemployment benefits liability and is amortized into other postemployment benefits expense over the expected remaining service lives of plan members.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay vests when earned. Vacation pay is accrued when earned and employees can only carry over a maximum of 100% of their allowed annual leave. Any amount of leave exceeding the annual maximum amount will be forfeited when the payroll year ends. Vacation pay within the annual carryover limit is reported as a liability.

No liability has been recorded for non-vesting accumulating rights to receive sick pay benefits.

Unearned Revenue

Unearned revenue consists of amounts paid by the customers of the District. The prepayments are primarily for rents to be earned by the District in July of the following fiscal year.

Long-Term Obligations

Long-term debt and other obligations financed by the District are reported as liabilities in the Statements of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year incurred.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Classification

Net position is classified and displayed in three components within the Statements of Net Position. These three classifications are as follows:

a) Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classification (Continued)

b) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c) Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Landing Fees Paid to USAF

The District operates a joint-use airfield in conjunction with the United States Air Force (USAF). Under the joint-use agreement, the District will make payments equal to one-half of the total landing fees. These fees are included in other expenses on the Statements of Revenues, Expenses, and Changes in Net Position.

Lease Accounting

Revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot. Tenant leases, with the exception of airline leases, are normally for periods of three to five years with options to renew. At June 30, 2018, the airlines operating within the District consisted of Alaska Airlines, American Airlines, Delta Airlines, JetBlue Airways, Southwest Airlines, and United Airlines. The airlines are subject to Ordinance #2001-02 *Air Transportation Companies*, which places airline rentals on a month-to-month rental term. Lease costs, if material, are deferred and amortized as expenses over the life of the lease. There were no material lease costs for the years ended June 30, 2018 and 2017.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Prior to the end of each fiscal year, an appropriated budget for the subsequent fiscal year is presented and approved by the District to be used as a management tool. All annual appropriations lapse at year-end other than the capital budget.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions

The District receives federal grants to finance a portion of the airport improvements constructed by the District. The contributions are recorded when grant expenditures are made and grant funds are earned. Capital contributions were $4,516,553 and $13,274,023 for the years ended June 30, 2018 and 2017, respectively.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. These reclassifications had no effect on previously reported net position or increases in net position.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2018 and 2017 are summarized as follows:

	2018	2017
As reported in the *Statements of Net Position:*		
Cash and cash equivalents	**$ 59,173,428**	$ 48,347,664
Investments	**28,113,600**	18,949,047
Restricted cash and cash equivalents	**12,062,701**	18,115,736
Restricted investments	**37,549,068**	29,243,604
	$ 136,898,797	$ 114,656,051
Cash deposited with financial institutions	**$ 71,236,129**	$ 66,463,400
Certificates of Deposit	**500,000**	1,312,724
U.S. Government and Agencies	**56,566,351**	25,525,252
Money Market Funds	**8,596,317**	21,354,675
	$ 136,898,797	$ 114,656,051

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits and Investments. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits of the District are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. In accordance with the aforementioned statute, the District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District has an informal investment policy that limits investment to instruments with primarily short-term maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information regarding interest rate risk can be found on the following page.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has adopted an informal investment policy in accordance with state statutes, which authorize the District to invest in the following:

1. Obligations of the United States and agencies thereof;

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;

3. General obligations of the State of South Carolina or any of its political units;

4. Banks and savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued).

5. Certificates of deposit and repurchase agreements collateralized by securities, of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and

6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

Additional information regarding the District's exposure to interest rate risk and credit risk is as follows at June 30, 2018:

Investment	Fair Value	Percentage of Portfolio	Credit Rating	Weighted Average Maturity (Years)
Certificates of Deposit	$ 500,000	0.76%	N/A	0.54
U.S. Government and Agencies	56,566,351	86.15%	AAA	1.47
Money Market Funds	8,596,317	13.09%	N/A	-
Total investments	$ 65,662,668			

Additional information regarding the District's exposure to interest rate risk and credit risk is as follows at June 30, 2017:

Investment	Fair Value	Percentage of Portfolio	Credit Rating	Weighted Average Maturity (Years)
Certificates of Deposit	$ 1,312,724	2.72%	N/A	0.65
U.S. Government and Agencies	25,525,252	52.97%	AAA	1.47
Money Market Funds	21,354,675	44.32%	N/A	-
Total investments	$ 48,192,651			

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Government and Agencies	$ 53,209,307	$ 3,357,044	$ -	$ 56,566,351
Money Market Funds	8,596,317	-	-	8,596,317
Total investments measured at fair value	$ 61,805,624	$ 3,357,044	$ -	65,162,668
Investments not subject to level disclosure				
Certificates of deposit				500,000
Total investments				$ 65,662,668

The District has the following recurring fair value measurements as of June 30, 2017:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Government and Agencies	$ 25,118,606	$ 406,646	$ -	$ 25,525,252
Money Market Funds	21,354,675	-	-	21,354,675
Total investments measured at fair value	$ 46,473,281	$ 406,646	$ -	46,879,927
Investments not subject to level disclosure				
Certificates of deposit				1,312,724
Total investments				$ 48,192,651

The U.S. Government and Agencies and Money Market Fund investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The U.S. Government and Agencies investments classified in Level 2 of the fair value hierarchy are valued using pricing matrix technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The District has no investments classified in Level 3 of the fair value hierarchy.

NOTE 3. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2018, follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 16,266,278	$ -	$ -	$ -	$ 16,266,278
Construction in progress	5,606,752	12,291,355	-	(8,786,042)	9,112,065
Total	21,873,030	12,291,355	-	(8,786,042)	25,378,343
Capital assets, being depreciated:					
Runways, taxiways, aprons, and airfield lighting	128,039,699	-	-	618,903	128,658,602
Land improvements	652,247	-	-	-	652,247
Terminal buildings and improvements	343,588,819	-	(7,154,529)	5,523,100	341,957,390
Parking lots and improvements	12,271,311	-	-	362,053	12,633,364
Furniture and equipment	9,106,677	354,402	(6,077)	2,281,986	11,736,988
Vehicles	1,289,044	190,795	-	-	1,479,839
Total	494,947,797	545,197	(7,160,606)	8,786,042	497,118,430
Less accumulated depreciation for:					
Runways, taxiways, aprons, and airfield lighting	(62,051,784)	(5,183,404)	-	-	(67,235,188)
Land improvements	(458,296)	(16,306)	-	-	(474,602)
Terminal buildings and improvements	(97,136,580)	(15,632,971)	-	-	(112,769,551)
Parking lots and improvements	(9,325,044)	(924,305)	-	-	(10,249,349)
Furniture and equipment	(5,396,579)	(1,175,131)	6,077	-	(6,565,633)
Vehicles	(980,114)	(119,292)	-	-	(1,099,406)
Total	(175,348,397)	(23,051,409)	6,077	-	(198,393,729)
Total capital assets, being depreciated, net	319,599,400	(22,506,212)	(7,154,529)	8,786,042	298,724,701
Total capital assets, net	$ 341,472,430	$ (10,214,857)	$ (7,154,529)	$ -	$ 324,103,044

NOTE 3. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets at June 30, 2017, follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 16,266,278	$ -	$ -	$ -	$ 16,266,278
Construction in progress	11,471,058	25,510,307	-	(31,374,613)	5,606,752
Total	27,737,336	25,510,307	-	(31,374,613)	21,873,030
Capital assets, being depreciated:					
Runways, taxiways, aprons, and airfield lighting	103,629,554	-	-	24,410,145	128,039,699
Land improvements	652,247	-	-	-	652,247
Terminal buildings and improvements	338,260,371	61,918	(3,668)	5,270,198	343,588,819
Parking lots and improvements	12,127,439	25,194	-	118,678	12,271,311
Furniture and equipment	7,511,484	479,198	(459,597)	1,575,592	9,106,677
Vehicles	1,245,493	158,907	(115,356)	-	1,289,044
Total	463,426,588	725,217	(578,621)	31,374,613	494,947,797
Less accumulated depreciation for:					
Runways, taxiways, aprons, and airfield lighting	(57,813,029)	(4,238,755)	-	-	(62,051,784)
Land improvements	(425,684)	(16,306)	-	(16,306)	(458,296)
Terminal buildings and improvements	(81,335,336)	(15,805,907)	3,668	995	(97,136,580)
Parking lots and improvements	(8,378,449)	(946,595)	-	-	(9,325,044)
Furniture and equipment	(5,016,178)	(855,309)	459,597	15,311	(5,396,579)
Vehicles	(949,151)	(146,319)	115,356	-	(980,114)
Total	(153,917,827)	(22,009,191)	578,621	-	(175,348,397)
Total capital assets, being depreciated, net	309,508,761	(21,283,974)	-	31,374,613	319,599,400
Total capital assets, net	$ 337,246,097	$ 4,226,333	$ -	$ -	$ 341,472,430

NOTE 4. LEASES

The District leases terminal space, land and buildings, as lessor, under various operating leases. Leases for space in the main terminal allow for annual recalculation of square footage rental rates based on financial performance of the terminal as a separate cost center. The associated revenue is included in domestic and international terminal operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

Minimum future rentals under noncancellable lease agreements as of June 30, 2018, are as follows:

Year ending June 30,	
2019	$ 2,664,467
2020	2,634,137
2021	2,632,252
2022	2,458,182
2023	2,285,449
2024 - 2028	8,523,838
Thereafter	7,482,050
Total	$ 28,680,375

NOTE 5. LONG TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 174,485,000	$ -	$ (3,050,000)	$ 171,435,000	$ 3,200,000
Deferred amounts:					
Unamortized premium	2,532,297	-	(171,503)	2,360,794	-
Unamortized discount	(1,178,460)	-	46,801	(1,131,659)	-
Revenue bonds, net	175,838,837	-	(3,174,702)	172,664,135	3,200,000
Net pension liability	19,406,919	5,108,827	(2,390,015)	22,125,731	-
Total OPEB liability	1,786,775	198,958	(155,759)	1,829,974	-
Compensated absences	472,251	621,641	(634,011)	459,881	459,881
Total long-term liabilities	$ 197,504,782	$ 5,929,426	$ (6,354,487)	$ 197,079,721	$ 3,659,881

NOTE 5. LONG TERM DEBT (CONTINUED)

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 174,485,000	$ -	$ -	$ 174,485,000	$ 3,050,000
Deferred amounts:					-
Unamortized premium	2,707,179	-	(174,882)	2,532,297	-
Unamortized discount	(1,225,261)	-	46,801	(1,178,460)	-
Revenue bonds, net	175,966,918	-	(128,081)	175,838,837	3,050,000
Net pension liability	16,344,583	4,181,784	(1,119,448)	19,406,919	-
Total OPEB liability	1,662,136	124,639	-	1,786,775	-
Compensated absences	450,648	555,542	(533,939)	472,251	472,251
Total long-term liabilities	$ 194,424,285	$ 4,861,965	$ (1,781,468)	$ 197,504,782	$ 3,522,251

Revenue Bonds

The District issues bonds to provide funds for various projects. The revenue bonds outstanding as of June 30, 2018 and 2017 are as follows:

Description	Original Issue	Due Date	Interest Rates	2018	2017
Refunding, Series 2013A	$ 144,875,000	2043	3.50% to 5.875%	$ 141,825,000	$ 144,875,000
Refunding, Series 2013B	29,610,000	2043	3.50% to 5.875%	29,610,000	29,610,000
	Total revenue bonds outstanding			171,435,000	174,485,000
	Plus: Deferred amounts for issuance premium			2,360,794	2,532,297
	Less: Deferred amounts for issuance discount			(1,131,659)	(1,178,460)
	Long-term portion of revenue bonds payable			$ 172,664,135	$ 175,838,837

On September 5, 2013, the District issued $144,875,000 Series 2013A and $29,610,000 Series 2013B airport revenue bonds to acquire and construct certain improvements to the Charleston International Airport pursuant to a capital improvement plan known as the Terminal Redevelopment and Improvement Program. Interest costs at rates ranging from 3.50% to 5.875% are due semiannually beginning July 1, 2014. Principal payments commence July 1, 2017, and continue until maturity on July 1, 2043. The bonds are limited obligations of the District, payable solely from net revenues.

NOTE 5. LONG TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

As of June 30, 2018, revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 3,200,000	$ 9,140,338	$ 12,340,338
2020	3,360,000	8,976,338	12,336,338
2021	3,530,000	8,805,775	12,335,775
2022	3,705,000	8,621,956	12,326,956
2023	3,900,000	8,422,325	12,322,325
2024 - 2028	22,730,000	38,778,769	61,508,769
2029 - 2033	29,560,000	31,738,888	61,298,888
2034 - 2038	38,755,000	22,280,056	61,035,056
2039 - 2043	50,860,000	9,889,700	60,749,700
2044	11,835,000	295,875	12,130,875
Plus deferred amounts for issuance premium	2,360,794	-	2,360,794
Less deferred amounts for issuance discount	(1,131,659)	-	(1,131,659)
Total	$ 172,664,135	$ 146,950,020	$ 319,614,155

There are a number of limitations, restrictions and covenants contained in the various bond indentures. Management believes the District is in compliance with all significant limitations, restrictions and covenants.

NOTE 6. RESTRICTED NET POSITION

The balances of the restricted net position accounts are as follows:

	2018	2017
Restricted by bond covenant for:		
Operations and maintenance	**$ 5,247,000**	$ 5,755,609
Debt service	**20,901,928**	20,715,326
Total restricted by bond covenant	**26,148,928**	26,470,935
Restricted by contributor for:		
Beautification of airport	**-**	42,591
Capital projects	**23,424,970**	20,811,677
Employee medical	**37,869**	17,133
Total restricted by contributor	**23,462,839**	20,871,401
Total restricted net position	**$ 49,611,767**	$ 47,342,336

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. For all of these risks, the District carries commercial insurance and is a member of the State of South Carolina Insurance Reserve Fund The District pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

In addition, the District insures the risk of job related injury or illness of its employees through the South Carolina Accident Fund. The District pays an annual premium to the State Accident Fund for its insurance coverage. Additional premium assessments may be required for workers' compensation claims based on the District's claims experience.

The District has not significantly reduced insurance coverages from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the District has effectively transferred all risk with no liability for unfunded claims, other than ordinary policy deductibles.

NOTE 8. CONTINGENT LIABILITIES AND COMMITMENTS

Federal Grants. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Litigation. The District is party to various legal proceedings, which normally occur in governmental operations. Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending. Although the outcome of these lawsuits is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Construction Commitments. At June 30, 2018 and 2017, the District has commitments under contracts for construction of various projects not completed of approximately $15,080,545 and $9,476,014, respectively.

NOTE 9. PENSION PLANS

Overview

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina, and, therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The District contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan that was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts and political subdivisions.

In addition to the SCRS pension plan, the District also contributes to the South Carolina Police Officer's Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan that was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

NOTE 9. PENSION PLANS (CONTINUED)

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is described below.

South Carolina Retirement System. Generally, all employees of covered employers are required to participate in and contribute to the SCRS as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the SCRS with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the SCRS with an effective date of membership on or after July 1, 2012, is a Class Three member.

South Carolina Police Officer's Retirement System. To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

South Carolina Retirement System. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least 8 or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

NOTE 9. PENSION PLANS (CONTINUED)

Benefits (Continued)

South Carolina Retirement System (Continued). An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

South Carolina Police Officer's Retirement System. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

NOTE 9. PENSION PLANS (CONTINUED)

Contributions (Continued)

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 percent and 5 percent differentials between the SCRS and PORS employer and employee contribution rates, respectively.

If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five. For the years ended June 30, 2018 and 2017, the District contributed $1,148,367 and $903,875 to the SCRS plan, respectively, and $338,259 and $292,908 to the PORS plan, respectively.

Required employee contribution rates during the years ended June 30, 2018 and 2017 are as follows:

South Carolina Retirement System	**2018**	2017
Employee class two	**9.00%**	8.66%
Employee class three	**9.00%**	8.66%
South Carolina Police Officer's Retirement System		
Employee class two	**9.75%**	9.24%
Employee class three	**9.75%**	9.24%

NOTE 9. PENSION PLANS (CONTINUED)

Contributions (Continued)

Required employer contribution rates during the years ended June 30, 2018 and 2017 are as follows:

South Carolina Retirement System	2018	2017
Employer class two	**13.41%**	11.41%
Employer class three	**13.41%**	11.41%
Employer incidental death benefit	**0.15%**	0.15%
South Carolina Police Officer's Retirement System		
Employer class two	**15.84%**	13.84%
Employer class three	**15.84%**	13.84%
Employer incidental death benefit	**0.20%**	0.20%
Employer accidental death program	**0.20%**	0.20%

Net Pension Liability

The June 30, 2017, (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2016, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of June 30, 2018 (measurement date of June 30, 2017), the net pension liability amounts for the District's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

	SCRS	PORS
Total pension liability	$ 38,127,579	$ 11,097,753
Plan fiduciary net position	20,336,655	6,762,946
Employers' net pension liability	$ 17,790,924	$ 4,334,807
Plan fiduciary net position as a percentage of the total pension liability	53.3%	60.9%
District's proportionate share of the collective net pension liability	0.079030%	0.158230%

NOTE 9. PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

As of June 30, 2017, (measurement date of June 30, 2016), the net pension liability amounts for the District's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

	SCRS	PORS
Total pension liability	$ 32,695,481	$ 10,136,306
Plan fiduciary net position	17,298,018	6,126,850
Employers' net pension liability	$ 15,397,463	$ 4,009,456
Plan fiduciary net position as a percentage of the total pension liability	52.9%	60.4%
District's proportionate share of the collective net pension liability	0.072086%	0.158070%

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020, annual valuation is complete.

The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

NOTE 9. PENSION PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Assumptions and methods used in the July 1, 2016, valuation for the SCRS and PORS plans are as follows:

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Males multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Males multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year of the Systems. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation, which is summarized in the table on the following page.

NOTE 9. PENSION PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component. As previously noted, the Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. The table below represents the assumed rate of return used in the original valuation.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**45.0%**		
Global public equity	31.0%	6.72%	2.08%
Private equity	9.0%	9.60%	0.86%
Equity options securities	5.0%	5.91%	0.30%
Real Assets	**8.0%**		
Real estate (private)	5.0%	4.32%	0.22%
Real estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk parity	10.0%	4.16%	0.42%
Hedge funds (non-PA)	4.0%	3.82%	0.15%
Other opportunistic strategies	3.0%	4.16%	0.12%
Diversified Credit	**18.0%**		
Mixed credit	6.0%	3.92%	0.24%
Emerging markets	5.0%	5.01%	0.25%
Private debt	7.0%	4.37%	0.31%
Conservative Fixed Income	**12.0%**		
Core fixed income	10.0%	1.60%	0.16%
Cash and short duration (net)	2.0%	0.92%	0.01%
	100%		
	Total expected real return		5.31%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		7.56%

NOTE 9. PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the District's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2018:

Sensitivity of the Net Position Liability to Changes in the Discount Rate

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 22,930,057	$ 17,790,924	$ 14,672,678
PORS	5,852,814	4,334,807	3,139,093

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2017:

Sensitivity of the Net Position Liability to Changes in the Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 19,207,914	$ 15,397,463	$ 12,225,407
PORS	5,254,669	4,009,456	2,890,302

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense

For the years ended June 30, 2018 and 2017, the District recognized pension expense for its proportionate share of collective pension expense for the SCRS plan as follows:

Description	2018	2017
Service cost (annual cost of current service)	**$ 635,446**	$ 550,274
Interest on the total pension liability	**2,622,256**	2,329,511
Plan administrative costs	**10,645**	9,479
Plan member contributions	**(653,217)**	(543,639)
Expected return on plan assets	**(1,391,066)**	(1,332,516)
Recognition of current year amortization - difference between expected and actual experience & assumption changes	**469,252**	109,229
Recognition of current year amortization - difference between projected and actual investment earnings	**108,738**	247,831
Other	**1,225**	717
Total proportionate share of collective pension expense	**1,803,279**	$ 1,370,886
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	**449,833**	120,172
Total employer pension expense	**$ 2,253,112**	$ 1,491,058

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense (Continued)

For the years ended June 30, 2018 and 2017, the District recognized pension expense for its proportionate share of collective pension expense for the PORS plan as follows:

Description	2018	2017
Service cost (annual cost of current service)	**$ 263,741**	$ 247,486
Interest on the total pension liability	**748,521**	717,157
Plan administrative costs	**3,401**	3,247
Plan member contributions	**(202,282)**	(182,078)
Expected return on plan assets	**(456,562)**	(466,652)
Recognition of current year amortization - difference between expected and actual experience & assumption changes	**144,672**	27,099
Recognition of current year amortization - difference between projected and actual investment earnings	**35,779**	88,659
Other	**(2,007)**	(1,807)
Total proportionate share of collective pension expense	**535,263**	$ 433,111
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	**(22,293)**	(22,977)
Total employer pension expense	**$ 512,970**	$ 410,134

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 79,312	$ 9,861
Changes of assumptions	1,041,468	-
Net difference between projected and actual earnings on pension plan investments	496,639	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,256,061	-
Employer contributions subsequent to the measurement date	1,148,367	-
Total	$ 4,021,847	$ 9,861

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,654	$ -
Changes of assumptions	411,413	-
Net difference between projected and actual earnings on pension plan investments	154,467	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,545	158,606
Employer contributions subsequent to the measurement date	338,259	-
Total	$ 1,119,338	$ 158,606

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

District contributions subsequent to the measurement date of $1,148,367 and $338,259 for the SCRS and PORS plan, respectively, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 159,613	$ 16,722
Net difference between projected and actual earnings on pension plan investments	1,295,422	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	363,184	-
Employer contributions subsequent to the measurement date	903,875	-
Total	$ 2,722,094	$ 16,722

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,493	$ -
Net difference between projected and actual earnings on pension plan investments	454,637	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	239,447	246,916
Employer contributions subsequent to the measurement date	292,908	-
Total	$ 1,046,485	$ 246,916

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The $903,875 and $292,908 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2017, were recognized as a reduction of the net pension liabilities during the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension as follows:

	South Carolina Retirement System	
Year ended June 30:	**2018**	**2017**
2018	$ -	. 477,232
2019	936,355	393,801
2020	1,192,532	626,599
2021	848,120	303,865
2022	(113,388)	-

	South Carolina Police Officer's Retirement System	
Year ended June 30:	**2018**	**2017**
2018	$ -	$ 92,782
2019	155,140	89,766
2020	242,380	176,936
2021	212,542	147,177
2022	12,411	-

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Compensation Plans

The District offers its employees deferred compensation plans, offered through the State of South Carolina, created in accordance with Internal Revenue Code Sections 457 and 401(k). The plans, available to all regular full-time and part-time employees, permit participants to defer a portion of their salaries until future years. The 457 plan is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship. The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan.

All amounts of compensation deferred under the plans are held in trusts for the contributing employee and are not subject to claims of the employer's general creditors. The plans are administered by the State of South Carolina.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The District, authorized by its Board of Directors, offers its retired employees a defined benefit plan for health insurance benefits (the Plan). The Plan is considered a single-employer defined benefit plan and is administered by the District. The Plan does not issue a stand-alone report. Under the Plan, a retired employee can receive $10 per month for pre-Medicare retirees for each year of service up to a maximum of $250 per month toward District-provided health insurance. When a retiree reaches age 65 and is eligible for Medicare, the insurance premium is reduced to 75% of the full premium. Therefore, the contribution can be reduced to $7.50 per month for each year of service, but to a maximum of $188 per month.

Plan Membership. The Plan has 197 covered members for the year ended June 30, 2018; 12 members are retirees receiving benefits and 185 are active participants and dependents. For the year ended June 30, 2017, the Plan had 196 covered members; 9 members were retirees receiving benefits and 187 were active participants.

Funding Policy and Contributions. The District currently pays for other post-employment benefits on a pay-as-you-go basis. For the years ended June 30, 2018 and 2017, the District paid $70,860 and $60,000, respectively, toward the cost of retiree health insurance for eligible retired employees. The District's obligation to contribute to the Plan was established and may be amended by the Charleston County Aviation Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the plan.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability. Effective July 1, 2016, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which significantly changed the District's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The District's total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial assumptions*.* The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	3.87% as of June 30, 2018
	3.58% as of June 30, 2017
Healthcare cost trend rate:	6.50% - 4.50%, Ultimate Trend by 2022
Inflation rate:	3.00%
Salary increase:	3.50% per annum
Participation rate:	35.00% of all eligible employees and their dependents

Mortality rates were based on the RP-2014 Generational Table using MP-17 and applied on a gender-specific basis. The Plan has not had a formal experience study performed.

Discount rate. The discount rate used to measure the total OPEB liability was 3.87% and 3.58% as of June 30, 2018 and 2017, respectively. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 3.87% and 3.58% as determined by the Bond Buyer 20-Bond GO Index Rate as of June 30, 2018 and 2017, respectively.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability. The changes in the total OPEB liability of the District for the years ended June 30, 2018 and 2017, were as follows:

	Total OPEB Liability	
	2018	2017
Balances beginning of year	**$ 1,786,775**	$ 1,662,136
Changes for the year:		
Service cost	**126,296**	121,930
Interest	**72,662**	62,709
Assumption changes	**(84,899)**	-
Benefit payments and implicit subsidy	**(70,860)**	(60,000)
Net changes	**43,199**	124,639
Balances end of year	**$ 1,829,974**	$ 1,786,775

The required schedule of changes in the District's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District as of June 30, 2018, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Fiscal Year	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
2018	$ 2,149,000	$ 1,829,974	$ 1,577,000

The following presents the total OPEB liability of the District as of June 30, 2017, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Fiscal Year	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
2017	$ 2,099,000	$ 1,786,775	$ 1,540,000

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District as of June 30, 2018 and 2017, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 3.5%) or 1-percentage-point higher (7.5% decreasing to 5.5%) than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

Fiscal Year	1% Decrease (5.50% decreasing (to 3.50%)	Current Healthcare Cost Trend Rates (6.50% decreasing (to 4.50%)	1% Increase (7.50% decreasing (to 5.50%)
2018	$ 1,631,000	$ 1,829,974	$ 2,103,000
2017	$ 1,593,000	$ 1,786,775	$ 2,054,000

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2018 and 2017, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended June 30, 2018 and 2017, the District recognized OPEB expense as follows:

Description	2018	2017
Service cost (annual cost of current service)	**$ 126,296**	$ 121,930
Interest on the total OPEB liability	**72,662**	62,709
Recognition of current year amortization - difference between expected and actual experience & assumption changes	**(6,493)**	-
Total aggregate OPEB expense	**$ 192,465**	$ 184,639

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions	$ 78,406
Total	$ 78,406

At June 30, 2017, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	**2018**	2017
2019	**$ (6,493)**	$ -
2020	**(6,493)**	-
2021	**(6,493)**	-
2022	**(6,493)**	-
2023	**(6,493)**	-
Thereafter	**(45,941)**	-

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

The District has determined that a restatement to its July 1, 2016, beginning net position was required to recognize the changes in accounting principles for implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, through which the accounting for OPEB plans and the related disclosure requirements were modified. The implementation of GASB Statement No. 75 requires retroactive implementation to the earliest period presented during the year of implementation. As a result, the District has determined a restatement as of July 1, 2016, which is as follows:

Net position, as previously reported at July 1, 2016	$ 243,839,086
Change in accounting principle due to the implementation of GASB Statement No. 75:	
Net OPEB obligation, as previously reported at June 30, 2016	665,000
Total OPEB liability at June 30, 2016	(1,662,136)
Net position, as restated at July 1, 2016	$ 242,841,950

REQUIRED SUPPLEMENTARY INFORMATION

CHARLESTON COUNTY AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30,

	2018	2017
Total OPEB liability		
Service cost	$ 126,296	$ 121,930
Interest on total OPEB liability	72,662	62,709
Assumption changes	(84,899)	-
Benefit payments	(70,860)	(60,000)
Net change in total OPEB liability	43,199	124,639
Total OPEB liability - beginning	1,786,775	1,662,136
Total OPEB liability - ending	$ 1,829,974	$ 1,786,775
Covered-employee payroll	$ 9,653,864	$ 8,996,000
Total OPEB liability as a percentage of covered-employee payroll	18.96%	19.9%

The above schedule will present 10 years of information once it is accumulated.

The District is not accumulating assets in a trust funds that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

The assumptions used in the preparation of the above schedule are disclosed in Note 10 to the financial statements.

CHARLESTON COUNTY AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEARS ENDED JUNE 30,

South Carolina Retirement System	2018	2017	2016	2015	2014
District's proportion of the net pension liability	**0.07903%**	0.72086%	0.69670%	0.06940%	0.06940%
District's proportionate share of the net pension liability	**$ 17,790,924**	$ 15,397,463	$ 13,214,010	$ 11,948,551	$ 12,488,064
District's covered payroll	**$ 7,818,988**	$ 6,993,116	$ 6,532,765	$ 6,300,676	$ 5,794,125
District's proportionate share of the net pension liability as a percentage of its covered payroll	**227.5%**	220.2%	202.3%	189.6%	215.5%
Plan fiduciary net position as a percentage of the total pension liability	**53.3%**	52.9%	57.0%	59.9%	56.4%

South Carolina Police Officer's Retirement System	2018	2017	2016	2015	2014
District's proportion of the net pension liability	**0.15823%**	0.15807%	0.14364%	0.16393%	0.16393%
District's proportionate share of the net pension liability	**$ 4,334,807**	$ 4,009,456	$ 3,130,573	$ 3,138,378	$ 3,398,286
District's covered payroll	**$ 2,056,936**	$ 2,002,964	$ 1,779,506	$ 1,971,698	$ 1,939,912
District's proportionate share of the net pension liability as a percentage of its covered payroll	**210.7%**	200.2%	175.9%	159.2%	175.2%
Plan fiduciary net position as a percentage of the total pension liability	**60.9%**	60.4%	64.6%	67.6%	63.0%

The above schedule will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedule are disclosed in Note 9 to the financial statements.

CHARLESTON COUNTY AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

South Carolina Retirement System	**2018**	2017	2016	2015	2014
Actuarially determined contribution	**$ 1,148,367**	$ 903,875	$ 773,439	$ 712,071	$ 667,871
Contributions in relation to the actuarially determined contribution	**1,148,367**	903,875	773,439	712,071	667,871
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Covered payroll	**$ 8,468,781**	$ 7,818,988	$ 6,993,116	$ 6,532,765	$ 6,300,676
Contributions as a percentage of covered-employee payroll	**13.56%**	11.56%	11.06%	10.90%	10.60%

South Carolina Police Officer's Retirement System	**2018**	2017	**2016**	**2015**	**2014**
Actuarially determined contribution	**$ 338,259**	$ 292,908	$ 275,207	$ 238,632	$ 253,166
Contributions in relation to the actuarially determined contribution	**338,259**	292,908	275,207	238,632	253,166
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Covered payroll	**$ 2,064,407**	$ 2,056,936	$ 2,002,964	$ 1,779,506	$ 1,939,912
Contributions as a percentage of covered-employee payroll	**16.39%**	14.24%	13.74%	13.41%	13.05%

The above schedules will present 10 years of information once it is accumulated.

Actuarial assumptions used in determining the statutorily required contribution are as follows:

System	SCRS	PORS
Calculation date	July 1, 2015	July 1, 2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	20% difference recognition	20% difference recognition
Amortization method	Level % of pay	Level % of pay
Amortization period	30 years variable, but not to exceed 30 years	27 years variable, but not to exceed 30 years
Investment return	7.50%	7.50%
Inflation	2.75%	2.75%
Salary increases	3.50% plus step-rate increases for members w ith less than 25 years of service	4.00% plus step-rate increases for members w ith less than 12 years of service
Mortality	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA form year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators	RP-2000 Mortality Table w ith Blue Collar Adjustment, projected at Scale AA from year 2000. Male and female rates are multiplied by 115%

Supplementary Information and Compliance Sections

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APPENDIX B

REPORT OF THE AIRPORT CONSULTANT

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January 17, 2019 APPENDIX B

Report of the Airport Consultant

Charleston International Airport

Charleston County Airport District Airport Revenue Bonds, Series 2019 (Non-AMT)

Prepared for:

Charleston County Aviation Authority

Prepared by:

RICONDO

312 Walnut Street, Suite 3310

Cincinnati, OH 45202

513-651-4700

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January 17, 2019

Senator Paul G. Campbell, Jr.
Executive Director and CEO
Charleston County Aviation Authority
Charleston International Airport
5500 International Blvd., #101
Charleston, SC 29418-6911

RE: Report of the Airport Consultant for the Charleston County Airport District Airport Revenue Bonds, Series 2019 (Non-AMT)

Dear Senator Campbell:

Ricondo & Associates, Inc. (Ricondo) is pleased to present this Report of the Airport Consultant for inclusion as Appendix B in the Official Statement for the Charleston County Airport District (the District) Airport Revenue Bonds, Series 2019 (Non-AMT) (2019 Bonds).

The 2019 Bonds will be issued pursuant to the Master Bond Resolution Relating to Airport Revenue Bonds, adopted by the Charleston County Aviation Authority (Authority) on July 23, 2013, as supplemented by the Second Supplemental Bond Resolution, adopted by the Authority on January 17, 2019 (together, the Resolution). The 2019 Bonds are payable from the Net Revenues generated from the operation of Charleston International Airport (the Airport), Mount Pleasant Regional Airport, and Charleston Executive Airport, collectively known as the Airport System.

Proceeds of the 2019 Bonds, along with other available Airport funds, will (1) fund a portion of the costs of the 2019 Project (defined herein); (2) fund capitalized interest on the 2019 Bonds through the anticipated completion date of the 2019 Project (December 1, 2020); (3) fund a deposit to the debt service reserve account established for the 2019 Bonds; and (4) pay certain costs and expenses relating to the issuance of the 2019 Bonds. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement or the Resolution.

This Report presents the analysis undertaken by Ricondo to demonstrate the ability of the District to comply with the requirements of the Resolution on a pro forma basis for Fiscal Year (FY) 2019 through FY 2028 (the Projection Period) based on the assumptions regarding the planned issuance of the 2019 Bonds and the timely completion of the 2019 Projects established by the Authority through consultation with its financial advisor, underwriter, and construction manager. In developing its analysis, Ricondo has reviewed historical trends and formulated projections, based on the assumptions put forth in this Report, which have been reviewed and agreed to by the Authority regarding the ability of the Air Trade Area (defined herein) to generate demand for air service at the Airport, the trends in air service and passenger activity at the Airport, and the financial performance of the Airport.

312 WALNUT STREET | SUITE 3310 | CINCINNATI, OH 45202 | TEL 513-651-4700 | WWW.RICONDO.COM

This Report is organized as follows:

- Summary of Findings
- Chapter 1: The 2019 Bonds
- Chapter 2: Charleston International Airport
- Chapter 3: Capital Program, 2019 Project, and Funding Sources
- Chapter 4: Demographic and Economic Analysis
- Chapter 5: Passenger Demand and Air Service Analysis
- Chapter 6: Financial Analysis

Based on the analyses put forth in this Report, Ricondo is of the opinion that the Net Revenues generated by the Airport System in each year of the Projection Period are expected to be sufficient to comply with the requirements of the rate covenant established in the Resolution. Ricondo is also of the opinion that throughout the Projection Period the Airport's airline rates and charges will remain reasonable on an airline cost per enplanement (CPE) basis, compared to other comparably sized U.S. airports. Although summary information is provided in this letter, a complete understanding of the justification for our opinion cannot be achieved without reading this Report in its entirety.

Founded in 1989, Ricondo is a full-service aviation consulting firm providing airport physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. Ricondo has prepared Reports of the Airport Consultant in support of over $32 billion of airport-related revenue bonds since 1996. Ricondo is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. Ricondo is not acting as a municipal advisor and has not been engaged by the Authority to provide advice with respect to the structure, timing, terms, or other similar matters regarding the issuance of municipal securities. The assumptions about such matters included in this Report were provided by the Authority or the Authority's financial advisors or underwriters, or, with the Authority's approval, were derived from general, publicly available data approved by the Authority. Ricondo owes no fiduciary duty to the Authority. Ricondo recommends that the Authority discuss the information and analyses contained in this Report with internal and external advisors and experts that the Authority deems appropriate, before taking any action. Any opinions, assumptions, views, or information contained herein are not intended to be, and do not constitute, "advice" within the meaning set forth in Section 15B of the Securities Exchange Act of 1934.

The techniques and methodologies used by Ricondo in preparing this Report are consistent with industry practices for similar studies in connection with the issuance of airport revenue bonds. While Ricondo believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events discussed in this Report, including, but not limited to, the implementation schedule, the forecasts of passenger-related activity, and the projections of financial performance, may not materialize.

Therefore, actual performance will likely differ from the projections set forth in this Report, and the variations may be material. In developing our analyses, Ricondo used information from various sources, including the Authority, the underwriters, the financial advisors, federal and local governmental agencies, and independent providers of economic and aviation industry data, as identified in the notes accompanying the related tables and exhibits in this Report. Ricondo believes these sources to be reliable but has not audited the data and does not warrant their accuracy. The analyses presented are based on conditions known as of the date of this letter. Ricondo has no obligation to update this Report on an ongoing basis.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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SUMMARY OF FINDINGS

The Charleston County Aviation Authority (the Authority) commissioned Ricondo & Associates, Inc. (Ricondo) to prepare this Report of the Airport Consultant (Report) to demonstrate Charleston International Airport's (the Airport's) compliance with the provisions of the Charleston County Airport District's (District's) Master Bond Resolution Relating to Airport Bonds, adopted by the Authority (the Resolution), regarding the issuance of the District's Airport Revenue Bonds, Series 2019 (Non-AMT) (2019 Bonds).[1] The Report also demonstrates the Authority's ability to generate Net Revenues sufficient to meet its obligations under the Resolution, including but not limited to the rate covenant established in the Resolution (Rate Covenant), on a pro forma basis for Fiscal Year[2] (FY) 2019 through FY 2028 (referred to in this Report as the Projection Period). In developing the analysis, Ricondo reviewed the terms of the Resolution and the related documents that govern the District's debt; the estimated terms of the 2019 Bonds, as provided by the Authority's financing team; the District's outstanding financial obligations; the capacity of the Airport's existing and planned facilities to accommodate current and anticipated demand; the Airport's Capital Improvement Program (CIP) and proposed funding sources; and the purpose, cost, schedule, and expected benefits of the Airport capital projects discussed herein.

To develop the pro forma analysis of the District's financial performance, Ricondo reviewed the agreements that establish the business arrangements between the Airport and its various tenants, including but not limited to the commercial airlines serving the Airport. The Airport generates the majority of its operating revenues from commercial airlines and private aircraft operators through airfield usage fees and various rentals for terminal and other spaces; fees and rents assessed to concessionaires providing various goods and services to passengers and other users of Airport facilities; fees and rents assessed to rental car operators serving the Airport; and fees for public parking and commercial vehicle access to Airport facilities. These revenues are in large measure driven by passenger demand for air service from the Airport, which is a function of national and local economic conditions, and the ability and willingness of the commercial airlines to supply service at a level commensurate with this demand. Thus, Ricondo reviewed the historical relationships between economic activity and demand for air service, the airlines' provision of air service, and the financial performance of the Airport. Based on this historical review, Ricondo developed assumptions regarding these factors and relationships through the Projection Period, which provide the basis for the forecasts of passenger activity and the projections of financial performance presented in this Report. The following sections present a summary of Ricondo's assumptions, projections, and findings that are detailed in the body of the Report, which should be read in its entirety. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement or the Resolution.

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[1] Ricondo prepared this Report for the stated purpose as expressly set forth herein and for the sole use of the Authority and its intended recipients. The techniques and methodologies used in preparing the analyses described in this Report are consistent with industry practices at the time of preparation, and this Report should be read in its entirety for an understanding of the analyses, underlying assumptions, and opinions presented. Ricondo is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934 and does not provide financial advisory services within the meaning of such Act.

[2] The Fiscal Year is 12 months ending June 30.

THE 2019 BONDS

The Authority is issuing the 2019 Bonds to fund, in part, the New Parking Deck Construction project. This project, described in Section 3.3 of this Report, is referred to herein as the 2019 Project.

Additionally, proceeds from the 2019 Bonds will be used to fund capitalized interest on the 2019 Bonds through the anticipated completion date of the 2019 Project (December 1, 2020), to fund a deposit to the debt service reserve account established for the 2019 Bonds, to pay the costs of issuing the 2019 Bonds, and, if selected by the District, to pay municipal bond insurance premiums. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement or the Resolution.

Table S-1 reflects the 2019 Bonds funding plan.

TABLE S-1 2019 BONDS FUNDING PLAN

SERIES DESIGNATION	PROJECTS TO BE FUNDED	CONSTRUCTION FUND DEPOSIT	TAX STATUS
2019 Bonds	New Parking Deck Construction (2019 Project)	$68,000,000	Non-AMT

SOURCE: PFM Financial Advisors LLC, January 2019.

CHARLESTON INTERNATIONAL AIRPORT

The Airport is operated by the Authority under the Joint Use Agreement with the United States Air Force (USAF). The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF, and the Authority owns and maintains approximately 1,500 acres for civilian aviation use, including passenger, cargo, general aviation, and aircraft manufacturing uses. In addition to the Airport, the Authority operates two additional airports for the use of private and business aircraft, Mount Pleasant Regional Airport and Charleston Executive Airport, collectively known as the Airport System.

The existing Airport facilities include the airfield, terminal, terminal curbside, automobile parking facilities, rental car pavilion and surface parking area, air cargo, general aviation, and support facilities. In October 2016, the Authority completed its Terminal Redevelopment and Improvement Program (TRIP), which increased the previously existing 330,000-square-foot Terminal Building footprint by approximately 100,000 square feet and included various improvements.

Public parking lots, consisting of the Existing Parking Deck located across from the terminal building, a Surface Parking Lot, and Western and Eastern Overflow Parking Lots, provide a total of approximately 4,700 parking spaces for Airport patrons. Limited spaces in the Existing Parking Deck, combined with increases in passengers, have resulted in periodic closures of the Existing Parking Deck during certain peak hours when the deck is full. Since 2012, parking transactions have remained relatively level in the Existing Parking Deck as it has reached its effective peak-hour capacity, while transactions in the Surface Parking Lot and overflow lots have increased at a compound annual growth rate (CAGR) of approximately 4.9 percent.

THE CAPITAL PROGRAM, THE 2019 PROJECT, AND FUNDING SOURCES

Chapter 3 presents the Authority's CIP for FY 2019 through FY 2028, which, including the 2019 Project, consists of approximately $321.6 million of total project costs. The 2019 Project, Ticketing Hall Expansion, and Concourse C Construction projects are the main projects in the Airport CIP, totaling approximately $294.0 million. The remaining $27.6 million of the Authority's CIP projects, which include other Airport renovation, expansion, and replacement projects, as well as improvements to Charleston Executive Airport and Mount Pleasant Regional Airport, are further described in Chapter 3.

The 2019 Project consists of the design and construction of a new five-level Parking Deck to provide approximately 2,400 spaces of public parking on Levels 2 through 5 and approximately 600 spaces for rental car operations. The 2019 Project also includes necessary signage and wayfinding, as well as an elevated passageway connecting the Terminal Building through the existing garage to the new parking deck. Remote Parking Lots A and B will be expanded and improved to provide public parking, and shuttle buses will bring passengers to and from the Terminal Building.

Exhibit S-1 provides an aerial overview of the 2019 Project.

EXHIBIT S-1 THE 2019 PROJECT

SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., October 2018.

The 2019 Project is anticipated to be funded in part with proceeds from the 2019 Bonds. The 2019 Project estimated cost totals $100.0 million, of which $68.0 million is assumed to be funded with proceeds from the 2019 Bonds. The 2019 Project is anticipated to be completed in FY 2021.

Airport CIP funding assumptions reflected in the financial analysis in this Report are described in Chapter 3, and the resulting financial impacts are discussed in Chapter 6.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

The demand for air transportation at a particular airport is, to a large degree, dependent upon the demographic and economic characteristics of the airport's air trade area. This relationship is particularly true for origin and destination (O&D) passenger traffic, meaning passengers that either begin or end their trips at the Airport rather than connecting through the Airport to other destinations, which has historically been the largest component of demand at the Airport. Therefore, the major portion of demand for air travel at the Airport is influenced more by the local socioeconomic characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity.

Chapter 4 presents data indicating that the Airport's Air Trade Area has an economic base capable of supporting increased demand for air travel during the Projection Period. A summary of demographic and economic data described in Chapter 4 is presented in **Table S-2**. Key findings include the following:

TABLE S-2 SUMMARY OF DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

POPULATION	HISTORICAL 2017	PROJECTED 2028	CAGR
ATA	774,467	943,298	1.8%
U.S.	325,888,129	360,689,467	0.9%
PER CAPITA PERSONAL INCOME (2009 dollars)			
ATA	$41,370	$47,579	1.3%
U.S.	$45,335	$51,873	1.2%
GRP/GDP (millions of 2009 dollars)			
ATA	$35,195	$46,561	2.6%
U.S.	$17,204,393	$21,023,958	1.8%
NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATES	**ATA**	**U.S.**	**VARIANCE**
2007	4.5%	4.6%	(0.1%)
2017	3.6%	4.4%	(0.8%)
October 2018	2.8%	3.5%	(0.7%)

NOTES:
ATA – Air Trade Area
CAGR – Compound Annual Growth Rate
GRP – Gross Regional Product
GDP – Gross Domestic Product
SOURCES: Woods & Poole Economics, Inc., Complete Economic and Demographic Data Source (CEDDS), 2018 (population, Income, GDP/GRP); U.S. Department of Labor, Bureau of Labor Statistics, January 11, 2019 (unemployment and total nonagricultural employment).

- The Airport primarily serves the three-county Charleston–North Charleston Metropolitan Statistical Area[3] (the Air Trade Area), which has a total population of approximately 774,500 residents. According to the most recent U.S. Census Bureau data, the Air Trade Area is presently the 47th-fastest-growing metropolitan area in the United States, gaining approximately 38 new residents each day. Population growth in the Air Trade Area over the past 10 years has been significantly faster than the population growth experienced by the State of South Carolina and the United States, and this trend is expected to continue throughout the Projection Period. Typically, a positive correlation exists between population growth in a local area and air travel demand.
- The Air Trade Area has a relatively younger and better educated population than the national average. This relatively younger and well-educated population provides a strong workforce base for employment and economic growth—which generally leads to increased air travel demand. In the 2017 Milken Institute Best-Performing Cities Index, the Air Trade Area ranked 22nd out of the 201 largest U.S. metropolitan areas based on how well an area creates and sustains employment and economic growth. The Air Trade Area has been among the top 40 metropolitan areas in the ranking since 2005.
- Average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for South Carolina every year between calendar year (CY) 2007 and CY 2017. Average annual unemployment rates for the Air Trade Area were equal to or below the unemployment rates for the nation for every year between CY 2007 and CY 2017. The Air Trade Area's unemployment rate was 2.8 percent in October 2018, which is the most recent month of data available. This rate was below the unemployment rates experienced by South Carolina and the nation during the same period (3.3 and 3.5 percent, respectively).
- Approximately 29 private or public entities are in the Air Trade Area with nearly 1,000 or more employees. The largest employer in the Air Trade Area is the consolidated U.S. Air Force/Navy military facility Joint Base Charleston with approximately 20,000 employees, followed by the Medical University of South Carolina (13,000 employees); The Boeing Company (7,400 employees); the Charleston County School District (6,000 employees); and the Berkeley County School District (6,000 employees).
- As discussed in Chapter 4, the Air Trade Area is projected to outperform the United States both in the near future (i.e., 2018 through 2019) and over the Projection Period on a variety of demographic and economic indicators shown to have a correlation with air travel demand.

PASSENGER DEMAND AND AIR SERVICE ANALYSIS

As presented in Chapter 5, the Airport has had the benefit of a resilient passenger base, served by a core of airlines generally offering scheduled service to hub airports in the Northeast, Midwest, and Southeast. As of January 2019, passenger service is provided by eight mainline carriers at the Airport. The Federal Aviation Administration (FAA) classifies the Airport as a small-hub facility based on its percentage of nationwide enplaned passengers, with approximately 3.9 million enplaned and deplaned passengers. Other key points regarding historical and forecast aviation activities at the Airport are the following:

- Since FY 2009, the Airport has experienced a 7.3 percent CAGR in enplaning passengers, compared to 2.2 percent growth for the nation. Since FY 2010, the Airport has experienced a 9.0 percent compound annual increase in enplaning passengers, compared to a 2.5 percent increase nationwide.

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[3] The three counties included in the Charleston–North Charleston Metropolitan Statistical Area are Berkeley, Charleston, and Dorchester, all of which are located in the State of South Carolina.

- Allegiant Air (Allegiant) initiated service in FY 2018 with nonstop service to Cincinnati/Northern Kentucky International (CVG), Indianapolis International (IND), and Pittsburgh International (PIT) Airports, and Frontier Airlines (Frontier) initiated service in FY 2018 with nonstop service to Austin-Bergstrom International (AUS), Denver International (DEN), Chicago O'Hare International (ORD), Philadelphia International (PHL), and Trenton-Mercer (TTN) Airports. Alaska Airlines (Alaska) initiated service in FY 2016 with nonstop service to Seattle International Airport (SEA). JetBlue Airways (JetBlue) initiated service in FY 2013 with nonstop service to Boston Logan International (BOS) and John F. Kennedy International (JFK) Airports. Southwest Airlines (Southwest) initiated service in March 2011 with service to Baltimore/Washington International Thurgood Marshall (BWI), Chicago Midway International (MDW), William P. Hobby (HOU), and Nashville International (BNA) Airports.
- British Airways is expected to initiate seasonal service at the Airport in April 2019, with twice-weekly flights to London-Heathrow (LHR) from April through October.
- Delta Air Lines (Delta) represents the largest passenger carrier group at the Airport based on enplaned passengers and takeoff weight.
- Based on local and national socioeconomic and demographic factors, the Airport's historical share of U.S. domestic enplanements, and the anticipated usage of the Airport by airlines, total enplaned passengers at the Airport are forecast to increase from 2,096,750 in FY 2018 to 2,796,440 in FY 2028. The forecast increase between FY 2018 and FY 2028 represents a CAGR of approximately 2.9 percent.

Table S-3 summarizes forecast enplanements at the Airport through the Projection Period. Frontier and Allegiant began service at the Airport in FY 2018; FY 2019 will be their first full year of service. Frontier scheduled approximately 36,000 departing seats in the last five months of FY 2018. In FY 2019, Frontier's departing seat capacity is forecast to be approximately 152,000, an increase of 116,000 seats from FY 2018. Allegiant's seat capacity is also forecast to increase; it is forecast to be approximately 27,000 in FY 2019, an increase of approximately 14,000 seats from FY 2018. In FY 2019, double-digit seat capacity growth is also scheduled for Alaska, American Airlines, Delta, and United Airlines. As a result, enplaned passengers are forecast to increase 14.5 percent in FY 2019, or approximately 304,000 passengers. Enplaned passengers increased 14.7 percent during the first five months of FY 2019 (July 2018 – November 2018).

FINANCIAL ANALYSIS

Chapter 6 presents the analysis undertaken by Ricondo to demonstrate the ability of the District to comply with the requirements of the Resolution on a pro forma basis in each year of the Projection Period based on the assumptions regarding the planned issuance of the 2019 Bonds.

Based on the analysis in this Report and the financial projections presented in Chapter 6, Ricondo is of the opinion that the Net Revenues generated by the Airport in each year of the Projection Period are expected to be sufficient to comply with the Rate Covenant. Ricondo is also of the opinion that the Airport's airline rates and charges should remain reasonable based on the expectation that these fees will not deter forecast demand for air traffic at the Airport as airlines continue to deploy capacity to airports based on available resources. The underlying strength of air traffic demand at the Airport is based on a combination of factors that are not affected by Airport rates and charges.

TABLE S-3 ENPLANED PASSENGER FORECAST

(Fiscal Years Ended June 30)

FISCAL YEAR	AIRPORT	
	TOTAL ENPLANEMENTS	ANNUAL GROWTH
Historical		
2009	1,109,396	
2010	1,053,845	(5.0%)
2011	1,117,705	6.1%
2012	1,308,725	17.1%
2013	1,350,379	3.2%
2014	1,523,681	12.8%
2015	1,630,147	7.0%
2016	1,810,542	11.1%
2017	1,914,668	5.8%
2018	2,096,750	9.5%
FYTD 2018 (Jul.-Nov.)	870,487	
FYTD 2019 (Jul.-Nov.)	998,323	14.7%
Forecast		
2019	2,400,899	14.5%
2020	2,505,637	4.4%
2021	2,554,705	2.0%
2022	2,594,017	1.5%
2023	2,628,427	1.3%
2024	2,662,554	1.3%
2025	2,696,533	1.3%
2026	2,730,197	1.2%
2027	2,763,477	1.2%
2028	2,796,440	1.2%
Compound Annual Growth Rate		
2009–2018	7.3%	
2018–2028	2.9%	

NOTE: Fiscal year ending June 30.
SOURCES: Charleston County Aviation Authority, November 2018 (historical); Ricondo & Associates, Inc., November 2018 (forecast).

Results of the financial analysis presented herein can be summarized as follows:

- Operation and Maintenance (O&M) Expenses are projected to increase based on the type of expense, the incremental increases associated with the completion of capital projects, and the expectations of future inflation (assumed to be 3.0 percent annually), with total O&M Expenses projected to increase from approximately $30.7 million in FY 2019 to approximately $50.1 million in FY 2028, reflecting a CAGR of 5.6 percent.
- Concession revenues are budgeted to be $27.2 million in FY 2019 and are projected to increase to approximately $37.2 million in FY 2028, reflecting a CAGR of 3.5 percent based on anticipated air traffic growth, inflation, and impacts from the completion of the 2019 Project. Total Non-Airline Revenues, including Customer Facility

Charges (CFCs), are budgeted to be approximately $37.9 million in FY 2019. Total Non-Airline Revenues are projected to increase to approximately $51.1 million in FY 2028, reflecting a CAGR of 3.4 percent.

- After the issuance of the 2019 Bonds, total annual debt service is projected to be approximately $17.4 million per year through the Projection Period, a portion of which is anticipated to be paid with PFC revenues.
- Airline revenues calculated based on the terms of the Authority Ordinance No. 2018-02 are projected to increase from approximately $20.9 million in FY 2019 to approximately $35.5 million in FY 2028. The Airport's estimated average Airline cost per enplanement (CPE) is projected to increase from approximately $8.71 in FY 2019 (budgeted) to approximately $12.69 in FY 2028. Calculated pursuant to the Resolution, debt service coverage, excluding any amounts in the Rolling Coverage Account, is projected to be 2.89 in FY 2023, the first full year of debt service on the 2019 Bonds, and is expected to exceed the 1.25x debt service coverage requirement established in the Resolution in each year of the Projection Period.

1. THE 2019 BONDS

1.1 PLAN OF FINANCE

This Chapter includes a description of the 2019 Bonds and key provisions of the Resolution.

The Authority is issuing the 2019 Bonds to fund, in part, the New Parking Deck Construction project. This project, described in detail in Section 3.3 of this Report, is referred to herein as the 2019 Project.

Additionally, proceeds from the 2019 Bonds will be used to fund capitalized interest on the 2019 Bonds through the anticipated completion date of the 2019 Project (December 1, 2020), to fund a deposit to the debt service reserve account established for the 2019 Bonds, to pay the costs of issuing the 2019 Bonds, and, if selected by the District, to pay municipal bond insurance premiums. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement, or the Resolution.

1.1.1 THE 2019 BONDS

Table 1-1 reflects the 2019 Bonds funding plan:

TABLE 1-1 2019 BONDS FUNDING PLAN

SERIES DESIGNATION	PROJECT TO BE FUNDED	CONSTRUCTION FUND DEPOSIT	TAX STATUS
2019 Bonds	New Parking Deck Construction	$68,000,000	Non-AMT

SOURCE: PFM Financial Advisors LLC, January 2019.

Table 1-2 presents the estimated sources and use for the 2019 Bonds.

TABLE 1-2 2019 BONDS SOURCES AND USES

	2019 BONDS (NON-AMT)
Sources	
Par Amount of Bonds	$72,005,000
Original Issue (Discount)/Premium	5,461,233
Total Sources of Funds at Closing	**$77,466,233**
Uses	
Construction Account Deposit	$68,000,000
Capitalized Interest Deposit	6,480,450
Debt Service Reserve Fund Deposit	2,280,241
Cost of Issuance	705,542
Total Uses of Funds at Closing	**$77,466,233**

SOURCE: PFM Financial Advisors LLC, November 2018.

The 2019 Bonds are being issued pursuant to provisions of the Resolution. The Authority adopted the Resolution on January 17, 2019, authorizing the issuance of the 2019 Bonds.

For the 2019 Bonds, the Authority's Financial Advisor has assumed the following in **Table 1-3**:

TABLE 1-3 2019 BOND ASSUMPTIONS

	2019 BONDS
Delivery Date	2/13/2019
Last Maturity Date	7/1/2048
Average Life	19.6 years
Overall Interest Rate	4.47%

SOURCE: PFM Financial Advisors LLC, January 2019.

1.2 BOND RESOLUTION

Security and Sources of Payment

The 2019 Bonds shall have an irrevocable and nonexclusive first lien on the "Net Revenues" as such term is defined in the Resolution on a parity with the 2013 Bonds and any additional bonds issued under the Resolution.

The 2019 Bonds are secured by a pledge and lien on Net Revenues generated from the operations of the Airport System[1]. Net Revenues means Revenues less Operation and Maintenance (O&M) Expenses for such period. Revenues are defined as all income, receipts, earnings and revenues received by the District from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the District for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the District, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the District or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the District receives payments which are attributable to the Airport System or activities or undertakings related thereto.

"Revenues" shall also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a Supplemental Resolution to fund the Construction Fund) from the investment of amounts held in the Gross Revenue Fund, any Construction Fund, any Debt Service Fund (except Capitalized Interest on deposit therein), the Common Reserve Account, any Series Debt Service Reserve Account and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Resolution. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the District from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds (except to the

[1] The Airport System as defined in the Resolution means the Airports and all operations of the Airports, including all of their revenue-producing functions, facilities, and properties, whether or not directly related to the air transportation of people and goods.

extent Net Proceeds are utilized to pay O&M Expenses), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in Section 6.05 of the Resolution).

The following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Resolution: (A) Rental Credit, (B) Passenger Facility Charges (PFCs), (C) Customer Facility Charges (CFCs), (D) Federal Direct Payments, (E) Released Revenues, (F) grants and other charges authorized on or after the date of the Resolution by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (G) investment income derived from any money or securities which may be placed in escrow or trust to defease Bonds, (H) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and amounts held in a Rebate Fund and (I) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Resolution are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Resolution.

The 2013 Supplemental Resolution designates CFCs received in each of the Fiscal Years (FY) ending in 2019 through 2022 as Revenues for purposes of the Master Resolution and the 2019 Supplemental Resolution further designates CFCs received in each of the FYs ending in 2023 through 2028 as Revenues for purposes of the Master Bond Resolution. In addition, CFCs received in each FY after the FY ending in 2028 were also designated and included as Revenues for purposes of the Master Resolution until such time as the Authority by Supplemental Resolution excludes and removes CFCs from Revenues for purposes of the Master Resolution.

The 2019 Supplemental Resolution confirms and further directs that, upon receipt by the District, all PFCs shall be set aside and immediately deposited directly to the credit of the accounts in the PFC Revenue Fund in the following order:

(a) First, to the PFC Debt Service Account, in each of the FYs 2019 through 2028, inclusive, all or such portion of PFCs received in such FY as designated by the District up to any maximum that may be used for the payment of bond capital, financing and interest set forth by the PFC Final Agency Decision in such FY.

(b) Second, to the PFC Project Account all PFCs so received by the District in each FY not otherwise required to be applied by (a) above.

Any amounts credited to the PFC Debt Service Account shall be applied by the District to the payment of Annual Debt Service of the Series 2013 Bonds and any other Series of Bonds eligible for payment from PFCs under the PFC Final Agency Decision by transferring (i) on a pro rata basis of PFC-eligible Annual Debt Service for each such Series of Bonds amounts on deposit in the PFC Debt Service Account to the Debt Service Account for each such Series of Bonds in each FY, or (ii) such other method as is consistent with the PFC Final Agency Decision. Any amounts remaining in the PFC Debt Service Account on the last day of the FY shall be credited to the PFC Project Account. Amounts credited to the PFC Project Account may be applied to any lawful purpose relating to the Airport System as the Director of Airports may from time to time determine, including transfer to the PFC Debt Service Account.

The District's obligation to apply PFCs in accordance with the provisions of, and for the period of time provided in, the 2019 Supplemental Resolution constitutes an Irrevocable Commitment of the District within the meaning of the Master Bond Resolution.

The Master Resolution provides that if, pursuant to a Supplemental Resolution, the Authority has made an Irrevocable Commitment to use PFCs to pay Annual Debt Service on the Bonds for any FY or period of FYs, then such amounts shall be excluded from the computation of Annual Debt Service for the purpose of calculating Aggregate Annual Debt Service for the proposed issuance of any Series of Bonds and for the purpose of verifying compliance with the rate covenant. The 2019 Supplemental Resolution provides that the District's obligation to apply PFCs in accordance with the provisions of the 2019 Supplemental Resolution constitutes an Irrevocable Commitment of the District within the meaning of the Master Resolution.

The Rate Covenant

The District covenants to fulfill the following requirements:

The District shall, while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the District as of the date of execution of the Master Bond Resolution setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each FY will be at least equal to the sum of the following amounts:

- the Annual Debt Service on any Outstanding Bonds required to be funded by the District in such FY as required by the Resolution with respect to the Outstanding Bonds;
- the required deposits to the Common Reserve Account and any Series Debt Service Reserve Account that may be established by a Supplemental Resolution;
- the required deposits to the Operating and Maintenance Reserve Funds;
- the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Resolution;
- the interest on and principal of any indebtedness required to be funded during such FY other than for Outstanding Bonds, including Subordinate Obligations; and
- payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinate Obligations.

The District will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each FY the Net Revenues, together with any amount deposited in the Rolling Coverage Account as of the end of the immediately preceding FY, will be equal to at least 125 percent of Annual Debt Service on the Outstanding Bonds in such FY. The amount of any deposit in the Rolling Coverage Account taken into account shall not exceed 25 percent of the Aggregate Annual Debt Service on the Outstanding Bonds in such FY.

If Net Revenues, together with any amount deposited in the Rolling Coverage Account, in any FY are less than the amount specified above, the District will retain and direct a Consultant to make recommendations as to the revision of the operations of the Airport System and its schedule of rentals, rates, tolls, fees and charges for the use of the Airport System and for services rendered by the District in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the District shall take all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as may be necessary to produce Net Revenues in the amount specified above in the next succeeding FY.

In the event that Net Revenues for any FY are less than the amount specified above, but the District promptly has taken prior to or during the next succeeding FY all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as required by such deficiency in Net Revenues will not constitute an Event of Default under the provisions of the Resolution. Nevertheless, if after taking the measures to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding FY (as evidenced by the audited financial statements of the District relating to the Airport System for such FY) are less than the amount specified above, such deficiency in Net Revenues constitutes an Event of Default under the provisions of the Resolution.

Debt Service and Other Reserves

The Debt Service Reserve Fund is maintained in trust and held by the Trustee, in which there is established a Common Reserve Account and one or more Series Debt Service Reserve Accounts. The District may cause the Trustee to establish separate accounts within the Common Reserve Account for the deposit of and accounting for proceeds of separate Series of Bonds participating in the Common Reserve Account. Additionally, the District may, at the time of issuance of any Series of Bonds, provide by Supplemental Resolution for the creation of a Series Debt Service Reserve Account as additional security for such Series of Bonds, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Series Debt Service Reserve Account, or provide that such Series of Bonds participate in a Series Debt Service Reserve Account previously created for an Outstanding Series of Bonds. Any Series Debt Service Reserve Account established under a Supplemental Resolution shall be funded, at the time of issuance of such Series of Bonds or over such other period of time as set forth in a Supplemental Resolution, in an amount equal to the Reserve Requirement with respect to the Bonds participating in such Series Debt Service Reserve Account.

The Operating and Maintenance Reserve Fund means the Operating and Maintenance Reserve Fund established by the Resolution in which an amount equal to one-sixth ($1/6^{th}$) of budgeted Operating and Maintenance Expenses for the current FY shall be maintained.

The Airport Capital Fund shall include an Equipment and Capital Outlay Account, a Capital Projects Account, a Rolling Coverage Account, and a General Capital Account. Money in the Airport Capital Fund shall be used for any lawful purpose of the Airport System.

Additional Bonds Test

The Resolution authorizes the issuance of Additional Bonds subject to certain conditions and tests, including that as a condition to the issuance of any Series of Bonds, there shall first be delivered to the District either:

(1) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative showing that the Net Revenues for the last FY for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount on deposit in the Rolling Coverage Account, as of the end of the immediately preceding FY, were at least equal to 125% of Aggregate Annual Debt Service with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds was then Outstanding; or

(2) (a) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative, showing that the Net Revenues for the last FY for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount deposited in the Rolling Coverage Account as of the end of the

immediately preceding FY, were at least equal to 125% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such FY or other applicable period; and

(b) a certificate from a Consultant showing that the estimated Net Revenues for each of three consecutive FYs beginning with the first FY in which Annual Debt Service is due on or with respect to the Series of Bonds proposed to be issued, and for the payment of all of which provision has not been made as indicated in the certificate of such Consultant from the proceeds of such Series of Bonds and/or from interest that has been capitalized from the proceeds of previously issued Bonds together with amounts deposited in the Coverage Account, will be at least equal to 125% of the Aggregate Annual Debt Service for each such FY with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds was then Outstanding).

For purposes of paragraph (1) above, the amount of any money deposited into the Rolling Coverage Account taken into account cannot exceed 25 percent of the Aggregate Annual Debt Service on the Outstanding Bonds and the proposed Series of Bonds. For purposes of paragraph (2)(a) and (b) above, the amount of any money deposited into the Rolling Coverage Account taken into account in any year cannot exceed 25 percent of the Aggregate Annual Debt Service on the Outstanding Bonds in such year. For purposes of paragraph (2)(b) above, in estimating Net Revenues, the Consultant may take into account Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided and an amount estimated by the Consultant to be on deposit during such period of time in the Rolling Coverage Account.

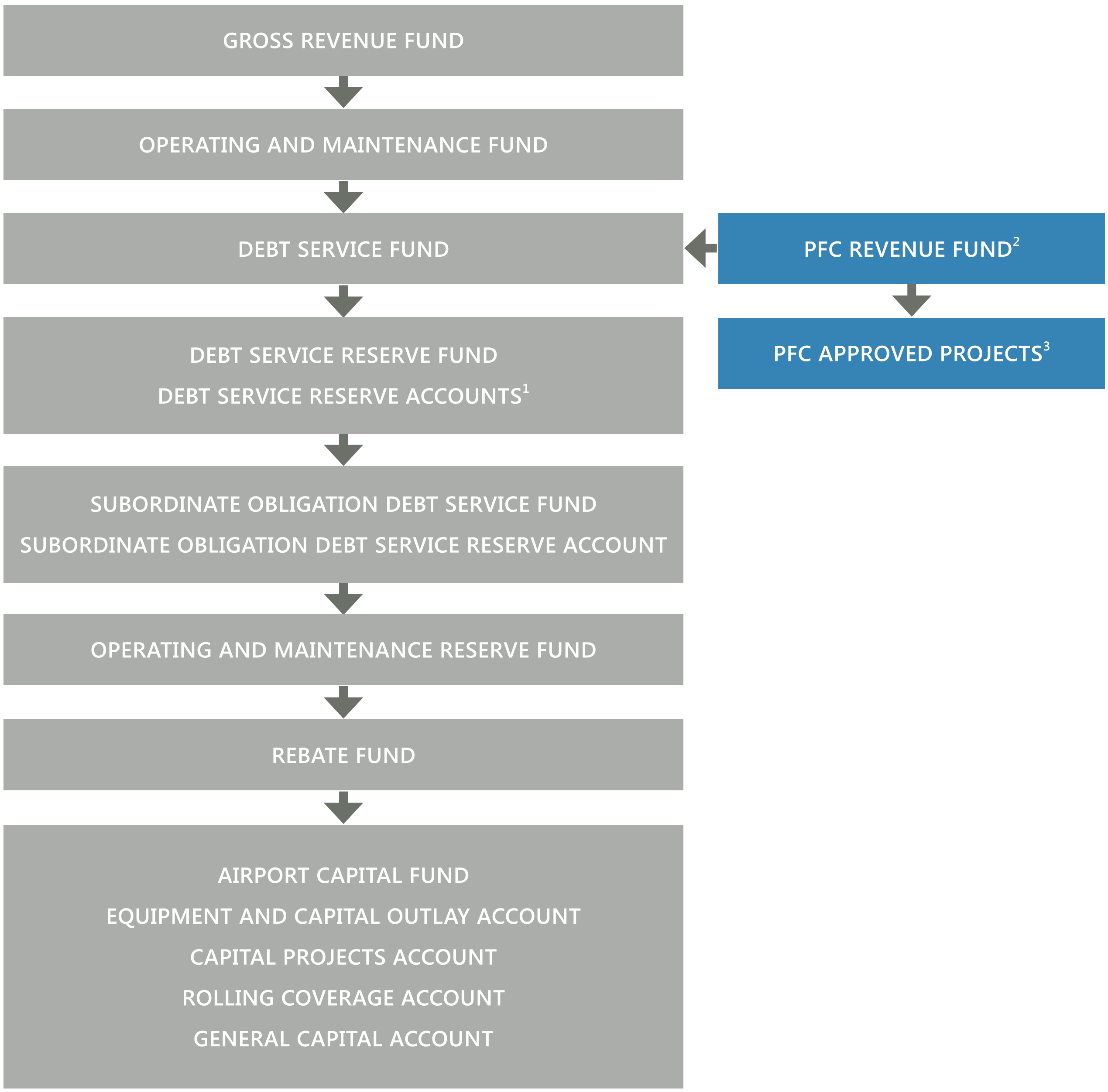
Flow of Funds

All Revenues of the Airport System are deposited as promptly as possible after receipt into the Gross Revenue Fund, held and administered by the District. As shown in **Exhibit 1-1**, the moneys in the Gross Revenue Fund are to be applied in the following order of priority:

- Gross Revenue Fund
- Operating and Maintenance Fund
- Debt Service Fund
- Debt Service Reserve Fund
- Subordinate Obligation Debt Service Fund
- Operating and Maintenance Reserve Fund
- Rebate Fund
- Airport Capital Fund

The Resolution authorizes the issuance of Airport System Revenue Bonds by the District. The requirements of the Resolution were adhered to in developing the application of revenues included in these financial analyses. The principal funds and accounts established within the Resolution and their use are summarized below:

- *Gross Revenue Fund* – receives all Revenues derived by the District and are deposited or transferred to the following funds and accounts in the order listed:



[1] Includes Common Reserve Account and individual Reserve Accounts for each Bond Series.

[2] Through fiscal year 2028, PFC revenues, in amounts annually designated by the Authority, shall be applied to the payment of debt service on a pro rata basis on the Series 2013 Bonds and any other PFC-eligible Series of Bonds. Debt service on the 2019 Bonds is not eligible for payment from PFC revenues.

[3] All PFCs not applied as described in footnote 1 shall be transferred to the PFC Project Account for the payment of costs of PFC-approved projects.

NOTES:
PFC Passenger Facility Charge

SOURCES: Charleston County Aviation Authority, May 2013; Ricondo & Associates, Inc., August 2018.

EXHIBIT 1-1

MASTER BOND RESOLUTION RELATING TO AIRPORT REVENUE BONDS

O:\Corporate\Creative Services\01 Projects\01 Client Projects\2018\CHS\17010989.01_CHS Feasibility Exhibits_082018\Flow Of Funds Exhibit\CHS Flow of Funds Exhibit.indd

- *Operating and Maintenance Expenses (O&M)*. The District shall first pay from the Gross Revenue Fund a sufficient amount of Revenues to pay all Operating and Maintenance Expenses due in the next month to the Operating and Maintenance Fund. The District shall pay all Operating and Maintenance Expenses as they become due and payable from money available in the Operating and Maintenance Fund.
- *Debt Service Fund; Other Amounts Due on Bonds*. The District shall next pay and credit monthly from the Gross Revenue Fund a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Debt Service Fund in the amounts, at the times and in the manner provided in Section 4.06 of the Resolution to provide for the payment of the principal of and interest to come due on the Outstanding Bonds and for the payment of amounts, other than principal and interest, if any, due on the Outstanding Bonds.
- *Common Reserve Account and Series Debt Service Reserve Accounts*. The District shall next pay and credit monthly from the Gross Revenue Fund a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Common Reserve Account and the Series Debt Service Reserve Accounts, if any, at the times, in such amounts, and to be used in the manner provided for, as specified in Section 4.08 of the Master Bond Resolution and any Supplemental Resolution.
- *Subordinate Obligation Debt Service*. The District shall next pay and credit monthly a sufficient amount of Revenues to the Subordinate Obligation Debt Service Fund and related reserve fund or funds (if any), such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinated Obligations, issued pursuant to the terms of a subordinate resolution or other agreement, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.
- *Operating and Maintenance Reserve Fund*. The District shall next pay into the Operating and Maintenance Reserve Fund one-twelfth ($1/12^{th}$) of the amount needed to bring the balance in the Operating and Maintenance Reserve Fund to an amount equal to one-sixth ($1/6^{th}$) of the amount of operating expenses budgeted by the District for the current FY. If the balance in the Operating and Maintenance Reserve Fund is greater than or equal to one-sixth ($1/6^{th}$) of the amount of operating expenses budgeted by the District for the current FY, no deposit is required.
- *Rebate Fund*. The District shall next pay into the Rebate Fund such amount, if any, as required to satisfy the District's obligations with respect to any arbitrage rebate calculations related to a Series of Bonds.
- *Airport Capital Fund*. When and after the District shall have made all payments from the Gross Revenue Fund required at the time to be made as described above, all remaining money in the Gross Revenue Fund shall be paid and credited monthly to the Airport Capital Fund. Money in the Airport Capital Fund shall be used for any lawful purpose of the Airport System. As determined by the District, money paid and credited to the Airport Capital Fund shall be deposited into, and may be subsequently transferred among unless otherwise provided in a Supplemental Resolution, one or more of the following accounts (the listing of the following accounts is not intended to establish a priority of one account over another):
  - *Equipment and Capital Outlay Account* – the District may deposit money from the Airport Capital Fund into the Equipment and Capital Outlay Account in an amount to be determined by the District. Money in the Equipment and Capital Outlay Account may be used by the District for purposes to be determined by the District.
  - *Capital Projects Account* – the District may deposit money from the Airport Capital Fund into the Capital Projects Account in an amount to be determined by the District. Money in the Capital Projects Account may be used by the District for purposes to be determined by the District.

- *Rolling Coverage Account* – the District may deposit money from the Airport Capital Fund into the Rolling Coverage Account in an amount to be determined by the District. Unless otherwise required by a Supplemental Resolution, the District is not required to make any deposit into the Rolling Coverage Account or to retain any such amount deposited in the Rolling Coverage Account. Any money released from the Rolling Coverage Account shall be deposited into another account within the Airport Capital Fund.
- *General Capital Account* – all remaining money in the Airport Capital Fund not deposited to the Equipment and Capital Outlay Account, the Capital Projects Account, or the Rolling Coverage Account shall be deposited into the General Capital Account and may be used by the District for current or future capital projects, or any other lawful purpose of the Airport System.

As a recipient of Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants, the Authority must comply with associated grant assurances which include, among others, a restriction regarding the use of revenue generated from the operation of the Airport System solely to Airport System purposes. The Debt Service Fund, the Debt Service Reserve Fund, and the Subordinate Obligation Debt Service Fund are all held in trust and administered by the Trustee. All of the other funds established under the Resolution are special funds held in trust and administered by the District.

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2. CHARLESTON INTERNATIONAL AIRPORT

2.1 CHARLESTON INTERNATIONAL AIRPORT AND THE JOINT USE AGREEMENT

The Airport is operated by the District under the Joint Use Agreement with the U.S. Air Force (USAF). The USAF owns and operates the majority of the airfield as part of the Charleston Air Force Base (AFB), and the District owns approximately 1,500 acres[1] for civilian aviation use, including passenger, cargo, general aviation, and aircraft manufacturing uses. In addition to the Airport, the Authority operates two additional airports for the use of private and business aircraft, Mount Pleasant Regional Airport and Charleston Executive Airport, collectively known as the Airport System.

2.1.1 JOINT USE AGREEMENT

Since December 29, 1978, the District and the USAF have been parties to a Joint Use Agreement. The current Joint Use Agreement was executed in February 2008 with a 50-year term; it allows civilian aircraft access to the airfield with certain restrictions related to USAF operations. The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF. This Joint Use Agreement defines the areas of the Airport that are to be considered "Jointly Used Flying Facilities," areas considered to be "Civil Use," and the entity responsible for maintenance, repair, and construction of these areas. The Joint Use Agreement further provides that within its assigned capabilities, equipment, and available personnel, the USAF will provide aircraft crash, rescue, and firefighting services for both the Joint Use Area and the Civil Use Areas as those terms are defined in the Joint Use Agreement. Maintenance and service in the Joint Use Area is the responsibility of the USAF, and maintenance and service in the Civil Use Area is the responsibility of the District.

2.2 AIR TRADE AREA

The geographical area served by an airport is commonly known as the airport's "air trade area." The borders of an airport's air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. For purposes of these analyses, the ***primary air trade area*** for the Airport consists of the Charleston–North Charleston metropolitan statistical area (Charleston MSA) as defined by the federal government's Office of Management and Budget. According to the federal government, a metropolitan statistical area is a geographical area with a large population nucleus, along with any adjacent communities that have a high degree of economic and social interaction with that nucleus.[2] The Charleston MSA consists of three counties in South Carolina: Berkeley, Charleston (the county in which the Airport is located), and Dorchester.

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1 See Section 4.2.4: Boeing South Carolina has entered into an agreement to purchase 320 acres of Authority-owned land.

2 In 2000, the Office of Management and Budget revised its geographic Census definitions to include Metropolitan and Micropolitan Statistical Areas, collectively called Core Based Statistical Areas (CBSA). The Metropolitan Statistical Areas have at least one central urbanized core area of 50,000 people, and the Micropolitan Statistical Areas have at least one urbanized core area of at least 10,000 people, but fewer than 50,000.

2.2.1 SURROUNDING AIRPORTS WITHIN OR NEAR THE AIR TRADE AREA

Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport extends to a *secondary air trade area*. The secondary air trade area consists of five counties: three located to the northeast of Charleston (Georgetown, Williamsburg, and Horry) and two located to the southwest of Charleston (Colleton and Beaufort). The limits of the secondary air trade area are primarily determined by the air trade areas of the two nearest competing commercial service airports—Myrtle Beach International Airport (approximately 96 miles driving distance from downtown Charleston) and Hilton Head Island Airport (approximately 102 miles driving distance from downtown Charleston). The limits of the secondary air trade area also include the air trade areas of Savannah/Hilton Head International Airport (approximately 107 miles driving distance from downtown Charleston) and Columbia Metropolitan Airport (approximately 113 miles driving distance from downtown Charleston). The level of service offered at these airports is discussed in Chapter 5.

A large percentage of the Airport's local passenger traffic originates from its primary air trade area, and many of the attractions and destinations for nonresident passengers are located in this area. As a result, only socioeconomic data for the primary air trade area (hereinafter referred to as the Air Trade Area) were analyzed in Chapter 4, in conjunction with similar data for South Carolina and the United States. **Exhibit 2-1** presents the geographical location of the Airport's primary and secondary air trade areas, as well as the Airport's proximity to alternative facilities.

2.3 EXISTING AIRPORT FACILITIES

This chapter describes the existing Airport facilities, including airfield, terminal, terminal curbside, automobile parking, rental car, air cargo, support, and general aviation facilities.

Exhibit 2-2 presents an aerial drawing of the Airport. The FAA classifies the Airport as a small hub.

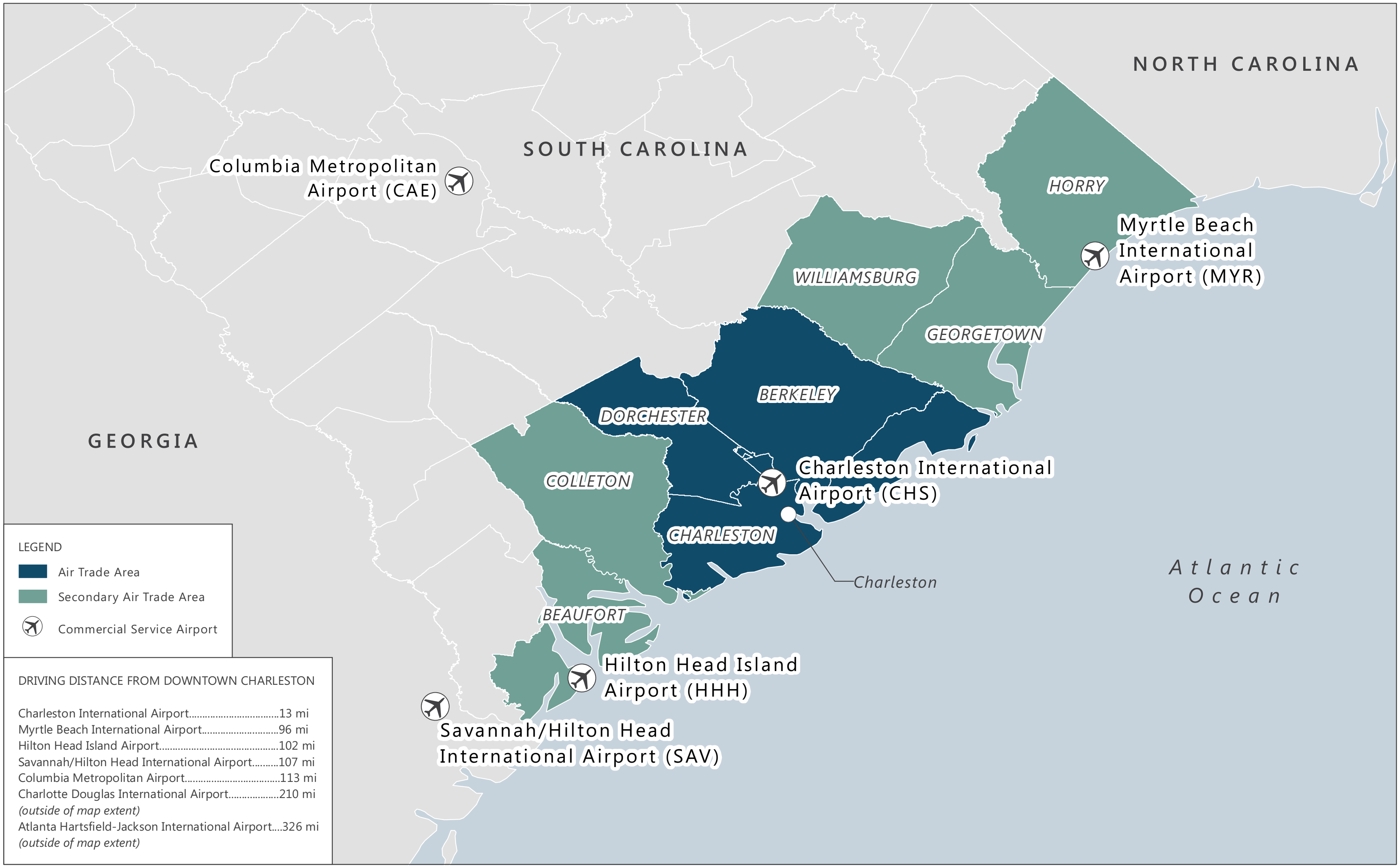
2.3.1 AIRFIELD

The airfield facilities at the Airport consist of the runways, taxiways, apron areas, and lighting systems.

2.3.1.1 RUNWAYS AND LIGHTING

The airfield has two intersecting runways: Runway 3-21 is oriented northeast–southwest and Runway 15-33 is oriented northwest–southeast.

- Runway 3-21 is 150 feet wide and 7,000 feet long. The runway pavement is grooved concrete with a weight-bearing capacity of 275,000 pounds for dual-wheel aircraft and 350,000 pounds for dual-double-tandem-wheel aircraft. Runway 3-21 underwent a full-length, full-depth reconstruction in February 2010, funded by the USAF.
- Runway 15-33 is 200 feet wide and 9,000 feet long. The runway pavement is grooved concrete with a weight bearing capacity of 275,000 pounds for dual-wheel aircraft and 350,000 pounds for dual-double-tandem-wheel aircraft. Runway 15 is equipped with a Category II Instrument Landing System. Runway 15-33 underwent a full-length, full-depth reconstruction in July 2013, also funded by the USAF.
- Airport navigational aids include Airport surveillance radar (ASR), a nondirectional radio beacon (NDB), and a very-high frequency omnidirectional range tactical air navigation (VORTAC) facility.
- Four precision approach path indicators (PAPIs) provide pilots with vertical visual cues and guidance to a runway. Runways 03, 15, 21, and 33 have associated PAPIs located left of center on each runway approach.



SOURCES: Map Resources, 2007 (Air Trade Area data); U.S. Census Bureau, Geography Division, TIGER/Line Shapefiles, 2017 (county, state); Esri, 2010 (airports).

EXHIBIT 2-1

NORTH 0 35 mi

AIR TRADE AREA

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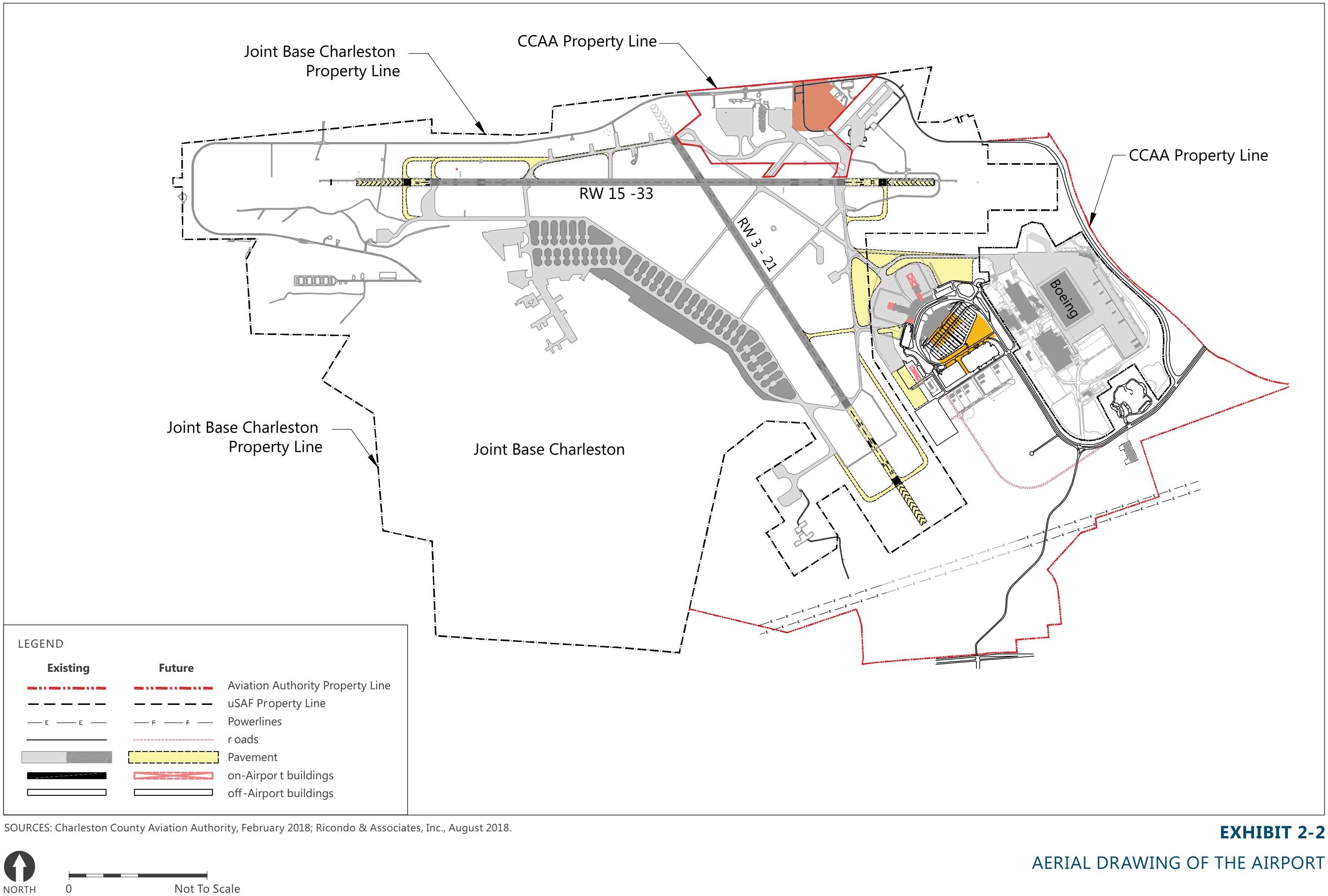

SOURCES: Charleston County Aviation Authority, February 2018; Ricondo & Associates, Inc., August 2018.

EXHIBIT 2-2

AERIAL DRAWING OF THE AIRPORT

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2.3.1.2 TAXIWAYS

The Joint Use Agreement designates taxiways as Civilian Use, Joint Use, or Military Use only.

Civilian Use Taxiways connect the passenger terminal, cargo, Boeing facilities, and general aviation aircraft parking areas to the jointly used runways. These taxiways consist of Taxiways A, B, G, and M.

Six taxiways serve a joint-use purpose for both military and civilian aircraft. Joint Use Taxiways include taxiways used by both the military and civil aircraft for crossing the airfield and accessing the military and civil facilities. They include Taxiways C, D, E, F, H, and J.

Taxiway K is designated for exclusive Military Use and enters a restricted portion of the AFB.

2.3.2 TERMINAL

The Airport passenger Terminal Building opened on April 10, 1985. The Terminal Building has three levels (i.e., the apron, concourse, and administration levels), and it currently totals approximately 430,000 square feet of enclosed and covered unenclosed space. In October 2016, the Authority completed its Terminal Redevelopment and Improvement Program (TRIP), which increased the previously existing 330,000-square-foot Terminal Building footprint by approximately 100,000 square feet and included the following improvements:

- New Central Hall
- Redeveloped Ticket Hall with new central marketplace with shopping and dining options
- New Rental Car Pavilion
- Expanded baggage handling system
- Addition of five new passenger boarding gates with new passenger boarding bridges on each new gate
- New restrooms, concessions, and holdroom areas

The Terminal Building consists of two concourses (piers) connected to the main core of the Terminal Building. The two-level east pier is referred to as Concourse A, and the two-level west pier is referred to as Concourse B. The lower (apron) level is within the Secure Identification Display Area, and it generally contains airline operations offices, storage space, utility space, workshops, and covered unenclosed space. The second (concourse) level principally contains the secure areas (post security screening checkpoints), including holdrooms, concession spaces, restrooms, and miscellaneous spaces. Federal Inspection Services (FIS) facilities occupy a large separate section on Concourse B.

The three-level Terminal Building contains airline and Airport operational areas on the lower (apron) level; passenger ticketing, bag claim, rental car counters, and concessions on the concourse level; and Authority offices and a boardroom on the third (administration) level. The terminal roadway was constructed on a berm so that the curb, ticket lobby, and bag claim hall are all one level above the aircraft apron.

The aircraft parking area is striped for 17 terminal aircraft parking positions and 7 remain overnight (RON) aircraft parking positions, not including any aircraft parking positions on the cargo ramp.

2.3.3 CURBSIDE, AUTOMOBILE PARKING, AND RENTAL CAR FACILITIES

This section presents terminal curbside, automobile parking, and rental car facilities that serve the passenger terminal area.

2.3.3.1 TERMINAL CURBSIDE

The terminal curbside area consists of an inner curbside roadway and an outer curbside roadway. The inner and outer roadways are separated by a concrete median that provides shelter for passengers waiting for vehicles on the outer roadway.

The inner roadway consists of a single passenger loading and unloading lane adjacent to the terminal, as well as three through-lanes. The outer roadway consists of a single passenger loading and unloading lane adjacent to the median, two through-lanes, and a single outer passenger loading lane. The innermost lane is used for valet pickup and drop-off, taxicab pickup, courtesy shuttle pickup, and Charleston Area Regional Transportation Authority (CARTA) buses. The center two lanes are circulating lanes for through-traffic. The outermost lane is used for limousine pickup and valet pickup and drop-off.

2.3.3.2 AUTOMOBILE PARKING FACILITIES AND TAXICAB STAGING

Four public parking lots provide a total of approximately 4,700 parking spaces for Airport patrons as follows:

- Existing Parking Deck (located across the terminal roadway from the Terminal Building) – approximately 1,300 spaces on three levels
- Surface Parking Lot (located south of the Existing Parking Deck) – approximately 2,300 parking spaces
- Western and Eastern Overflow Parking Lots (located south of the Surface Parking Lot) – an additional approximately 1,100 parking spaces. The eastern lot is currently being leased by Boeing on a month-to-month basis as an employee parking lot.

Two dedicated employee parking lots are located east of the passenger terminal. The lots include 365 spaces which are utilized by Airport tenants, Authority staff, and Transportation Security Administration (TSA) staff.

A Cell Phone Lot, located south and east of the terminal off International Boulevard, has a capacity of 40 vehicles.

A Ride Share Driver Waiting Lot with approximately 40 spaces is located south and west of the terminal off Air Cargo Lane.

Limited spaces in the Existing Parking Deck, combined with increases in passengers, have resulted in periodic closures of the Existing Parking Deck during certain peak hours when the deck is full. The Existing Parking Deck has closed one or more times 72 days over the past six months. Since 2012, parking transactions have remained relatively level in the Existing Parking Deck as it has reached its effective peak-hour capacity, while transactions in the Surface Parking Lot and overflow lots have increased at a compound annual growth rate (CAGR) of approximately 4.9 percent.

The 2019 Project, described in Chapter 3, is designed to increase the parking capacity at the Airport to accommodate current and future parking demand.

2.3.3.3 RENTAL CAR FACILITIES

Three companies operate six rental car brands at the Airport: Hertz, the Avis Budget Group (Avis and Budget), and Enterprise Holdings (Enterprise, Alamo, and National). Each brand has passenger-accessible counter space in the rental car pavilion portion of the Terminal Building, as well as ready/return spaces located in a surface parking area immediately west of the Terminal Building. Each rental car company also has a vehicle service and storage facility and administrative offices. Dollar and Thrifty rental car brands currently provide off-Airport car rentals.

The 2019 Project also provides approximately 600 spaces on the first level to be used for rental car operations. Upon completion of the 2019 Project, rental car companies will no longer occupy spaces in the surface parking area for rental car operations.

2.3.4 AIR CARGO

An air cargo building and apron serve incoming and outgoing cargo operations at the Airport. The cargo apron is located south of the terminal apron and provides five aircraft parking positions. Further south is a multitenant cargo building in which cargo is handled by FedEx, Delta Air Lines (Delta), and American Airlines (American).

2.3.5 GENERAL AVIATION

General aviation services at the Airport are provided by two fixed-base operators (FBOs): Atlantic Aviation and Odyssey Aviation. Both FBOs are located on the northeast side of the airfield with access to Taxiway G. The FBO facilities consist of three hangars and two terminal buildings that total 106,200 square feet. The two aircraft parking aprons used by the FBOs provide 74,100 square yards of aircraft parking area.

2.3.6 MAINTENANCE/AIRPORT SUPPORT AREAS

Airport support facilities consist of aircraft rescue and firefighting (ARFF) facilities, Airport maintenance facilities, and fuel storage facilities. These facilities and operations are controlled by either the USAF or the Authority, with all facilities located within the Airport boundary.

2.3.6.1 AIRCRAFT RESCUE AND FIREFIGHTING FACILITIES

ARFF services at the Airport are provided by the USAF under the Joint Use Agreement. The Airport's ARFF facilities are adjacent to the military apron.

2.3.6.2 AIRPORT MAINTENANCE FACILITY

The Airport maintenance facility is immediately adjacent to the east overflow parking lots and adjacent to the air cargo building. This facility houses vehicles and equipment necessary to maintain civilian facilities and land areas controlled by the Authority.

This facility houses grounds-keeping equipment and airfield maintenance vehicles. This facility also contains three fuel storage tanks for fueling this equipment and the associated vehicles. Vehicles controlled by the USAF are not serviced at this Authority-owned facility, and USAF vehicles are also not fueled at these facilities.

2.3.6.3 FUEL STORAGE FACILITIES

The Airport's fuel storage facilities consist of three storage tanks totaling approximately 756,000 gallons of jet fuel storage. The fueling operation is leased to and operated by Allied Aviation. Fuel is delivered to the tanks via truck, approximately 15 trucks per day, and transported from the facility to the aircraft via airside tanker trucks. A loop hydrant system serves the Boeing facility[3] for fueling the Boeing Dreamlifter and the Boeing Dreamliner fuel storage tank.

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[3] Boeing's B787 facility is located east of the terminal; it encompasses 266.5 acres and is accessed from the airfield via Taxiway M. More information about the impact of Boeing on the Airport and Air Trade Area is included in Chapter 4.

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3. CAPITAL PROGRAM, 2019 PROJECT, AND FUNDING SOURCES

3.1 AIRPORT MASTER PLAN

A Master Plan was undertaken for the Airport in 2010. At the onset of the process, three goals were established to guide the process through which the Master Plan was created: maintain a high level of customer service; provide the flexibility to adapt to changing conditions; and strengthen the Airport's role in the community. The Master Plan identified facility requirements for the 20-year planning period, identified the extent to which existing facilities could accommodate future demand, and evaluated alternative improvements to meet future demand. The resulting plan included the following: renovation and expansion of the passenger terminal; additional apron pavement for aircraft maneuvering and parking; expansion of the parking garage and surface parking lots; replacement of the air cargo building; expansion of the air cargo parking apron; and other miscellaneous airside and landside improvements. The FAA Airport District Office reviewed the Airport Layout Plan (ALP) and issued conditional approval on August 23, 2011. The approval was conditioned on the outcome of findings with regard to environmental assessments specific to the Master Plan projects.

An Environmental Assessment was prepared for terminal area improvements and submitted to the FAA. The FAA issued a Finding of No Significant Impact (FONSI) / Record of Decision (ROD) on October 17, 2011, thereby approving the expansion of the parking garage and surface lots included in the 2019 Project.

3.2 FISCAL YEAR 2019 THROUGH FISCAL YEAR 2028 CAPITAL IMPROVEMENT PROGRAM

Since 2010, the Airport has seen significant passenger growth, which the Authority has accommodated through adding gates, modernizing terminal facilities, and adding parking. The Authority developed its Capital Improvement Program (CIP) to address increasing stress on the existing terminal and parking facilities as passenger activity continues to grow.

For the purposes of this Report, the Authority's CIP consists of both the Airport CIP and the general aviation airports' CIP. The largest components of the Authority's FY 2019 through FY 2028 Airport CIP consist of the 2019 Project, as well as the Ticketing Hall Expansion and Concourse C construction projects. Other components of the Authority's CIP include projects for the Authority's two general aviation airports.

3.2.1 ESTIMATED PROJECT COSTS AND TIMING

The Authority's CIP for FY 2019 through FY 2028, including estimated total project costs and approximate annual funding requirements, is summarized in **Table 3-1**.

The Authority's CIP consists of approximately $321.6 million of total project costs over the period FY 2019 through FY 2028. CIP projects for the Airport account for approximately $309.4 million, or 96.2 percent of the Authority's CIP, with the two general aviation airports accounting for the remaining $12.2 million.

Because the USAF owns and maintains the runways and surrounding airfield areas, the Authority does not incur expenses related to runway renovation or rehabilitation projects.

TABLE 3-1 AUTHORITY'S CAPITAL IMPROVEMENT PROGRAM (FY 2019 – FY 2028)

		FUNDING SOURCE			
PROJECT NAME	COST	AUTHORITY FUNDS	FEDERAL AND STATE FUNDS	2019 BONDS	CFC
2019 PROJECT					
New Parking Deck Construction	$100,000,000		$12,000,000	$68,000,000	$20,000,000
TOTAL 2019 PROJECT	**$100,000,000**	**$0**	**$12,000,000**	**$68,000,000**	**$20,000,000**
AIRPORT CIP PROJECTS					
Surface Parking Lot Expansion and Renovation	$4,500,000	$4,500,000			
Ticketing Hall Expansion (Design)	4,000,000	2,680,000	$1,320,000		
Ticketing Hall Expansion (Phase 1)	20,000,000	13,400,000	6,600,000		
Ticketing Hall Expansion (Phase 2)	20,000,000	13,400,000	6,600,000		
Fuel Farm Expansion	7,400,000	7,400,000			
Terminal Annex Renovations	2,500,000	2,500,000			
Terminal Apron Pavement Revitalization	1,000,000	100,000	900,000		
Concourse C	150,000,000	75,000,000	75,000,000		
TOTAL AIRPORT CIP PROJECTS	**$209,400,000**	**$118,980,000**	**$90,420,000**	**$0**	**$0**
CHARLESTON EXECUTIVE AIRPORT (JZI)					
Airfield Lighting Upgrades	$2,500,000	$250,000	$2,250,000		
Fort Trenholm Road Improvements	1,200,000	1,200,000			
Taxiway B&C Rehabilitation	7,000,000	700,000	6,300,000		
TOTAL JZI CIP PROJECTS	$10,700,000	$2,150,000	$8,550,000		
MOUNT PLEASANT REGIONAL AIRPORT (LRO)					
New T-Hangar Buildings and Apron	$1,500,000	$150,000	$1,350,000		
TOTAL LRO CIP PROJECTS	$1,500,000	$150,000	$1,350,000		
TOTAL CAPITAL PROGRAM INCLUDED IN FINANCIAL ANALYSIS	**$321,600,000**	**$121,280,000**	**$112,320,000**	**$68,000,000**	**$20,000,000**

NOTES:
AIP – Airport Improvement Program
CFC – Customer Facility Charge
CIP – Capital Improvement Program
SOURCE: Charleston County Aviation Authority, January 2019.

3.2.2 2019 PROJECT

The 2019 Project consists of the New Parking Deck Construction Project, which is anticipated to be funded in part with proceeds from the 2019 Bonds. The 2019 Project estimated cost totals $100.0 million, of which $68.0 million is expected to be funded with proceeds from the 2019 Bonds. The remaining portion of the 2019 Project is anticipated to be funded using CFCs on a cash basis and from an FAA AIP discretionary grant.

3.2.2.1 PARKING DECK CONSTRUCTION PROJECT ($100 MILLION)

The recent completion of the TRIP has provided facilities to accommodate recent passenger growth; however, limited spaces in the Existing Parking Deck, combined with increases in passengers, have since resulted in periodic closures of the Existing Parking Deck during certain peak hours when the deck is full.

The Authority commissioned a Parking Expansion Visioning Process, which began with a review and analysis of prior planning studies, including the Airport Parking Master Plan by Mead & Hunt completed in May 2017. The Design Team reviewed and analyzed parking improvements and current parking demand pertaining to surface lot expansions, the Existing Parking Deck, and the dependence on remote lots and shuttle buses during peak seasons. The conclusion of this analysis confirmed the need for a 3,000-space new parking deck.

The 2019 Project consists of the design and construction of a new 5-level parking deck to provide 2,400 spaces of public parking on Levels 2 through 5 and 450 spaces for rental car operations on the first floor of the building. The 2019 Project also includes the necessary signage and wayfinding, as well as an elevated passageway connecting the Terminal Building through the Existing Parking Deck to the new parking deck.

During construction, users of the Existing Parking Deck and the remaining portion of the Surface Parking Lot will continue to walk to the Terminal Building as they do now. Remote Lots A and B will be expanded and improved to provide public parking, and shuttle buses will bring passengers to and from the Terminal Building. To utilize Remote Lots A and B for public parking, approximately 500 valet and employee users will move to an improved annex lot. An underutilized surface lot can also be used for public parking during peak periods. Shuttle buses will bring passengers to and from the Terminal Building. In addition, the Authority is leasing parking spaces from Boeing during construction, resulting in a net increase of 400 parking spaces.

After a solicitation of proposals, the District has entered into a fixed price construction contract with Roy Anderson Corp. (Contractor) for the construction of the 2019 Project. The Contractor is a regional construction firm headquartered in Gulfport, Mississippi with substantial experience in parking deck construction. Construction of the 2019 Project is expected to commence February 18, 2019 and be completed by December 1, 2020.

Exhibit 3-1 provides an aerial overview of the 2019 Project. **Exhibit 3-2** presents a rendering of the 2019 Project.

3.2.3 FUTURE AIRPORT CAPITAL IMPROVEMENT PROGRAM PROJECTS

3.2.3.1 TICKETING HALL EXPANSION ($44 MILLION)

The Airport CIP includes the design and construction of an expansion of the existing Ticketing Hall. This project will expand the Main Terminal ticketing hall at the Airport in order to adequately support existing air carrier services, accommodate new air carriers, and improve passenger flow. The expansion will increase the concourse ticketing area footprint by approximately 20,000 square feet and install the accompanying apron level baggage conveyor system and airport support areas. With the continuing growth of new and existing air carriers, the Ticketing Hall is under stress during peak times, which creates long wait times for passengers checking in; limits the ability for carriers to expand their existing ticket counters; and prohibits new carriers from having adequate ticketing space. The Ticketing Hall Expansion will be designed to accommodate continued growth in airline activity and reduce peak-period passenger check-in wait times. Until the Ticketing Hall Expansion is completed, kiosks and common-use ticketing equipment (CUTE) will be utilized to meet current and forecast demand. The Ticketing Hall Expansion is expected to be funded using a combination of federal grants and Authority cash, with design expected to begin in FY 2020 and construction completed in FY 2023. Projected financial impacts from the funding and opening of the Ticketing Hall Expansion are discussed in Chapter 6.

EXHIBIT 3-1 THE 2019 PROJECT – AERIAL VIEW

SOURCES: Charleston County Airport Authority, October 2018; Ricondo & Associates, Inc., October 2018.

EXHIBIT 3-2 THE 2019 PROJECT – RENDERING

SOURCE: Charleston County Airport Authority, October 2018.

3.2.3.2 CONCOURSE C CONSTRUCTION ($150 MILLION)

The completion of the TRIP project provided 15 gates and ample holdroom space to meet current enplanement demand, plus it provided capacity for approximately 30 percent growth, supporting up to 2.6 million annual enplanements without noticeable decline in level of service. The existing 15 gates have the capacity (with proper aircraft turnover) to accommodate the current level of annual enplanements (2.1 million in FY 2018); however, enplanements are forecast to continue to grow, increasing to approximately 2.6 million by 2025. In addition, carriers continue to add additional service during peak time schedules; therefore, terminal and gate capacity must be considered on a "typical peak" basis, rather than on an overall average.

Design and construction of a new Concourse C is anticipated to address continued growth; it would provide 6 additional gates, bringing the total to 21. The 21 gates should accommodate 3.5 million enplanements per year and would not require an interim loss of gates during the construction process. This project will also include passenger boarding bridges, airport support facilities, passenger hold rooms, baggage conveyors, and passenger amenities. It is anticipated that the FIS facility in Concourse B would be relocated to the new Concourse C.

The timing of the Concourse C Construction project is currently uncertain, as the project will ultimately be driven by continued airline activity growth and forecast demand. The Airport CIP currently assumes this project is to be funded using Authority cash; however, as the timing of the project becomes more certain, the Authority will reevaluate funding options, including federal and state grants, future bonds, and PFC funding opportunities. Due to these uncertainties, the funding and operational impacts of the Concourse C Construction project are not included in the financial analysis reflected in Chapter 6.

3.2.3.3 OTHER AIRPORT PROJECTS ($15.4 MILLION)

Other capital projects included in the Authority's CIP to be undertaken at the Airport are: an expansion of the Fuel Farm, Terminal Annex renovations, other Surface Parking Lot improvements, and revitalization of pavement on the apron. These projects are anticipated to be funded using a combination of Authority funds and AIP grants, and they are anticipated to be completed between FY 2019 and FY 2023.

3.2.3.4 GENERAL AVIATION AIRPORT PROJECTS ($12.2 MILLION)

The Authority's CIP also includes improvements at Charleston Executive Airport and Mount Pleasant Regional Airport. These projects comprise airfield lighting upgrades, road improvements, taxiway rehabilitation, and new hangar buildings, which are anticipated to be funded using a combination of Authority funds and AIP grants, and they are anticipated to be completed between FY 2019 and FY 2023.

3.3 FUNDING SOURCES

Table 3-1 also summarizes the anticipated funding sources for CIP costs through FY 2028. Funding for the CIP includes the Series 2019 Bonds; PFCs; CFCs; FAA AIP entitlement and discretionary grants; FAA-administered funds from the state; and a portion of the Authority's own funds.

3.3.1 AIRPORT REVENUE BONDS

The Series 2019 Bonds are being issued pursuant to the Resolution. The Series 2013 Bonds were issued on a basis subordinate and junior to the lien on the Series 2004 Bonds; however, the Series 2004 Bonds have subsequently been retired. After the date of the Resolution, the District shall not issue any additional bonds, notes, or interim securities or other obligations payable from Revenues or the Net Revenue and having a lien thereon that is superior to the lien of any Bonds.

As shown in Table 3-1, the Authority anticipates funding $68.0 million of 2019 Project costs using proceeds from the 2019 Bonds. After the issuance of the Series 2019 Bonds, the Authority does not currently anticipate the issuance of future bonds to fund any of the projects in the CIP during the Projection Period. However, as the timing and plan of finance associated with the Concourse C Construction project become more refined, the Authority may evaluate future bonds as a funding source. For purposes of this Report, it is assumed that no future bonds will be issued during the Projection Period. Additional discussion of the 2019 Bonds and the associated debt service is included in Chapter 6.

3.3.2 CUSTOMER FACILITY CHARGE REVENUE

The Authority has collected a CFC of $3.50 per day on rental car transactions, yielding approximately $4.5 million in FY 2018. The current balance of CFCs totals approximately $20.2 million. As described in Chapter 1, the Authority has designated CFCs as Revenues for purposes of the Master Resolution until removed by the Authority through supplemental resolution. The 2019 Project is anticipated to be funded using approximately $20.0 million of CFCs on a cash basis.

3.3.3 FEDERAL AND STATE FUNDS

The projects contained in the Authority's CIP assume the use of a total of approximately $112.3 million of federal and state funds, consisting of future AIP entitlement funds, future discretionary funds, and funds from the state. The 2019 Project is anticipated to be funded using approximately $12.0 million of federal funds through an FAA AIP discretionary grant assumed to be awarded. Should the discretionary or state funds not become available, the Authority will determine if the projects can be delayed, or it will utilize other sources of funds to undertake those projects.

For those projects anticipated to be eligible for FAA AIP funding, up to 90 percent of estimated projects costs are expected to be funded from that source. Before federal approval of any AIP grant application can be given, eligible airport sponsors must provide written assurances that they will comply with a variety of statutorily specified conditions. For projects being partially funded with AIP funds, the remainder of the AIP-eligible project cost will be funded with a combination of PFCs and Authority funds.

3.3.4 AUTHORITY FUNDING

The Authority currently anticipates utilizing approximately $121.3 million of its unencumbered available cash to fund a portion of the CIP for all airports. Authority funds used to fund capital projects allocable to the Terminal Building Area and Apron and Taxiway Area Cost Cents may be amortized over the useful life of the project and included in the calculation of the Terminal Building Rental Rate or Apron Fee, as discussed in Chapter 6 of this Report.

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4. DEMOGRAPHIC AND ECONOMIC ANALYSIS

To a large degree, the demand for air transportation at an airport is dependent upon the demographic and economic characteristics of the airport's air trade area. This relationship is particularly true for origin and destination (O&D) passenger traffic, which has historically been the largest component of demand at the Airport.[1] Therefore, the major portion of demand for air travel at the Airport is influenced more by the local socioeconomic characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity. This chapter presents data indicating the Airport's Air Trade Area (as defined in Chapter 2) has an economic base capable of supporting increased demand for air travel during the Projection Period.

4.1 DEMOGRAPHIC ANALYSIS

4.1.1 POPULATION

There is typically a positive correlation between population growth in a local area and air travel demand. **Table 4-1** presents historical population data for the Air Trade Area, South Carolina, and the United States. As shown, population in the Air Trade Area increased from 528,354 people in calendar year (CY) 1997 to 628,384 people in CY 2007 and to 774,467 people in CY 2017. As also shown, population growth in the Air Trade Area between CY 1997 and CY 2017 (1.9 percent CAGR) was greater than that experienced by South Carolina (1.3 percent CAGR) and the nation (0.9 percent CAGR) during this period. According to the most recent U.S. Census Bureau data, the Air Trade Area is presently the 47th-fastest growing metropolitan area in the United States, gaining approximately 38 new residents each day.[2] In 2017, the city of Charleston reclaimed its status as South Carolina's largest city.[3]

Table 4-1 also presents population projections from Woods and Poole Economics, Inc. for the Air Trade Area, South Carolina, and the United States for CY 2028. Population in the Air Trade Area is expected to increase at CAGR of 1.8 percent between CY 2017 and CY 2028, from 774,467 people in CY 2017 to 943,298 in CY 2028. Projected population growth for the Air Trade Area is expected to be more rapid than that experienced by South Carolina and the nation (1.2 percent CAGR and 0.9 percent CAGR, respectively) during this period. Between CY 2017 and CY 2028, the Air Trade Area population is expected to grow most rapidly in Berkeley County (3.0 percent annually).

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[1] Based on reconciled U.S. Department of Transportation ticket sample data, O&D passengers accounted for approximately 97.2 percent of total passengers at the Airport in FY 2017.

[2] U.S. Census Bureau, Population Division, *Estimates of Resident Population Change and Rankings: July 1, 2016 to July 1, 2017*, March 2018.

[3] Slade, David, "It's official: Charleston is now South Carolina's largest city; Greenville among fastest-growing in nation," *The Post and Courier* [Charleston], May 25, 2017.

TABLE 4-1 HISTORICAL AND PROJECTED POPULATION

					COMPOUND ANNUAL GROWTH RATE			
	HISTORICAL			PROJECTED	HISTORICAL			PROJECTED
AREA	1997	2007	2017	2028	1997–2007	2007–2017	1997–2017	2017–2028
Berkeley County	133,195	164,913	217,080	299,077	2.2%	2.8%	2.5%	3.0%
Charleston County	305,243	337,147	400,899	454,020	1.0%	1.7%	1.4%	1.1%
Dorchester County	89,916	126,324	156,488	190,201	3.5%	2.2%	2.8%	1.8%
Air Trade Area	528,354	628,384	774,467	943,298	1.7%	2.1%	1.9%	1.8%
South Carolina	3,859,696	4,444,110	5,017,223	5,718,405	1.4%	1.2%	1.3%	1.2%
United States	272,646,878	301,231,167	325,888,129	360,689,467	1.0%	0.8%	0.9%	0.9%

SOURCE: Woods and Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source (CEDDS), April 2018.

4.1.2 AGE DISTRIBUTION AND EDUCATION

The Air Trade Area population is younger than the national average. In 2016, the most recent data available from the U.S. Census Bureau, the Air Trade Area had a median age of 36.3 compared with 38.8 for South Carolina and 37.7 for the United States, respectively.[4] Additionally, the Air Trade Area population has completed a higher level of education than the national average. In 2016, according to U.S. Census Bureau data, 33.4 percent of citizens in the Air Trade Area age 25 and older had a bachelor's degree or higher compared with 26.5 for South Carolina and 30.3 percent for the United States, respectively.

As discussed in greater detail in Section 4.2, the young and well-educated population residing in the Air Trade Area provides a strong workforce base for employment and economic growth, which generally leads, in turn, to increased air travel demand. In the 2017 Milken Institute Best-Performing Cities Index, the Air Trade Area ranked 22nd out of the 201 largest U.S. metropolitan areas based on how well an area creates and sustains employment and economic growth. The Air Trade Area has been among the top 40 metropolitan areas in the ranking since 2005.[5]

4.1.3 PER CAPITA PERSONAL INCOME AND HOUSEHOLD INCOME

One measure of the relative income of an area is personal income, defined as the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for social insurance. Personal income is a composite measurement of market potential, and it indicates the general level of affluence of residents, which typically correlates with an area's propensity to utilize air travel, as well as an area's attractiveness to business and leisure travelers.

Table 4-2 presents historical per capita personal income for the Air Trade Area, South Carolina, and the United States between 2007 and 2017, as expressed in 2009 dollars. As shown, per capita personal income for the Air Trade Area was higher than equivalent measures for South Carolina, but it was lower than the nation each year between 2007 and 2017. As also shown, per capita personal income for the Air Trade Area increased at a CAGR of 1.1 percent between 2007 and 2017, slightly higher than the 1.0 percent growth rate for both South Carolina and the nation over this same period.

[4] U.S. Census Bureau, *2012-2016 American Community Survey 5-Year Estimates*, December 7, 2017.

[5] Milken Institute, "Best-Performing Cities 2017: Where America's Jobs are Created and Sustained," January 10, 2018.

TABLE 4-2 PER CAPITA PERSONAL INCOME

	PER CAPITA PERSONAL INCOME			PER CAPITA PERSONAL INCOME DIFFERENTIAL	
YEAR	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES	BETWEEN AIR TRADE AREA AND SOUTH CAROLINA	BETWEEN AIR TRADE AREA AND UNITED STATES
Historical					
2007	$37,003	$32,910	$41,010	$4,093	($4,007)
2008	$36,174	$32,855	$41,055	$3,319	($4,881)
2009	$34,444	$31,635	$39,376	$2,809	($4,932)
2010	$35,436	$31,637	$39,622	$3,799	($4,186)
2011	$36,875	$32,457	$40,769	$4,418	($3,894)
2012	$38,802	$33,215	$41,728	$5,587	($2,926)
2013	$37,059	$32,820	$41,377	$4,239	($4,318)
2014	$38,688	$33,909	$42,594	$4,779	($3,906)
2015	$40,225	$35,424	$44,255	$4,801	($4,030)
2016	$40,616	$35,669	$44,450	$4,947	($3,834)
2017	$41,370	$36,327	$45,335	$5,043	($3,965)
Projected					
2028	$47,579	$41,548	$51,873	$6,031	($4,294)
Compound Annual Growth Rate					
2007–2017	1.1%	1.0%	1.0%		
2017–2028	1.3%	1.2%	1.2%		

PERCENTAGE OF HOUSEHOLDS IN INCOME CATEGORIES (2017)			
INCOME CATEGORY (IN 2009 DOLLARS)	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES
Less than $29,999	29.2%	34.2%	29.0%
$30,000 to $59,999	27.8%	29.1%	26.9%
$60,000 to $74,999	11.0%	10.3%	10.5%
$75,000 to $99,999	13.3%	11.5%	12.6%
$100,000 or More	18.7%	14.9%	21.0%

NOTE: Per capita personal income in 2009 dollars.
SOURCE: Woods and Poole Economics, Inc., 2017 Complete Economic and Demographic Data Source (CEDDS), April 2018.

Table 4-2 also presents projections of per capita personal income for 2028. According to data from Woods and Poole Economics, Inc., per capita personal income for the Air Trade Area is projected to increase from $41,370 in 2017 to $47,579 in 2028. This increase represents a CAGR of 1.3 percent during this period, compared to a similar 1.2 percent growth rate projected for both South Carolina and the nation.

An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important; as income increases, air transportation becomes more affordable and, therefore, is generally used more frequently. Table 4-2 also presents percentages of households in selected per capita personal income categories for 2017 as expressed in 2009 dollars. As presented, 32.0 percent of households in the Air Trade Area had personal income of $75,000 or more in 2017, which was higher than the percentage of households in these income categories for South Carolina (26.4 percent), but lower than the equivalent percentage for the nation (33.6 percent).

4.2 ECONOMIC ANALYSIS

4.2.1 GROSS REGIONAL/DOMESTIC PRODUCT

Gross domestic product for the United States and its state and Metropolitan Statistical Area equivalent, gross regional product, are a measure of the market value of all final goods and services produced within a particular area for a specific period of time. These indicators are one of the broadest measures of the economic health of a particular area, and, consequently, the area's potential air travel demand.

Table 4-3 presents historical gross regional/domestic product for the Air Trade Area, South Carolina, and the United States between 2007 and 2017, as expressed in 2009 dollars. As shown, the Air Trade Area's gross regional product increased from $27,395 million in 2007 to $35,195 million in 2017, a CAGR of 2.5 percent. In comparison, the gross regional product for South Carolina increased at a 1.6 percent CAGR, while the nation's equivalent measure grew at a 1.5 percent CAGR.

TABLE 4-3 GROSS REGIONAL PRODUCT / GROSS DOMESTIC PRODUCT

	GROSS REGIONAL PRODUCT (GRP) OR GROSS DOMESTIC PRODUCT (GDP)		
YEAR	AIR TRADE AREA (GRP)	SOUTH CAROLINA (GRP)	UNITED STATES (GDP)
Historical			
2007	$27,395	$164,925	$14,820,650
2008	$26,822	$162,161	$14,617,095
2009	$26,663	$160,439	$14,320,115
2010	$27,401	$161,437	$14,618,132
2011	$28,732	$163,413	$14,792,272
2012	$29,404	$164,498	$15,115,991
2013	$30,206	$168,839	$15,415,632
2014	$31,697	$175,130	$15,860,078
2015	$33,658	$185,165	$16,447,679
2016	$34,832	$189,422	$16,708,790
2017	$35,195	$193,952	$17,204,393
Projected			
2028	$46,561	$239,951	$21,023,958
Compound Annual Growth Rate			
2007–2017	2.5%	1.6%	1.5%
2017–2028	2.6%	2.0%	1.8%

NOTE: In 2009 dollars; amounts in millions.
SOURCE: Woods and Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source (CEDDS), April 2018.

Table 4-3 also presents projections of gross regional/domestic product for 2017 to 2028. According to data from Woods and Poole Economics, Inc., gross regional product for the Air Trade Area is projected to increase from $35,195 million in 2017 to $46,561 million in 2028. This increase represents a CAGR of 2.6 percent during this period, compared to a 2.0 percent growth rate for South Carolina and a 1.8 percent growth rate for the nation for its equivalent measure.

4.2.2 EMPLOYMENT TRENDS

Table 4-4 presents recent employment trends for the Air Trade Area, South Carolina, and the United States. As shown, the Air Trade Area's civilian labor force increased from approximately 313,000 workers in CY 2007 to approximately 378,000 workers in CY 2017. This increase represents a CAGR of 1.9 percent in the Air Trade Area's labor force during this period, compared to a 0.8 percent increase for South Carolina and a 0.5 percent increase for the United States.

TABLE 4-4 CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATES

YEAR	CIVILIAN LABOR FORCE		
	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES
2007	313	2,126	153,124
2008	318	2,142	154,287
2009	318	2,153	154,142
2010	327	2,156	153,889
2011	336	2,176	153,617
2012	343	2,187	154,975
2013	345	2,191	155,389
2014	353	2,223	155,922
2015	364	2,269	157,130
2016	372	2,294	159,187
2017	378	2,313	160,320
Compound Annual Growth Rate			
2007–2017	1.9%	0.8%	0.5%
2007–2011	1.7%	0.6%	0.1%
2011–2017	2.0%	1.0%	0.7%
YEAR	UNEMPLOYMENT RATES		
	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES
2007	4.5%	5.7%	4.6%
2008	5.6%	6.8%	5.8%
2009	9.3%	11.2%	9.3%
2010	9.3%	11.2%	9.6%
2011	8.8%	10.6%	8.9%
2012	7.6%	9.2%	8.1%
2013	6.3%	7.6%	7.4%
2014	5.5%	6.5%	6.2%
2015	5.1%	6.0%	5.3%
2016	4.3%	5.0%	4.9%
2017	3.6%	4.3%	4.4%
October 2018	2.8%	3.3%	3.5%

NOTE: Civilian labor force in thousands.
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, January 2019.

As also shown in Table 4-4, average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for South Carolina every year between CY 2007 and CY 2017. Average annual unemployment rates for the Air Trade Area were also equal to or below the unemployment rates for the nation in each year over the same period. The Air Trade Area's unemployment rate was 2.8 percent in October 2018, which is the most recent month of data available. This rate was below the unemployment rates experienced by South Carolina and the nation during the same period (3.3 and 3.5 percent, respectively).

Table 4-5 presents an analysis of nonagricultural employment trends by major industry sector; the Air Trade Area's employment trends are compared to those for the nation for 2007, 2016, and 2017. As shown, nonagricultural employment in the Air Trade Area increased from approximately 301,300 workers in 2007 to approximately 353,400 workers in 2017. This increase represents a CAGR of 1.6 percent during this period, compared to 0.6 percent CAGR nationwide. Most recently, nonagricultural employment in the Air Trade Area and the nation increased at higher rates (2.4 percent and 1.6 percent, respectively, between 2016 and 2017), with the Air Trade Area maintaining higher levels of growth than the nation.

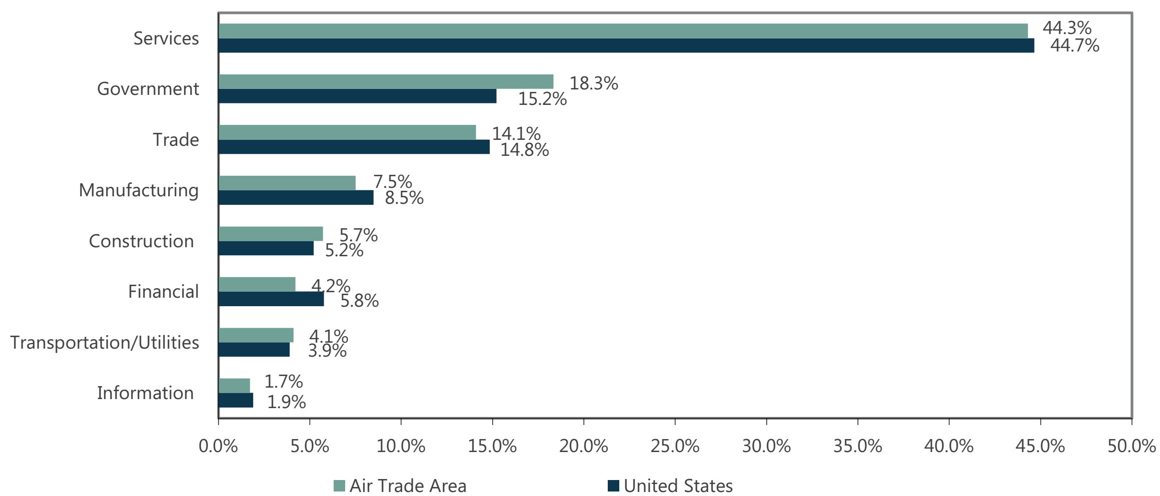
Except for the construction sector, each of the major industry groups in the Air Trade Area experienced positive employment growth between 2007 and 2017, with the highest growth occurring in the services sector. The nation's nonagricultural employment base experienced decreases or minimal increases (i.e., 0.1 percent or less) in most sectors over the same period, apart from increases in the services and transportation/utilities sectors. As also shown in Table 4-5, the Air Trade Area's percentages of nonagricultural employment in the government, construction, and transportation/utilities sectors in 2017 exceeded the national percentages by approximately 3.1, 0.5, and 0.2 percentage points, respectively.

The Air Trade Area's employment mix differs from the national trends that occurred between 2007 and 2017, as manufacturing employment as a percentage of total employment remained unchanged, at 7.5 percent of total employment. The more traditional long-term trend of the substitution of the manufacturing base with service jobs was observed in the employment mix nationwide over this same period, as manufacturing decreased from 10.1 percent to 8.5 percent of total employment, and services increased from 40.2 to 44.7 percent of total employment. Services employment in the Air Trade Area increased from 40.3 percent of total employment in 2007 to 44.3 percent in 2017. In the Air Trade Area, instead of manufacturing, it was primarily construction and trade employment that lost their share of employment to the services sector. Government employment as a percent of total employment also decreased in the Air Trade Area, but it decreased by the same amount as the percent of government employment in the nation.

TABLE 4-5 EMPLOYMENT TRENDS BY MAJOR INDUSTRY SECTOR (EMPLOYMENT IN THOUSANDS)

SECTOR	AIR TRADE AREA NONAGRICULTURAL EMPLOYMENT					UNITED STATES NONAGRICULTURAL EMPLOYMENT				
	2007	2016	2017	COMPOUND ANNUAL GROWTH RATE 2007–2017	COMPOUND ANNUAL GROWTH RATE 2016–2017	2007	2016	2017	COMPOUND ANNUAL GROWTH RATE 2007–2017	COMPOUND ANNUAL GROWTH RATE 2016–2017
Construction [1]	21.8	19.1	20.2	(0.8%)	5.8%	8,354	7,396	7,633	(0.9%)	3.2%
Manufacturing	22.5	25.9	26.5	1.6%	2.3%	13,879	12,354	12,444	(1.1%)	0.7%
Trade	47.0	49.5	49.8	0.6%	0.6%	21,535	21,686	21,773	0.1%	0.4%
Transportation/Utilities	12.0	14.1	14.5	1.9%	2.8%	5,094	5,571	5,721	1.2%	2.7%
Information [2]	5.6	5.7	6.1	0.9%	7.0%	3,032	2,794	2,795	(0.8%)	0.0%
Financial	12.9	14.5	14.9	1.5%	2.8%	8,348	8,287	8,455	0.1%	2.0%
Services [3]	121.4	151.5	156.6	2.6%	3.4%	55,539	64,042	65,481	1.7%	2.2%
Government	58.1	64.9	64.8	1.1%	(0.2%)	22,218	22,224	22,322	0.0%	0.4%
Total	**301.3**	**345.2**	**353.4**	**1.6%**	**2.4%**	**138,000**	**144,354**	**146,624**	**0.6%**	**1.6%**

Percent of 2017 Nonagricultural Employment



NOTES:
1 Includes mining employment.
2 The information sector includes communications, publishing, motion picture and sound recording, and online services.
3 The nonagricultural employment for the services sector includes outsourcing from the manufacturing sector.
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, March 2018.

4.2.3 BUSINESS CLIMATE

The business climate in the Air Trade Area offers significant advantages to new, expanding, and relocating companies, including favorable local wage costs, a "right-to-work" law, and a competitive tax and incentive structure. These advantages are reflected in the Air Trade Area's recurring high rankings in surveys of the best metropolitan areas for both job creation and small business environment. Forbes' 2017 annual survey of the "Best Places for Jobs in the U.S." ranked the Air Trade Area fourth among midsize metropolitan areas.[6] This ranking was based on recent growth trends, mid-term growth, long-term growth, and the region's overall job creation momentum. In its Local Economic Outlook, in which it ranks cities by local-business investment and success, the website Yelp ranked Charleston as 1st out of 50 U.S. cities for small business growth in 2018.[7] Small business startups are particularly important in midsized metropolitan areas where small businesses have greater relative importance than in large metropolitan areas. Employee recruitment and retention in the Air Trade Area is also facilitated by the Air Trade Area's reputation for livability, as shown by the Air Trade Area's recent 27th place ranking out of the nearly 2,300 cities evaluated for Livability.com's Top 100 Best Places to Live in 2018 list, which considered over 40 data points measuring economics, housing, amenities, infrastructure, demographics, social and civic capital, education, and health care.[8]

Table 4-6 presents major employers in the Air Trade Area, as measured by the number of employees. As shown, there are approximately 29 private or public entities in the Air Trade Area with 1,000 or more employees. The largest employer in the Air Trade Area is the consolidated U.S. Air Force/Navy military facility Joint Base Charleston, with approximately 20,000 employees, followed by the Medical University of South Carolina (13,000 employees); The Boeing Company (7,400 employees); the Charleston County School District (6,000 employees); and the Berkeley County School District (6,000 employees).

According to data from the Charleston Regional Development Alliance website, approximately 35 employers announced business relocations or expansions in the Air Trade Area in 2017 that are expected to account for over 4,000 new jobs in the Air Trade Area over the upcoming years. Key businesses that have recently announced relocations or expansions include: (1) Volvo Car Corp. will add a second assembly line to manufacture the Volvo XC90 SUV at the automaker's Berkeley County facility, as well as add an 88,000-square-foot office complex, creating almost 2,000 additional jobs at the facility; (2) T-Mobile US will relocate an existing Charleston customer care center into a bigger facility in North Charleston, adding 400 jobs; and (3) Scout Boats, a designer and manufacturer of luxury boats, will expand its Dorchester County facility, which will add nearly 400 new jobs.[9]

6 Forbes, "The Best Cities for Jobs," May 25, 2017.

7 Yelp, "Local Economic Outlook," February 6, 2018.

8 Livability.com, "Top 100 Best Places to Live," January 2018.

9 Information on recent Air Trade Area business relocations and expansions is available online at: http://www.crda.org/local-data/location-expansion/?year=2017&activity=new_expanding.

TABLE 4-6 MAJOR EMPLOYERS IN THE AIR TRADE AREA

EMPLOYER	DESCRIPTION	# OF EMPLOYEES
Joint Base Charleston	Area U.S. military commands	20,000
Medical University Of South Carolina (MUSC)	Hospital, post-secondary education, research	13,000
The Boeing Company	Aircraft manufacturing	7,400
Charleston County School District	Education/public schools	6,000
Berkeley County School District	Education/public schools	6,000
Roper St. Francis Healthcare	Roper and Bon Secours St. Francis Hospitals	5,500
Dorchester County School District II	Education/public schools	3,500
Trident Health System	Hospital system	2,500
Walmart Inc.	Retail merchandise	2,300
College of Charleston	Post-secondary education	2,200
Charleston County	Local government	2,100
U.S. Postal Service	Postal service	2,000
Robert Bosch LLC	Antilock brake systems, fuel injectors, common rail and unit injectors	1,800
City of Charleston	Local government	1,700
Kiawah Island Golf Resort/The Sanctuary at Kiawah	Resort	1,500
SAIC	System engineering and integration services	1,500
Trident Technical College	Post-secondary education	1,400
Blackbaud, Inc.	Specialty computer software development and design	1,300
IHG (Intercontinental Hotels Group)	Inbound reservation center and accommodations for Holiday Inn, Holiday Inn Express, Staybridge, and Candlewood Suites hotels	1,300
Santee Cooper	Electric and water utility	1,250
Berkeley County	Local government	1,200
City of North Charleston	Local government	1,200
Bi-Lo Stores	Retail grocery stores	1,200
Publix Supermarkets	Retail grocery stores	1,200
Verizon Wireless	Inbound/outbound call center for communications company	1,200
iQor	Inbound/outbound customer service call center	1,200
Benefitfocus	Custom benefits software	1,000
Nucor Steel	Manufacture carbon and alloy steel in various forms	1,000
KapStone Charleston Kraft LLC	Manufacture specialty paper and packaging	1,000

SOURCE: Charleston Metro Chamber of Commerce, Center for Business Research, June 2017.

4.2.4 EMPLOYMENT BY MAJOR INDUSTRIAL SECTOR

The following subsections further address the sources of diverse economic sectors; they are ordered based on the sector's percentage contribution to the Air Trade Area's local employment base.

Services

Services employment in the Air Trade Area increased at a CAGR of 2.6 percent between 2007 and 2017 (the fastest rate of increase of any Air Trade Area industry sector between 2007 and 2017), compared to a 1.7 percent increase for the nation over the same period. In 2017, the services sector accounted for approximately 156,600 employees in the Air Trade Area, which accounted for 44.3 percent of total nonagricultural employment, the highest employment level among all sectors.

Key components of the services sector within the Air Trade Area include travel and tourism, health services, and higher education. Professional services providers, while large in number, primarily employ smaller numbers of employees per firm; they are not discussed separately in this section. However, one notable example of a larger professional services provider in the Air Trade Area is Blackbaud, Inc. (1,300 employees), which develops customized software and services for the nonprofit and educational communities.

Travel and Tourism

The Air Trade Area, particularly historic downtown Charleston, has received numerous accolades as one of the nation's top tourist destinations. In July 2017, Charleston was named the "Top U.S. City" and was ranked second in the "World's Best Cities" ranking by *Travel + Leisure*. This was the fifth consecutive year that Charleston had received the "Top U.S. City" distinction. The award is based on readers' ratings of cities based on their sights and landmarks, culture, cuisine, friendliness, shopping, and overall value. Charleston was also named the "Top Small U.S. City" in *Condé Nast Traveler* magazine's 2017 Readers' Choice Awards for the seventh year in a row.

According to the Charleston Convention and Visitors Bureau, nearly 6.9 million tourists visited Charleston in 2017, accounting for a $7.4 billion economic impact in the Air Trade Area. The average visitor to Charleston spent approximately $217 per day in 2017. According to the Cruise Lines International Association, cruise traffic departing from Charleston (primarily generated by a Carnival Cruise Lines ship based in Charleston since 2010) contributes approximately $131.0 million in yearly economic impact to the Air Trade Area.[10]

In support of leisure travel and conventions in the Air Trade Area, there are approximately 16,000 hotel rooms in Charleston County alone and an additional approximately 8,000 beach rentals (houses/villas/condos) in the Charleston area. In 2017, according to the Office of Tourism Analysis at the College of Charleston, Charleston County hotel occupancy averaged to 89.2 percent, a 2.6 percentage point increase from 2016. The average daily room rate in 2018 was $157.78 compared to $137.28 in South Carolina. Two new hotels were opened in 2018: the 185-room Hotel Bennett by Marion Square and the 50-room Hotel Bella Grace on Calhoun Street.[11]

Located in North Charleston, the Charleston Convention Center Campus features more than 150,000 square feet of flexible meeting and exhibit space and an adjoining Performing Arts Center. Located nearby are the North Charleston Coliseum and an Embassy Suites Hotel.

The Air Trade Area offers a wide variety of tourist attractions, primarily focused around Charleston's distinct culture, which blends traditional Southern American, English, French, and West African elements. Charleston's National Historic Landmark District's unique architectural elements attract tourists from around the world to view buildings that reflect American social and architectural history. The Spoleto Festival, held in the Air Trade Area over 17 days each year in late spring, is one of the world's major performing arts festivals, with 700 events that include performances at the nation's oldest theatre, the Dock Street Theatre, the Southern-focused Gibbes Museum of Art, and the 1,800-seat Galliard Performance Hall. Nearby plantation homes and gardens open for tours include Boone Hall Plantation and Gardens, Drayton Hall, Magnolia Plantation and Gardens, and Middleton Place. Additional tourist attractions include: the Battery, Charles Town Landing State Historic Site, Cypress Gardens, Fort Sumter National Monument, Patriots Point Naval & Maritime Museum, the Historic Charleston Foundation's Nathaniel Russell and Aiken-Rhett Houses, the King Street shopping district, the Old City Market, and the South Carolina Aquarium.

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[10] "Big pleasure ships gaining popularity among Charleston tourists, but growth is limited," *The Post and Courier* [Charleston], December 16, 2017.

[11] "Why no new hotels have been announced in Charleston for several months," *The Post and Courier* [Charleston], May 9, 2018.

Spectator sports include the Charleston River Dogs, a Single A professional baseball team (a minor league team of the New York Yankees), and the Charleston Battery professional soccer team.

Health Services

The public Medical University of South Carolina (MUSC) is the oldest medical school in the South. In addition to its main campus and hospitals in downtown Charleston, which include the 700-bed MUSC Medical Center, MUSC operates facilities and clinics throughout the Air Trade Area.[12] MUSC educates and trains approximately 3,000 health care professionals, and its workforce of approximately 13,000 people makes MUSC the largest nonfederal employer in the Air Trade Area (the second-largest employer overall). In 2017, U.S. News & World Report recognized MUSC Health as one of "America's Best Hospitals," with four specialty areas ranked in the top 50 in the nation. MUSC has a new $350 million children's hospital that is currently under construction and scheduled to open in 2019.

Two other health care systems, Roper St. Francis Healthcare and Trident Health System, employ approximately 8,000 people combined. Roper St. Francis Healthcare is a private, not-for-profit 657-bed health system consisting of three hospitals, Roper Hospital, Bon Secours St. Francis Hospital, and Roper St. Francis Mount Pleasant Hospital, and more than 110 facilities and doctors' offices located throughout the Air Trade Area. A fourth hospital, Roper St. Francis Berkeley Hospital, is under construction and will open in summer 2019. Trident Health System is a 407-bed hospital system operated by the private, for-profit Hospital Corporation of America. The system includes two acute care hospitals—Trident Medical Center and Summerville Medical Center—as well as two freestanding emergency departments—Moncks Corner Medical Center and Centre Pointe Emergency.

Higher Education

The Air Trade Area has more than two dozen college and university campuses that provide access to a full spectrum of higher educational opportunities and enroll over 40,000 students per year.[13] These educational institutions generate demand for airline travel through academic meetings and conferences, visiting professorships, study abroad programs, and individual student and faculty travel. The three largest higher educational institutions, excluding vocational training and associates-level education, include two public institutions, the College of Charleston (which employs approximately 2,200 people in the Air Trade Area and has 11,300 enrolled students) and The Citadel, The Military College of South Carolina (which has approximately 3,500 enrolled students); and the private institution Charleston Southern University (which has approximately 3,600 enrolled students). Vocational training and associates-level education in the Air Trade Area are primarily provided at the four campuses of the Trident Technical College, which employs 1,400 people and has approximately 13,300 enrolled students.

Government

Government employment in the Air Trade Area increased at a CAGR of 1.4 percent between 2007 and 2017, compared to an increase of 1.1 percent for the nation over the same period. In 2017, this sector accounted for approximately 64,800 employees in the Air Trade Area, which accounted for 18.3 percent of total nonagricultural employment.

As shown in Table 4-6, numerous governmental organizations are among the major employers in the Air Trade Area. The largest U.S. federal government employer, and the largest employer in the Air Trade Area overall, is Joint Base

[12] The information included in this section is from the various hospital system websites, as well as from Charleston Regional Development Alliance data.

[13] The information included in this section is from the from the various colleges' websites, as well as from Charleston Regional Development Alliance data.

Charleston (20,000 employees); the largest public primary/secondary educational employers are the Charleston and Berkeley County School Districts (each with 6,000 employees); and the largest local government employer is Charleston County (2,100 employees).

A result of the 2010 merger of Charleston Air Force Base and Naval Weapons Station Charleston, Joint Base Charleston specializes as a logistics, transportation, training, and engineering hub. The Joint Base's host unit is the 628th Air Base Wing, whose primary duty is to provide installation support to 60 Department of Defense and federal agencies, servicing a total force of over 90,000 Airmen, Sailors, Soldiers, Marines, Coast Guardsmen, civilians, dependents, and retirees. The Naval Nuclear Power Training Command is also located on the Joint Base, and all naval nuclear training begins at the Joint Base. According to an April 2017 study by the South Carolina Department of Commerce, the Joint Base generated a total of $6.6 billion in economic activity in the Air Trade Area for federal FY 2016.[14] The Joint Base supported a total of 47,344 jobs (direct and indirect), earning approximately $3.4 billion in employee compensation.

The Air Trade Area is also home to the Space and Naval Warfare Systems Center Atlantic (SSC Atlantic). Space and Naval Warfare Systems Command is the Navy's Information Dominance Systems Command that provides capabilities in the fields of intelligence, reconnaissance, cyber warfare, command and control, communication systems, information management, and enabling technologies. Approximately 91 percent of the permanent personnel assigned to SSC Atlantic are civilians who are working primarily on classified projects. SSC Atlantic generated a total of $3.7 billion in economic activity in the Air Trade Area for FY 2015.[15]

Trade

Trade employment in the Air Trade Area increased at a CAGR of 0.6 percent between 2007 and 2017, compared to an increase of 0.1 percent for the nation over the same period. In 2017, the trade sector accounted for approximately 49,800 employees in the Air Trade Area, which accounted for 14.1 percent of total nonagricultural employment.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. Major retailers are well represented in the Air Trade Area, with two indoor malls, an outlet mall, and several large multitenant shopping centers. The King Street retail corridor in downtown Charleston, considered a "Top Ten Shopping District in the USA" by *Forbes Traveler*, includes several high-end brands, in addition to an array of boutiques and specialty shops. A new $40 million 140,000-square-foot shopping center broke ground in January 2018 near the edge of Summerville. The new 17-acre development is an online-sales-resistant retailer shopping district. It features products and services you cannot buy easily online.[16] ,

Table 4-7 presents total retail sales for the Air Trade Area, South Carolina, and the United States between 2007 and 2017. As shown in Table 4-7, between 2007 and 2009, total retail sales in the Air Trade Area decreased at a CAGR of 5.7 percent, similar to the 5.6 percent decrease in South Carolina and equivalent to the 5.7 percent decrease the United States experienced during this period due to the economic recession in 2008 and 2009. Between 2009 and 2017, Air Trade Area retail sales increased at a CAGR of 3.7 percent, greater than South Carolina's 3.1 percent increase over this period and the United States' 2.9 percent increase.

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[14] Von Nessen, Joseph, University of South Carolina, Darla Moore School of Business, *The Economic Impact of South Carolina's Military Community: A Statewide and Regional Analysis*, April 2017 (prepared for the South Carolina Military Base Task Force).

[15] South Carolina Department of Commerce, "Military Community Provides $19 Billion Economic Impact to South Carolina," January 28, 2015.

[16] "$40 million retail center near Charleston to feature 'online-sales-resistant' shops," *The Post and Courier* [Charleston], January 25, 2018.

TABLE 4-7 TOTAL RETAIL SALES

YEAR	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES
Historical			
2007	$10,100	$62,461	$4,480,927
2008	$9,722	$60,233	$4,303,170
2009	$8,987	$55,684	$3,984,634
2010	$9,311	$57,516	$4,130,414
2011	$9,793	$59,977	$4,325,118
2012	$10,162	$61,727	$4,459,332
2013	$10,506	$63,300	$4,559,908
2014	$10,922	$65,341	$4,682,944
2015	$11,322	$67,210	$4,786,890
2016	$11,682	$68,964	$4,880,293
2017	$12,037	$70,846	$4,999,879
Projected			
2028	$14,863	$84,693	$5,806,564
Compound Annual Growth Rate			
2007–2009	-5.7%	-5.6%	-5.7%
2009–2017	3.7%	3.1%	2.9%
2007–2017	1.8%	1.3%	1.1%
2017–2028	1.9%	1.6%	1.4%

NOTE: In 2009 dollars; amounts in millions.
SOURCE: Woods and Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source (CEDDS), April 2018.

Table 4-7 also presents projections of total retail sales for 2028. According to data from Woods and Poole Economics, Inc., total retail sales for the Air Trade Area are projected to increase from approximately $12.0 billion in 2017 to approximately $14.9 billion in 2028. This increase represents a CAGR of 1.9 percent, compared to a 1.6 percent growth rate for South Carolina and a 1.4 percent growth rate for the nation.

International trade is also an important component of the South Carolina and Air Trade Area economies. According to the February 2018 report from the U.S. Department of Commerce's International Trade Administration, over 156,00 jobs in South Carolina depend on international trade, and 98 percent of these jobs were supported by manufactured goods exports. Based on 2015 data, export-supported jobs account for approximately 8 percent of South Carolina's total private-sector employment. In 2016, the Air Trade Area exported $9.5 billion in merchandise, making it the 31st largest exporter in the United States. This was an increase of 47 percent ($3.1 billion) over 2015 exports, which was the second-highest percent increase amongst all U.S. metropolitan areas. Air Trade Area exports have grown 489 percent since 2006, and they now account for 30 percent of South Carolina's total merchandise exports. Transportation equipment exports (particularly aircraft products and parts) comprise the largest share of exports.

Manufacturing

Manufacturing employment in the Air Trade Area increased at a CAGR of 1.6 percent between 2007 and 2017 (the third-fastest rate of increase of any Air Trade Area industry sector between 2007 and 2017), compared to a decrease of 1.1 percent for the nation over the same period. In 2017, the manufacturing sector accounted for approximately 26,500 employees in the Air Trade Area, representing 7.5 percent of total nonagricultural employment.

The Air Trade Area's manufacturing base is quite diverse, including significant concentrations of manufacturers specializing in areas such as primary metals (e.g., Nucor Steel, Alcoa) and machinery. However, transportation equipment manufacturing is a particular area of strength:

- **Boeing South Carolina.** Boeing South Carolina's facilities, the single largest industrial investment in South Carolina's history, currently occupy approximately 730 acres of land adjacent to the Airport and employ approximately 7,400 people (primarily in relatively higher-wage manufacturing, engineering, and managerial positions). The ongoing economic impact of the Boeing South Carolina operations in the Air Trade Area is estimated to be approximately $11.0 billion per year.[17]

  Boeing South Carolina began in 2004 as two companies: Vought Aircraft Industries, Charleston Operations, and Global Aeronautica LLC. These companies were independently manufacturing fuselage parts for the B-787 Dreamliner aircraft program. In 2008, Boeing bought Vought's Charleston Operations and Global Aeronautica, to gain improved control over the B-787 manufacturing supply chain, and renamed the combined operation Boeing South Carolina.

  In October 2009, Boeing selected the North Charleston site for a new $750 million B-787 final assembly and delivery line and, in 2010, began building a new facility to supply B-787 interior parts to the final assembly and delivery facility. The first B-787 aircraft from the Charleston facilities was delivered to Air India in October 2012. Boeing South Carolina builds all three versions of the 787—the 787-8, 787-9, and 787-10—at the facility and is the sole manufacturer of B-787-10 aircraft.

  In 2011, Boeing opened the first of three facilities at a new 141-acre north campus, 10 miles from Boeing South Carolina's main campus; the new facility manufactures 787 interior parts. The north campus expanded in 2014, with the opening of the Boeing Research & Technology Center, which focuses on advanced manufacturing technology and composite fuselage manufacturing; and Propulsion South Carolina, where the design and assembly of the 737 MAX engine nacelle inlet is done. Boeing has invested more than $2 billion in land, facilities, infrastructure, and tooling in South Carolina since breaking ground in 2009,[18] most recently a 256,000-square-foot decorative paint facility on the main campus that opened in late 2016.

- **Robert Bosch, LLC**. Germany-headquartered Robert Bosch, LLC is one of the world's largest suppliers of automobile components and employs approximately 1,800 people in the Air Trade Area. The company's Air Trade Area operation, which has been expanded six times since 1973, manufactures diesel and gasoline fuel injection systems, ESP/ABS brake systems, and exhaust gas treatment systems. There are product development facilities on-site for adapting products to North American market needs, and the plant is also a center of competency for material applications. In addition to Robert Bosch, the Air Trade Area is home to nearly 100 other automotive manufacturers, including Daimler and Force Protection, employing an additional 4,400 people.

[17] Center for Business Research, "The Economic Impact of Charleston International Airport Complex," January 2015.

[18] Charleston Business, "State of The Low Country: Boeing Big Draw for Aerospace Suppliers," May 2018.

- **Volvo Cars.** The Swedish-based, Chinese-owned automaker opened its first North American manufacturing center on a 1,600-acre site in Berkeley County in 2017. The $500-million facility will be the global production home for the company's all-new S60 sedan and will employ 2,000 workers once full production is reached (expected in 2018). In late 2017, Volvo announced it is investing an additional $520 million and creating 1,900 new jobs at the site. The additional investment will add an additional product line, the XC90, to the center's operations in 2021, and it will also support the construction of a new office operations facility. Volvo also expects to attract supplies and other industry to the region.
- **Mercedes-Benz Vans.** Mercedes-Benz Vans, which has been in North Charleston since 2006, is near completion of a $500 million expansion of its North Charleston plant. In September 2018, the new plant to manufacture Sprinter commercial vans opened. The project, which more than triples the size of the previous site, includes new body and paint shops and expanded assembly and administrative buildings. Previously, Sprinter vans sold in the United States were built in Germany, disassembled, and sent to the North Charleston plant for reassembly to avoid tariffs; 900 of the 1,300 workers planned for the plant were already on-site at the time of its opening.

Construction

Construction employment in the Air Trade Area decreased at a CAGR of 0.8 percent between 2007 and 2017, compared to a decrease of 0.9 percent for the nation over the same period. In 2017, the construction sector accounted for approximately 20,200 employees in the Air Trade Area, which accounted for 5.7 percent of total nonagricultural employment.

In 2018, according to commercial real estate brokerage firm Avison Young, the continued positive absorption of available space in the Air Trade Area's commercial office real estate market will lead to the first significant speculative building (approximately 150,000 to 200,000 square feet of supply) since the 2007–2009 economic recession.[19] Construction of multiple large-scale, mixed-use developments began in 2017—several of which will come to market in 2018, adding considerably to the office inventory. Vacancy rates are expected to fluctuate in 2018 as absorption takes hold.

Office vacancy rates in the Downtown Business District continue to be some of the lowest in the country, and lease rates for Class A office space are expected to tighten as supply declines. The retail real estate market continues to show signs of strength across the Air Trade Area, with the Downtown and Summerville submarkets performing the strongest. National media attention on the historic downtown Charleston area has resulted in a spike in demand, as well as increases in rents to more than $40 per square feet for prime retail space along the tourist corridors.

Charleston's industrial real estate market grew in 2017. A new development near the Ashley River called Westedge Development touts a state-of-the-art lab space, incubator and accelerator space, general office space, 575 new living spaces, Publix Super Market, restaurants, and retail shops, as well as additional hotel options for clients, patients, and partners alike.

Both building permits and housing sales and prices are indirect indicators of employment in the construction sector. As shown in **Table 4-8**, Air Trade Area residential building permits and valuation experienced a similar "bust" and somewhat more of a "boom" cycle than what was experienced by the United States as a whole over the 2007 to 2017 period. From 2007 until the bottom of the most recent residential real estate building cycle in 2009, the Air Trade Area's residential building permit units decreased at a CAGR of 34.0 percent (compared to a decrease of 35.4 percent for the United States), and building permit valuation decreased at a CAGR of 36.4 percent (compared to a

[19] Avison Young, "2018 Forecast Commercial Real Estate – Canada & U.S.," January 2018.

decrease of 34.9 percent for the United States). From 2009 through 2017, the Air Trade Area's residential building permit units increased at a CAGR of 12.1 percent (compared to an increase of 10.2 percent for the United States), and building permit valuation increased at a CAGR of 15.4 percent (compared to an increase of 13.1 percent for the United States).

TABLE 4-8 RESIDENTIAL BUILDING PERMITS AND VALUATION

	AIR TRADE AREA		SOUTH CAROLINA		UNITED STATES	
YEAR	UNITS	VALUATION	UNITS	VALUATION	UNITS	VALUATION
2007	6,780	$1,267,712	40,631	$6,318,566	1,398,415	$225,236,551
2008	5,172	$864,511	25,918	$4,238,711	905,359	$141,623,457
2009	2,949	$512,509	15,529	$2,534,462	582,963	$95,410,298
2010	3,060	$605,563	14,021	$2,489,139	604,610	$101,943,061
2011	3,822	$663,856	15,542	$2,760,219	624,061	$105,268,541
2012	4,593	$867,445	18,708	$3,443,115	829,658	$140,425,307
2013	5,417	$1,046,585	24,725	$4,881,686	990,822	$177,655,914
2014	6,155	$1,213,233	27,551	$5,428,946	1,052,124	$194,349,701
2015	6,590	$1,347,644	31,030	$6,242,696	1,182,582	$223,611,322
2016	6,974	$1,438,352	32,165	$6,723,604	1,206,642	$237,101,605
2017[1]	7,373	$1,610,036	34,730	$7,763,489	1,264,051	$254,605,033
Compound Annual Growth Rate						
2007–2009	-34.0%	-36.4%	-38.2%	-36.7%	-35.4%	-34.9%
2009–2017	12.1%	15.4%	10.6%	15.0%	10.2%	13.1%

NOTES: Dollar amounts in thousands.
1 Preliminary data.
SOURCE: U.S. Department of Commerce, Bureau of the Census, February 2018.

Air Trade Area home sales grew 3.3 percent in 2017, and the 18,381 residential transactions during the year exceeded the existing residential sales record for the region set in 2005. The median home price rose 4.7 percent to $251,333 in 2017.[20] The latest year-to-date data indicate that more than 9,355 homes were sold in the Air Trade Area from January through June 2018, with a median price of $265,000.[21] Sales volumes and median home price were each up 6.0 percent over the January through June period in 2018.

Financial

Financial, insurance, and real estate services comprise the financial sector. Financial employment in the Air Trade Area increased at a CAGR of 1.5 percent between 2007 and 2017, compared to an increase of 0.1 percent for the nation over the same period. In 2017, the financial sector accounted for approximately 14,900 employees in the Air Trade Area, which accounted for 4.2 percent of total nonagricultural employment.

[20] "Charleston-Area Home Sales Bolted to New Record in 2017," *The Post and Courier* [Charleston], January 17, 2018.

[21] "Charleston-Area Home Sales Skid with Low Housing Stock," *The Post and Courier* [Charleston], July 11, 2018.

The financial sector plays a relatively smaller role in the Air Trade Area's employment base than in the nation overall. No financial sector employers are included in the Air Trade Area's major employers shown in Table 4-6. According to the most recent Federal Deposit Insurance Corporation statistics, the Air Trade Area has 33 commercial banks with 195 offices. In 2017, Wells Fargo, the nation's third-largest bank by assets, had the largest market share of deposits of any bank in the Air Trade Area.

Table 4-9 presents total bank deposits for the Air Trade Area, South Carolina, and the United States between 2007 and 2017.[22] Total bank deposits are an indication of the economic activity of the financial sector. As shown, total bank deposits in the Air Trade Area increased from approximately $8.9 billion in 2007 to approximately $13.2 billion in 2017. This increase represents a CAGR of 4.1 percent during this period, which was higher than that for South Carolina, yet lower than that for the nation (CAGRs of 2.8 and 5.9 percent, respectively) during this same period.

TABLE 4-9 TOTAL BANK DEPOSITS

	TOTAL BANK DEPOSITS		
FISCAL YEAR	AIR TRADE AREA	SOUTH CAROLINA	UNITED STATES
Historical			
2007	$8,869	$64,091	$6,702,053
2008	$9,095	$66,549	$7,025,791
2009	$9,555	$69,795	$7,559,590
2010	$9,805	$70,250	$7,676,878
2011	$9,437	$67,872	$8,249,403
2012	$9,699	$67,387	$8,947,244
2013	$9,960	$68,485	$9,433,522
2014	$10,351	$69,909	$10,112,724
2015	$11,395	$75,106	$10,657,721
2016	$12,238	$79,023	$11,280,518
2017	$13,249	$84,508	$11,860,421
Compound Annual Growth Rate			
2007–2017	4.1%	2.8%	5.9%

NOTE: Dollar amounts in millions; fiscal year ending June 30.
SOURCE: Federal Deposit Insurance Corporation (FDIC), *Summary of Deposits Report*, February 2018.

Transportation/Utilities

Transportation/utilities employment in the Air Trade Area increased at a CAGR of 1.9 percent between 2007 and 2017, compared to an increase of 1.2 percent for the nation over the same period. In 2017, the transportation/utilities sector accounted for approximately 14,500 employees in the Air Trade Area, which accounted for 4.1 percent of total nonagricultural employment.

[22] As depicted in Table 4-9, the 12-month period ends June 30.

Air transportation demand in the Air Trade Area is primarily serviced by the Airport. The Air Trade Area is also supported by additional transportation infrastructure, providing both passenger and freight access.

- The Air Trade Area is directly connected to major U.S. markets via an integrated network of interstate highways. I-26 is the primary Interstate highway artery into and out of Charleston. I-95 (the major north–south interstate on the U.S. east coast), I-77, I-20, I-85, and I-40 are all directly linked to Charleston via I-26. Transport throughout the Air Trade Area would also be enhanced by the proposed completion of I-526, which would connect West Ashley to James and Johns Island.
- Ocean shipping is facilitated by the Port of Charleston's facilities, which include five public terminals owned and operated by the South Carolina Ports Authority. These facilities handle containers, motor vehicles, and other rolling stock, noncontainerized goods, and project cargo, as well as Charleston's cruise ship operation. Additional Port facilities are privately-owned and operated, handling bulk commodities, including petroleum, coal, and steel. The Port is presently the deepest water port in its competitive region; however, dredging the harbor from its current 45 feet to 52 feet is necessary to fully accommodate the new generation of larger container ships that began calling when the Panama Canal expansion opened in 2016. Large Post-Panamax vessels already call on Charleston's ports at high tide, but the deepening of the harbor will allow these ships to call on Charleston at all times. Dredging began in February 2018, and with a channel depth of 52 feet and entrance channel depth of 54 feet, as well as enlarged turning basins, Charleston will be the deepest harbor on the East Coast when the project is completed in 2020. Construction is also underway on a new container terminal at the Port, which will increase container capacity by 50 percent.
- Freight rail service in the Air Trade Area is provided by CSX Railroad and Norfolk Southern, which operate large, well-equipped rail yards and are Class I railways.
- Passenger rail service is provided to and from the Air Trade Area by Amtrak. The Palmetto (daily New York–Savannah via Charleston) and Silver Meteor (daily New York–Miami via Charleston) trains stop at the Amtrak station in North Charleston. A new intermodal transportation center is being constructed in North Charleston (near the Airport) that will house Amtrak, intercity and local bus service, and taxis. The new center was opened in December 2018.
- Public transit in the Air Trade Area is provided by the Charleston Area Regional Transportation Authority (CARTA). CARTA offers a variety of bus transit services, including the free Downtown Area Shuttle service in the downtown peninsula area of Charleston.
- Greyhound Bus Lines provides regularly scheduled bus service to and from the Air Trade Area and serves Charleston through a depot in North Charleston.

The South Carolina Public Service Authority, often referred to as Santee Cooper, is a major employer in the Air Trade Area (approximately 1,250 employees) and is headquartered in Berkeley County. Santee Cooper is South Carolina's state-owned electric and water utility, and the state's largest power producer, supplying electricity to more than 176,000 retail customers in Berkeley, Georgetown, and Horry Counties.

The Air Trade Area also has an emerging wind energy industry, centered around the world's largest wind turbine drivetrain testing facility, the SCE&G Energy Innovation Center, located at the Clemson University Restoration Institute in North Charleston. Designed, built, and operated by Clemson University and opened in 2013, the center was funded in part by a $45 million grant from the U.S. Department of Energy, whose objective with the project is to accelerate the development and deployment of new wind turbine technology, to reduce the cost of energy delivered, and to support the country's push towards energy independence.[23]

Information

The information sector combines telecommunications service providers, traditional publishing, motion picture and sound recording, broadcasting, software, online services, and data processing. Information employment in the Air Trade Area increased at a CAGR of 0.9 percent between 2007 and 2017, compared to a decrease of 0.8 percent for the nation over the same period. In 2017, the information sector accounted for approximately 6,100 employees in the Air Trade Area, which accounted for 1.7 percent of total nonagricultural employment.

One traditional information sector employer in the Air Trade Area is Evening Post Industries, whose subsidiaries include television stations and newspapers in nine states, including the South's oldest daily newspaper, Charleston's *The Post and Courier*.

The rapid growth of the Air Trade Area's information technology sector has led the Air Trade Area to become informally known as "Silicon Harbor."[24] According to the Charleston Regional Development Alliance, Charleston is one of the fastest growing midsize metropolitan areas for software industries and occupations. In early 2001, the City of Charleston created the Charleston Digital Corridor (CDC) to incubate new companies in this sector. The CDC today has 102 member-companies (up from 18 at its founding), including:

- Google, which has progressively increased its investment in the Air Trade Area in the last decade. The online search giant now has three data centers and $1.2 billion invested on its site in Berkeley County.
- Benefitfocus, the largest healthcare and voluntary employer benefits software provider in the United States, has 1,000 employees in the Air Trade Area.
- BoomTown, which is a real-estate software company that employs nearly 100 workers in the Air Trade Area.

Among the companies participating in the CDC's 2017 Annual Wage & Job Growth Survey, 91 percent added high-wage jobs in 2012, and they expected to continue doing so in 2018.[25]

4.3 ECONOMIC OUTLOOK

4.3.1 SHORT-TERM ECONOMIC OUTLOOK

According to a 2018–2019 economic forecast prepared by the Charleston Metro Chamber of Commerce in March 2018, the forecast is "for the economy to expand, with the momentum climbing over the next two years. The region will expand at a pace that far outpaces other regions in the Southeast and throughout the United States." Job growth across all sectors is expected to continue into 2018 and 2019. Total sales of homes in the Air Trade Area are projected to rise by 2 percent in both 2018 and 2019. The average sales price is expected to rise by 3 percent for each of the next two years.[26]

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[23] Clemson University, SCE&G Energy Innovation Center, http://clemsonenergy.com/about/ (accessed February 1, 2018).

[24] "The Rise of Silicon Harbor," *Charleston Magazine*, January 2013.

[25] Charleston Digital Corridor, "Charleston Tech Economy Remains Strong In 2017," October 31, 2017.

[26] The information included in this section is from the following document: Charleston Metro Chamber of Commerce Center for Business Research, "Economic Outlook Forecast: 2013-2014," March 2013.

4.3.2 LONG-TERM ECONOMIC ASSUMPTIONS INCORPORATED IN PASSENGER DEMAND FORECASTS

As described in more detail in Chapter 5, the methodologies used in developing forecasts of enplaned passengers at the Airport included (among other methodologies) statistical linear regression modeling, with local and national socioeconomic and demographic factors as independent variables and enplaned passengers as the dependent variable. Independent variables considered for this analysis included population, employment, personal income (per capita and total), and gross regional/domestic product. For each of these socioeconomic and demographic factors, the regression modeling produced a coefficient that was applied to the Woods & Poole projection of the corresponding socioeconomic or demographic factor to provide a forecast of enplaned passengers. **Table 4-10** presents the CY 2017 and CY 2028 figures used in the modeling, as well as the CAGR for each independent variable between CY 2017 and CY 2028. As previously stated, the demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area. The projected growth in the economic indicators in Table 4-10 support the underlying assumptions that drive the airline activity forecasts discussed in Chapter 5.

TABLE 4-10 PROJECTION OF ECONOMIC VARIABLES USED IN PASSENGER DEMAND FORECASTS

VARIABLE	CY 2017	CY 2028	CAGR 2017–2028
ATA Population	774,467	943,298	1.8%
U.S. Population	325,888,129	360,689,467	0.9%
ATA Total Employment	476,984	596,370	2.1%
U.S. Total Employment	198,989,688	232,064,789	1.4%
ATA Total Personal Income[1]	$32,039	$44,881	3.1%
U.S. Total Personal Income[1]	$14,773,992	$18,710,033	2.2%
ATA Per Capita Personal Income[2]	$41,370	$47,579	1.3%
U.S. Per Capita Personal Income[2]	$45,335	$51,873	1.2%
ATA Gross Regional Product (GRP)[1]	$35,195	$46,561	2.6%
U.S. Gross Domestic Product (GDP)[1]	$17,204,393	$21,023,958	1.8%

NOTES: In this table, ATA refers to the Airport's Air Trade Area.
CY – Calendar Year
CAGR – Compound Annual Growth Rate
1 Figures displayed in millions of 2009 dollars.
2 Figures in 2009 dollars.
SOURCE: Woods and Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source (CEDDS), April 2018.

4.3.3 CONCLUSIONS

The Air Trade Area population was 774,467 in CY 2017, and it is projected to increase to 943,298 by CY 2028. This represents a 1.8 percent CAGR for the Air Trade Area, which is higher than South Carolina and the United States during the same period (1.2 percent and 0.9 percent, respectively).

Per capita personal income in the Air Trade Area was lower than in the United States between CY 2007 and CY 2017. The Air Trade Area's per capita personal income in CY 2017 ($41,370) was 9.6 percent lower than per capita personal income in the United States ($45,335); however, it was 12.2 percent higher than South Carolina ($36,327). Per capita personal income in the Air Trade Area is projected to increase at a CAGR of 1.3 percent between CY 2017 and CY 2028, which is comparable to the projected CAGR of 1.2 percent for the United States and South Carolina.[27]

Between CY 2007 and CY 2017, the Air Trade Area's labor force grew at a CAGR of approximately 1.9 percent; this is higher than the United States during the same period, which grew at a CAGR of 0.5 percent.

In terms of percentages of industry sector shares, CY 2017 employment in the following industry sectors in the Air Trade Area exceeded employment in the United States: transportation/utilities, construction, and government.

The data cited in this chapter support the conclusion that the Air Trade Area has a large and diverse economy that can support increased airline travel demand at the Airport through the Projection Period (ending FY 2028).

[27] Amounts are in 2009 dollars.

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5. PASSENGER DEMAND AND AIR SERVICE ANALYSIS

This chapter describes historical aviation and air service activities at the Airport, discusses key factors affecting trends in these activities, and presents forecasts of future air passenger demand for the Airport.

5.1 AIRLINES SERVING THE AIRPORT

As of January 2019, eight scheduled passenger air carriers operate at the Airport. As listed in **Table 5-1**, in addition to the eight mainline carriers, eleven additional regional carriers provide service as affiliates or subsidiaries of various legacy/mainline carriers (Delta, American, and United Airlines [United]) on a contract basis.

TABLE 5-1 AIRLINES SERVING THE AIRPORT

MAINLINE AIRLINES (8)	REGIONAL AIRLINES (11)
Alaska	Champlain Enterprises Inc. dba CommutAir (United)
Allegiant	Endeavor Air (Delta)
American	Envoy Air Inc. (American)
Delta	ExpressJet (United)
Frontier	GoJet Airlines LLC (Delta, United)
JetBlue	Mesa Airlines (United)
Southwest	Piedmont Airlines (American)
United	PSA Airlines, Inc. (American)
	Republic Airline (American, Delta, United)
	SkyWest Airlines (Delta, United)
	Trans States Airlines (American, United)

NOTE: Carriers scheduled in January 2019.
SOURCE: Innovata, January 2019.

Table 5-2 presents the scheduled passenger air carrier base at the Airport since FY 2009. Specific points concerning the scheduled passenger air carrier base at the Airport include the following:

- The Airport has had the benefit of a relatively stable scheduled passenger air carrier base during the years shown. Delta, United, and American, inclusive of their regional carrier affiliates currently serving the Airport, have operated at the Airport throughout this period.
- AirTran Airways (AirTran) ceased operations to the Airport in December 2009 (FY 2010).
- Southwest Airlines (Southwest) initiated service in FY 2011 with service to Baltimore/Washington International Thurgood Marshall (BWI), Chicago Midway International (MDW), William P. Hobby (HOU), and Nashville International (BNA) Airports.
- JetBlue Airways (JetBlue) initiated service in FY 2013 with nonstop service to Boston Logan International (BOS) and John F. Kennedy International (JFK) Airports.
- Alaska Airlines (Alaska) initiated service in FY 2016 with nonstop service to Seattle-Tacoma International Airport (SEA).

- Allegiant Air (Allegiant) initiated service in FY 2018 with nonstop service to Cincinnati/Northern Kentucky International (CVG), Indianapolis International (IND), and Pittsburgh International (PIT) Airports.
- Frontier Airlines (Frontier) initiated service in FY 2018 with nonstop service to Austin-Bergstrom International (AUS), Denver International (DEN), Chicago O'Hare International (ORD), Philadelphia International (PHL), and Trenton-Mercer (TTN) Airports.

TABLE 5-2 HISTORICAL SCHEDULED PASSENGER AIR CARRIER BASE

AIR CARRIER [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 [2]
Delta	●	●	●	●	●	●	●	●	●	●
United	●	●	●	●	●	●	●	●	●	●
American	●	●	●	●	●	●	●	●	●	●
Southwest			●	●	●	●	●	●	●	●
JetBlue					●	●	●	●	●	●
Alaska								●	●	●
Allegiant										●
Frontier										●
Airlines No Longer Serving the Airport										
AirTran	●	●								

NOTES: Fiscal year ended June 30.
1 Where applicable, includes affiliated, regional, and merged carriers.
2 Scheduled in January 2019.
SOURCES: Charleston County Aviation Authority, August 2018; Innovata, January 2019.

5.2 AIR SERVICE ANALYSIS

5.2.1 HISTORICAL AIRLINE MARKET SHARES

Table 5-3 presents the historical share of enplaned passengers by airline at the Airport between FY 2014 and FY 2018. In each year Delta[1] held the largest market share, serving at least 28.5 percent of total enplaned passengers, with a peak of 34.4 percent in FY 2014. In each of these years, American[2] held the second highest market share. American's market share peaked in FY 2015 at 26.7 percent, and it was 24.6 percent in FY 2018. The top two airlines in FY 2018 (Delta and American) accounted for at least 53.1 percent of total Airport enplaned passengers in each year of the period.

Southwest ranked as the third largest airline at the Airport in FY 2018, serving 16.0 percent of enplaned passengers. United ranked as the fourth largest airline, serving 14.6 percent of enplaned passengers in FY 2018. JetBlue ranked fifth in FY 2018, serving 12.8 percent of enplaned passengers.

[1] All historical Delta Air Lines figures include the former Northwest Airlines figures as part of the combined carrier. The FAA issued a single-operating certificate in December 2009.

[2] All historical American Airlines figures include the former US Airways figures as part of the combined carrier. The FAA issued a single-operating certificate in April 2015.

TABLE 5-3 HISTORICAL TOTAL ENPLANED PASSENGERS BY AIRLINE

	2014		2015		2016		2017		2018	
AIRLINE [1]	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE
Delta	524,833	34.4%	524,842	32.2%	569,754	31.5%	581,183	30.4%	598,160	28.5%
American [2]	406,817	26.7%	413,478	25.4%	433,699	24.0%	452,975	23.7%	515,043	24.6%
Southwest	277,271	18.2%	288,676	17.7%	308,574	17.0%	314,893	16.4%	335,630	16.0%
United	204,375	13.4%	216,596	13.3%	254,702	14.1%	264,195	13.8%	306,741	14.6%
JetBlue	108,886	7.1%	181,163	11.1%	221,587	12.2%	272,975	14.3%	268,677	12.8%
Alaska	0	0.0%	0	0.0%	15,221	0.8%	26,885	1.4%	31,961	1.5%
Frontier	0	0.0%	0	0.0%	0	0.0%	0	0.0%	28,900	1.4%
Allegiant	0	0.0%	0	0.0%	0	0.0%	0	0.0%	10,014	0.5%
Other [3]	1,499	0.1%	5,392	0.3%	7,005	0.4%	1,562	0.1%	1,624	0.1%
Airport Total [4]	**1,523,681**	**100.0%**	**1,630,147**	**100.0%**	**1,810,542**	**100.0%**	**1,914,668**	**100.0%**	**2,096,750**	**100.0%**

NOTES: Fiscal year ended June 30.
1 Includes regional/commuter affiliates.
2 US Airways merged with American, and the FAA granted a single operating certificate to American on April 8, 2015. All data include US Airways airlines.
3 Includes airlines with minimal market share or airlines that may not operate at the Airport as of FY 2018.
4 May not sum to total due to rounding.
SOURCE: Charleston County Aviation Authority, September 2018.

5.2.2 NONSTOP MARKETS

An important airport characteristic is the existence of nonstop airline service to the airport's largest markets, which is a function of air travel demand and airline profitability or supportability. **Table 5-4** presents historical data on the Airport's top 20 domestic O&D markets during FY 2018, as measured by total O&D passengers. The top 20 markets accounted for approximately 67 percent of total O&D passengers at the Airport. As of June 2018, 16 of the top 20 markets had nonstop service from the Airport. Nine of the top 20 domestic O&D markets are medium-haul markets, or markets between 601 to 1,800 miles in distance from the Airport. Eight of the medium-haul markets are served with nonstop service from the Airport. Seven of the top 20 markets are short-haul distances, within 600 miles from the Airport, and four of the top 20 markets are long-haul distances over 1,800 miles. As shown in Table 5-4, the top domestic O&D market is New York (medium-haul), followed by Washington (short-haul). The largest domestic O&D long-haul market is Seattle, which is ranked tenth. The average fare across all domestic markets served from the Airport is $178, which is higher than the national average fare of $167.

TABLE 5-4 TOP 20 DOMESTIC ORIGIN AND DESTINATION MARKETS (FISCAL YEAR 2018)

RANK	MARKET	STAGE LENGTH [1]	TOTAL O&D PASSENGERS	AVERAGE FARE	NONSTOP SERVICE [2]
1	New York [3]	MH	519,777	$144	●
2	Washington [5]	SH	297,870	$116	●
3	Chicago [4]	MH	225,632	$153	●
4	Boston	MH	175,677	$156	●
5	Baltimore	SH	128,079	$140	●
6	Dallas [6]	MH	118,423	$179	●
7	Philadelphia	SH	104,690	$190	●
8	Houston [7]	MH	99,045	$158	●
9	Denver	MH	91,009	$175	●
10	Seattle	LH	81,414	$227	●
11	Atlanta	SH	78,566	$219	●
12	Nashville	SH	74,880	$145	●
13	Los Angeles	LH	68,389	$261	
14	Detroit	MH	62,656	$207	●
15	Miami	SH	61,218	$142	●
16	Ft. Lauderdale	SH	55,260	$120	●
17	San Francisco	LH	53,636	$259	
18	St. Louis	MH	51,009	$157	●
19	Las Vegas	LH	43,579	$233	
20	Minneapolis	MH	43,042	$206	
Total Top 20 Airports			**2,433,851**		
Other O&D Markets			**1,254,489**		
Total O&D Passengers			**3,688,340**	**$178**	

NOTES: O&D – Origin and Destination
1 Short Haul (SH) = 0 to 600 miles; Medium Haul (MH) = 601 to 1,800 miles; Long Haul (LH) = over 1,800 miles
2 Nonstop service as of December 2018.
3 Includes John F. Kennedy International (JFK), LaGuardia (LGA), and Newark Liberty International (EWR).
4 Includes Chicago O'Hare International (ORD) and Chicago Midway International (MDW).
5 Includes Ronald Reagan Washington National (DCA) and Washington Dulles International (IAD).
6 Includes Dallas Love Field (DAL) and Dallas Fort Worth International (DFW).
7 Includes William P. Hobby (HOU) and George Bush Intercontinental (IAH).
SOURCES: U.S. Department of Transportation, Origin & Destination Survey, November 2018; Innovata, November 2018.

Table 5-5 presents data on the Airport's nonstop destination airports[3] as of December 2018. The table includes the airports served, the average daily number of nonstop departures to each airport, and the airlines providing nonstop service to these airports. As shown, daily nonstop service is provided to 23 airports, with an average of 66 daily departures. Primary O&D markets with a significant number of daily nonstop flights include: Hartsfield-Jackson Atlanta International Airport (ATL) with 10 average daily departures, Charlotte Douglas International Airport (CLT) with 9 average daily departures, and Ronald Reagan Washington National Airport (DCA) with 6 average daily departures. The largest O&D market, New York, averages 12 daily nonstop departures (JFK, Newark Liberty International Airport [EWR] and LaGuardia Airport [LGA] combined).

TABLE 5-5 NONSTOP MARKETS

MARKET	AVG DAILY NONSTOPS[1]	NUMBER OF AIRLINES	AIRLINE (OPERATING CARRIER) – AVERAGE DAILY DEPARTURES (AIRPORT)
Atlanta (ATL)	10	1	Delta
Austin (AUS)[2]	<1	1	Frontier (2x weekly)
Baltimore (BWI)	3	1	Southwest
Boston (BOS)	2	2	JetBlue (2x daily), Delta (1x daily)
Charlotte (CLT)	9	1	American
Chicago-Midway (MDW)	2	1	Southwest
Chicago-O'Hare (ORD)	4	3	United (3x daily), American (1x daily seasonally), Frontier (2x weekly seasonally)
Cincinnati (CVG)	<1	1	Allegiant (2 to 3x weekly)
Cleveland (CLE) [2]	<1	2	Frontier (1x weekly), United (1x weekly)
Dallas-Love (DAL) [2]	<1	1	Southwest (2x weekly)
Dallas/Fort Worth (DFW)	2	1	American
Denver (DEN)	1	2	Frontier (3x weekly), Southwest (<1x daily)
Detroit (DTW)	1	1	Delta
Ft. Lauderdale (FLL)	1	1	JetBlue
Houston-Hobby (HOU)	1	1	Southwest
Houston-Intercontinental, (IAH)	2	1	United
Indianapolis (IND) [2]	<1	1	Allegiant (2x weekly)
Miami (MIA)	3	1	American
Minneapolis/St. Paul (MSP) [2]	<1	1	Frontier (2x weekly)
Nashville (BNA)	1	1	Southwest
New York-Kennedy (JFK)	5	2	JetBlue (3x daily), Delta (2x daily)
New York-La Guardia (LGA)	3	2	Delta (3x daily), American (2x weekly seasonally)
Newark (EWR)	4	1	United
Philadelphia (PHL)	4	2	American (3x daily), Frontier (4x weekly)
Pittsburgh (PIT) [2]	<1	1	Allegiant (2x weekly)
Seattle (SEA)	1	1	Alaska
St. Louis (STL) [2]	<1	1	Southwest (1x daily)
Trenton (TTN) [2]	<1	1	Frontier (4x weekly)
Washington-Dulles (IAD)	3	1	United
Washington-National (DCA)	6	2	American (4x daily), JetBlue (2x daily)
Total	**70**		

NOTES:
1 Average daily nonstop service during the 12 months ending December 2018.
2 Destination served seasonally during the 12 months ending December 2018
SOURCE: Innovata, November 2018.

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[3] Includes seasonal service during the twelve months ending December 2018.

5.2.3 AIRLINE TRENDS RELATED TO HISTORICAL TOTAL PASSENGER ACTIVITY AT THE AIRPORT

Table 5-6 and **Exhibit 5-1** present 10 years of historical enplaned passenger activity at the Airport. As shown in Table 5-6, the Airport's historical share of nationwide enplaned passengers has increased over this period from approximately 0.16 percent in FY 2009 to 0.24 percent in the 12 months ended January 2018 (latest data available). The data show that, while passenger activity trends at the Airport have fluctuated, passenger growth at the Airport has often exceeded passenger growth for the nation. For the 10-year historical period, total passengers and enplaned passengers at the Airport increased at a CAGR of 7.3 percent, compared to 2.2 percent nationwide. Airport passenger activity levels increased approximately 11.1 percent, 5.8 percent, and 9.5 percent in FY 2016, FY 2017, and FY 2018, respectively.

The Airport has experienced periods of strong passenger growth over the past 10 years, including double-digit percentage increases in FY 2012, FY 2014, and FY 2016, compared to nationwide passenger growth of 1.4 percent, 1.8 percent, and 5.3 percent, in those years respectively. In FY 2010, the Airport experienced declines due to an economic recession that depressed demand for air service, as evidenced by the Airport's 5.0 percent decrease. Nationwide enplaned passengers also experienced declines during the recession.

The FAA classifies the Airport as a small-hub facility based on its percentage of nationwide passenger activity.[4] The Airport ranked 64th in the United States in CY 2017 with 1.9 million enplaned passengers.[5]

TABLE 5-6 HISTORICAL ENPLANED PASSENGERS

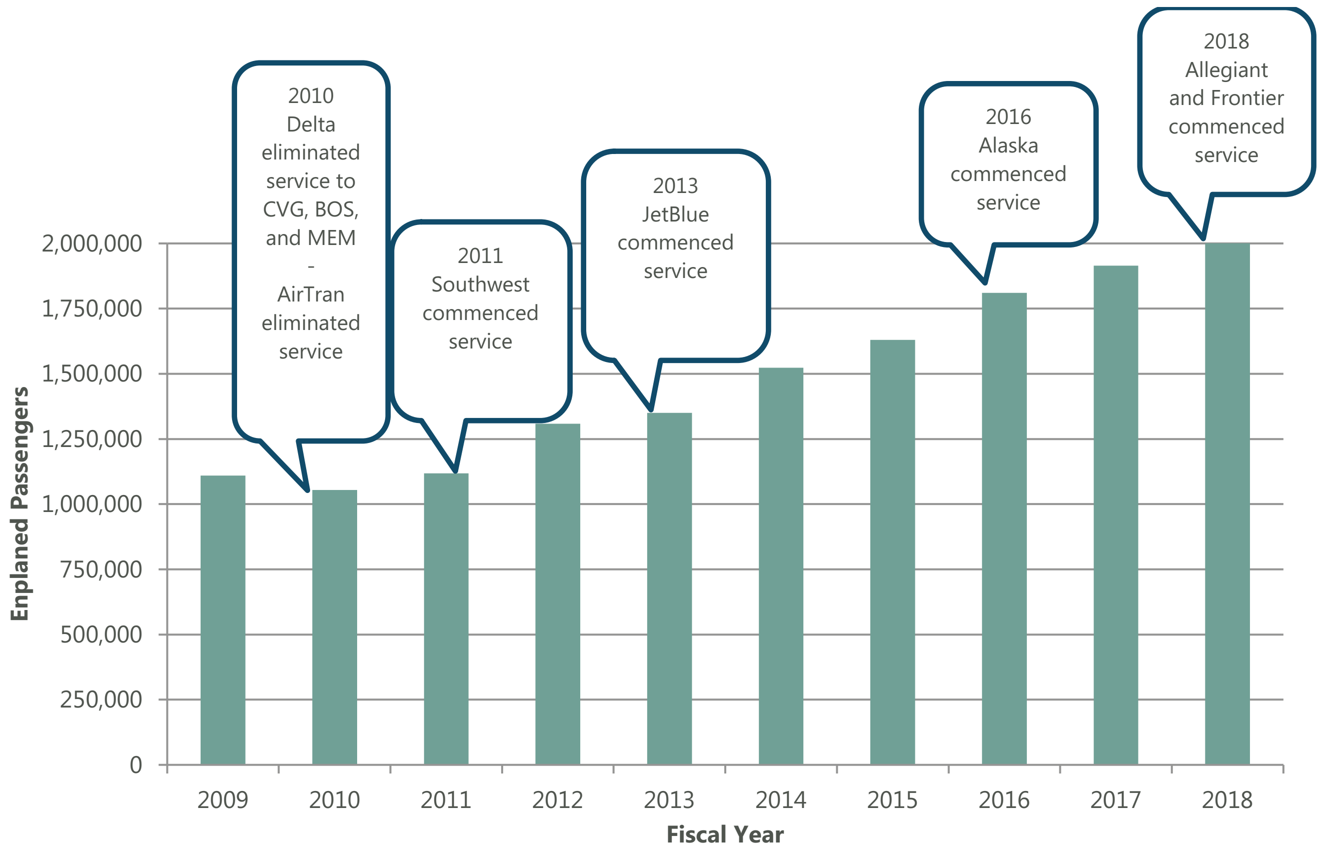
FISCAL YEAR	AIRPORT ENPLANED PASSENGERS	ENPLANED GROWTH	U.S. TOTAL ENPLANEMENTS	U.S. GROWTH	AIRPORT MARKET SHARE
2009	1,109,396		712,683,239		0.16%
2010	1,053,845	(5.0%)	711,490,954	(0.2%)	0.15%
2011	1,117,705	6.1%	731,339,148	2.8%	0.15%
2012	1,308,725	17.1%	741,294,916	1.4%	0.18%
2013	1,350,379	3.2%	742,321,472	0.1%	0.18%
2014	1,523,681	12.8%	755,664,133	1.8%	0.20%
2015	1,630,147	7.0%	782,140,736	3.5%	0.21%
2016	1,810,542	11.1%	823,411,928	5.3%	0.22%
2017	1,914,668	5.8%	848,034,622	3.0%	0.23%
2018	2,096,750	9.5%	882,134,514 [1]	4.0%	0.24%
Compound Annual Growth Rate					
2009–2010	(5.0%)		(0.2%)		
2010–2018	9.0%		2.7%		
2009–2018	7.3%		2.4%		

NOTES: Fiscal year ended June 30.
1 U.S. total enplanements for 12 months ended May 2018 (latest data available).
SOURCES: Charleston County Aviation Authority (Airport Enplaned Passengers), November 2018; Federal Aviation Administration, T-100 (U.S. Total Enplanements), November 2018.

4 As defined by the FAA, a small primary airport enplanes between 0.05 percent and 0.25 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 428,143 to 2,140,716 enplaned passengers in CY 2017, the latest calendar year for determining airport size. The Airport enplaned 1,945,689 people in CY 2017.

5 Federal Aviation Administration, *Preliminary CY 2017 Passenger Boarding Data*, July 2018.

EXHIBIT 5-1 HISTORICAL ENPLANED PASSENGERS



SOURCE: Charleston County Aviation Authority, July 2018.

As shown in Table 5-6, the number of enplaned passengers at the Airport increased from approximately 1,109,000 in FY 2009 to approximately 2,097,000 in FY 2018. Specific details concerning passenger activity at the Airport between FY 2009 and FY 2018 are as follows:

- **FY 2009 – FY 2010.** Enplaned passengers decreased 5.0 percent at the Airport and 0.2 percent for the nation in FY 2010, as the economic recession continued to negatively affect passenger activity. AirTran eliminated service to ATL in December 2009, thus ceasing operations at the Airport entirely. Delta ceased operations to its CVG hub, BOS, and Memphis International Airport (MEM) in FY 2010, and it reduced capacity to LGA. American commenced service to Miami International Airport (MIA) in FY 2010.
- **FY 2011 – FY 2012.** Passenger activity at the Airport increased 6.1 percent in FY 2011 and a further 17.1 percent in FY 2012, to approximately 1,308,700 enplanements. The year-over-year increases are primarily a result of Southwest's entry into the market in FY 2011, in which it initiated service to BWI, MDW, HOU, and BNA. Over this same period, Delta increased its capacity to ATL by transitioning some operations from smaller regional jets to mainline aircraft. In FY 2011, Delta reintroduced service to DCA. In FY 2012, almost all carriers (except for American) experienced increased passenger activity. American decreased capacity to all destinations at the Airport in FY 2012, with capacity to LGA and MIA reduced by more than 25.0 percent. United introduced four-times daily service to EWR and twice-daily service to George Bush Intercontinental Airport (IAH) in March 2012.

- **FY 2013 – FY 2014.** Passenger traffic increased 3.2 percent in FY 2013, while seat capacity increased 2.1 percent. Capacity decreases by American were offset by increased capacity from Delta, JetBlue, and United. JetBlue initiated twice-daily service to JFK and once-daily service to BOS in late February 2013. In FY 2014, passenger traffic increased 12.8 percent, while seat capacity increased 5.8 percent. The increases were largely the effect of a full year of JetBlue's service to JFK and BOS. JetBlue also introduced twice-daily service to DCA in June 2014.
- **FY 2015 – FY 2016.** Passenger traffic increased 7.0 percent in FY 2015, while seat capacity increased 5.7 percent. JetBlue upgauged its average aircraft size serving JFK from the Airport, from mostly 100-seat Embraer E-190 aircraft to mostly 150-seat Airbus A320 aircraft. The Airport also benefitted from a full year of JetBlue service to DCA. United replaced 50-seat regional jets with 70-seat regional jets on its service to Washington Dulles International Airport (IAD) and ORD. In FY 2016, passenger traffic increased 11.1 percent, while seat capacity increased 10.8 percent. All airlines increased seat capacity in FY 2016, with all but Delta and American increasing capacity by more than 10.0 percent. Alaska initiated service at the Airport with four-times weekly service to SEA in November 2015. Southwest's seat capacity increased by 10.3 percent due to the full year effect of a once-daily flight to Dallas Love Field (DAL), which began as once weekly in April 2015 before increasing to once daily in August 2015.
- **FY 2017 – FY 2018.** In FY 2017 passenger traffic increased 5.8 percent, while seat capacity increased 5.6 percent. JetBlue increased seat capacity to all its destinations served from the Airport. FY 2017 was the first full year of Alaska's service to SEA and JetBlue's service to Fort Lauderdale–Hollywood International Airport (FLL). In FY 2018, passenger traffic increased an additional 9.5 percent, while seat capacity increased 11.3 percent. Frontier and Allegiant initiated service at the Airport in February 2018 and April 2018, respectively. Frontier introduced twice-weekly flights to AUS and ORD, three-times weekly flights to DEN, and four-times weekly flights to PHL and TTN. Allegiant introduced twice-weekly flights to IND and PIT and three-times weekly flights to CVG. United and American increased seat capacity by 24.2 percent and 14.4 percent, respectively, in FY 2018. United increased seat capacity largely by upgauging from 50-seat regional jets to larger aircraft on flights to EWR, IAH, and ORD. American increased seat capacity by increasing frequencies to Dallas Fort Worth International Airport (DFW), MIA, and PHL, and it introduced service to ORD.
- **FYTD 2019.** Through the first five months of FY 2019, passenger traffic increased 14.7 percent. British Airways is expected to initiate service at the Airport in April 2019, with twice-weekly flights to London-Heathrow (LHR). Other new service anticipated in FY 2019 includes once-daily service to DEN by United and once-daily service to Minneapolis-St. Paul (MSP) by Delta, as well as twice-weekly seasonal service to MSP by Frontier.

5.2.4 AIRCRAFT OPERATIONS

Table 5-7 presents the number of aircraft operations (take-offs and landings) at the Airport by major user groups between FY 2014 and FY 2018. Air carrier operations at the Airport increased from 28,395 in FY 2014 to 43,093 in FY 2018, a CAGR of 11.0 percent. Delta, United, and American's transition from 50-seat regional jets to larger aircraft during this period have resulted in increased air carrier activity and a corresponding decrease in air taxi activity (as noted in Table 5-7, aircraft designed to have a seating capacity of 60 seats or less or a maximum payload capacity of 18,000 pounds or less carrying passengers or cargo for hire or compensation are classified as air taxi aircraft by the FAA). These increases can also be partially attributed to the expanding service of JetBlue, as well as the introduction of service by Alaska, Frontier, and Allegiant. The air taxi activity levels between FY 2014 and FY 2018 decreased at an annual rate of 6.9 percent. From FY 2015 to FY 2016, air taxi operations decreased at an annual rate of 15.7 percent as United and American replaced some 50-seat regional jets with 70-seat regional jets and even larger aircraft to many of their destinations. Air carrier and air taxi operations included scheduled air carriers and nonscheduled carriers.

TABLE 5-7 HISTORICAL AIRCRAFT OPERATIONS

FISCAL YEAR	AIR CARRIER [1]	AIR TAXI [2]	GENERAL AVIATION	MILITARY	TOTAL	GROWTH
2014	28,395	24,493	28,123	21,942	102,953	
2015	31,948	23,354	26,480	22,923	104,705	1.7%
2016	38,946	19,693	25,890	21,028	105,557	0.8%
2017	39,898	19,155	28,342	20,890	108,285	2.6%
2018	43,093	18,421	30,469	20,856	112,839	4.2%
Compound Annual Growth Rate						
2014–2018	11.0%	(6.9%)	2.0%	(1.3%)	2.3%	

NOTES: Fiscal year ended June 30.

1 This represents aircraft with seating capacity of more than 60 seats or a maximum payload capacity of more than 18,000 pounds carrying passengers or cargo for hire or compensation. Figures include passenger and all-cargo activity. Regional jets operate in both air carrier and air taxi categories.

2 This represents aircraft designed to have a seating capacity of 60 seats or less or a maximum payload capacity of 18,000 pounds or less carrying passengers or cargo for hire or compensation. Figures include passenger and all-cargo activity. Regional jets operate in both air carrier and air taxi categories.

SOURCE: Charleston County Aviation Authority, *Calendar Year Operations Reports (2013-2018)*, August 2018.

General aviation operations increased from 28,123 in FY 2014 to 30,469 in FY 2018, at a CAGR of 2.0 percent. Military operations decreased from 21,942 in FY 2014 to 20,856 in FY 2018. Overall, total operations at the Airport increased each year between FY 2014 and FY 2018. Between FY 2014 and FY 2018, total operations increased from 102,953 to 112,839, at a CAGR of 2.3 percent.

5.2.5 LANDED WEIGHT

Table 5-8 presents the shares of landed weight for the passenger airlines serving the Airport from FY 2014 through FY 2018. Landed weight shares by airline primarily follow the airline's share of enplaned passengers at the Airport. Delta and American are the two largest airlines at the Airport based on landed weight.

5.3 FACTORS AFFECTING AVIATION DEMAND AT THE AIRPORT

This section discusses the qualitative factors that may influence future aviation activity at the Airport. These factors were considered, either directly or indirectly, in developing the aviation activity forecasts for the Airport.

5.3.1 NATIONAL ECONOMY

Historically, trends in airline travel have been closely correlated with national economic trends, most notably changes in gross domestic product. Section 4 reviews the general economic trends, both national and local, that may influence demand for air service over time. Air Trade Area gross regional product is expected to increase 2.6 percent annually during the Projection Period, while gross domestic product is expected to increase 1.8 percent annually through the Projection Period. This growth should support generally increasing demand for air service. Actual economic activity may differ from this projection, especially on a year-to-year basis. Demand for air service may be impacted by changes in economic performance.

TABLE 5-8 HISTORICAL LANDED WEIGHT BY AIRLINE (POUNDS IN THOUSANDS)

	2014		2015		2016		2017		2018	
AIRLINE [1]	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT [2]	SHARE
Delta	676,284	32.2%	672,673	31.9%	751,389	31.5%	728,902	29.8%	647,397	26.8%
American [3]	548,319	26.1%	536,631	25.5%	587,425	24.6%	601,394	24.6%	619,452	25.7%
Southwest	359,488	17.1%	384,593	18.2%	420,392	17.6%	423,715	17.3%	406,727	16.9%
JetBlue	144,488	6.9%	250,441	11.9%	300,916	12.6%	360,801	14.7%	330,335	13.7%
United	368,276	17.5%	256,059	12.1%	300,828	12.6%	301,777	12.3%	348,253	14.4%
Alaska	0	0.0%	0	0.0%	0	0.0%	0	0.0%	21,244	0.9%
Frontier	0	0.0%	0	0.0%	17,774	0.7%	28,438	1.2%	29,144	1.2%
Allegiant	0	0.0%	0	0.0%	0	0.0%	0	0.0%	6,953	0.3%
Other [4]	4,548	0.2%	7,410	0.4%	10,068	0.4%	3,792	0.2%	4,113	0.2%
Total [5]	**2,101,402**	**100.0%**	**2,107,806**	**100.0%**	**2,388,792**	**100.0%**	**2,448,818**	**100.0%**	**2,413,619**	**100.0%**

NOTES: Fiscal year ended June 30.
1 Passenger airlines only.
2 Data shown through May 2018.
3 US Airways merged with American; the FAA granted a single-operating certificate to American on April 8, 2015. All data include US Airways airlines.
4 Includes airlines with minimal market share or airlines that may not operate at the Airport as of fiscal year 2018.
5 May not sum to total due to rounding.
SOURCE: Charleston County Aviation Authority, July 2018.

5.3.2 STATE OF THE AIRLINE INDUSTRY

In the aftermath of the terrorist attacks on September 11, 2001, the U.S. airline industry experienced a material adverse shift in the demand for airline travel, which exacerbated problems for a U.S. airline industry already weakened by a slowing economy and rising labor and fuel costs. The result was 4 years of reported industry operating losses in 2001 through 2004, totaling more than $22 billion (excluding extraordinary charges and gains). Following these years, the airline industry recovered through 2007, with U.S. airlines posting combined operating profits in all 3 years.[6] In 2008 and through the first half of 2009, the combination of record-high fuel prices, the Great Recession, and a weak dollar resulted in the worst financial environment for U.S. airlines since the September 11 terrorist attacks.

In 2008, many domestic network airlines announced significant capacity reductions; increases in fuel surcharges, airfares, and ancillary fees; and other measures to address the challenges. Capacity cuts improved conditions for the airlines, even if the recovery was uneven across different regions. After a $4.6 billion loss in 2009, the global airline industry recovered and remained profitable, with annual net profits ranging from $6.1 billion (2012) to $17.3 billion (2010). Globally, passenger traffic increased 5.5 percent from 2013 to 2014. After a nearly $19.9 billion net profit for the global airline industry in 2014, the industry recorded $35.3 billion in profits in 2015. North American airline net profits reached $13.2 billion in 2015, compared with $11.9 billion in 2014. Declining fuel prices since 2014 have enabled greater capacity growth and sustained profitability. North American airlines grew capacity 4.6 percent in 2016, and a further 3.9 percent in 2017. In 2017, North American airline net profit reached $15.6 billion, and the International Air Transport Association projects it will grow to $16.4 billion in 2018.[7]

5.3.3 COST OF AVIATION FUEL

As of the first quarter of 2018, jet fuel accounted for 18.0 percent of total airline operating costs, second only to labor, according to Airlines for America (A4A).[8] As recently as 2014, jet fuel represented an airline's largest operating expense, and the cost of fuel is one of the most significant and volatile factors affecting the airline industry today.

In September 2018, the average price of jet fuel was $2.24 per gallon; generally increasing since June 2017, but it is still well below previously sustained high prices in 2014. **Exhibit 5-2** shows the monthly averages for jet fuel and crude oil prices from January 2007 through September 2018.

Lower fuel prices since 2014 have enabled airlines to offer lower average fares and to generate additional revenues through higher passenger volumes. **Exhibit 5-3** shows the change in fuel cost, domestic passenger volumes, domestic passenger revenues, and average domestic fares over the past 5 years. Lower costs have allowed airlines to carry passengers paying lower fares, while still contributing towards airline profitability and financial goals.

If jet fuel prices continue to increase over time, then this trend may be reversed as airlines could reduce capacity and raise fares to offset higher costs through higher revenues.

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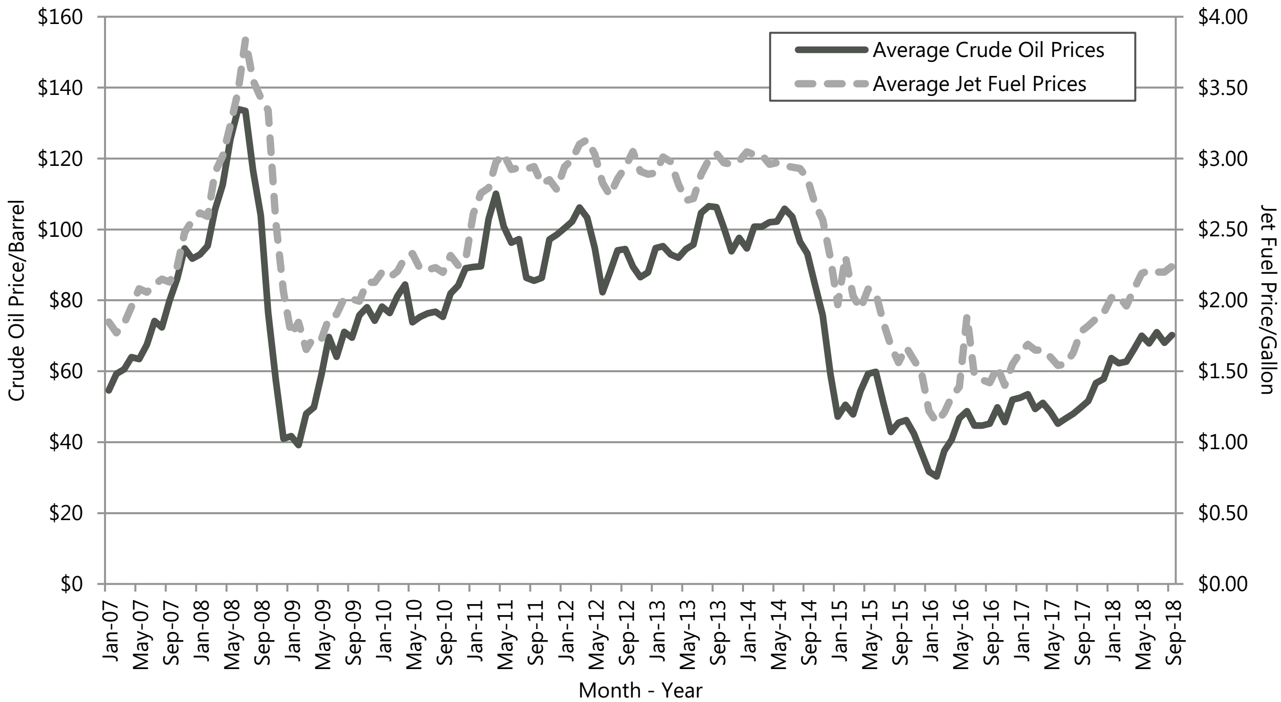
6 Airlines for America, *2009 Economic Report*, August 2009.

7 International Air Transport Association, *Airline Industry Economic Performance*, December 2017.

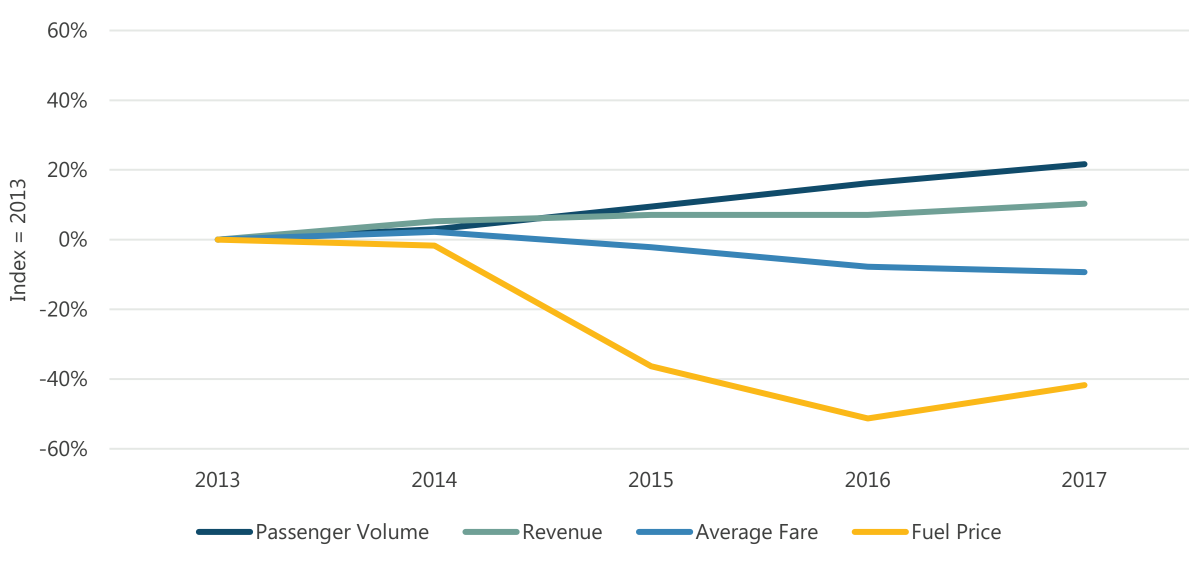
8 Airlines for America, *Passenger Airline Cost Index (PACI)*, http://airlines.org/dataset/a4a-quarterly-passenger-airline-cost-index-u-s-passenger-airlines/ (accessed October 31, 2018).

EXHIBIT 5-2 HISTORICAL MONTHLY AVERAGES OF JET FUEL AND CRUDE OIL PRICES



SOURCES: U.S. Bureau of Transportation Statistics, July 2018; U.S. Energy Information Administration, November 2018.

EXHIBIT 5-3 HISTORICAL DOMESTIC PASSENGERS, REVENUES, FARES, AND COST OF JET FUEL



SOURCES: U.S. Bureau of Transportation Statistics, July 2018; U.S. Department of Transportation, DB1B Survey, July 2018.

5.3.4 THREAT OF TERRORISM AND GEOPOLITICAL ISSUES

Acts of terrorism against either domestic or global aviation have remained a risk to achieving the results of activity forecasts. Tighter security measures have restored the public's confidence in the integrity of U.S. and world aviation security systems. Any terrorist incident aimed at aviation could have an immediate and significant effect on the demand for aviation services.

5.3.5 OTHER AIRPORTS IN THE REGION

In general, an airport's potential service area is limited by the distance from an airport, and it is further defined by the availability and quality of air service at surrounding airports. Airports evaluated as competitors for this analysis are Columbia Metropolitan (CAE), Hilton Head Island (HHH), Myrtle Beach International (MYR), and Savannah/Hilton Head International (SAV) Airports. **Exhibit 5-4** presents these airports and their proximity to the Airport.

All four competing airports are approximately 100 miles away from the Airport; it is an approximately 2-hour drive to each. CAE is located to the northwest; MYR is located along the coast to the northeast; and HHH and SAV are located along the coast to the southwest. These airports are included in **Table 5-9**, which presents a summary of domestic and international destinations served by the Airport compared with the defined competing airports.

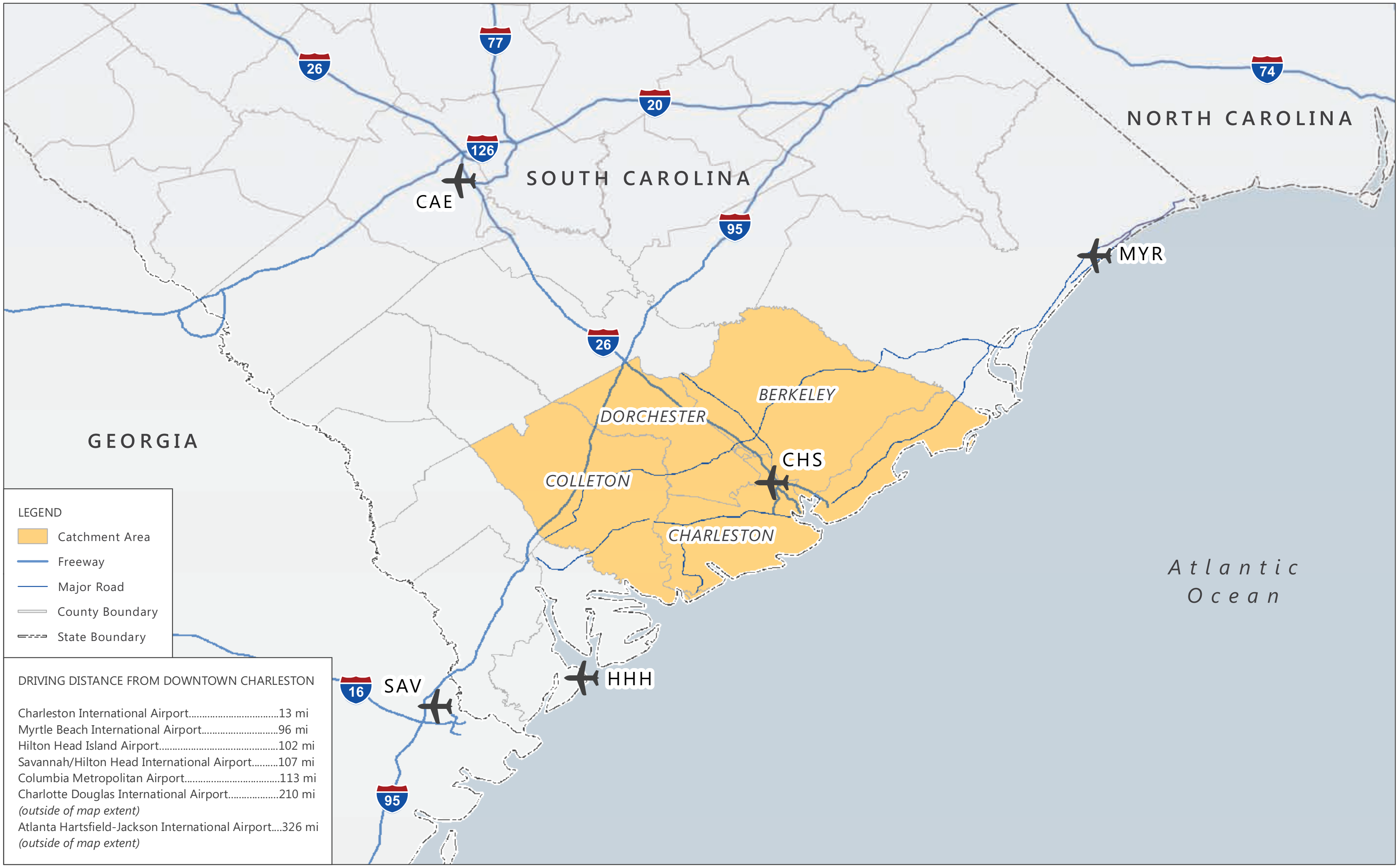
Interstate 26 provides the quickest route to CAE, where three carriers (American, Delta, and United) provided an average of 28 daily departures to eight domestic destinations in August 2018. All eight destinations are also served from the Airport. Average gross domestic fares for Q3 FY 2018 (most recent data available) to CAE are approximately $266, which is 24 percent higher than average gross domestic fares to the Airport during the same period.

The drive to MYR is located along the coast on Highway 17. Eight carriers (Allegiant, American, Delta, Elite Airways, Frontier, Spirit Airlines, United, and WestJet) provided an average of 48 daily departures to 43 domestic destinations and 1 international destination in August 2018. The Airport has nonstop service to 18 of the 43 domestic destinations served at MYR, with an average of 59 daily departures. The Airport offers an additional eight average daily departures to the five domestic markets (Austin, Houston, Miami, St. Louis, and Seattle) not served at MYR. WestJet provides nonstop international service to Toronto at MYR. The average gross domestic fare at MYR is approximately $135. Ultra-low-cost carriers Spirit, Allegiant, and Frontier are the primary factor for lower average domestic fares at MYR than competing airports, including the Airport, whose average gross domestic fare is approximately $215.

SAV is located along the coast, in the opposite direction of MYR, down Highway 17 and Interstate 95. Seven carriers (Air Canada, Allegiant, American, Delta, Frontier, JetBlue, and United) provided an average of 53 daily departures to 22 domestic destinations and 1 international destination from SAV in August 2018. Four markets served at SAV are not served from the Airport. SAV has slightly higher average gross domestic fares ($223) than the Airport.

HHH is also located along the coast southwest of the Airport. HHH is served by one carrier (American) that offers approximately three-times daily turboprop service to Charlotte. Average domestic fares to HHH are approximately 18 percent higher than fares to the Airport.

While all are located approximately the same distance from the Airport in geographic terms, MYR's accessibility from the Air Trade Area, its lower fares, and its destinations served may draw passengers from the Air Trade Area who might otherwise use the Airport. As shown in Table 5-9, the average gross domestic fare at MYR is lower than that at the Airport by approximately 37 percent; however, the carriers offer significantly more frequency from the Airport than they do from MYR.



SOURCES: Map Resources, 2007 (Air Trade Area data); U.S. Census Bureau, Geography Division, TIGER/Line Shapefiles, 2017 (county, state); Esri, 2010 (airports, roads).

EXHIBIT 5-4

NORTH

0 35 mi

REGIONAL COMPETING AIRPORTS

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TABLE 5-9 COMPETING AIRPORT MARKETS SERVED

MARKET	FY 2018 ENPLANED PASSENGERS [1]	NUMBER OF MARKETS SERVED			AVERAGE DAILY DEPARTURES [4]	AVERAGE DOMESTIC GROSS FARE [5]
		DOMESTIC [2]	INTERNATIONAL [3]	TOTAL		
Charleston (CHS)	2,096,750	24	0	24	77	$174
Columbia (CAE)	554,300	8	0	8	28	$240
Hilton Head Island (HHH)	25,214	1	0	1	3	$232
Myrtle Beach (MYR)	1,215,241	43	1	44	48	$85
Savannah (SAV)	1,299,213	22	1	23	53	$178

NOTES: FY – Fiscal Year

1 Enplaned passenger data based on 12-month period ending June 30. Data are based on airport records, Hilton Head Island Airport data are available through May 2018.

2 Nonstop service to cities within the United States in August 2018.

3 Nonstop service to cities outside the United States in August 2018.

4 Average daily departures in August 2018.

5 Average gross domestic fare for Q4 FY 2018 (most recent data available).

SOURCES: Innovata, August 2018; Airport websites, November 2018; U.S. Department of Transportation, DB1B, November 2018.

5.4 FORECASTS OF PASSENGER DEMAND

5.4.1 FORECAST METHODOLOGY

Forecasts of passenger airline activity were developed considering historical and forecast factors, including passenger volume trends at the Airport and throughout the industry, historical trends and projections of local and national socioeconomic factors, and anticipated trends in the use of the Airport by the airlines serving it. The following subsections provide an overview of the methodologies used in forecasting aviation activity at the Airport and present the results of those forecasts.

5.4.2 KEY ASSUMPTIONS

The forecasts are based on several underlying assumptions, including:

- While year-to-year fluctuations in economic activity are likely, the historical long-term trends of generally expanding economic activity, both nationally and within the Air Trade Area, will continue through the Projection Period, resulting in increased demand for air service.
- The Airport will continue its role of primarily serving O&D passengers, with most destinations offered within one stop of the Airport. In most cases, airlines will continue to limit nonstop service from the Airport to their respective connecting hub airports and major cities. Airlines will continue to operate as efficiently as possible, actively managing capacity and seeking to maintain or increase load factors on flights.
- The Airport will maintain its general market share of passenger traffic relative to its nearby competitors within the region.
- Airline consolidation/mergers that may occur during the Projection Period are less likely to materially impact passenger activity levels at the Airport due to its purely O&D passenger base, as well as the fact that most potential future mergers would be unlikely to involve carriers providing overlapping service at the Airport. Such combinations are unlikely to result in changes to service offered at the Airport.

- For these analyses, no terrorist incidents that could materially impact U.S. air traffic demand during the Projection Period will occur. Additionally, any airline bankruptcies or industry consolidation during the Projection Period will not result in a major contraction within the aviation industry.
- It is also important to note that many of the factors influencing aviation demand cannot be quantified. As a result, the forecast process should not be viewed as precise, particularly given the major structural changes that have occurred in the aviation industry since deregulation. Actual future traffic levels at the Airport may differ from forecasts presented herein because of unforeseen events.

5.4.3 FORECASTS OF PASSENGER DEMAND

Forecasts were developed using a two-step approach: one for the near-term period (FY 2019) and one for the long-term period (FY 2020–FY 2028). Near-term forecasts for FY 2019 were developed considering published airline schedule data. Flight segment–level estimates of performance were based on trends of load factors and completion rates applied to published schedules. Scheduled airline seat capacity at the Airport for FY 2019, as reported by Innovata, is anticipated to increase compared to FY 2018. Load factors are expected to decrease slightly in FY 2019 (approximately 80 percent) compared to FY 2018 (approximately 82 percent), as passenger demand growth trails additional seat capacity growth in the short term. Specific assumptions used in the near-term forecast include:

- Frontier and Allegiant introduced service at the Airport in FY 2018, and FY 2019 will be their first full year of service. Frontier scheduled approximately 36,000 departing seats in the last 5 months of FY 2018. In FY 2019, Frontier's departing seat capacity is projected to be approximately 152,000, an increase of 116,000 seats from FY 2018. Allegiant's seat capacity is also projected to increase; it is projected to be approximately 27,000 in FY 2019, an increase of approximately 14,000 seats from FY 2018.
- In FY 2019, seat capacity is scheduled to increase for Alaska, American, Delta, and United comparable to FY 2018, with all experiencing double-digit growth. Over the same period, Southwest and JetBlue's seat capacity is scheduled to decrease slightly.
- Based on the schedule data and the load factor assumptions utilized in the near-term period, enplaned passengers are forecast to increase 14.5 percent in FY 2019, or approximately 304,000 passengers.

The long-term forecast through FY 2028 was developed using socioeconomic regression analysis. Statistical linear regression modeling was employed in this methodology, with local and national socioeconomic and demographic factors as independent variables, and origin and destination passengers as the dependent variable. Independent variables considered for this analysis included population, employment, earnings, income, gross regional product, and per-capita personal income.

Relationships were found between certain local and national socioeconomic variables and O&D enplaned passengers (approximately 97 percent of all enplaned passengers at the Airport). These local and national socioeconomic variables were population, employment, earnings, personal income, and gross regional product of the Charleston MSA, and population, employment, and personal income of the United States. A combination of these relationships was considered to arrive at a preliminary forecast of O&D enplaned passengers through the Projection Period. Regression analysis on the key socioeconomic factors produced a range of forecast passengers through FY 2028. It is assumed the Airport will continue to serve O&D passengers. It is not anticipated to become a hub for any carrier, and connecting passengers will comprise a very small portion of total passenger volumes. Therefore, connecting passengers were modeled to remain a consistent percentage of total enplaned passengers over the Projection Period.

Table 5-10 presents the forecast of passenger activity at the Airport through the Projection Period. Total enplaned passengers are forecast to increase to approximately 2.8 million in FY 2028, reflecting a CAGR of approximately 2.9 percent over the Projection Period. The forecast growth rate reflects the growth rate range identified in the socioeconomic regression analyses adjusted for the anticipated near-term growth.

TABLE 5-10 ENPLANED PASSENGER FORECAST

	AIRPORT	
FISCAL YEAR	TOTAL ENPLANEMENTS	ANNUAL GROWTH
Historical		
2009	1,109,396	
2010	1,053,845	(5.0%)
2011	1,117,705	6.1%
2012	1,308,725	17.1%
2013	1,350,379	3.2%
2014	1,523,681	12.8%
2015	1,630,147	7.0%
2016	1,810,542	11.1%
2017	1,914,668	5.8%
2018	2,096,750	9.5%
FYTD 2018 (Jul.-Nov.)	870,487	
FYTD 2019 (Jul.-Nov.)	998,323	14.7%
Forecast		
2019	2,400,899	14.5%
2020	2,505,637	4.4%
2021	2,554,705	2.0%
2022	2,594,017	1.5%
2023	2,628,427	1.3%
2024	2,662,554	1.3%
2025	2,696,533	1.3%
2026	2,730,197	1.2%
2027	2,763,477	1.2%
2028	2,796,440	1.2%
Compound Annual Growth Rate		
2009–2018	7.3%	
2018–2028	2.9%	

NOTE: Fiscal year ending June 30.
SOURCES: Charleston County Aviation Authority, November 2018 (historical); Ricondo & Associates, Inc., August 2018 (forecast).

5.4.4 AIRCRAFT OPERATIONS FORECAST

The passenger operations forecast was developed using the passenger forecast and an analysis of completion rates, load factors, and published airline fleet plans. Passenger growth in the long term is forecast to be accommodated by a combination of higher load factors, higher average seats per departure, and growth in operations. **Table 5-11** presents historical and forecast enplaned passengers, passenger airline aircraft operations, load factors, and seats per departure.

TABLE 5-11 DOMESTIC PASSENGER AIRLINE OPERATIONS FORECAST

FISCAL YEAR	TOTAL ENPLANEMENTS	OPERATIONS	SEATS PER DEPARTURE	LOAD FACTOR
Historical				
2014	1,523,681	42,582	85.4	83.8%
2015	1,630,147	44,139	87.7	84.3%
2016	1,810,542	46,551	93.2	83.5%
2017	1,914,668	46,200	98.1	84.5%
2018	2,096,750	47,667	105.0	83.8%
Forecast				
2019	2,400,899	54,826	109.5	80.0%
2020	2,505,637	56,407	110.5	80.4%
2021	2,554,705	56,713	111.5	80.8%
2022	2,594,017	56,793	112.5	81.2%
2023	2,628,427	57,011	113.0	81.6%
2024	2,662,554	57,216	113.5	82.0%
2025	2,696,533	57,412	114.0	82.4%
2026	2,730,197	57,696	114.3	82.8%
2027	2,763,477	58,017	114.5	83.2%
2028	2,796,440	58,206	114.8	83.7%
Compound Annual Growth Rate				
2014–2018	8.3%	2.9%	5.3%	
2018–2028	2.9%	2.0%	0.9%	

NOTE: Fiscal year ending June 30.
SOURCES: Charleston County Airport Authority, August (historical enplanements); U.S. Department of Transportation, T100, August (historical operations, seats per departure, and load factor); Ricondo & Associates, Inc., August 2018 (forecast).

Average seats per departure are forecast to increase from 105.0 in FY 2018 to 114.8 in FY 2028. Load factors are expected to decline slightly in FY 2019 as newly added seat capacity results in near-term load factor declines, as passenger growth trails seat capacity growth in the short term. Load factors will begin to increase over the Projection Period, reaching 83.7 percent in FY 2028. Aircraft operations are expected to increase approximately 15.0 percent in FY 2019 due to scheduled new flights. Over the entire Projection Period, passenger airline aircraft operations are forecast to grow from 47,667 in FY 2018 to 58,206 in FY 2028, a CAGR of 2.0 percent.

Cargo volumes and aircraft operations grew consistently through FY 2016, before declining slightly through FY 2018, supported by increased activity by Atlas Air and Boeing cargo. Future cargo activity is expected to be supported by further growth in the regional economy and growing e-commerce activity. As shown in **Table 5-12**, total cargo aircraft operations are forecast to grow from 1,084 in FY 2018 to 1,148 in FY 2028, a CAGR of 0.6 percent.

TABLE 5-12 CARGO AIRCRAFT OPERATIONS FORECAST

FISCAL YEAR	CARGO AIRCRAFT OPERATIONS
Historical	
2009	457
2010	437
2011	378
2012	438
2013	574
2014	838
2015	1,002
2016	1,105
2017	1,063
2018	1,084
Forecast	
2019	1,092
2020	1,099
2021	1,105
2022	1,112
2023	1,118
2024	1,125
2025	1,130
2026	1,136
2027	1,142
2028	1,148
Compound Annual Growth Rate	
2009–2018	10.1%
2018–2028	0.6%

NOTES: Fiscal year ending June 30. Includes Boeing cargo activity as reported in Airport data.
SOURCES: Charleston County Airport Authority, August (historical); Ricondo & Associates, Inc., August 2018 (forecast).

5.4.5 LANDED WEIGHT FORECASTS

Table 5-13 presents landed-weight forecasts. Passenger airline landed weight is forecast to increase from approximately 2.8 million thousand-pound units in FY 2018 to approximately 3.6 million thousand-pound units in FY 2028. Cargo aircraft landed weights are forecast to grow from 524,591 thousand-pound units in FY 2018 to 555,491 thousand-pound units in FY 2028. Total landed weight is forecast to increase from approximately 3.3 million thousand-pound units in FY 2018 to approximately 4.2 million thousand-pound units in FY 2028, a CAGR of 2.4 percent.

TABLE 5-13 LANDED-WEIGHT FORECAST

FISCAL YEAR	PASSENGER AIRCRAFT LANDED WEIGHT	CARGO AIRCRAFT LANDED WEIGHT	TOTAL LANDED WEIGHT
Historical			
2009	1,578,775	206,957	1,785,732
2010	1,433,735	192,947	1,626,682
2011	1,567,500	133,842	1,701,342
2012	1,837,419	190,041	2,027,460
2013	1,988,884	294,442	2,283,326
2014	2,101,402	465,515	2,566,917
2015	2,107,806	524,379	2,632,185
2016	2,388,792	518,420	2,907,212
2017	2,448,818	488,282	2,937,100
2018	2,755,039	524,591	3,279,630
Forecast			
2019	3,243,227	528,263	3,771,490
2020	3,367,872	531,697	3,899,569
2021	3,416,741	534,993	3,951,734
2022	3,452,059	538,150	3,990,209
2023	3,480,448	541,217	4,021,665
2024	3,508,096	544,194	4,052,290
2025	3,535,191	547,078	4,082,269
2026	3,561,518	549,923	4,111,441
2027	3,586,996	552,728	4,139,724
2028	3,611,723	555,491	4,167,214
Compound Annual Growth Rate			
2009–2018	6.4%	10.9%	7.0%
2018–2028	2.7%	0.6%	2.4%

NOTES: Fiscal year ending June 30. Includes Boeing cargo activity as reported in Airport data.
SOURCES: Charleston County Airport Authority, August 2018 (historical); Ricondo & Associates, Inc., August 2018 (forecast).

6. FINANCIAL ANALYSIS

Chapter 6 examines the financial framework of the Airport, as well as the costs and other financial implications following the issuance of the 2019 Bonds and the funding of the Airport CIP described in Chapter 3. This chapter presents the following projections: O&M Expenses, Non-Airline Revenues, other available revenues, amortization of Authority funds, debt service, airline revenues, cost per enplaned passenger, and debt service coverage. Financial projection tables are included in Appendix A of this Report.

6.1 FINANCIAL FRAMEWORK

This section discusses the Airport's accounting practices, and it summarizes Ordinance No. 01-02 (the Ordinance) establishing air transportation company (Airline) rates and charges and operating requirements at the Airport.

6.1.1 ACCOUNTING PRACTICES

Airport-related revenues and expenses are categorized into Airport Cost Centers, as defined in the Ordinance. The calculation of certain rates, fees, and charges described later in this section are based on the Airport Cost Centers.

Airport Cost Centers defined in the Ordinance include the following, but are not necessarily limited to:

- **Airfield Area** means the flying field at Charleston Air Force Base (including runways, taxiways, approach and clear zones, safety areas, and infield areas, together with all associated landing and navigational aids) owned, operated, and maintained by the USAF, as it now exists or hereafter may be modified, changed, or developed, which provides for the landing and takeoff, taxiing, and other operations of military and civil aircraft.
- **Terminal Building Area** means the Airline Passenger Terminal, including related signage, landscaping, and curbside areas.
- **Parking and Roadway Area** means public, employee, and rental car ready parking areas, access and terminal circulation roads and rights-of-way, and related signage and landscaping.
- **Apron and Taxiway Area** means all airfield pavements and appurtenances owned and operated by the Authority and located in Civil Use Areas of the Airport, which now exist or are constructed in the future by the Authority, including, but not necessarily limited to, the aircraft parking positions and connecting taxiways.
- **Aviation Support Area** means the civil area in the northern portion of the Airport consisting of FBOs and fuel storage facilities and other facilities and leased property, as it now exists or may be developed or improved from time to time.
- **Airline Service Area** means the area adjacent to the Terminal Building Area designated for cargo handling facilities, maintenance facilities, and other airline service and support facilities.
- **Fuel Storage Area** means the aviation fuel storage and distribution facilities serving the Airport Terminal Complex and Aircraft Manufacturing Facility.
- **Reliever Airports Area** means the system of general aviation airports, other than the Airport, owned or operated by the Authority, as such system now exists (Charleston Executive Airport and Mount Pleasant Regional Airport), or as planned for future use.

- **Commercial/Industrial Area** means all remaining land areas on Airport property available for development by the Authority for aviation and/or non-aviation purposes.

6.1.2 ORDINANCE

The Ordinance establishes the rate-setting methodology for levying Airline rentals, fees, and charges at the Airport. The methodologies for calculating terminal, apron, and landing fees on an annual basis are described as follows:

- The landing fee rate per 1,000 pounds of maximum gross takeoff weight for the Airlines is established by the Authority, as provided for under provisions of the Joint Use Agreement.
- The average Terminal Building rental rate per square foot per year at the Airport is equal to: (i) Terminal Building Area Costs; less (ii) Terminal Building Area Revenues and credits; divided by (iii) total amount of leased space. The Terminal Building Area Cost is the sum of the Terminal Building Area's allocable share of estimated direct and allocated indirect O&M Expenses, Annual Debt Service, Equipment and Capital Outlay Account deposit, and annual amortization. The Terminal Building Area's estimated revenue and credits is the sum of: concession fees and utility charges from food and beverage, news and gifts, on-Airport rental car (other than ground rentals and ready car space rentals), specialty shops, insurance, telephone, and advertising display concessions; rental income from space leased to all users other than Scheduled Air Carriers and the USAF Air Mobility Command; allocable interest income; and the FIS Facilities Credit. The amount of space assigned to the Scheduled Air Carriers is multiplied by the average rental rate per square foot to determine the "Scheduled Air Carrier Rental Requirement." The Authority further develops a schedule of rental rates by type of space such that the sum of the products obtained by multiplying the total amount of space assigned to the Scheduled Air Carriers by the rental rate will equal the total annual Scheduled Air Carriers Rental Requirement.
- The Apron Fee per 1,000 pounds of maximum gross takeoff weight at the Airport is equal to: (i) Apron and Taxiway Area Cost; less (ii) Apron and Taxiway Area Revenues; divided by (iii) projected total maximum gross takeoff weight of Scheduled Air Carriers. The Apron and Taxiway Area Cost is the sum of the Apron and Taxiway Area's allocable share of estimated direct and allocated indirect O&M Expenses, Annual Revenue Bond Debt Service, Equipment and Capital Outlay Account deposit, and annual amortization. The sum of Apron and Taxiway Area Revenue not derived from Scheduled Air Carriers is deducted from Apron and Taxiway Area cost to determine Net Apron and Taxiway Area Cost. The Net Cost is then divided by total maximum gross takeoff weight of Scheduled Air Carriers to determine the Apron Fee Rate per 1,000 pounds of maximum gross takeoff weight.

6.2 OPERATING AND MAINTENANCE EXPENSES

O&M Expenses include expenses associated with operating and maintaining the Airport, including the airfield, terminal, and landside facilities. O&M Expenses are classified into the following categories:

- personnel services
- contractual services
- administrative services
- utilities
- other operating expenses
    - building repairs and maintenance

— heating, ventilation, and air conditioning
— field maintenance
— vehicle maintenance
— loading bridges
— supplies
— insurance
— professional services
— other

These expenses are further allocated to the various Airport Cost Centers for rate-setting purposes.

Table 6-1 presents the historical O&M Expenses and enplaned passengers at the Airport for FY 2014 through FY 2018, along with the resulting historical O&M Expenses per enplaned passenger.

TABLE 6-1 HISTORICAL OPERATING AND MAINTENANCE EXPENSES (FY 2014 – FY 2018)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	COMPOUND ANNUAL GROWTH RATE
Total O&M Expenses (thousands)	$17,732	$18,554	$21,248	$23,948	$26,958	11.0%
Enplaned Passengers (thousands)	1,524	1,630	1,811	1,915	2,097	8.3%
Total O&M Expenses per Enplaned Passenger	$11.64	$11.38	$11.74	$12.51	$12.86	2.5%

NOTES: Dollars in thousands for fiscal years ended June 30.
FY – Fiscal Year
O&M – Operating and Maintenance
SOURCE: Charleston County Aviation Authority, November 2018.

O&M Expenses increased at a CAGR of 11.0 percent from $17.7 million in FY 2014 to $27.0 million in FY 2018. Growth in O&M Expenses can be attributed to increases in operating expenses associated with growth in airline traffic and increases in personnel services due to budgeted personnel changes, merit wage increases, and increased pension costs.

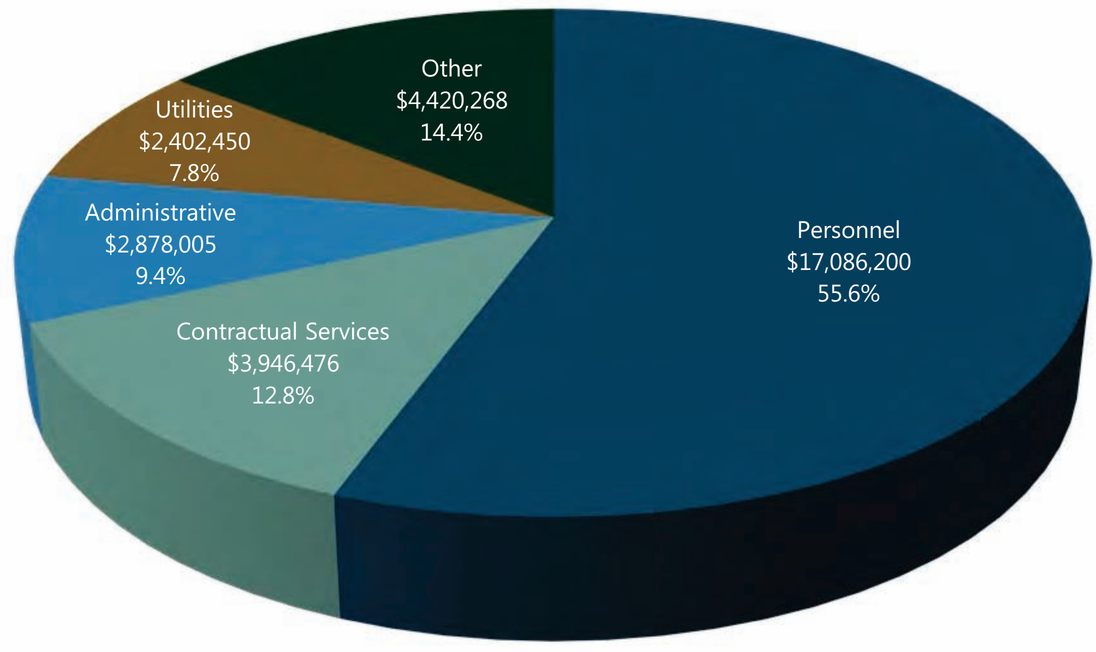
The Airport's O&M Expenses per enplaned passenger decreased from $11.64 in FY 2014 to $11.38 in FY 2015, as enplanement growth outpaced the growth in O&M Expenses during that time; however, it then increased to $12.86 through FY 2018, reflecting an overall CAGR of 2.5 percent.

O&M Expenses increased approximately 12.6 percent from FY 2017 to FY 2018. The increases in O&M Expenses are primarily attributable to a 9.5 percent growth in enplanements in FY 2018, as well as increases in contractual services; insurance; heating, ventilation, and air conditioning costs; and loading bridge expenses associated with the first full year of operation since the completion of the TRIP.

The Airport's final approved FY 2019 budget, totaling $30.7 million, serves as the base year from which O&M Expenses are projected. The increase over estimated FY 2018 is primarily attributable to additional budgeted increases in personnel and pension expenses, as well as continued airline traffic growth.

Exhibit 6-1 presents the budget FY 2019 O&M Expenses by cost category.

EXHIBIT 6-1 BUDGET FISCAL YEAR 2019 OPERATING AND MAINTENANCE EXPENSES BY COST CATEGORY



SOURCE: Charleston County Aviation Authority, September 2018.

6.2.1 PERSONNEL

Personnel expenses include Airport staff compensation and benefits. Expenses for salaries, wages, and employee benefits, which account for 55.6 percent of total operating expenses in budget FY 2019, are projected to increase at a CAGR of 6.0 percent through FY 2028. This is attributable primarily to salary increases, escalating insurance premiums, and other benefits increases, as well as additional expenses attributable to future staffing requirements.

6.2.2 CONTRACTUAL SERVICES

Contractual services expenses at the Airport include the cost of outside contractors that provide janitorial services, trash pickup, security services, and interior and exterior landscaping for the terminal. Public address system maintenance, escalator/elevator maintenance, and miscellaneous services provided are also included. Contractual services expenses account for 12.8 percent of total operating expenses in FY 2019, and they are projected to increase at a CAGR of 6.0 percent through FY 2028, primarily reflecting inflation and additional costs associated with maintaining existing facilities and the completion of the 2019 Project.

6.2.3 ADMINISTRATIVE

Administrative expenses include expenses for office supplies and equipment, training and travel, bank service charges, computer supplies and equipment, and other administrative expenses. Administrative expenses account for 9.4 percent of total operating expenses in FY 2019, and they are projected to increase at a CAGR of 4.0 percent through FY 2028, primarily reflecting inflation, the need to periodically replace various types of supplies and equipment, and increasing bank service charges related to the collection of public parking revenues.

6.2.4 UTILITIES

Utility costs include electricity, telecommunications, water, street lighting, and gas required to operate the Airport. Utility costs account for 7.8 percent of total operating expenses in FY 2019, and they are projected to increase at a CAGR of 4.0 percent through FY 2028, primarily attributable to inflation and additional electricity expenses associated with the completion of the 2019 Project.

6.2.5 OTHER OPERATING EXPENSES

Other operating expenses include: building repairs and maintenance; heating, ventilation, and air conditioning; field maintenance; vehicle maintenance; loading bridges; supplies; insurance; professional services; and other expenses, including the Airfield payment to the United States Air Force. Other operating expenses account for 14.4 percent of total operating expenses in FY 2019, and they are projected to increase at a CAGR of 3.0 percent through FY 2028, primarily reflecting inflation and the need to periodically replace various types of equipment.

6.2.6 OPERATING AND MAINTENANCE EXPENSE IMPACTS ASSOCIATED WITH CAPITAL PROJECTS

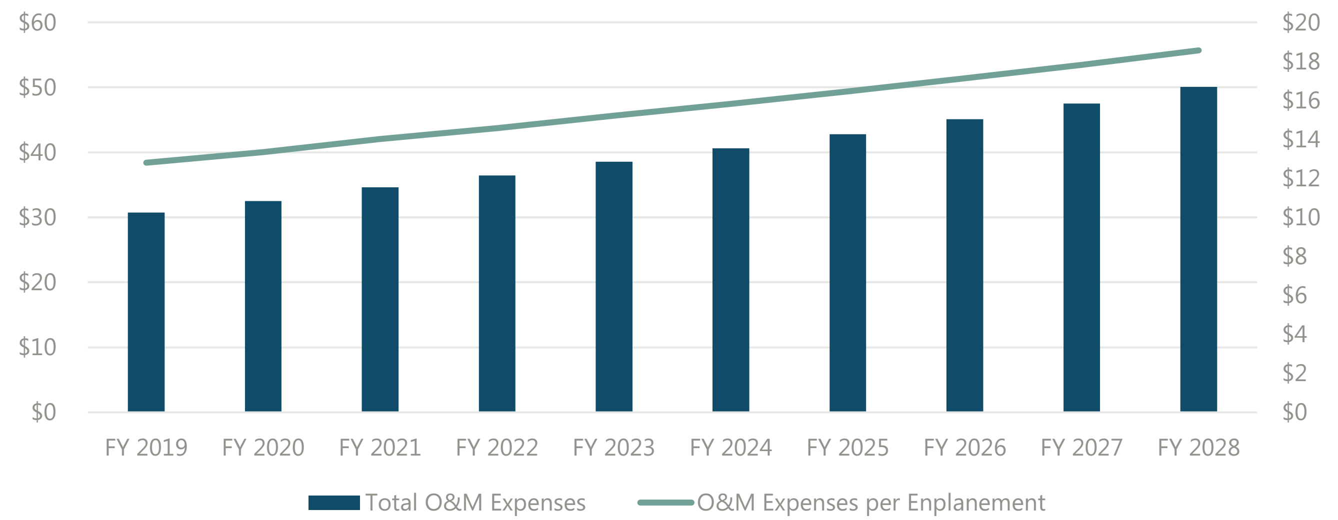
The completion of the Airport CIP is expected to result in incremental increases to O&M Expenses. For purposes of this analysis, O&M Expenses are assumed to increase on a square-foot basis for capital projects resulting in changes in Airport square footages. This analysis assumes incremental O&M Expenses of $1 million in FY 2022, the first full year after the anticipated completion of the 2019 Project, and $1 million in FY 2023 associated with the completion of the Ticketing Hall Expansion. The Airport CIP also includes Concourse C construction; however, due to the uncertainty of the project timing and the associated operational impacts, for purposes of this analysis no incremental O&M Expenses associated with that project have been assumed. See Table A-1 in Appendix A for additional information regarding projected O&M Expenses.

6.2.7 PROJECTED OPERATING AND MAINTENANCE EXPENSES

O&M Expenses are projected to increase based on the type of expense, expectations of future inflation rates (assumed to be 3.0 percent annually), and impacts associated with the completion of the Airport CIP. **Exhibit 6-2** presents the projection of total O&M Expenses. As shown, total O&M Expenses are projected to increase from $30.7 million in FY 2019 to $50.1 million in FY 2028, representing a CAGR of 5.6 percent.

Table A-1, in Appendix A of this Report, presents budgeted and projected O&M Expenses from FY 2019 through FY 2028, including the allocation of O&M Expenses to the Airport Cost Centers.

EXHIBIT 6-2 PROJECTED OPERATING AND MAINTENANCE EXPENSES



NOTES:
FY – Fiscal Year
O&M – Operating and Maintenance
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

6.3 NON-AIRLINE REVENUES

Non-Airline Revenues consist of those revenues generated at the Airport from sources other than Airport Fees and Charges, including: concession revenues (rental car privilege fees; food, beverage, and news and gift revenues; and other concession revenues); automobile parking revenues; transportation network company revenues; CFCs; other Non-Airline Revenues; and Fuel Storage and General Aviation Revenues. Most of the Airport's Non-Airline Revenues are generated from automobile parking and concessions (71.7 percent in FY 2019), with automobile parking as the largest single source of Non-Airline Revenue.

Table 6-2 presents total concession revenues, parking revenues, CFC revenues, and enplaned passengers at the Airport from FY 2014 through FY 2018; it also presents the resulting historical concessions revenues per enplaned passenger.

Total concession, parking, and CFC revenues increased from $20.4 million in FY 2014 to $30.4 million in FY 2018, reflecting a CAGR of 10.4 percent during that period. In addition to enplanement growth, the increase is also partially the result of the completion of the TRIP and continually enhanced concession offerings at the Airport, with local and national favorites well represented. Parking revenue increased from $9.3 million in FY 2014 to $13.9 million in FY 2018.

TABLE 6-2 HISTORICAL PARKING AND CONCESSION REVENUES (FY 2014 – FY 2018)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	COMPOUND ANNUAL GROWTH RATE
Parking Revenues (includes Valet)	$9,311	$10,493	$11,523	$12,973	$13,940	10.6%
On-Airport Rental Car Revenue	5,373	5,386	5,391	5,719	6,927	6.6%
Ground Transportation	216	224	218	217	199	-2.1%
Transportation Network Companies			170	536	812	119%
Terminal Concessions and Advertising	1,692	1,667	1,999	2,912	4,028	24.2%
CFC Revenue	3,851	4,031	4,189	4,330	4,477	3.8%
TOTAL	**$20,443**	**$21,801**	**$23,489**	**$26,687**	**$30,383**	**10.4%**
Annual growth rate	10.4%	6.6%	7.7%	13.6%	13.8%	
Enplaned Passengers (thousands)	1,524	1,630	1,811	1,915	2,097	8.3%
Enplaned Passengers (growth rate)	12.8%	7.0%	11.1%	5.8%	9.5%	
Total Parking and Concession Revenues per Enplaned Passenger	$13.42	$13.37	$12.97	$13.94	$14.49	1.9%

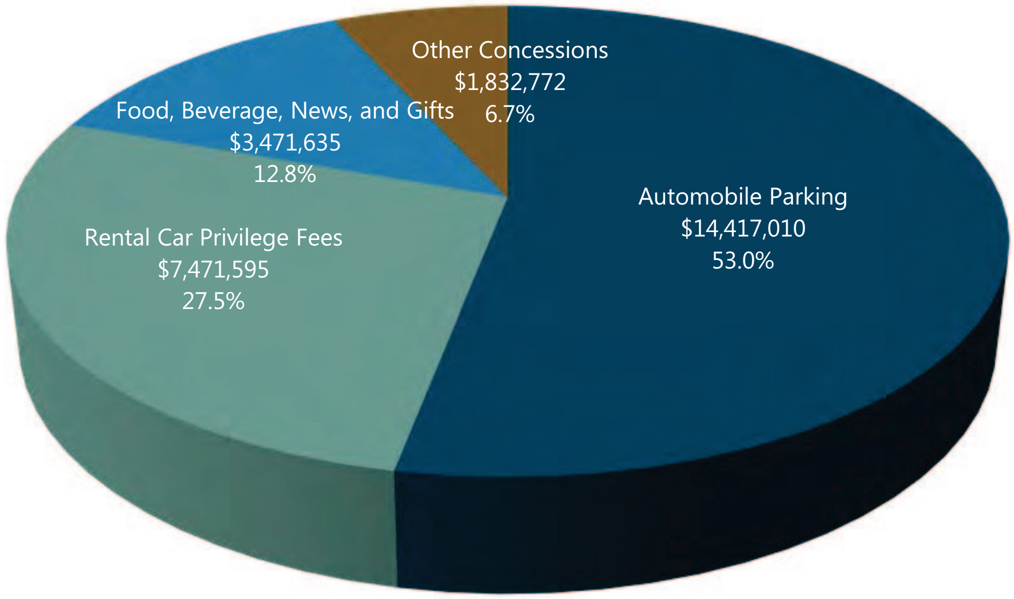
NOTES: Dollars in thousands for fiscal years ending June 30.
FY – Fiscal Year
CFC – Customer Facility Charge
1 Concession Revenues include those derived from the concessionaires in the terminal, such as restaurants and news and gift shops, and the Airport's landside operations, such as automobile parking and automobile rentals.
SOURCE: Charleston County Aviation Authority, November 2018.

As shown in Table 6-2, concession revenues per enplaned passenger have ranged from $12.97 to $14.49 during the 5-year historical period.

The Airport's FY 2019 approved budget serves as the base from which Non-Airline Revenues are projected.

Exhibit 6-3 presents the breakdown of budget FY 2019 Concession Revenues.

EXHIBIT 6-3 BUDGET FISCAL YEAR 2019 CONCESSION REVENUES BY CATEGORY



SOURCE: Charleston County Aviation Authority, September 2018.

6.3.1 PARKING AND CONCESSIONS

The Authority is continually striving to maximize concessions revenues through strategic planning. Parking and Concession Revenues include those derived from the concessionaires in the terminal, such as restaurants and news and gift shops, as well as the Airport's landside operations, such as automobile parking, automobile rentals, and valet operations.

The following subsections describe the revenues generated by automobile parking, automobile rentals, and food, beverage, news and gifts, all of which account for approximately 93.3 percent of Concession Revenues in the Airport's FY 2019 budget. Projections of those revenues are also discussed.

6.3.1.1 AUTOMOBILE PARKING

Parking revenues include daily and hourly parking space and valet parking revenues. Budgeted parking revenues for FY 2019 are $14.4 million, or 53.0 percent of Concession Revenues.

Parking Demand

Table 6-3 presents the historical parking transactions for the parking structure and surface lot.

TABLE 6-3 HISTORICAL PARKING TRANSACTIONS (FY 2014 – FY 2018)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	COMPOUND ANNUAL GROWTH RATE
Parking Deck Transactions (thousands)	241.9	247.7	248.3	234.3	229.6	(1.3%)
Annual Growth	3.2%	2.4%	0.2%	-5.6%	-2.5%	
Surface Lot Transactions (thousands)	216.6	225.6	243.2	246.3	246.2	3.3%
Annual Growth	5.8%	4.3%	7.8%	1.3%	0.0%	

NOTES: Dollars in thousands for fiscal years ending June 30.
FY – Fiscal Year
SOURCE: Charleston County Aviation Authority, November 2018.

As shown in Table 6-3, parking transactions in the surface lots, including the overflow lots, have increased at a CAGR of 3.3 percent since FY 2014, while the parking transactions in the Existing Parking Deck have remained relatively level, which, coupled with airline activity growth and closures of the Existing Parking Deck during certain peak hours, is indicative of capacity constraints in the Existing Parking Deck.

When lot closures occur in the Existing Parking Deck, experienced on approximately 40 percent of days in the previous six months, customers who would have preferred to use that facility generally must then park in either the Surface Parking Lot or one of the overflow lots. The Airport effectively loses the incremental revenue that parkers would have paid had the Existing Parking Deck had availability during that time. For purposes of this analysis, it is assumed that after the 2019 Project is completed, the existing and new parking decks will accommodate parking demand for those products, thus eliminating lot closures during peak hours and resulting in increases in parking revenue.

Total on-Airport parking transactions are projected to increase 1.5 percent annually through the Projection Period, with the share of total parking deck transactions increasing after the completion of the 2019 Project, as the additional spaces are expected to accommodate demand.

Parking Pricing

The Airport currently offers three parking products, and an overflow lot opens when the Surface Parking Lot reaches capacity.

Table 6-4 presents the current parking products and rates.

TABLE 6-4 CURRENT PARKING PRODUCTS AND RATES

PRODUCT	RATE
Parking Deck	$15 per day
Surface Lot	$10 per day
Valet	$21 per day
Overflow	$10 per day

SOURCE: Charleston County Aviation Authority, October 2018.

Upon completion of the 2019 Project, the Authority plans to repurpose and price the Existing Parking Deck to increase parking revenue in addition to offering the new parking deck product. **Table 6-5** presents the proposed parking options, spaces, and maximum daily parking rates upon completion of the 2019 Project.

TABLE 6-5 PROPOSED PARKING PRODUCTS AND RATES UPON COMPLETION OF THE 2019 PROJECT

PRODUCT	SPACES	MAXIMUM DAILY RATE
Existing Parking Deck		
Level 1	430	$20 per day
Level 2 (Hourly)	314	$24 per day
Level 3	440	$17 per day
New Parking Deck		
Levels 2–5	2,400	$17 per day
Surface Lot	925	$11 per day
Valet (Surface)	475	$24 per day
Overflow Lot	1,480	$11 per day
TOTAL SPACES	**6,464**	

SOURCE: Charleston County Aviation Authority, November 2018.

As shown, upon completion of the 2019 Project, it is expected that a total of 6,464 parking spaces will be available on the Airport, including 1,184 spaces in the Existing Parking Deck, 2,400 spaces in the new parking deck, 1,400 Surface Parking Lot spaces, and 1,480 overflow parking spaces. The additional spaces provided by the completion of the 2019 Project are expected to provide sufficient capacity to accommodate existing and future demand for garage parking during the Projection Period.

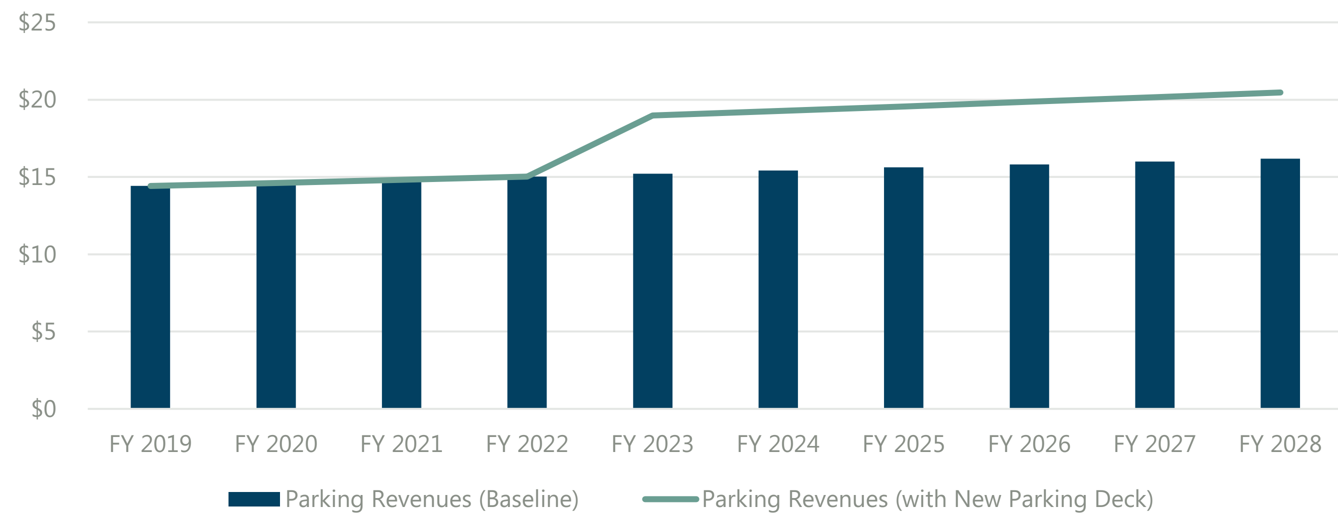
Projected Parking Revenues

For purposes of this analysis, it is assumed that, upon completion of the 2019 Project, parking demand for garage spaces, including demand from those parkers who have historically preferred to park in the Existing Parking Deck but were previously unable to be accommodated during peak hours, will be fully accommodated through the Projection Period. It is also assumed that the historical share of Existing Parking Deck to Surface Parking Lot transactions, prior to the capacity constraints in the Existing Parking Deck, remains constant through the Projection Period. A weighted average of existing and new parking deck pricing was assumed for the purposes of revenue projections. No additional parking rate increases are currently planned; however, for purposes of this analysis periodic rate increases are assumed to account for inflation (1.5 percent annually).

Based on the projected increase in total parking transactions, the assumed demand for parking deck spaces, the proposed future pricing of parking products, and assumed future inflation, parking revenues are projected to increase from approximately $14.4 million in FY 2019 to approximately $20.5 million in FY 2028, reflecting a CAGR of 4.0 percent.

Exhibit 6-4 compares projected parking revenues with and without the 2019 Project. As shown, incremental parking revenues resulting from the completion of the 2019 Project and the new parking pricing are projected to be approximately $3.5 million beginning FY 2023.

EXHIBIT 6-4 PROJECTED PARKING REVENUE COMPARISON



NOTES: Dollars in millions.
FY – Fiscal Year
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., October 2018.

6.3.1.2 DEVELOPMENTS IN AIRPORT ACCESS AND GROUND TRANSPORTATION

Transportation Network Companies (TNCs), such as Uber and Lyft, have gained acceptance as a convenient and affordable mode of transportation for individuals and for passengers to access airports, since they began operations in 2009 and 2012, respectively. Since then, additional TNCs, such as Sidecar, Via, and Wingz, have begun operating at select airports throughout the United States. Prior to 2015, TNCs operated at most airports without operating agreements. Currently, the Authority has entered into operating agreements with Uber and Lyft, charging $3.50 per pickup.

O&D passenger traffic is an indicator of ground transportation activity, and is used to better understand trends, such as transaction and revenue changes.[1] Parking and ground transportation revenue, as reported by the small-hub airports, is broadly increasing.[2] This may be due to private vehicle drop-off passengers shifting to TNCs, a slight growth in parking transactions, and an increase in originating passengers. However, multiple small-hub airports are seeing a decline in parking and ground transportation revenues per originating passenger and a decline in rental car revenues per originating passenger. This decline may be an initial trend of a broader shift occurring in ground transportation and airport access—passengers opting to use TNCs in lieu of private vehicle drop-off, parking, and other ground transportation products, such as rental cars. More than one-third of the small-hub airports that have reported FY 2017 data are experiencing a decline in revenue per O&D passenger for both parking and ground transportation and rental cars.

1 Sabre Market Intelligence, October 2018 (originating passengers).

2 Federal Aviation Administration, Certification Activity Tracking System (CATS), October 2018.

Table 6-6 presents the historical year-over-year growth for parking, TNCs, and rental car transaction days reflecting the introduction of TNCs at the Airport in FY 2016.

TABLE 6-6 HISTORICAL PARKING, TRANSPORTATION NETWORK COMPANY, AND RENTAL CAR TRANSACTION GROWTH (FY 2014 – FY 2018)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Parking Transactions	458,297	473,331	491,473	480,577	475,837
Annual Growth	4.4%	3.3%	3.8%	-2.2%	-1.0%
Transportation Network Company	N/A	N/A	48,674	153,152	231,912
Annual Growth				214.6%	51.4%
Rental Car Transaction Days	1,100,351	1,145,206	1,196,737	1,237,005	1,279,215
Annual Growth	12.4%	4.1%	4.5%	3.4%	3.4%

NOTES: Dollars in thousands for fiscal years ending June 30.
FY – Fiscal Year
SOURCE: Charleston County Aviation Authority, November 2018.

From FY 2014 through FY 2018, enplanements increased at a CAGR of 8.3 percent, while parking and rental car transaction days have grown at 1.0 percent and 3.8 percent, respectively.

Parking operations in the current facilities may be limited by the capacity of the Existing Parking Deck, which has been closed historically during certain peak hours as the Existing Parking Deck reaches its capacity during those times approximately three days a week on average.

This initial decline in parking and ground transportation and rental car revenues per O&D passenger, along with the emergence of autonomous vehicle technology, and the first year-over-year decline in personal automobile sales in the U.S. since the Great Recession, may eventually lead to parking and ground transportation and rental car revenue declines. [3] Airport sponsors may be able to prevent revenue declines for parking and ground transportation and rental car products by adopting different ground transportation fees and fee structures, such as private vehicle access fees.

A shift in Airport access during the Projection Period may occur; however, due to the uncertainty of future changes to ground transportation, revenue projections developed for the financial analysis included in this Report assume no impact on parking and car rental demand from TNCs during the Projection Period. For purposes of this analysis, parking and rental car transactions per O&D passenger are assumed to remain level throughout the Projection Period.

[3] Auto Alliance, "Facts About Auto Sales 2017," https://autoalliance.org/economy/facts-about-auto-sales/ (accessed October 2018).

6.3.1.3 AUTOMOBILE RENTAL

The following six rental car brands operate on-Airport: Alamo, Avis, Budget, Enterprise, Hertz, and National. Dollar and Thrifty rental car brands currently provide off-Airport car rental operations. Budgeted automobile rental revenues for FY 2019 are $7.5 million, or 27.5 percent of Concession Revenues.

Upon completion of the new parking deck, the on-Airport rental car companies are expected to operate out of the first level of the new parking deck to accommodate the need for expanded operations, as passengers are projected to increase through the Projection Period. Automobile rental revenues are projected to increase from approximately $7.5 million in FY 2019 to approximately $9.9 million in FY 2028, reflecting a CAGR of 3.1 percent.

6.3.1.4 CUSTOMER FACILITY CHARGE REVENUE

The Authority currently collects a CFC of $3.50 per contract day on rental car transactions. In FY 2018 the Authority collected approximately $4.5 million in CFCs from the rental car companies, with collections budgeted to be $4.3 million in FY 2019. The Authority has adopted an increase in the CFC collection rate to $5.00 per contract day, expected to be effective March 1, 2019, resulting in projected annual CFC collections to increase to $6.7 million in FY 2028, reflecting a CAGR of 5.0 percent during the Projection Period. Growth in CFCs during the Projection Period is attributable to forecast growth in airline passengers and the assumed increase in the CFC collection rate.

As described in Chapter 1, the Authority has designated CFCs as Revenues for purposes of the Master Resolution until removed by the Authority through supplemental resolution. For purposes of this analysis, CFCs are assumed to remain part of Revenues through the Projection Period.

6.3.1.5 FOOD, BEVERAGE, NEWS, AND GIFTS

Concessionaires operate a total of eight food and beverage and five news and gift outlets at the Airport. In addition, local small business concessionaires operate a total of four concession kiosks through a specialty leasing program. Budgeted food, beverage, news, and gifts revenues for FY 2019 are $3.5 million, or 12.8 percent of Concession Revenues. A new central marketplace with shopping and dining options was opened as part of the TRIP, which is reflected in the budgeted FY 2019 terminal concessions revenue used as the baseline for the projections in this analysis. Terminal concessions revenues are projected to increase based on a combination of forecast passenger growth and half of the projected rate of inflation from $3.5 million in FY 2019 to $4.6 million in FY 2028, reflecting a CAGR of 3.2 percent.

Total Concession Revenues, including automobile parking, rental cars, CFC revenues, and terminal concessions are projected to increase from $27.2 million in FY 2019 to $37.2 million in FY 2028, reflecting a CAGR of 3.5 percent, which is largely attributable to automobile parking revenue growth associated with expanded capacity and new pricing structure. Concession Revenues per enplaned passenger are projected to increase from $11.33 in FY 2019 to $13.30 in FY 2028, which is primarily associated with parking rate increases, available parking capacity to satisfy forecast demand, and assumed inflation.

6.3.2 OTHER NON-AIRLINE REVENUES

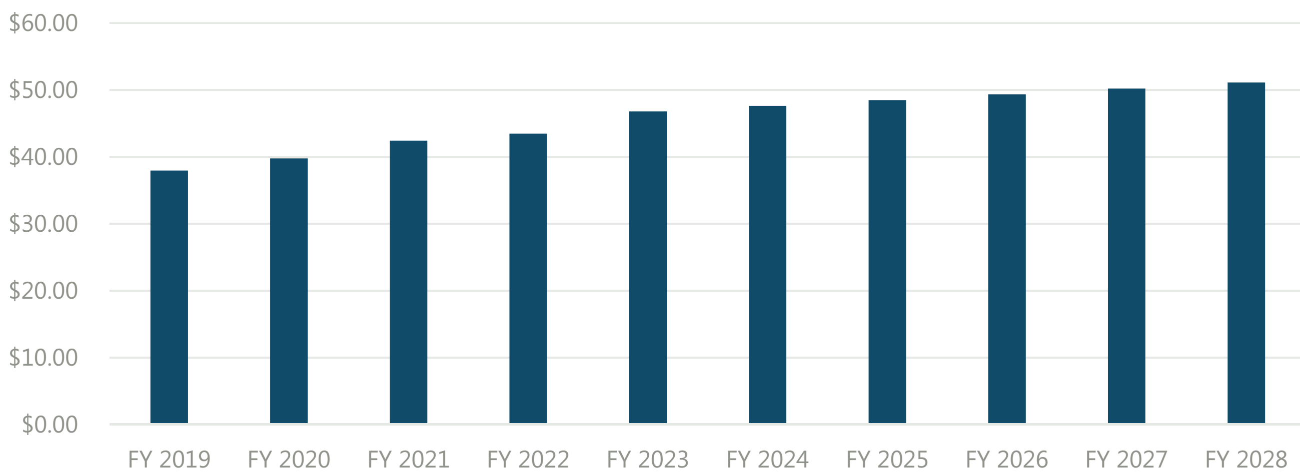
Other Revenues include miscellaneous terminal income, other terminal space rent, and TSA reimbursements. Projections of these revenue items are not impacted by increases or decreases in aviation activity; increases are based on half of the projected rate of inflation.

6.3.3 FUEL STORAGE AND GENERAL AVIATION REVENUES

These revenues include other domestic gate fees, other apron use and parking fees, cargo rents, and fuel storage facility rents that are not included in Scheduled Air Carrier terminal, apron, and landing fees, as defined by the Ordinance. Projections of these revenue items are not impacted by increases or decreases in scheduled aviation activity; increases are based on half of the projected rate of inflation.

Exhibit 6-5 presents projections of Non-Airline Revenues. Revenues were projected based on a review of historical trends, forecast activity levels, impacts from the 2019 Project, and inflation. As shown, Non-Airline Revenues are projected to increase from $37.9 million in FY 2019 to $51.1 million in FY 2028, at a CAGR of 3.4 percent.

EXHIBIT 6-5 NON-AIRLINE REVENUES



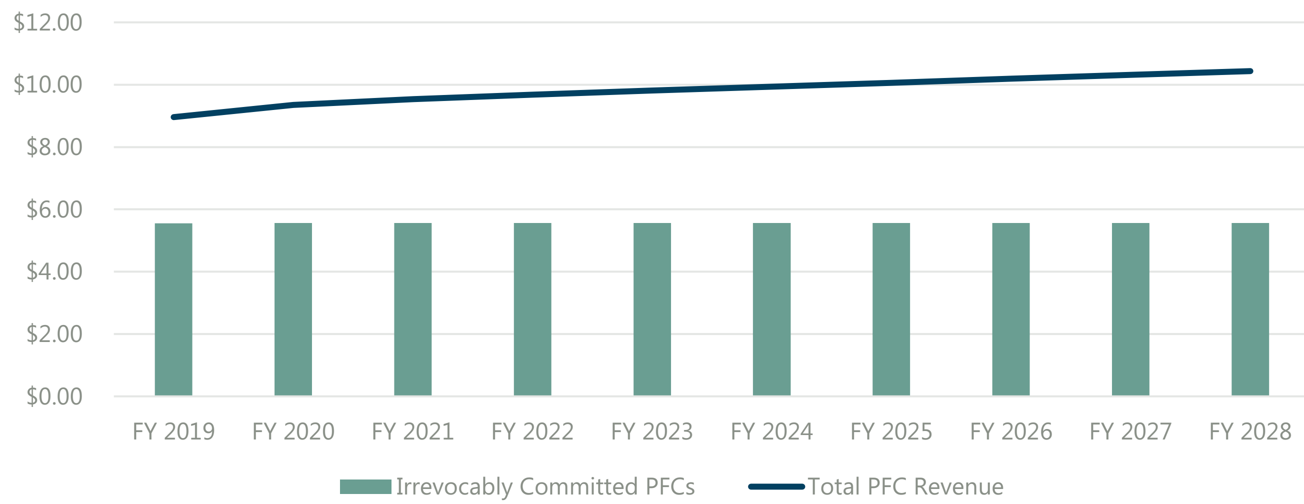
NOTES: Dollars in millions.
FY – Fiscal Year
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

6.4 PASSENGER FACILITY CHARGES

The Authority is currently authorized to collect approximately $189.5 million through July 1, 2039. Through FY 2018, the Authority collected approximately $53.2 million in PFCs. Projected annual PFC collections, based on existing FAA approvals, forecast enplaned passengers, an assumed PFC level of $4.50 per enplanement through the end of the Projection Period, and an assumed PFC collection eligibility of 85 percent of enplaned passengers, is presented in Appendix A.

Projected PFC collections, as shown on **Exhibit 6-6**, are expected to be sufficient to cover all debt service to be paid with PFCs at the current PFC collection level.

EXHIBIT 6-6 PROJECTED PASSENGER FACILITY CHARGE COLLECTIONS



NOTES: Dollars in millions.
FY – Fiscal Year
PFC – Passenger Facility Charge
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

6.5 AMORTIZATION OF AUTHORITY FUNDS

As reflected in Chapter 3, the Airport CIP assumes the Authority will use unencumbered discretionary cash to fund certain capital projects. Approximately $29.5 million of Authority funds are anticipated to be used to fund the Ticketing Hall Expansion project, which, for purposes of this financial analysis, is assumed to be amortized over the useful life of the project and recovered through the calculated terminal rental rate. Annual amortization associated with the Ticketing Hall Expansion project is assumed to total approximately $1.9 million annually beginning in FY 2024 through the Projection Period.

The Authority may also elect to use unencumbered cash to fund the Concourse C Construction project described in Chapter 3. As discussed, due to the uncertainty of project timing and funding, amortization on potential expenditures associated with the project is not included in this financial analysis.

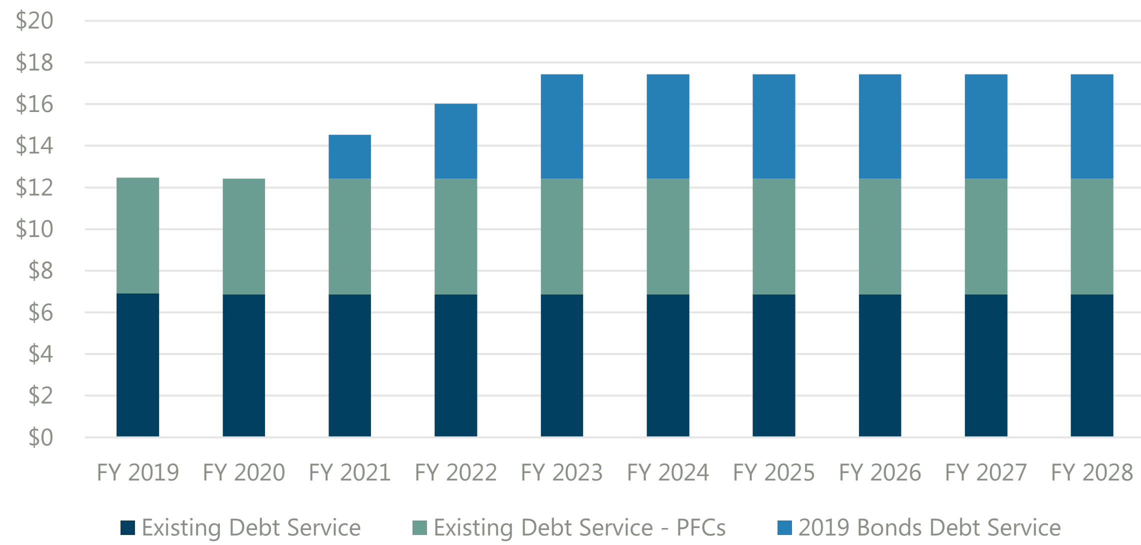
6.6 DEBT SERVICE

Exhibit 6-7 presents the District's existing annual debt service requirements, including debt service paid using PFCs and future annual debt service requirements, respectively, which are further discussed in the following subsections.

6.6.1 DEBT SERVICE ON EXISTING BONDS

As shown on Exhibit 6-7, existing debt service on the previously issued Series 2013 Bonds is approximately $12.8 million annually between FY 2019 and FY 2028. PFCs are anticipated to be applied to PFC-eligible portions of debt service on the Series 2013 Bonds in an amount approved by the FAA under the PFC Application approved for the TRIP.

EXHIBIT 6-7 DEBT SERVICE



NOTES: Dollars in millions.
FY – Fiscal Year
PFC – Passenger Facility Charge
SOURCE: PFM Financial Advisors LLC, January 2019.

6.6.2 DEBT SERVICE ON THE SERIES 2019 BONDS

Proceeds from the 2019 Bonds will be used to fund the 2019 Project, in part, as described in Chapter 3. The 2019 Project totals $100.0 million, of which approximately $68.0 million is assumed to be funded with proceeds from the 2019 Bonds.

The 2019 Bonds are assumed to have a term of 30 years; for purposes of this Report, interest on the 2019 Bonds is assumed at market interest rates as of January 10, 2019, plus 75 basis points. The 2019 Bonds debt service is estimated to be approximately $2.1 million beginning FY 2021, increasing to approximately $3.6 million in FY 2022, and then increasing to approximately $5.0 million in FY 2023 and remaining level through the remainder of the Projection Period.

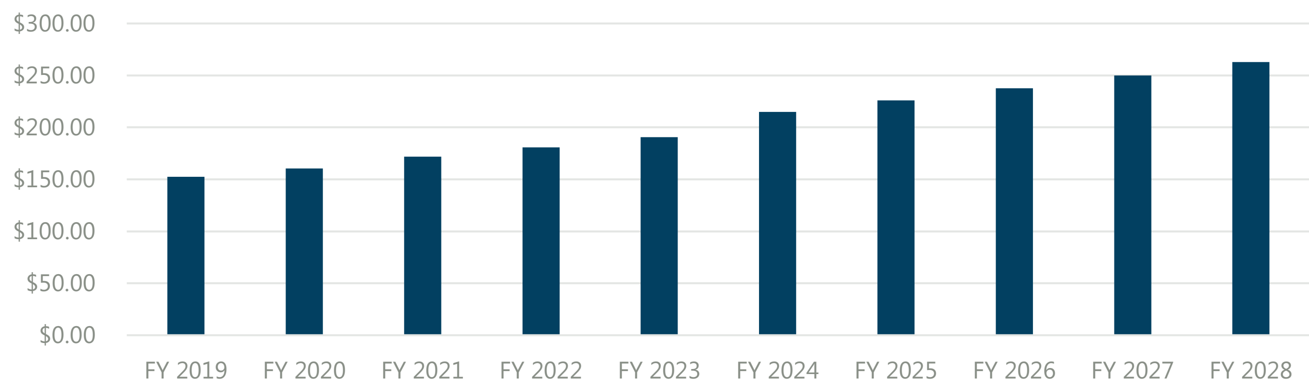
Including the 2019 Bonds, total debt service paid with Net Revenue, after the application of pledged PFCs, is estimated to be approximately $6.9 million in FY 2019, $9.2 million in FY 2021, and $10.5 million in FY 2022; it is estimated to increase to $11.9 million in FY 2023 and remain level through the Projection Period.

6.7 AIRLINE REVENUES

6.7.1 TERMINAL RENTAL RATES

The projected Terminal Building rental rate, as calculated by the methodology described in Section 6.1.2, is presented on **Exhibit 6-8**. This charge is estimated at $152.46 per square foot in FY 2019, and it is projected to increase to $262.92 per square foot in FY 2028. Projected increases in the Terminal Building rental rate are associated with projected increases in Terminal Building O&M Expenses and amortization of District funds used to fund the Ticketing Hall Expansion project. As reflected in Table A-5 in Appendix A, no increases in airline leased space are assumed; however, potential additional airline space resulting from the Ticketing Hall Expansion project may be leased, which would, in turn, reduce the Terminal Building rental rate.

EXHIBIT 6-8 TERMINAL RENTAL RATE



NOTE: FY – Fiscal Year
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

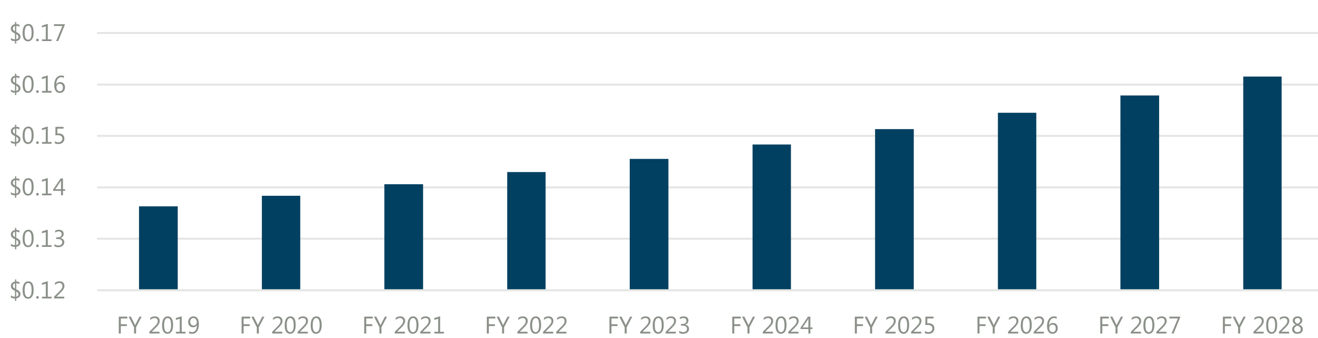
6.7.2 LANDING FEES

The Landing Fee rate per 1,000 pounds of maximum gross takeoff weight for the Airlines is established by the Authority, as provided for under provisions of the Joint Use Agreement. This charge is estimated at $0.20 per 1,000 pounds of maximum gross takeoff weight in FY 2019, and it is assumed to remain level through the Projection Period.

6.7.3 APRON FEES

Exhibit 6-9 presents the projected Apron Fee, as calculated by the methodology described in Section 6.1.2. This charge is estimated at $0.13 per thousand pounds of maximum gross takeoff weight in FY 2019, and it is projected to increase to $0.15 per thousand pounds of maximum gross takeoff weight through the Projection Period.

EXHIBIT 6-9 APRON FEES



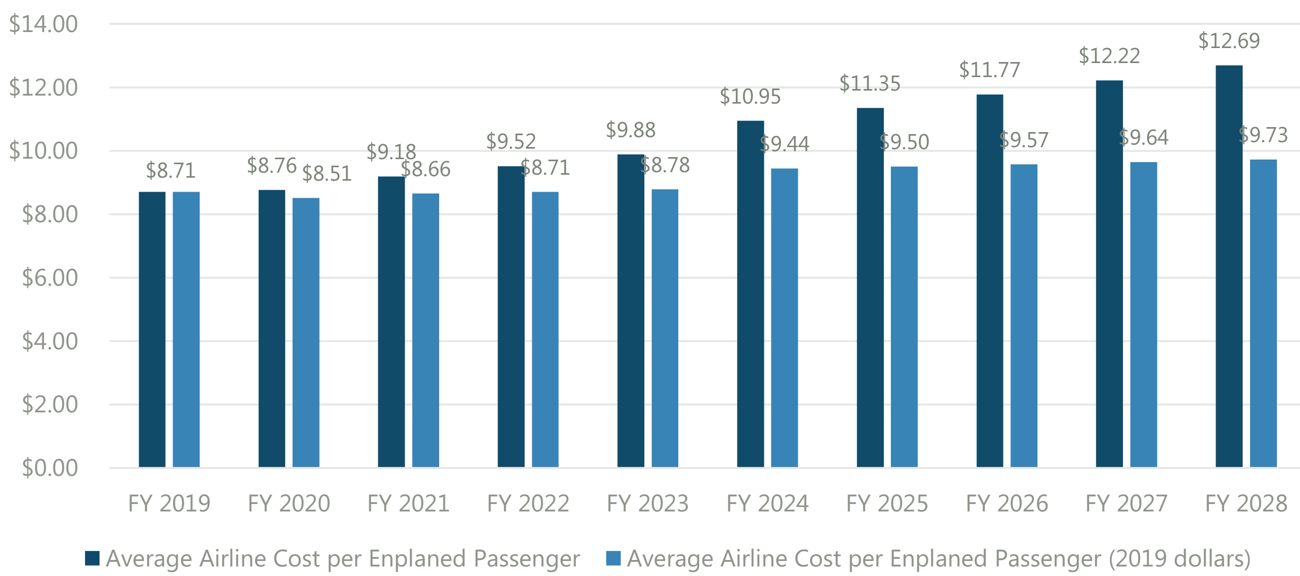
NOTE: FY – Fiscal Year
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

6.8 AIRLINE COST PER ENPLANEMENT

Exhibit 6-10 presents the Airline cost per enplanement (CPE) for the Projection Period.

As presented, the Airline CPE at the Airport is estimated to be $8.71 in current dollars in FY 2019, and it is projected to increase to $12.69 by the end of the projection period in FY 2028, which equates to approximately $9.73 in 2019 dollars, resulting from projected increases in O&M Expenses in the Terminal Building and Apron area, as well as incremental O&M Expenses and amortization associated with the Ticketing Hall Expansion project.

EXHIBIT 6-10 AVERAGE AIRLINE COST PER ENPLANEMENT



NOTE: FY – Fiscal Year
SOURCES: Charleston County Aviation Authority, October 2018; Ricondo & Associates, Inc., November 2018.

The projected CPE shown on Exhibit 6-10 is evaluated in this analysis to be reasonable based on the expectation that these fees will not deter forecast demand for air traffic at the Airport as airlines continue to deploy capacity to airports based on available resources. The projected Airport user fees in this analysis are deemed to be reasonable based on the following combination of factors:

- **Strong economic base**. There is typically a positive correlation between population growth in a local area and air travel demand.
- **Attractive geographical location**. The travel and tourism industry is one of the largest service categories in the ATA.
- **Capital projects that enable growth.** Airport user fees during the Projection Period are calculated to recover debt service and operating costs partially attributable to significant capital projects designed to provide capacity at the Airport, which supports the ability for airlines to increase service. Although the funding of these projects is anticipated to result in increased Airport user fees, these projects support forecast long-term growth at the Airport.

In summary, Airline CPE, although increasing over the Projection Period, is one of many factors that are considered by airlines when evaluating air service. Airport rates and fees were approximately 6.8 percent of system-wide total airline operating costs, according to the airline industry group Airlines for America, and they are one of many factors airlines consider when allocating capacity resources. Forecast growth of the population and economic base, along with the geographical location, support the reasonableness of projected Airport user fees.

6.9 FINANCIAL PERFORMANCE AND DEBT SERVICE COVERAGE

As contained in the Resolution:

> "The District will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any amount deposited in the Rolling Coverage Account, will be equal to at least 125 percent of Annual Debt Service on the Outstanding Bonds in such Fiscal Year."

The debt service coverage ratio is projected to exceed the 1.25x minimum requirement in each year of the Projection Period.

Table A-9 in Appendix A presents the Debt Service coverage ratio projected for all Bonds Outstanding after the Series 2019 transaction, including the 2019 Bonds, from FY 2019 through FY 2028.

6.10 FLOW OF FUNDS

Table A-10 in Appendix A presents Ricondo's projection of annual cash flow, as provided for in the Resolution. In each year of the Projection Period, Revenues are sufficient to meet the Authority's debt service obligations and to make all deposits required under the Resolution.

6.11 ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS

The techniques and methodologies used in preparing this financial analysis are consistent with industry practices for similar studies in connection with airport revenue bond sales. While Ricondo believes the approach and assumptions used are reasonable, some assumptions regarding future trends and events presented in this Report, including the implementation schedule and enplanement forecasts, may not materialize. Achievement of the projections presented in this Report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

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APPENDIX A

Financial Projection Tables

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TABLE A-1 OPERATING & MAINTENANCE EXPENSES

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED									CAGR
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	(2019 - 2028)
O&M Expenses by Category											
Personnel services	$17,086,200	$18,158,797	$19,248,325	$20,403,224	$21,627,418	$22,925,063	$24,300,567	$25,758,601	$27,304,117	$28,942,364	6.0%
Administrative services	2,878,005	3,003,656	3,204,058	3,332,220	3,526,513	3,667,573	3,814,276	3,966,847	4,125,521	4,290,542	4.5%
Utilities	2,402,450	2,508,854	2,676,282	2,783,333	2,931,185	3,048,433	3,170,370	3,297,185	3,429,072	3,566,235	4.5%
Building repairs and maintenance	541,700	563,368	602,101	626,185	652,636	678,741	705,891	734,127	763,492	794,032	4.3%
Heating, ventilation, and air conditioning	198,100	204,043	216,052	222,534	229,801	236,695	243,796	251,109	258,643	266,402	3.3%
Field maintenance	195,000	203,940	211,236	217,573	234,736	241,778	249,032	256,502	264,198	272,123	3.8%
Vehicle Maintenance	140,000	144,200	152,982	157,571	162,298	167,167	172,182	177,348	182,668	188,148	3.3%
Loading bridges	39,000	40,170	42,616	43,895	45,212	46,568	47,965	49,404	50,886	52,413	3.3%
Supplies	671,192	711,464	776,267	822,843	873,634	926,052	981,615	1,040,512	1,102,942	1,169,119	6.4%
Contractual services	3,946,476	4,277,196	4,659,761	4,939,347	5,286,051	5,603,214	5,939,407	6,295,771	6,673,518	7,073,929	6.7%
Insurance	589,400	613,571	647,732	667,164	698,879	719,845	741,441	763,684	786,595	810,192	3.6%
Professional services	1,372,776	1,414,423	1,496,128	1,541,012	1,588,078	1,635,720	1,684,792	1,735,336	1,787,396	1,841,018	3.3%
Other	673,100	675,348	699,447	713,712	732,620	746,922	761,515	776,387	791,542	807,000	2.0%
Total O&M Expenses	**$30,733,399**	**$32,519,030**	**$34,632,987**	**$36,470,613**	**$38,589,060**	**$40,643,772**	**$42,812,848**	**$45,102,813**	**$47,520,589**	**$50,073,517**	**5.6%**
O&M Expenses by Cost Center											
Domestic & International Terminal Area	$23,960,892	$25,225,319	$26,947,827	$28,373,258	$29,877,349	$31,464,569	$33,139,645	$34,907,578	$36,773,660	$38,743,490	5.5%
Airfield Area	347,100	336,787	341,674	345,206	348,045	350,810	353,519	356,152	358,700	361,172	0.4%
Apron & Taxiway Area	223,800	235,763	248,396	261,737	275,828	290,711	306,432	323,040	340,586	359,125	5.4%
Parking/Roadway Area	3,869,145	4,260,697	4,499,345	4,751,686	5,197,983	5,488,075	5,794,767	6,119,025	6,461,871	6,824,389	6.5%
Airline Service Area	390,900	413,065	436,512	461,316	487,557	515,319	544,691	575,768	608,649	643,442	5.7%
Fuel Storage Area	195,000	205,824	217,271	229,378	242,184	255,729	270,057	285,214	301,250	318,215	5.6%
Commercial/Industrial Area	372,200	393,623	416,302	440,310	465,728	492,638	521,129	551,294	583,233	617,051	5.8%
Aviation Support Area	509,200	539,407	571,416	605,334	641,276	679,363	719,723	762,493	807,815	855,844	5.9%
Reliever Airports	865,162	908,545	954,244	1,002,387	1,053,110	1,106,559	1,162,885	1,222,250	1,284,824	1,350,789	5.1%
Total O&M Expenses	**$30,733,399**	**$32,519,030**	**$34,632,987**	**$36,470,613**	**$38,589,060**	**$40,643,772**	**$42,812,848**	**$45,102,813**	**$47,520,589**	**$50,073,517**	**5.6%**

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., November 2018 (Projected)

TABLE A-2 NON-AIRLINE REVENUES

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED									CAGR
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	(2019 - 2028)
By Cost Center											
Terminal Building Area	$12,296,014	$12,979,738	$13,403,664	$13,787,966	$14,155,588	$14,529,576	$14,910,736	$15,298,303	$15,691,995	$16,092,255	3.0%
Airfield Area	120,768	126,036	128,505	130,482	132,213	133,930	135,639	137,332	139,006	140,664	1.7%
Parking and Roadway Area	16,006,203	16,876,125	17,413,246	17,895,448	20,685,548	20,985,408	21,289,442	21,597,621	21,909,962	22,226,581	3.7%
Airline Service Area	270,442	274,499	278,616	282,795	287,037	291,343	295,713	300,149	304,651	309,221	1.5%
Fuel Storage Area	2,137,600	2,169,664	2,202,209	2,235,242	2,268,771	2,302,802	2,337,344	2,372,404	2,407,991	2,444,110	1.5%
Commercial/Industrial Area	4,813,162	5,008,445	6,628,672	6,730,470	6,820,681	6,910,338	6,999,764	7,088,561	7,176,569	7,263,947	4.7%
Aviation Support Area	1,379,397	1,400,088	1,421,089	1,442,406	1,464,042	1,486,002	1,508,292	1,530,917	1,553,880	1,577,189	1.5%
Reliever Airports	906,615	920,214	934,017	948,028	962,248	976,682	991,332	1,006,202	1,021,295	1,036,615	1.5%
Total Non-Airline Revenue	**$37,930,201**	**$39,754,810**	**$42,410,019**	**$43,452,836**	**$46,776,128**	**$47,616,082**	**$48,468,262**	**$49,331,489**	**$50,205,349**	**$51,090,582**	3.4%
By Revenue Type											
Concessions:											
Automobile Parking	$14,417,010	$15,252,268	$15,773,490	$16,243,074	$19,022,216	$19,311,277	$19,604,628	$19,902,291	$20,204,299	$20,510,746	4.0%
Rental Car Privilege Fees	7,471,595	7,891,780	8,156,667	8,398,158	8,629,980	8,865,982	9,106,654	9,351,538	9,600,466	9,853,708	3.1%
Food, Beverage, News, and Gifts	3,471,635	3,677,430	3,805,687	3,922,212	4,033,855	4,147,523	4,263,460	4,381,436	4,501,366	4,623,385	3.2%
Other Concessions	1,832,772	1,915,893	1,959,851	1,997,276	2,031,617	2,066,189	2,101,105	2,136,258	2,171,612	2,207,229	2.1%
Total Concessions	**$27,193,012**	**$28,737,371**	**$29,695,695**	**$30,560,721**	**$33,717,667**	**$34,390,972**	**$35,075,848**	**$35,771,523**	**$36,477,744**	**$37,195,068**	3.5%
Customer Facility Charge Revenues	$4,300,000	$4,487,585	$6,100,000	$6,193,867	$6,276,030	$6,357,517	$6,438,650	$6,519,031	$6,598,496	$6,677,203	5.0%
Other Non-Airline Revenues	$440,524	$441,895	$445,823	$449,811	$453,858	$457,966	$462,135	$466,367	$470,663	$475,023	0.8%
Fuel Storage and General Aviation Revenues	$5,996,665	$6,087,958	$6,168,501	$6,248,437	$6,328,574	$6,409,627	$6,491,629	$6,574,568	$6,658,447	$6,743,289	1.3%
Total Non-Airline Revenue	**$37,930,201**	**$39,754,810**	**$42,410,019**	**$43,452,836**	**$46,776,128**	**$47,616,082**	**$48,468,262**	**$49,331,489**	**$50,205,349**	**$51,090,582**	3.4%
Total Concessions per Enplanement	**$11.33**	**$11.47**	**$11.62**	**$11.78**	**$12.83**	**$12.92**	**$13.01**	**$13.10**	**$13.20**	**$13.30**	1.8%

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., November 2018 (Projected)

TABLE A-3 PROJECTED PFC REVENUE COLLECTIONS

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
PFC Beginning Balance	$7,343,115	$10,746,691	$14,531,268	$18,498,103	$22,611,411	$26,853,121	$31,222,176	$35,718,023	$40,339,488	$45,085,136
Enplanements	2,400,899	2,505,637	2,554,705	2,594,017	2,628,427	2,662,554	2,696,533	2,730,197	2,763,477	2,796,440
Calculation of PFCs										
85% Eligibility of EPs	2,040,764	2,129,791	2,171,499	2,204,914	2,234,163	2,263,171	2,292,053	2,320,667	2,348,955	2,376,974
PFC Collection Level	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less: Administrative Fee	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)
Total PFC Revenue	**$8,958,955**	**$9,349,784**	**$9,532,882**	**$9,679,574**	**$9,807,975**	**$9,935,320**	**$10,062,113**	**$10,187,730**	**$10,311,914**	**$10,434,916**
Irrevocably Committed PFCs [1]	$5,555,379	$5,565,207	$5,566,047	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,267
PFC's Available for Future Projects [2]	**$10,746,691**	**$14,531,268**	**$18,498,103**	**$22,611,411**	**$26,853,121**	**$31,222,176**	**$35,718,023**	**$40,339,488**	**$45,085,136**	**$49,953,786**
Future PFC PAYGO [3]	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Future PFC Bond Debt Service	0	0	0	0	0	0	0	0	0	0
PFC Ending Balance	**$10,746,691**	**$14,531,268**	**$18,498,103**	**$22,611,411**	**$26,853,121**	**$31,222,176**	**$35,718,023**	**$40,339,488**	**$45,085,136**	**$49,953,786**

NOTES:

1 Committed PFCs includes all PFC Pay As You Go Projects approved for collection and use.

2 Assumes necessary PFC authority to collect PFCs from future PFC applications.

3 Does not include other planned PFC reimbursements for Prior Project Expenditures

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., November 2018 (Projected)

TABLE A-4 DEBT SERVICE

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Existing Airport Revenue Bonds [1]										
2013 Bonds Debt Service (Paid with Net Revenue)	$6,909,037	$6,857,130	$6,858,165	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,435
2013 Bonds Debt Service (Paid with PFC Revenue)	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Total Existing Airport Revenue Bond Debt Service	**$12,464,416**	**$12,422,338**	**$12,424,213**	**$12,424,700**	**$12,424,700**	**$12,424,700**	**$12,424,700**	**$12,424,700**	**$12,424,700**	**$12,424,702**
2019 Bonds Debt Service										
2019 Bonds Debt Service (Paid with Net Revenue)	$0	$0	$2,100,146	$3,600,250	$5,010,250	$5,009,750	$5,010,750	$5,008,000	$5,006,500	$5,011,000
2019 Bonds Debt Service	**$0**	**$0**	**$2,100,146**	**$3,600,250**	**$5,010,250**	**$5,009,750**	**$5,010,750**	**$5,008,000**	**$5,006,500**	**$5,011,000**
Total Airport Revenue Bond Debt Service										
Paid with Net Revenue	$6,909,037	$6,857,130	$8,958,311	$10,458,684	$11,868,684	$11,868,184	$11,869,184	$11,866,434	$11,864,934	$11,869,435
Paid with PFC Revenue	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Total Airport Revenue Bonds	**$12,464,416**	**$12,422,338**	**$14,524,358**	**$16,024,950**	**$17,434,950**	**$17,434,450**	**$17,435,450**	**$17,432,700**	**$17,431,200**	**$17,435,702**
Allocation of Debt Service Paid from Net Revenue [2]										
Domestic & International Terminal Area	$6,909,037	$6,857,130	$6,858,165	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,435
Airfield Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Apron & Taxiway Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Parking/Roadway Area	$0	$0	$2,100,146	$3,600,250	$5,010,250	$5,009,750	$5,010,750	$5,008,000	$5,006,500	$5,011,000
Airline Service Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fuel Storage Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial/Industrial Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Aviation Support Area	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reliever Airports	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service	**$6,909,037**	**$6,857,130**	**$8,958,311**	**$10,458,684**	**$11,868,684**	**$11,868,184**	**$11,869,184**	**$11,866,434**	**$11,864,934**	**$11,869,435**

NOTE:

1 For rate setting purposes, 2013 Bonds debt service includes amortized costs of issuing the Series 2013 Bonds.

2 Does not include debt service paid with PFC Revenue

SOURCES: Charleston County Aviation Authority, October 2018 (Existing); PFC Financial Advisors LLC, January 2019 (2019 Bonds)

TABLE A-5 TERMINAL RENTAL RATE

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Terminal O&M Expenses	$23,960,892	$25,225,319	$26,947,827	$28,373,258	$29,877,349	$31,464,569	$33,139,645	$34,907,578	$36,773,660	$38,743,490
Terminal Revenue Bond Debt Service	6,909,037	6,857,130	6,858,165	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,435
Terminal Equipment & Capital Outlays	1,290,000	1,328,700	1,368,561	1,409,618	1,451,906	1,495,464	1,540,327	1,586,537	1,634,133	1,683,157
Terminal Amortization	1,823,941	1,823,941	1,823,941	1,823,941	1,823,941	3,742,958	3,742,958	3,742,958	3,742,958	3,742,958
LESS: TSA Reimbursement	0	0	0	0	0	0	0	0	0	0
LESS: Utilities Reimbursement	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)	(142,000)
Total Requirement	**$33,841,871**	**$35,093,091**	**$36,856,494**	**$38,323,252**	**$39,869,631**	**$43,419,425**	**$45,139,365**	**$46,953,508**	**$48,867,186**	**$50,886,041**
LESS: Concession Revenue	$11,441,918	$11,613,547	$11,787,750	$11,964,566	$12,144,035	$12,326,195	$12,511,088	$12,698,754	$12,889,236	$13,082,574
LESS: Other Terminal Building Rentals	543,176	529,815	531,718	535,352	539,220	543,304	547,455	551,664	555,935	560,272
LESS: Terminal Interest Income	7,090	7,090	7,090	7,090	7,090	7,090	7,090	7,090	7,090	7,090
LESS: Military Charter Facility Credit	2,005,704	2,079,835	2,184,257	2,271,194	2,363,057	2,573,380	2,675,340	2,782,718	2,896,253	3,015,945
Net Requirement	**$19,843,982**	**$20,862,804**	**$22,345,679**	**$23,545,049**	**$24,816,230**	**$27,969,456**	**$29,398,392**	**$30,913,282**	**$32,518,673**	**$34,220,159**
Airline Leased Space	130,156	130,156	130,156	130,156	130,156	130,156	130,156	130,156	130,156	130,156
Average Terminal Rental Rate	$152.46	$160.29	$171.68	$180.90	$190.67	$214.89	$225.87	$237.51	$249.84	$262.92
Total Rental Revenue	**$19,843,982**	**$20,862,804**	**$22,345,679**	**$23,545,049**	**$24,816,230**	**$27,969,456**	**$29,398,392**	**$30,913,282**	**$32,518,673**	**$34,220,159**

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., January 2019 (Projected)

TABLE A-6 LANDING FEE

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Landing Fee per 1,000 lbs. take-off weight	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20
Airline take-off weight (1,000 lbs.)	3,243,227	3,367,872	3,416,741	3,452,059	3,480,448	3,508,096	3,535,191	3,561,518	3,586,996	3,611,723
Airline Landing Fee Revenue	**$648,645**	**$673,574**	**$683,348**	**$690,412**	**$696,090**	**$701,619**	**$707,038**	**$712,304**	**$717,399**	**$722,345**

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., November 2018 (Projected)

TABLE A-7 APRON FEES

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Apron & Taxiway										
O&M Expenses	$223,800	$235,763	$248,396	$261,737	$275,828	$290,711	$306,432	$323,040	$340,586	$359,125
Revenue Bond Debt Service [1]	0	0	0	0	0	0	0	0	0	0
Equipment & Capital Outlays	0	0	0	0	0	0	0	0	0	0
Amortization	185,128	185,128	185,128	185,128	185,128	185,128	185,128	185,128	185,128	185,128
Total Requirement	**$408,928**	**$420,891**	**$433,524**	**$446,865**	**$460,956**	**$475,839**	**$491,560**	**$508,168**	**$525,714**	**$544,253**
LESS: Non-Airline Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Requirement	**$408,928**	**$420,891**	**$433,524**	**$446,865**	**$460,956**	**$475,839**	**$491,560**	**$508,168**	**$525,714**	**$544,253**
Airline Take-off Weight (1,000 lbs.)	3,243,227	3,367,872	3,416,741	3,452,059	3,480,448	3,508,096	3,535,191	3,561,518	3,586,996	3,611,723
Apron Fee per 1,000 lbs. Take-off Weight	$0.13	$0.12	$0.13	$0.13	$0.13	$0.14	$0.14	$0.14	$0.15	$0.15
Total Apron Fee Revenue	**$408,928**	**$420,891**	**$433,524**	**$446,865**	**$460,956**	**$475,839**	**$491,560**	**$508,168**	**$525,714**	**$544,253**

NOTE:

1 No Debt Service is allocated to the Apron and Taxiway Area during the projection period.

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., November 2018 (Projected)

TABLE A-8 AVERAGE AIRLINE COST PER ENPLANED PASSENGER

(For Fiscal Years Ending June 30)

	BUDGET FY 2019	PROJECTED FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Airline Terminal Space Rentals	$19,843,982	$20,862,804	$22,345,679	$23,545,049	$24,816,230	$27,969,456	$29,398,392	$30,913,282	$32,518,673	$34,220,159
Airline Landing Fee Revenues	648,645	673,574	683,348	690,412	696,090	701,619	707,038	712,304	717,399	722,345
Airline Apron Fees	408,928	420,891	433,525	446,867	460,959	475,843	491,565	508,174	525,720	544,259
Total Airline Revenue	**$20,901,555**	**$21,957,270**	**$23,462,552**	**$24,682,328**	**$25,973,278**	**$29,146,918**	**$30,596,995**	**$32,133,760**	**$33,761,793**	**$35,486,763**
Enplaned Passengers	2,400,899	2,505,637	2,554,705	2,594,017	2,628,427	2,662,554	2,696,533	2,730,197	2,763,477	2,796,440
Average Airline Cost per Enplaned Passenger	**$8.71**	**$8.76**	**$9.18**	**$9.52**	**$9.88**	**$10.95**	**$11.35**	**$11.77**	**$12.22**	**$12.69**
Average Airline Cost per Enplaned Passenger (2019 dollars)	**$8.71**	**$8.51**	**$8.66**	**$8.71**	**$8.78**	**$9.44**	**$9.50**	**$9.57**	**$9.64**	**$9.73**

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., January 2019 (Projected)

TABLE A-9 CASH FLOW & DEBT SERVICE COVERAGE

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue										
Airline Terminal Space Rentals	$19,843,982	$20,862,804	$22,345,679	$23,545,049	$24,816,230	$27,969,456	$29,398,392	$30,913,282	$32,518,673	$34,220,159
Airline Landing Fee Revenues	648,645	673,574	683,348	690,412	696,090	701,619	707,038	712,304	717,399	722,345
Apron Fee Revenues	408,928	420,891	433,525	446,867	460,959	475,843	491,565	508,174	525,720	544,259
Nonairline Revenues (including CFCs)	37,930,201	39,754,810	42,410,019	43,452,836	46,776,128	47,616,082	48,468,262	49,331,489	50,205,349	51,090,582
Investment Earnings	86,436	87,732	89,048	90,384	91,740	93,116	94,513	95,930	97,369	98,830
Total Revenues	**$58,918,193**	**$61,799,812**	**$65,961,619**	**$68,225,548**	**$72,841,146**	**$76,856,115**	**$79,159,770**	**$81,561,179**	**$84,064,511**	**$86,676,175**
Operating Expenses	$30,733,399	$32,519,030	$34,632,987	$36,470,613	$38,589,060	$40,643,772	$42,812,848	$45,102,813	$47,520,589	$50,073,517
Net Revenues	**$28,184,793**	**$29,280,781**	**$31,328,633**	**$31,754,935**	**$34,252,085**	**$36,212,343**	**$36,346,922**	**$36,458,366**	**$36,543,922**	**$36,602,658**
O&M Reserve Requirement	862,403	562,851	446,408	528,489	459,407	529,612	513,678	542,269	572,491	604,444
Series 2013 Airport Revenue Bond Debt Service (Paid from Net Revenues)	6,909,037	6,857,130	6,858,165	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,434	6,858,435
Equipment & Capital Outlays	1,290,000	1,328,700	1,368,561	1,409,618	1,451,906	1,495,464	1,540,327	1,586,537	1,634,133	1,683,157
Funds Remaining From Operations	**$19,123,353**	**$20,532,100**	**$22,655,499**	**$22,958,394**	**$25,482,338**	**$27,328,833**	**$27,434,482**	**$27,471,125**	**$27,478,863**	**$27,456,621**
Coverage Calculation										
Total Revenues	$58,918,193	$61,799,812	$65,961,619	$68,225,548	$72,841,146	$76,856,115	$79,159,770	$81,561,179	$84,064,511	$86,676,175
LESS: Operating Expenses	30,733,399	32,519,030	34,632,987	36,470,613	38,589,060	40,643,772	42,812,848	45,102,813	47,520,589	50,073,517
Net Revenues	**$28,184,793**	**$29,280,781**	**$31,328,633**	**$31,754,935**	**$34,252,085**	**$36,212,343**	**$36,346,922**	**$36,458,366**	**$36,543,922**	**$36,602,658**
Rolling Coverage Account 1/	$1,727,259	$1,714,283	$2,239,578	$2,614,671	$2,967,171	$2,967,046	$2,967,296	$2,966,609	$2,966,234	$2,967,359
Series 2013 Airport Revenue Bond Debt Service (Paid from Net Revenues)	$6,909,037	$6,857,130	$6,858,165	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,434	$6,858,435
Series 2013 Airport Revenue Bond Debt Service (Paid from PFCs)	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Series 2019 Airport Revenue Bond Debt Service (Paid from Net Revenues)	0	0	2,100,146	3,600,250	5,010,250	5,009,750	5,010,750	5,008,000	5,006,500	5,011,000
LESS: PFCs Applied to Debt Service	5,555,379	5,565,207	5,566,047	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,266	5,566,267
Net Airport Revenue Bond Debt Service	**$6,909,037**	**$6,857,130**	**$8,958,311**	**$10,458,684**	**$11,868,684**	**$11,868,184**	**$11,869,184**	**$11,866,434**	**$11,864,934**	**$11,869,435**
Debt Service Coverage Ratio	**4.08**	**4.27**	**3.50**	**3.04**	**2.89**	**3.05**	**3.06**	**3.07**	**3.08**	**3.08**
Debt Service Coverage Ratio (including Coverage Deposit Account)	**4.33**	**4.52**	**3.75**	**3.29**	**3.14**	**3.30**	**3.31**	**3.32**	**3.33**	**3.33**

NOTE:

1 Does not exceed 25 percent of debt service

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., January 2019 (Projected)

TABLE A-10 FLOW OF FUNDS

(For Fiscal Years Ending June 30)

	BUDGET	PROJECTED								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Gross Revenue Fund										
Beginning Balance	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**
DEPOSIT: Total Airport Revenues	$58,831,757	$61,712,079	$65,872,571	$68,135,164	$72,749,406	$76,762,999	$79,065,257	$81,465,249	$83,967,142	$86,577,345
TRANSFER: O&M Fund	$30,733,399	$32,519,030	$34,632,987	$36,470,613	$38,589,060	$40,643,772	$42,812,848	$45,102,813	$47,520,589	$50,073,517
TRANSFER: Debt Service Fund	$6,909,037	$6,857,130	$8,958,311	$10,458,684	$11,868,684	$11,868,184	$11,869,184	$11,866,434	$11,864,934	$11,869,435
TRANSFER: Debt Service Reserve Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TRANSFER: O&M Reserve Fund	$562,851	$446,408	$528,489	$459,407	$529,612	$513,678	$542,269	$572,491	$604,444	$638,232
TRANSFER: Airport Capital Fund	$19,336,469	$20,560,811	$20,384,223	$19,336,842	$20,310,143	$22,241,901	$22,300,628	$22,336,972	$22,343,041	$22,313,004
Ending Balance	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**	**$5,299,000**
O&M Fund										
Beginning Balance	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**
DEPOSIT: Transfer From Revenue Fund	$30,733,399	$32,519,030	$34,632,987	$36,470,613	$38,589,060	$40,643,772	$42,812,848	$45,102,813	$47,520,589	$50,073,517
EXPEND: Operating Expenses	$30,733,399	$32,519,030	$34,632,987	$36,470,613	$38,589,060	$40,643,772	$42,812,848	$45,102,813	$47,520,589	$50,073,517
Ending Balance	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**	**$4,977,000**
Debt Service Fund										
Beginning Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
DEPOSIT: Transfer from Revenue Fund	$6,909,037	$6,857,130	$8,958,311	$10,458,684	$11,868,684	$11,868,184	$11,869,184	$11,866,434	$11,864,934	$11,869,435
DEPOSIT: From PFC Fund	$5,555,379	$5,565,207	$5,566,047	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,266	$5,566,267
EXPEND: Debt Service	$12,464,416	$12,422,338	$14,524,358	$16,024,950	$17,434,950	$17,434,450	$17,435,450	$17,432,700	$17,431,200	$17,435,702
Ending Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
O&M Reserve Fund										
Beginning Balance	**$5,247,000**	**$5,809,851**	**$6,256,259**	**$6,784,748**	**$7,244,155**	**$7,773,767**	**$8,287,445**	**$8,829,713**	**$9,402,205**	**$10,006,649**
DEPOSIT: Transfer From Revenue Fund	$562,851	$446,408	$528,489	$459,407	$529,612	$513,678	$542,269	$572,491	$604,444	$638,232
Ending Balance	**$5,809,851**	**$6,256,259**	**$6,784,748**	**$7,244,155**	**$7,773,767**	**$8,287,445**	**$8,829,713**	**$9,402,205**	**$10,006,649**	**$10,644,881**
Airport Capital Fund										
Beginning Balance	**$60,467,000**	**$65,013,469**	**$68,165,580**	**$71,181,242**	**$81,708,466**	**$75,566,703**	**$71,313,141**	**$67,073,441**	**$85,823,876**	**$104,532,784**
DEPOSIT: Transfer From Revenue Fund	$19,336,469	$20,560,811	$20,384,223	$19,336,842	$20,310,143	$22,241,901	$22,300,628	$22,336,972	$22,343,041	$22,313,004
EXPEND: Capital Projects	$13,500,000	$16,080,000	$16,000,000	$7,400,000	$25,000,000	$25,000,000	$25,000,000	$2,000,000	$2,000,000	$2,000,000
EXPEND: Equipment and Capital Outlays	$1,290,000	$1,328,700	$1,368,561	$1,409,618	$1,451,906	$1,495,464	$1,540,327	$1,586,537	$1,634,133	$1,683,157
Ending Balance	**$65,013,469**	**$68,165,580**	**$71,181,242**	**$81,708,466**	**$75,566,703**	**$71,313,141**	**$67,073,441**	**$85,823,876**	**$104,532,784**	**$123,162,630**

SOURCES: Charleston County Aviation Authority, October 2018 (Budget); Ricondo & Associates, Inc., January 2019 (Projected)

APPENDIX C

SUMMARIES OF THE MASTER BOND RESOLUTION AND THE SECOND SUPPLEMENTAL BOND RESOLUTION

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SUMMARIES OF THE MASTER BOND RESOLUTION AND THE SECOND SUPPLEMENTAL BOND RESOLUTION

The following is a summary of certain defined terms as provided in the Master Bond Resolution and the Second Supplemental Bond Resolution. This summary is not to be regarded as a complete statement of the defined terms provided in the Master Bond Resolution and the Second Supplemental Bond Resolution, to which reference is made for a complete statement of the actual terms thereof. Copies of the Master Bond Resolution and the Second Supplemental Bond Resolution are on file with the Trustee. Reference to Sections contained in this summary are to Sections of the Master Bond Resolution, unless otherwised noted.

SUMMARY OF DEFINED TERMS

"**Account**" shall mean any account established pursuant to the Master Bond Resolution or any Supplemental Resolution.

"**Accreted Value**" shall mean (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Resolution as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to the principal amount of any Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bond plus the amount of the discounted principal that has accreted since the date of issue.

"**Act**" shall mean Act No. 1235 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1970, as amended.

"**Aggregate Annual Debt Service**" shall mean for any Fiscal Year, the aggregate amount of Annual Debt Service on all Outstanding Bonds and, if applicable, Bonds proposed to be issued.

"**Airports**" shall mean the Charleston International Airport, the Charleston Executive Airport and the Mount Pleasant Regional Airport, all of which are located in Charleston County, South Carolina, and any other airport hereafter owned and operated by the District and designated as an "Airport" in a Supplemental Resolution.

"**Airport Capital Fund**" shall mean the Airport Capital Fund created under Section 4.01 of the Master Bond Resolution.

"**Airport Facilities**" or "**Airport Facility**" shall mean a facility or group of facilities or category of facilities that constitute or are part of the Airport System.

"**Airport System**" shall mean the Airports and all operations of the Airports, including all of their revenue-producing functions, facilities and properties, whether or not directly related to the air transportation of people and goods.

"**Annual Debt Service**" shall mean, with respect to any Bond, the aggregate amount of principal, interest and such other amounts becoming due and payable during a Fiscal Year. For the purpose of this definition, the principal and interest payable on July 1 shall be deemed to be payable in the Fiscal Year ending on the immediately preceding June 30. For each Series of Outstanding Bonds, and, if applicable, any Series of Bonds proposed to be issued, Annual Debt Service shall be computed using the principles and assumptions set forth below:

(a) In determining the amount of principal due in each Fiscal Year, except to the extent that another subparagraph of this definition applies, payment shall be assumed to be made on Outstanding Bonds or on Bonds proposed to be issued in accordance with any principal maturity or amortization schedule established by the related Supplemental Resolutions, setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such Fiscal Year. In determining the amount of interest due in each Fiscal Year, except to the extent subparagraphs (b), (c) or (d) of this definition apply, (i) interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates and (ii) the interest rate to be used for Variable Rate Indebtedness that has been Outstanding for at least twelve (12) months shall be the average rate over the twelve (12) months immediately preceding the date of calculation, or for Variable Rate Indebtedness that has been Outstanding fewer than twelve (12) months the interest rate to be used shall be the actual rate on the date of calculation, or, for Variable Rate Indebtedness proposed to be issued the interest rate to be used for such computation shall be determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Bond Resolution on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest that is or is not excluded from gross income for federal income tax purposes and that is or is not subject to any alternative minimum tax.

For the purpose of verifying compliance with the rate covenant contained in Section 6.03 of the Master Bond Resolution, Variable Rate Indebtedness shall be deemed to bear interest at the actual rate or rates borne during any applicable Fiscal Year.

The amount of Capitalized Interest on deposit in any Debt Service Account shall be subtracted from the amount of interest due for any related Fiscal Year, but only to the extent that such Capitalized Interest is dedicated to a particular interest payment coming due during such Fiscal Year.

(b) Each maturity of a Series of Bonds that constitutes Balloon Indebtedness shall be treated as if it were to be amortized over a term of not more than forty (40) years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than forty (40) years from the date such Balloon Indebtedness was originally issued. For fixed rate obligations, the interest rate used for such computation shall be the applicable fixed rates. For Balloon Indebtedness that also constitutes Variable Rate Indebtedness, the interest rate used for such computation shall be determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Bond Resolution on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest that is or is not excluded from gross income for federal income tax purposes and that is or is not subject to any alternative minimum tax.

(c) Notwithstanding subparagraph (b) above, if any stated maturity date of Bonds that constitute Balloon Indebtedness occurs within twelve (12) months from the date of the calculation of Annual Debt Service, the principal amount maturing shall be assumed to become due and payable on the stated maturity date unless there is delivered a certificate of an Authorized Authority Representative stating that (i) the District intends to refinance such maturity and (ii) the probable terms of such refinancing. Upon delivery of such certificate, such Balloon Indebtedness shall be assumed to be refinanced, and Annual Debt Service shall be calculated, in accordance with the probable terms set out in such certificate, except that such assumption shall not result in an interest rate lower than that which would be assumed under subparagraph (b) above and such Balloon

Indebtedness shall be amortized over a term of not more than forty (40) years from the date of refinancing.

(d) If any Outstanding Bonds or any Bonds that are then proposed to be issued constitute Tender Indebtedness, then Tender Indebtedness shall be treated as if the principal amount of such Bonds were to be amortized over a term of not more than 40 years from the date such Tender Indebtedness was originally issued, except that if any principal maturity or amortization schedule is set forth in a Supplemental Resolution, such schedule shall be used to determine the principal maturity or amortization of such Bonds. The interest rate used for such computation shall be determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Bond Resolution on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest that is or is not excluded from gross income for federal income tax purposes and that is or is not subject to any alternative minimum tax. For all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in the other applicable subparagraphs of this definition.

(e) With respect to any Interim Indebtedness, it shall be assumed that the principal amount of the Interim Indebtedness will be continuously refinanced and will remain Outstanding until the first Fiscal Year for which interest on the Interim Indebtedness has not been capitalized or otherwise funded or provided for. For such first Fiscal Year, it shall be assumed that (i) the Outstanding principal amount of the Interim Indebtedness will be refinanced with a series of additional Bonds that will be amortized over a period not to exceed forty (40) years in such manner as will cause the maximum annual debt service payments applicable to such Series in any twelve (12) month period not to exceed 110% of the minimum annual debt service payments applicable to such Series for any other twelve (12) month period, and (ii) the Series of additional Bonds will bear interest at a fixed interest rate estimated by a Consultant to be the interest rate such Series of additional Bonds would bear if issued on such terms on the date of such estimate.

(f) If, pursuant to a Supplemental Resolution, the Authority has made an Irrevocable Commitment to use Passenger Facility Charges, Federal Direct Payments, or money available under a grant to pay Annual Debt Service on the Bonds for any Fiscal Year or period of Fiscal Years, then such amounts shall be deposited into the applicable Debt Service Account when received and shall be excluded from the computation of Annual Debt Service for the purpose of calculating Aggregate Annual Debt Service for the proposed issuance of any Series of Bonds as set forth in Section 5.04 of the Master Bond Resolution and for the purpose of verifying compliance with the rate covenant in Section 6.03 of the Master Bond Resolution.

(g) If money that is not included in the definition of "Revenues" has been used to pay or has been irrevocably deposited with and is held by the District to pay principal and/or interest on Bonds, then the principal and/or interest paid from such money shall be excluded from the computation of Annual Debt Service for the purpose of calculating Aggregate Annual Debt Service for the proposed issuance of any Series of Bonds as set forth in Section 5.04 of the Master Bond Resolution and for the purpose of verifying compliance with the rate covenant in Section 6.03 of the Master Bond Resolution.

"**Approved PFC Projects**" shall mean any additions, betterments, extensions, other improvements of or related to the Airports or other costs incurred for any purpose at or related to the Airports from time to time (whether or not located at the Airports), including, without limitation, the acquisition of land, all of which shall have been authorized by the FAA in a Record of Decision or Final Agency Decision (or comparable decision named in accordance with then current FAA terminology), and shall constitute an "Approved Project," as such term is defined in the PFC Regulations.

"**Authority**" shall mean the Charleston County Aviation Authority as the governing body of the District.

"**Authorized Authority Representative**" shall mean the Director of Airports or authorized designee, the Deputy Director of Airports, the Director of Finance, or such other officer or employee of the District or other person which other officer, employee or person has been designated by the Director of Airports as an Authorized Authority Representative in a certificate filed with the Trustee with specimen signatures.

"**Authorized Denominations**" means $5,000 principal amount and integral multiples thereof.

"**Average Aggregate Annual Debt Service**" shall mean the Aggregate Annual Debt Service of any Outstanding Bonds, proposed Series of Bonds, or other obligations, as applicable, to become due from the date of computation to the date of maturity of the last of such Outstanding Bonds, proposed Series of Bonds, or other obligations, divided by the number of years from the date of computation to the date of maturity of the last of such Outstanding Bonds, proposed Series of Bonds, or other obligations.

"**Balloon Indebtedness**" shall mean all or any portion of a Series of Bonds 25% or more of the initial principal amount of which matures on the same date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

"**Bond**" or "**Bonds**" shall mean any debt obligation of the District issued with respect to the Airports as a taxable or tax-exempt obligation under and in accordance with the provisions of Article II of the Master Bond Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and other instruments creating an indebtedness of the District, and obligations incurred through capital lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in Section 5.05 of the Master Bond Resolution. The term "Bond" or "Bonds" herein does not include any Subordinate Obligation.

"**Bond Counsel**" shall mean a firm or firms of attorneys that are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Bond Resolution and which are acceptable to the District.

"**Bondholder**," "**holder**," "**Owner**," "**owner**" or "**registered owner**" shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Bond Registrar and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of Section 5.05 of the Master Bond Resolution.

"**Bond Resolution**" shall mean collectively, the Master Bond Resolution and any applicable Supplemental Resolution.

"**Bond Register**" shall mean the books for the registration, transfer and exchange of Bonds maintained by the Bond Registrar.

"**Bond Registrar**" shall mean the bond registrar selected from time to time by the Director of Finance with respect to the Bonds or any Series of Bonds, which Bond Registrar may be an Authorized Authority Representative.

"**Business Day**" shall mean any day except Saturday, Sunday, a legal holiday or a day on which banking institutions located in the states of South Carolina or New York, or any state in which the designated office of the Trustee is located are authorized by law to close or a day on which the payment system of the Federal Reserve is not operational, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Resolution.

"**Capital Appreciation Bonds**" shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Resolution and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"**Capital Projects Account**" shall mean a Capital Projects Account established by the District pursuant to Section 4.01 of the Master Bond Resolution.

"**Capitalized Interest**" shall mean the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other money that is deposited with the Trustee in a Debt Service Account as shall be described in a Supplemental Resolution upon issuance of Bonds to be used to pay interest on the Bonds.

"**Cede & Co.**" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2019 Bonds.

"**Certificate of Final Terms**" means the Certificate of Final Terms to be executed and delivered by the Director of Airports pursuant to Section 4.02 of the Second Supplemental Bond Resolution, in substantially the form attached as Exhibit C to the Second Supplemental Bond Resolution.

"**CFC Ordinance**" shall mean Ordinance 2005-1, as amended, and as the same may be amended in the future, which authorized the collection of a Customer Facility Charge from customers of automobile rental companies as provided therein.

"**CFC Revenue Fund**" shall mean the CFC Revenue Fund ratified and confirmed pursuant to Section 4.03 of the Master Bond Resolution.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"**Common Reserve Account**" shall mean the account within the Debt Service Reserve Fund created pursuant to Section 4.01 of the Master Bond Resolution and that may be required to be funded for the purpose of providing additional security for Bonds issued pursuant to the Master Bond Resolution and as specified in any Supplemental Resolution as participating in the Common Reserve Account.

"**Completion Date**" means the date upon which the conditions set forth in Section 4.09 of the Second Supplemental Bond Resolution are satisfied.

"**Construction Fund**" shall mean any of the Construction Funds authorized to be established as provided by Section 4.11 of the Master Bond Resolution.

"**Consultant**" shall mean any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert qualified for work of the character required, as determined by an Authorized Authority Representative, and retained by the District to perform acts and carry out the duties provided for such consultant in the Master Bond Resolution or in a Supplemental Resolution.

"**Continuing Disclosure Undertaking**" shall mean the continuing disclosure undertaking or continuing disclosure agreement, if any, relating to a series of Bonds, as amended from time to time in accordance with its terms.

"**Costs**" or "**Costs of a Project**" shall mean all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the District or a Consultant; (d) costs of the District properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) Costs of Issuance and other financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, the Common Reserve Account, any Series Debt Service Reserve Account (other than the Common Reserve Account), Paying Agent's fees and expenses; and (f) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the District.

"**Costs of Issuance**" shall mean issuance costs with respect to the Bonds, including but not limited to the following: underwriters spread, discount or fees; Credit Provider fees, Liquidity Provider fees and Reserve Fund Surety Policy fees; counsel fees (including bond counsel, underwriters counsel, disclosure counsel, Authority's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the District incurred in connection with the issuance of the Bonds; Consultant fees; fees and expenses of the Trustee and counsel to the Trustee; initial remarketing agent fees or auction agent fees; rating agency fees; escrow agent, verification agent and paying agent fees; accountant fees and other expenses related to issuance of the Bonds; printing costs (for the Bonds and of the preliminary and final official statements relating to the Bonds); the preliminary and final official statements and the Series 2019 Bonds, underwriter's compensation; fees, costs and expenses of rating agencies, advertising costs related to the sale of the Series 2019 Bonds; and fees and expenses of the District incurred in connection with the issuance of the Bonds.

"**Credit Facility**" shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, or other financial instrument that obligates a third party to pay, or provide funds to the District for the payment of, the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the District fails to do so. The phrase "Credit Facility" excludes a Reserve Fund Surety Policy.

"**Credit Provider**" shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

"**Customer Facility Charges**" or "**CFC**" shall mean all amounts received by the District from the payment of the Customer Facility Charge established by the CFC Ordinance of the Authority as it may be amended from time to time. For avoidance of doubt, Customer Facility Charges (sometimes referred to as CFCs) are not part of "Revenues" for purposes of the Master Bond Resolution; provided, however, that the Authority may by Supplemental Resolution designate such CFCs as part of Revenues as provided herein.

"**Debt Service Account**" shall mean a Debt Service Account established by Section 4.06 of the Master Bond Resolution.

"**Debt Service Fund**" shall mean the Debt Service Fund established by Section 4.01 of the Master Bond Resolution.

"**Debt Service Reserve Fund**" shall mean the Debt Service Reserve Fund established by Section 4.01 of the Master Bond Resolution.

"**Director of Airports**" shall mean the person at a given time who is the Director of Airports of the District or such other title as the District may from time to time assign for the executive director and chief executive officer of the District or, in such officer's absence, the person at that time who is the Deputy Director of Airports of the District or such other title as the District may give from time to time for such position.

"**Director of Finance**" shall mean the person at a given time who is the Director of Finance and Administration of the District or such other title as the District may from time to time assign for such position and the officer or officers succeeding to such position.

"**District**" shall mean the Charleston County Airport District that was created by the Act.

"**DTC**" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"**Equipment and Capital Outlay Account**" shall mean an Equipment and Capital Outlay Account established by the District pursuant to Section 4.01 of the Master Bond Resolution.

"**Event of Default**" shall mean any occurrence or event specified in Section 7.01 of the Master Bond Resolution.

"**FAA**" shall mean the Federal Aviation Administration, or the successor to its powers and authority.

"**Federal Direct Payments**" shall mean amounts payable by the federal government to the District, pursuant to Sections 54AA and 6431 of the Code, as may be amended from time to time, in connection with the District's issuance of Bonds with respect to the Airports, in lieu of any credit otherwise available to the Owners of Bonds. The phrase "Federal Direct Payments" shall also include a federal program that provides a refundable credit payment to the District in connection with the issuance of a Series of Bonds, similar to the refundable credit payment payable to issuers of Bonds under Section 54AA of the Code, which is enacted subsequent to the adoption of the Master Bond Resolution.

"**Federal Securities**" shall mean any direct general non-callable obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and Refcorp strips.

"**Final Agency Decision**" shall mean a Final Agency Decision of the FAA relating to the District's Approved PFC Projects as may be issued, modified or amended from time to time.

"**Financial Advisor**" means PFM Financial Advisors LLC, the independent registered municipal advisor to the District, or any successor independent registered municipal advisor designated by the District.

"**Fiscal Year**" shall mean the 12-month period used by the District for its general accounting purposes, as it may be changed from time to time. The Fiscal Year at the time the Master Bond Resolution was adopted begins on July 1 and ends on June 30 of the immediately following calendar year.

"**Fitch**" shall mean Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any nationally recognized rating agency designated by the District.

"**Fund**" shall mean any fund established pursuant to the Master Bond Resolution or any Supplemental Resolution.

"**General Capital Account**" shall mean a General Capital Account established by the District pursuant to Section 4.01 of the Master Bond Resolution.

"**General Obligation Bonds of the District**" shall mean indebtedness of the District secured in whole or in part by a pledge of its full faith, credit, and taxing power.

"**Gross Revenue Fund**" shall mean the Gross Revenue Fund established by the District pursuant to Section 4.01 of the Master Bond Resolution.

"**Independent**" shall mean, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the District, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the District as an official, officer or employee.

"**Interest Payment Date**" means the dates upon which interest on the Series 2019 Bonds becomes due and payable, as set forth on the Certificate of Final Terms.

"**Interim Indebtedness**" shall mean any Bond or Bonds (i) for or with respect to which no principal payments are required to be made other than on the maturity date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution that declares the District's intent, at the time of issuance, to refund or refinance all or a part of the same prior to or on such maturity date, including commercial paper, notes, and similar obligations.

"**Irrevocable Commitment**" shall mean an unalterable agreement to assume a financial obligation. This phrase may include terms and other conditions that the Authority may describe by Supplemental Resolution or other official action of the Authority, such as, but in no way limited to, a financial obligation of the District that may last for a specific period of time.

"**Liquidity Facility**" shall mean a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

"**Liquidity Provider**" shall mean the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

"**Mail**" shall mean by first-class United States mail, postage prepaid.

"**Master Bond Resolution**" shall mean the Master Bond Resolution, relating to Airport Revenue Bonds of the District adopted by the Authority on July 23, 2013, together with all amendments thereto.

"**Moody's**" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the District.

"**Net Proceeds**" shall mean insurance proceeds received as a result of damage to or destruction of the Airport System or any condemnation award or amounts received by the District from the sale of the Airport System under the threat of condemnation less expenses (including attorneys' fees and expenses) incurred in the collection of such proceeds or award.

"**Net Revenues**" shall mean, for any given period, the Revenues for such period, less the Operation and Maintenance Expenses for such period.

"**Notes**" shall mean Bonds issued under the provisions of Article II of the Master Bond Resolution that have a maturity of one year or less from their date of original issuance.

"**Operating and Maintenance Fund**" shall mean the Operating and Maintenance Fund established by Section 4.01 of the Master Bond Resolution.

"**Operating and Maintenance Reserve Fund**" shall mean the Operating and Maintenance Reserve Fund established by Section 4.01 of the Master Bond Resolution.

"**Operation and Maintenance Expenses**" shall mean reasonable and necessary costs paid or incurred by the District for maintaining and operating the Airport System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Airport System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Airport System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, assessments for public improvements, any Bond Registrar or Paying Agent fees, and including all other reasonable and necessary costs of the District or charges required to be paid by the District in order to comply with the terms of the Master Bond Resolution; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, any principal or interest payment in respect of capital leases or indebtedness including the Bonds, any costs of issuance relating to any capital leases or indebtedness including the Bonds, amortization or intangibles, any non-cash Unfunded OPEB Obligations, and any Operation and Maintenance Expenses payable from money other than Revenues.

"**Original Issue Discount Bonds**" shall mean Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Bonds in the Supplemental Resolution under which such Bonds are issued.

"**Outstanding**," when used with respect to Bonds, shall mean all Bonds that have been authenticated and delivered under the Master Bond Resolution, except the following:

(a) Any portion of the Bonds theretofore fully paid by the Paying Agent to the registered holders or canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) any portion of the Bonds that has been defeased by the deposit of funds or qualified securities with the Paying Agent or other qualified party in compliance with the Master Bond Resolution;

(c) Bonds deemed to be paid in accordance with Article VIII of the Master Bond Resolution;

(d) Bonds in lieu of which other Bonds have been authenticated and delivered pursuant to the Master Bond Resolution and any Supplemental Resolution;

(e) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient money, including interest accrued to the due date, are held by the Paying Agent;

(f) Bonds which, under the terms of the Supplemental Resolution pursuant to which they were issued, are deemed to be no longer Outstanding;

(g) Repayment Obligations deemed to be Bonds under Section 5.05 of the Master Bond Resolution to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider, provided the Liquidity Provider purchased and holds Bonds pursuant to the Liquidity Facility; and

(h) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Master Bond Resolution, Bonds held by or for the account of the District or by any person controlling, controlled by or under common control with the District, unless such Bonds are pledged to secure a debt to an unrelated party.

"**Paying Agent**" shall mean the paying agent selected from time to time by the Director of Finance with respect to the Bonds or any Series of Bonds. For purposes of the Supplemental Resolution, means The Bank of New York Mellon Trust Company, N.A., or any other institution appointed by the Director of Finance to act as Paying Agent for the Series 2019 Bonds. Such Paying Agent shall perform the duties required of the Paying Agent in the Master Bond Resolution and the Supplemental Resolution.

"**Payment Date**" shall mean, with respect to any Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"**Permitted Investments**" shall mean, except as may be otherwise limited or restricted by the terms of a Supplemental Resolution, any investment permitted from time to time for funds held by or in the name of the District under the laws of the State. At the time of the adoption of the Master Bond Resolution, the following investments constitute Permitted Investments under the laws of the State:

(1) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(2) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(3) (a) General obligations of the State or any of its political units; or (b) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(4) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(5) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(6) Repurchase agreements when collateralized by securities as set forth in this definition.

(7) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the District if the particular portfolio of the investment company or investment trust in which the investment is made (a) is limited to obligations described in items (1), (2), (3), and (6) of this definition, and (b) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

(8) The South Carolina Pooled Investment Fund established pursuant to the provisions of Title 6, Chapter 6 of the Code of Laws of South Carolina 1976, as amended.

Such investments shall have maturities consistent with the time or times when the invested moneys will be needed in cash.

For purposes of this definition, in the case of a defeased obligation, an obligation shall be treated as the obligation of the issuer of the obligation included in the qualifying defeasance escrow for the defeased obligation. A “defeased obligation” means any obligation the payment of which is secured and payable solely from a qualifying defeasance escrow and the terms of which may not be amended or modified without the consent of each of the holders of the defeased obligation. A “qualifying defeasance escrow” means a deposit of securities, including defeasance obligations, with a trustee or similar fiduciary under the terms of an agreement that requires the trustee or fiduciary to apply the proceeds of any interest payments or maturity of the defeasance obligation to the payment of the defeased obligation and when the trustee or fiduciary has received verification from a certified public accountant that the payments will be sufficient to pay the defeased obligation timely. A defeasance obligation must not be callable or subject to prepayment by the issuer and it must be a direct general obligation of the United States and its agencies, or an obligation the payment of principal and interest on which is fully and unconditionally guaranteed by the United States.

"**PFCs**" or "**Passenger Facility Charges**" shall mean charges collected by the District pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 Pub. L. 101-508, Title IX, Subtitle B, Sections 9110 and 9111, the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century, Pub. L. 106-181 and 14 CFR Part 158, all as amended from time to time, or any other applicable federal law, and by the Records of Decision or Final Agency Decisions (or comparable decision named in accordance with then-current FAA terminology), and interest earnings thereon net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"**PFC Act**" shall mean the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, 9110 and 9111, recodified as 49 U.S. 40117, as modified by the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century, Pub. L. 106-181 ("AIR-21"), as amended or replaced from time to time.

"**PFC Debt Service Account**" shall mean the Account by the name established by the Series 2013 Supplemental Bond Resolution.

"**PFC Final Agency Decision**" shall mean that certain Final Agency Decision of the Federal Aviation Administration dated April 18, 2013, as amended or revised from time to time, that approved the Authority's application to impose a PFC and use PFC revenue.

"**PFC Project Account**" shall mean the Account by that name established by the Series 2013 Supplemental Bond Resolution.

"**PFC Regulations**" shall mean Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

"**PFC Revenue Fund**" shall mean the PFC Revenue Fund ratified and confirmed pursuant to Section 4.03 of the Master Bond Resolution.

"**Principal Amount**" or "**principal amount**" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the Supplemental Resolution under which such Bond was issued shall specify a different amount, in which case, the terms of the Supplemental Resolution shall control, and (c) with respect to any other Bonds, the principal amount of such Bond payable at maturity or redemption thereof.

"**Project**" shall mean any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Bonds.

"**Purchase Contract**" means the Purchase Agreement between the District and the Underwriter relating to the purchase and sale of the Series 2019 Bonds.

"**Rating Agency**" and "**Rating Agencies**" shall mean Fitch, Moody's or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the District to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

"**Rating Category**" and "**Rating Categories**" shall mean (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"**Rebate Fund**" shall mean the Rebate Fund established by Section 4.01 of the Master Bond Resolution.

"**Record Date**" means for each Interest Payment Date, the fifteenth day of the month preceding such Interest Payment Date.

"**Record of Decision**" shall mean any Record of Decision or Records of Decision of the FAA relating to the District's Approved PFC Projects as may be issued, modified or amended from time to time.

"**Refunding Bonds**" shall mean any Bonds issued pursuant to Section 5.03 of the Master Bond Resolution to refund or defease all or a portion of any series of Outstanding Bonds or any Subordinate Obligations.

"**Released Revenues**" shall mean Revenues in respect of which the following shall have been delivered to the District:

(i) a resolution of the Authority describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(a) either (i) a certificate prepared by an Authorized Authority Representative showing that Net Revenues for each of the two most recently completed Fiscal Years, after the specific identifiable portion of Revenues covered by the Authority's resolution described in (a) above are excluded, were at least equal to the greater of (A) the amounts needed for making the required deposits and payments pursuant to Sections 4.04(a) through (h) of the Master Bond Resolution, or (B) an amount not less than 150% of Average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution approved by the Authority described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Authority, will not be less than the greater of (A) the amounts needed for making the required deposits and payments pursuant to Sections 4.04(a) through (h) of the Master Bond Resolution, or (B) an amount not less than 150% of the Average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(b) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of Revenues from the definition of Revenues and from the pledge and lien of the Master Bond Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(c) confirmation from each of the Rating Agencies which have been requested by the District to maintain a rating on the Bonds and are then maintaining a rating on any of the Bonds, to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the Master Bond Resolution will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the Authority shall no longer be included in Revenues and shall be excluded from the pledge and lien of the Master Bond Resolution, unless otherwise included in Revenues and in the pledge and lien of the Master Bond Resolution pursuant to a Supplemental Resolution.

"**Rental Credit**" shall mean the amount resulting from an arrangement set forth in a written agreement between the District and another person or entity pursuant to which the District permits such person or entity to make a payment or payments to the District that is reduced by the amount owed by the District to such person or entity under such agreement, resulting in a net payment to the District by such person or entity. The "Rental Credit" shall be deemed to be the amount owed by the District under such agreement that is "netted" against the payment of such person or entity due to the District.

"**Repayment Obligations**" shall mean an obligation arising under a written agreement of the District and a Credit Provider pursuant to which the District agrees to repay or reimburse the Credit Provider for amounts paid by a Credit Provider pursuant to a Credit Facility to be used to pay debt service on any Bonds and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation arising under a written agreement of the District and a Liquidity Provider pursuant to which the District agrees to repay or reimburse the Liquidity Provider for amounts paid by the Liquidity Provider pursuant to a Liquidity Facility to be used to pay the purchase price of Bonds and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

"**Reserve Fund Surety Policy**" shall mean an insurance policy, a surety bond or a letter of credit, held by the Trustee for the credit of the Common Reserve Account or any Series Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of, or partial substitution for, cash or securities on deposit therein. Except as otherwise provided in a Supplemental Resolution, the entity providing such Reserve Fund Surety Policy shall be rated, at the time such instrument is provided, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"**Reserve Requirement**" shall mean an amount that is not less than the Average Aggregate Annual Debt Service for all Outstanding Bonds participating in the Common Reserve Account and as otherwise defined in a Supplemental Resolution. For a Series of Bonds participating in a separately created Series Debt Service Reserve Account, the phrase "Reserve Requirement" shall be defined in a Supplemental Resolution establishing such Series Debt Service Reserve Account. If a Series of Bonds is issued as tax-exempt or tax-advantaged, the Reserve Requirement shall not exceed the amount permitted by applicable federal law.

"**Revenues**" shall mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the District from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the District for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the District, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the District or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the District receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, "Revenues" shall also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a Supplemental Resolution to fund the Construction Fund as provided below) from the investment of amounts held in the Gross Revenue Fund, any Construction Fund, any Debt Service Fund (except Capitalized Interest on deposit therein), the Common Reserve Account, any Series Debt Service Reserve Account and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Resolution. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the District from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds (except to the extent Net Proceeds are utilized to pay Operation and Maintenance Expenses), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in Section 6.05 of the Master Bond Resolution). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Resolution: (A) Rental Credit, (B) Passenger Facility Charges, (C) Customer Facility Charges, (D) Federal Direct Payments, (E) Released Revenues, (F) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Bond Resolution by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (G) investment income derived from any money or securities which may be placed in escrow or trust to defease Bonds, (H) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and amounts held in a Rebate Fund and (I) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Resolution are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Resolution.

"**Rolling Coverage Account**" shall mean the Rolling Coverage Account established by the District pursuant to Section 4.01 of the Master Bond Resolution.

"**S&P**" shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business organized and existing under the laws of the State of New York, its successors and their assigns, and if such rating agency shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

"**Second Supplemental Resolution**" means the Second Supplemental Bond Resolution adopted by the Authority on January 17, 2019, and authorizing the issuance of the Series 2019 Bonds.

"**Series**" or "**series**" shall mean Bonds designated as a separate Series by a Supplemental Resolution.

"**Series 2013 Bonds**" means Bonds previously issued under the Master Bond Resolution and currently Outstanding and designated as "Charleston County Airport District Airport Revenue Bonds, Series 2013A (AMT)" and "Charleston County Airport District Airport Revenue Bonds, Series 2013B (Non-AMT)."

"**Series 2013 Supplemental Resolution**" means the Supplemental Resolution adopted by the Authority on July 23, 2013, and authorizing the issuance of the Series 2013 Bonds.

"**Series 2019 Bonds**" means Bonds issued under the Master Bond Resolution and the Second Supplemental Bond Resolution and designated as "Charleston County Airport District Airport Revenue Bonds, Series 2019 (Non-AMT)."

"**Series 2019 Construction Fund**" means the Fund of such designation established pursuant to Section 4.01 of the Second Supplemental Bond Resolution and into which the net proceeds derived from the sale of the Series 2019 Bonds are to be deposited.

"**Series 2019 Costs of Issuance**" means all Costs of Issuance with respect to the issuance of the Series 2019 Bonds.

"**Series 2019 Costs of Issuance Fund**" means the Fund of such designation established pursuant to Section 4.01 of the Second Supplemental Bond Resolution and into which money is to be deposited to pay Costs of Issuance of the Series 2019 Bonds.

"**Series 2019 Debt Service Account**" means the Account of such designation established pursuant to Section 4.01 of the Second Supplemental Bond Resolution and into which money is to be deposited to pay debt service on the Series 2019 Bonds.

"**Series 2019 Project**" means the design, construction, and equipping of a public parking structure, including related car counting system, vehicular directional signage, revenue control system, landscaping, and roadway relocation and modifications, and expansion of cell phone parking lot at the Charleston International Airport.

"**Series 2019 Rebate Account**" means the Account by that name established in the Rebate Fund with respect to the Series 2019 Bonds.

"**Series 2019 Reserve Account**" means the Account of such designation established in the Debt Service Reserve Fund pursuant to Section 4.01 of the Second Supplemental Bond Resolution and into which money is to be deposited to secure the Series 2019 Bonds.

"**Series Debt Service Reserve Account**" shall mean any account within the Debt Service Reserve Fund (other than the Common Reserve Account) created pursuant to Section 4.01 of the Master Bond Resolution by the Authority pursuant to a Supplemental Resolution in connection with the issuance of any Series of Bonds that may be funded for the purpose of providing additional security for such Series of Bonds and, if specified in such Supplemental Resolution, to provide additional security for such other designated Series of Bonds issued pursuant to the Master Bond Resolution.

"**Special Facilities**" or "**Special Facility**" shall mean a facility or group of facilities or improvements or category of facilities or improvements which are designated as a Special Facility pursuant to the provisions of Section 6.05 of the Master Bond Resolution.

"**Special Facilities Revenue**" shall mean the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the District from a Special Facility which are pledged to secure Special Facility Obligations.

"**Special Facility Obligations**" shall mean bonds or other debt instruments issued pursuant to a resolution other than the Master Bond Resolution to finance Special Facilities and which, except as otherwise provided in Section 6.05 of the Master Bond Resolution, are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

"**Specified Project**" shall mean a Project or a group of alternative Projects which are described in a certificate of an Authorized Authority Representative, which is delivered to the Consultant preparing the certificate described in Section 5.04(b) of the Master Bond Resolution, if applicable, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing such certificate.

“**State**” shall mean the State of South Carolina.

“**Subaccount**” shall mean any subaccount established pursuant to the Master Bond Resolution or any Supplemental Resolution.

“**Subordinate Obligation Debt Service Fund**” shall mean the Subordinate Obligation Debt Service Fund created in Section 4.01 of the Master Bond Resolution.

“**Subordinate Obligation**” shall mean any bond, note or other debt instrument issued or otherwise entered into by the District which ranks junior and subordinate to the Bonds, and which may be paid from money constituting Net Revenues only if all principal, interest and other amounts which have become due and payable on the Bonds whether by maturity, redemption, acceleration or agreement of the District have been paid in full and the District is current on all payments, if any, required to be made to replenish the Common Reserve Account and any Series Debt Service Reserve Accounts. “Subordinate Obligations” are not Bonds for purposes of the Master Bond Resolution; provided, however, that the Authority may henceforth by Supplemental Resolution elect to have the provisions of the Master Bond Resolution applicable to the Bonds apply to the Subordinate Obligations issued thereunder, except that such Subordinate Obligations shall be secured on a junior and subordinate basis to the Bonds from the Net Revenues. No bond, note or other instrument of indebtedness shall be deemed to be a “Subordinate Obligation” for purposes of the Master Bond Resolution and payable on a subordinate basis from Net Revenues unless specifically designated by the Authority as a “Subordinate Obligation” in a Supplemental Resolution or other written instrument.

“**Supplemental Resolution**” shall mean any document supplementing or amending the Master Bond Resolution or providing for the issuance of Bonds and entered into as provided in Article IX of the Master Bond Resolution.

“**Tax Certificate**” means the Tax Compliance and Non-Arbitrage Certificate, dated the date of issuance of the Series 2019 Bonds, as amended from time to time, entered into by the District and executed with respect to the Series 2019 Bonds.

“**Tender Indebtedness**” shall mean any Bonds or portions of Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“**Term Bonds**” shall mean Bonds of a Series that are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Resolution for such Series for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

“**Trustee**” shall mean The Bank of New York Mellon Trust Company, N.A., and any successor Trustee appointed in accordance with Section 11.09 of the Master Bond Resolution and any co-trustee appointed pursuant to Section 11.13 of the Master Bond Resolution.

“**Underwriter**” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and Raymond James & Associates, Inc., the original purchasers of the Series 2019 Bonds.

“**Unfunded OPEB Obligations**” shall mean the amount by which the District’s actual other post-employment benefits (OPEB) contributions are less than its OPEB cost or expense for any Fiscal Year.

“**Variable Rate Indebtedness**” shall mean any Bond or Bonds the interest rate on which is not fixed to maturity at the time of calculation, or other relevant time.

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SUMMARY OF THE MASTER BOND RESOLUTION

The following is a summary of certain provisions of the Master Bond Resolution, adopted on July 23, 2013 by the Charleston County Aviation Authority. This summary is not to be regarded as a complete statement of the Master Bond Resolution to which reference is made for a complete statement of the actual terms thereof. Copies of the Master Bond Resolution are on file with the Trustee. Reference to Sections contained in this summary are to Sections of the Master Bond Resolution, unless otherwised noted.

Authorization and Form of Bonds Generally

Bonds that bear interest that is or is not excluded from gross income for federal income tax purposes may be issued by the Authority, on behalf of the District, under the terms of the Master Bond Resolution for any purpose for which the Authority, on behalf of the District, at the time of such issuance, may incur debt. The total principal amount of Bonds of each Series Outstanding may not exceed the amount specified in the Supplemental Resolution providing for the issuance of such Bonds. The Bonds may be in certificated or uncertificated form, and Bonds that are issued in certificated form may be freely transferable or may be immobilized and held by a custodian for the beneficial owners, all as shall be set forth or permitted in the Supplemental Resolution providing for the issuance of such Bonds. In addition, Bonds may be in the form of notes, contracts or other evidences of indebtedness issued to banks, other financial institutions or creditors providing money, goods or services to the District as provided in the applicable Supplemental Resolution and in all cases subject to compliance with the provisions of the Master Bond Resolution. The Bonds may have notations, legends or endorsements required by law or usage.

The Bonds shall be special obligations of the District payable solely from, and secured as to payment of principal and interest by a pledge of, the Net Revenues derived from the operation of the Airport System, and not from any other fund or source, and the taxing power of the Authority is not pledged to the payment of the Bonds either as to principal or interest. The Bonds shall not be nor constitute general obligations of the Authority, nor shall they constitute indebtedness of the District within the meaning of any constitutional, or statutory provision, limitation or restriction, except as provided in the Act and Article X, Section 14, Paragraph 10 of the Constitution of the State.

The Authority, on behalf of the District, has represented and stated that, except for the pledge of Net Revenues granted to the Series 2013 Bonds, it has not previously created any charge or lien on or any security interest in the Revenues, the Net Revenues or any of the other security that is pledged pursuant to the Master Bond Resolution. The District further covenanted that, until all the Bonds authorized and issued under the provisions of the Master Bond Resolution and the interest thereon shall have been paid or are deemed to have been paid, it will not, except as otherwise provided under the Master Bond Resolution, grant any prior or parity pledge of or any security interest in the Net Revenues or any other security that is pledged to the payment of the Bonds pursuant to the Master Bond Resolution, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Bonds from time to time Outstanding under the Master Bond Resolution. The District may grant a lien on or security interest in the Net Revenues or any of the other security, which is pledged to the payment of the Bonds to secure Subordinate Obligations.

Issuance of Series of Bonds; Supplemental Resolution

Bonds may be issued, at one time or in a Series from time to time.

The Bonds shall be issued in the principal amount, shall bear interest at a rate or rates, including a rate of 0% and including variable or adjustable rates, or by such other methods as the Authority may from time to time determine, and such interest may be payable periodically, in whole or in part, or may be accumulated and paid at maturity or at such other time or times as the Authority shall determine. Bonds shall mature and shall be subject to redemption prior to their respective maturities, all as shall be set forth in a Supplemental Resolution relating to such Series of Bonds. Bonds will be numbered and dated as provided in the applicable Supplemental Resolution. The Bonds of each Series shall state that they are issued under and are secured by the Master Bond Resolution and the pledge of Net Revenues and such other amounts, funds and accounts pledged therefor under the Master Bond Resolution and state that regardless of the form thereof, they are "Bonds" issued hereunder and within the meaning of the Master Bond Resolution.

Such Supplemental Resolution may provide that the interest rate on the Bonds and the duration of the periods during which such interest accrues may from time to time be adjusted and that the Bonds may be purchased upon the demand of the owners thereof or may be subject to mandatory purchase upon the occurrence of certain events or certain times, and such provisions may include, without limitation, the creation of objective standards for such adjustments, the appointment of agents to apply such standards to the Bonds, the criteria for such purchases upon demand and the procurement of Liquidity Facilities and Credit Facilities with respect to the Bonds.

In addition, each such Supplemental Resolution shall provide for the appointment of a Bond Registrar and a Paying Agent for the Series of Bonds and such other agents as the Authority shall determine to be necessary.

Unless otherwise provided in a Supplemental Resolution, each Bond authenticated prior to the first interest payment date thereon shall bear interest from its date of delivery. Each Bond authenticated on or after the first interest payment date thereon shall bear interest from the interest payment date thereon next preceding the date of authentication thereof, unless such date of authentication shall be an interest payment date to which interest on such Bond has been paid in full or duly provided for, in which case from such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on such Bond shall be in default, such Bond shall bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, its dated date. Each Bond shall bear interest on overdue principal at the rate borne by such Bond until the Principal Amount thereof is paid in full.

Unless otherwise provided in a Supplemental Resolution, the Bonds shall be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof and shall be dated as provided in the pertinent Supplemental Resolution.

The Principal Amount of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The Bonds and the Bond Registrar's Certificate of Authentication shall be in substantially the form set forth in the Supplemental Resolution pursuant to which such series of Bonds are issued.

Redemption of Bonds

Bonds may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Resolution providing for the issuance of such Bonds. The District may provide for the redemption of Bonds from any funds available to the District and not obligated for other purposes.

In connection with the partial early redemption of any Term Bonds of a Series, the Authority may, in any Supplemental Resolution, provide that the principal amount of Bonds of such Series being redeemed shall be allocated against its scheduled sinking fund redemption and modify its scheduled sinking fund installments payable thereafter as to the Outstanding Term Bonds of such Series in any manner the Authority may determine. The Authority may provide in any Supplemental Resolution that, prior to notice of redemption for any Bonds of a Series, money in the Debt Service Account, the Common Reserve Account or any Series Debt Service Reserve Account relating to such Series of Bonds may be applied at the direction of the Authority to the purchase of Bonds of such Series and, if any such purchased Bonds are Term Bonds, the Authority may allocate the principal amount of Bonds of such Series being redeemed against its scheduled sinking fund redemption for such Bonds and may modify its scheduled sinking fund installments thereafter payable with respect to Bonds of such Series in any manner the Authority may determine.

Notice of Redemption

Unless waived by any registered owner of Bonds to be redeemed and except as may be otherwise provided in a Supplemental Resolution, official notice of any such redemption shall be given by the Bond Registrar on behalf of the District by mailing a copy of an official redemption notice by first class mail, at least 30 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated, shall contain the complete official name of the Bond issue, and shall state:

(1) the redemption date;

(2) the redemption price;

(3) the interest rate (unless such Bonds constitute Variable Rate Indebtedness) and maturity date of the Bonds being redeemed;

(4) if less than all the Outstanding Bonds are to be redeemed, the Bond numbers, and, where part of the Bonds evidenced by one Bond certificate are being redeemed, the respective Principal Amounts of such Bonds to be redeemed;

(5) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after such date; and

(6) the place where such Bonds are to be surrendered for payment of the redemption price (which place of payment shall be the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose) and the name, address, and telephone number of a person or persons at the Paying Agent who may be contacted with respect to the redemption.

Any notice of optional redemption of any Bonds may specify that the redemption is contingent upon the deposit of money with the Paying Agent in an amount sufficient to pay the redemption price (which price shall include the redemption premium, if any) of all the Bonds or portions of Bonds that are to be redeemed on that date.

Not later than the redemption date, the District shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

In addition to the foregoing notice, further notice shall be given by the Bond Registrar in a number of days to be specified in a Supplemental Resolution before the date of mailing of such notice to the registered owners by first-class, registered or certified mail or overnight delivery service or facsimile transmission to the Municipal Securities Rulemaking Board, through the Electronic Municipal Market Access system for municipal securities disclosures, or as may otherwise be provided in a Supplemental Resolution. Each further notice of redemption given shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. No defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

For so long as DTC is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified above to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, a participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Any defect in any notice of redemption shall not affect the validity of proceedings for redemption of the Bonds.

Establishment of Funds

The following funds have been established:

(a) Gross Revenue Fund to be held by the District;

(b) Operating and Maintenance Fund to be held by the District;

(c) Debt Service Fund to be maintained in trust and held by the Trustee, in which there is established a separate account for each Series of Bonds pursuant to Section 4.06 of the Master Bond Resolution;

(d) Debt Service Reserve Fund to be maintained in trust and held by the Trustee, in which there is established a Common Reserve Account and one or more Series Debt Service Reserve Accounts, in accordance with Sections 4.08 and 4.09 of the Master Bond Resolution;

(e) Subordinate Obligation Debt Service Fund to be maintained in trust and held by the Trustee, in which there is established a separate debt service account, and a debt service reserve account, pursuant to Section 5.06 of the Master Bond Resolution;

(f) Operating and Maintenance Reserve Fund to be held by the District;

(g) Rebate Fund to be held by the District; and

(h) Airport Capital Fund to be held by the District, in which there is established an Equipment and Capital Outlay Account, a Capital Projects Account, a Rolling Coverage Account, and a General Capital Account.

Gross Revenue Fund

So long as any Bonds remain Outstanding, the District covenanted and agreed that all Revenues derived and to be derived by the District from the operation of the Airport System including all Revenues derived by the District from all additions, extensions, enlargements and improvements of the Airport System hereafter made or acquired will be paid and deposited promptly in the Gross Revenue Fund, which shall be segregated and kept separate and apart from the other revenues and funds of the District.

Ratification of Previously Created Funds and Accounts

(a) That certain fund designated as the PFC Revenue Fund previously created and designated exclusively for deposit of Passenger Facility Charges (sometimes referred to as PFCs) shall continue to exist and PFCs shall continue to be exclusively deposited into the PFC Revenue Fund, unless otherwise provided in a Supplemental Resolution.

(b) That certain fund designated as the CFC Revenue Fund previously created and designated exclusively for deposit of Customer Facility Charges (sometimes referred to as CFCs) shall continue to exist and CFCs shall continue to be exclusively deposited into the CFC Revenue Fund, unless otherwise provided in a Supplemental Resolution.

Receipt, Deposit and Use of Revenues Deposited into the Gross Revenue Fund

No later than the fifth day of each month, all Revenues deposited in the Gross Revenue Fund shall be set aside for the payment of the following amounts or deposited or transferred to the following funds and accounts in the order listed:

(a) *Operation and Maintenance Expenses*. The District shall first pay from the Gross Revenue Fund a sufficient amount of Revenues to pay all Operation and Maintenance Expenses due in the next month to the Operating and Maintenance Fund. The District shall pay all Operation and Maintenance Expenses as they become due and payable from money available in the Operating and Maintenance Fund.

(b) *Debt Service Fund; Other Amounts Due on Bonds*. The District shall next pay from the Gross Revenue Fund a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Debt Service Fund in the amounts, at the times and in the manner provided in Section 4.06 of the Master Bond Resolution to provide for the payment of the principal of and interest to come due on the Outstanding Bonds and for the payment of amounts, other than principal and interest, if any, due on the Outstanding Bonds.

(c) *Common Reserve Account and Series Debt Service Reserve Accounts*. The District shall next pay from the Gross Revenue Fund a sufficient amount of Revenues, without priority and on an equal basis, except as to timing of payment, to the Common Reserve Account, the Series Debt Service Reserve Account, and any other accounts within the Debt Service Reserve Fund, if any, at the times, in such amounts, and to be used in the manner provided for, as specified in Sections 4.08 and 4.09 of the Master Bond Resolution and any Supplemental Resolution.

(d) *Subordinate Obligation Debt Service*. The District shall next pay from the Gross Revenue Fund a sufficient amount of Revenues to the Subordinate Obligation Debt Service Fund (and deposited into the applicable debt service account or debt service reserve account therein) such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinate Obligations, issued pursuant to the terms of a subordinate resolution, but only to the extent a specific pledge of Net Revenues has been made pursuant to such subordinate resolution to the payment of debt service on such indebtedness.

(e) *Operating and Maintenance Reserve Fund*. The District shall next pay from the Gross Revenue Fund into the Operating and Maintenance Reserve Fund one-twelfth ($1/12^{th}$) of the amount needed to bring the balance in the Operating and Maintenance Reserve Fund to an amount equal to one-sixth ($1/6^{th}$) of the amount of operating expenses budgeted by the District for the current fiscal year. If the balance in the Operating and Maintenance Reserve Fund is greater than or equal to one-sixth ($1/6^{th}$) of the amount of operating expenses budgeted by the District for the current fiscal year, no deposit is required.

(f) *Rebate Fund*. The District shall next pay from the Gross Revenue Fund into the Rebate Fund such amount, if any, as required to satisfy the District's obligations with respect to any arbitrage rebate calculations related to a Series of Bonds.

(g) *Airport Capital Fund*. When and after the District shall have made all payments from the Gross Revenue Fund required at the time to be made under the provisions of Section 4.04 (a) through (g) in the Master Bond Resolution, all remaining money in the Gross Revenue Fund shall be credited to the Airport Capital Fund. Money in the Airport Capital Fund shall be used for any lawful purpose of the Airport System. As determined by the District, money credited to the Airport Capital Fund shall be deposited into, and may be subsequently transferred among, unless otherwise provided in a Supplemental Resolution, one or more of the following accounts (the listing of the following accounts is not intended to establish a priority of one account over another):

(i) *Equipment and Capital Outlay Account* – the District may deposit money from the Airport Capital Fund into the Equipment and Capital Outlay Account in an amount to be determined by the District. Money in the Equipment and Capital Outlay Account may be used by the District to fund any equipment purchases or capital outlays that are included in the budget for the Airport System for a Fiscal Year.

(ii) *Capital Projects Account* – the District may deposit money from the Airport Capital Fund into the Capital Projects Account in an amount to be determined by the District. Money in the Capital Projects Account may be used to fund all, or any portion of, capital projects that are included in the budget for the Airport System for a Fiscal Year, provided that such amounts shall not be used to pay any costs that are being funded from any Equipment and Capital Outlay Account created pursuant to subsection (i) above.

(iii) *Rolling Coverage Account* – the District may deposit money from the Airport Capital Fund into the Rolling Coverage Account in an amount to be determined by the District. Unless otherwise required by a Supplemental Resolution, the District is not required to make any deposit into the Rolling Coverage Account or to retain any such amount deposited in the Rolling Coverage Account. Any money in the Rolling Coverage Account may be taken into account for purposes of Sections 5.04 and 6.03 of the Master Bond Resolution, or transferred from this account into the Gross Revenue Fund, or used for any other lawful purpose of the Airport System.

(iv) *General Capital Account* – subject to compliance with the immediately succeeding paragraph, all remaining money in the Airport Capital Fund not deposited to the Equipment and Capital Outlay Account, the Capital Projects Account, or the Rolling Coverage Account shall be deposited into the General Capital Account and may be accumulated by the District to be used to pay the costs of any future capital project or projects (whether or not such projects have been specifically identified), transferred to any other fund or account, or used by the District for any other lawful purpose of the Airport System.

If any General Obligation Bonds of the District are outstanding at the end of a Fiscal Year, then within 60 days after the end of such Fiscal Year, and after all deposits required to be made into each of the Funds have been made, sufficient money remaining in the Gross Revenue Fund that are not required to make up deficiencies in any of the Funds or to pay costs of operating, maintaining, enlarging, or improving any Airport Facilities shall be transferred to the Charleston County Treasurer to be applied by the Charleston County Treasurer for the payment of the interest and principal on the General Obligation Bonds of the District for the next succeeding Fiscal Year; provided, however, in the event that the Charleston County Treasurer has at such time sufficient moneys available for payment of the principal of and interest to come due on all the General Obligation Bonds of the District for the next succeeding Fiscal Year no such transfer need be made and such excess shall be deposited in the General Capital Account. The District may create additional funds and accounts to facilitate the operation of this paragraph.

Deficiency of Payments into Funds or Accounts

If at any time the revenues accruing to the Gross Revenue Fund are insufficient to make any payment or credit on the date or dates specified, the District shall transfer the amount of such deficiency out of the first available Revenues thereafter accruing to the Gross Revenue Fund from the operation of the Airports, such transfer being made and applied in the order specified.

Senior Lien Obligations Prohibited

The District has covenanted and agreed that so long as any Bonds are Outstanding under the Master Bond Resolution, it will not issue any additional bonds or other obligations with a lien on or security interest granted in Net Revenues, which is senior to the Bonds.

Additional Bonds

The District has covenanted and agreed that so long as any of the Bonds remain Outstanding, it will not issue any additional Bonds or other obligations, which stand on a parity or equality with the Bonds except in accordance with the following conditions and provisions:

(a) A Supplemental Resolution shall have been passed authorizing the issuance of such Bonds.

(b) There shall be no default by the District in the payment of any sums required to be paid under Section 4.04 of the Master Bond Resolution.

(c) An Authorized Authority Representative shall have executed a certificate to the effect that: (i) none of the Events of Default set forth in Section 7.01 of the Master Bond Resolution have occurred and remain uncured or (ii) that upon issuance of such Series of Bonds, all Events of Default set forth in Section 7.01 of the Master Bond Resolution that have occurred and are continuing, shall be cured;

(d) The District shall have received an opinion of Bond Counsel, dated as of the date of issuance of the Bonds, to the effect that the Supplemental Resolution authorizing the issuance of Bonds has been duly passed by the Authority;

(e) There shall be written instructions from the District to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions; and

(f) The tests for issuance of Bonds set forth in Section 5.04 of the Master Bond Resolution, as applicable, shall have been satisfied.

Refunding Bonds

Refunding Bonds may be issued under and secured by the Master Bond Resolution. Such Refunding Bonds shall be issued in accordance with the provisions of Sections 5.02 and 5.04 of the Master Bond Resolution.

Tests for Issuance of Bonds

Subject to the provisions under paragraphs (c)(i), (ii) or (iii) below, as a condition to the issuance of any Series of Bonds, there shall first be delivered to the District either:

(a) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative showing that the Net Revenues for the last Fiscal Year for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount on deposit in the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year, were at least equal to 125% of Aggregate Annual Debt Service with respect to all Outstanding Bonds and the proposed Series of Bonds, for such Fiscal Year or other applicable periods calculated as if the proposed Series of Bonds was then Outstanding; or

(b) (i) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized Authority Representative, showing that the Net Revenues for the last Fiscal Year for which audited financial statements are available, or, based upon the District's unaudited, internally prepared, financial statements for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, together with any amount deposited in the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year, were at least equal to 125% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such Fiscal Year or other applicable period; and

(ii) a certificate from a Consultant showing that the estimated Net Revenues for each of three (3) consecutive Fiscal Years beginning with the first Fiscal Year in which Annual Debt Service is due on or with respect to the Series of Bonds proposed to be issued, and for the payment of all of which provision has not been made as indicated in the report of such Consultant from the proceeds of such Series of Bonds and/or from interest that has been capitalized from the proceeds of previously issued Bonds, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds was then Outstanding).

For purposes of paragraph (a) above, the amount of any money deposited into the Rolling Coverage Account taken into account cannot exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds and the proposed Series of Bonds. For purposes of paragraph (b)(i) and (ii) above, the amount of any money deposited into the Rolling Coverage Account taken into account in any year cannot exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds in such year.

For purposes of paragraph (b)(ii) above, in estimating Net Revenues, the Consultant may take into account Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided and an amount estimated by the Consultant to be on deposit during such period of time in the Rolling Coverage Account. With respect to Operation and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Expenses, (ii) Operation and Maintenance Expenses associated with the Projects and any other new Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the District, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

(c) Neither of the certificates described under paragraph (a) or (b) above shall be required:

(iii) if the Bonds being issued are for the purpose of refunding then Outstanding Bonds and (A) an Authorized Authority Representative executes a certificate showing that Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service for any Fiscal Year prior to the issuance of such Refunding Bonds in the years through the final maturity of the Outstanding Bonds to be refunded, or (B) the District obtains a report from a Consultant demonstrating that the refunding will reduce the total debt service payments on all Outstanding Bonds on a present value basis;

(iv) if the Bonds being issued constitute Notes and an Authorized Authority Representative executes, instead, a certificate showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes, accompanied by a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the District will be in compliance with Section 6.03(a) and (b) of the Master Bond Resolution; or

(v) if the Bonds being issued are to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the District (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized Authority Representative to the effect that (x) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (y) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus money available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Bonds plus money available in the Construction Fund established for the Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

Repayment Obligations Afforded Status of Bonds

(a) Unless otherwise provided in a Supplemental Resolution, if a Credit Provider or Liquidity Provider makes payment of principal of and/or interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the District, but is not reimbursed, the Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under the Master Bond Resolution, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 5.02 or 5.04 of the Master Bond Resolution, provided that the payment terms of the Bond held by the Credit Provider or Liquidity Provider shall be as set forth in the written agreement with the Credit Provider or Liquidity Provider or a Supplemental Resolution pursuant to which such Bonds are issued. This provision shall not defeat or alter the rights of subrogation that any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Resolution. The Trustee and the Paying Agent may conclusively rely on a written certification by the Credit Provider or the Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under the Master Bond Resolution.

(b) In addition to the Repayment Obligations described in paragraph (a) above, any other amounts owed by the District to a Credit Provider or a Liquidity Provider pursuant to the provisions of a written agreement between the District and the Credit Provider or the Liquidity Provider, that are Repayment Obligations under such written agreement, shall, if so provided in the written agreement, be afforded the status of a Bond issued under Article II of the Master Bond Resolution and, if afforded such status, the Credit Provider or the Liquidity Provider shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 5.02 or 5.04 of the Master Bond Resolution. Such Repayment Obligation will be paid in accordance with the terms of the Supplemental Resolution pursuant to which the Bonds are issued or the terms of the agreement with the Credit Provider or the Liquidity Provider. The Trustee and the Paying Agent may conclusively rely on a written certification by the Credit Provider or the Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under the Master Bond Resolution.

Subordinate Obligations

The District may, from time to time, incur indebtedness that is subordinate to the Bonds and which indebtedness is, in the Master Bond Resolution, referred to as Subordinate Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Authority shall determine, provided that:

(a) any Supplemental Resolution authorizing the issuance of any Subordinate Obligations shall specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds;

(b) payment of principal of and interest and other amounts due on such Subordinate Obligations shall be permitted, provided that all deposits and payments required to be made pursuant to Section 4.04(a) through (d) of the Master Bond Resolution have been made or satisfied;

(c) At the time of issuance of any Subordinate Obligations, there shall be established a debt service account for such Subordinate Obligations within the Subordinate Obligation Debt Service Fund. Such debt service account shall be held in trust by the Trustee, and amounts to be used to pay principal of and interest on such Subordinate Obligations shall be deposited therein and used for such purpose; and

(d) The District may, at the time of issuance of any Subordinate Obligations, create a debt service reserve account for such Subordinate Obligations within the Subordinate Obligation Debt Service Fund. Such debt service reserve account shall be held by the Trustee for the purpose described in the Supplemental Resolution authorizing the issuance of such Subordinate Obligations.

Rate Covenant

The District has covenanted to fulfill all of the following requirements:

(a) The District shall, while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the District as of the date of execution of the Master Bond Resolution setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the sum of the following amounts:

(i) the Annual Debt Service on any Outstanding Bonds required to be funded by the District in such Fiscal Year as required by the Master Bond Resolution or any Supplemental Resolution with respect to the Outstanding Bonds;

(ii) the required deposits to the Common Reserve Account and any Series Debt Service Reserve Account that may be established by a Supplemental Resolution;

(iii) the required deposits to the Operating and Maintenance Reserve Fund required by Section 4.04(f) of the Master Bond Resolution;

(iv) the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Resolution;

(v) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, including Subordinate Obligations; and

(vi) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinate Obligations.

(b) The District will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any amount deposited in the Rolling Coverage Account as of the end of the immediately preceding Fiscal Year, will be equal to at least 125% of Annual Debt Service on the Outstanding Bonds in such Fiscal Year. For purposes of this paragraph (b), the balance in the Rolling Coverage Account taken into account shall not exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

(c) If Net Revenues, together with any amount deposited in the Rolling Coverage Account (as applied in accordance with paragraph (b) above), in any Fiscal Year are less than the amount specified in paragraph (a) and (b) above, the District will retain and direct a Consultant to make recommendations as to the revision of the operations of the Airport System and its schedule of rentals, rates, tolls, fees and charges for the use of the Airport System and for services rendered by the District in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the District shall take all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as may be necessary to produce Net Revenues in the amount specified in paragraph (a) and (b) above in the next succeeding Fiscal Year.

In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the District promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as required by this paragraph (c), such deficiency in Net Revenues shall not constitute an Event of Default under the provisions of Section 7.01(d) of the Master Bond Resolution. Nevertheless, if after taking the measures required by this paragraph (c) to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the District relating to the Airport System for such Fiscal Year) are less than the amount specified in paragraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of Section 7.01(d) of the Master Bond Resolution.

Events of Default

Each of the following events shall constitute and is referred to in the Master Bond Resolution as an "**Event of Default**":

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) except as otherwise provided in a Supplemental Resolution, a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Resolution;

(d) a failure by the District to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the District and which are contained in the Master Bond Resolution or a Supplemental Resolution, which failure, except for a violation under Section 6.03 of the Master Bond Resolution which shall be controlled by the provisions set forth therein, shall continue for a period of ninety (90) days after written notice specifying such failure and requiring it to be remedied shall have been given to the District by the owners of not less than, or a Credit Provider or Liquidity Provider securing not less than, 25% in aggregate Principal Amount of the Bonds then Outstanding; provided, however, if the failure stated in such notice can be corrected, but not within such 90-day period, the District shall have 180 days after such written notice to cure such default if corrective action is instituted by the District within such 90-day period and diligently pursued until the failure is corrected; or

(e) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of the Airport System; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Resolution.

Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Trustee may proceed to protect and enforce the rights of the owners of Bonds by such of the following remedies as it shall deem most effectual to protect and enforce such rights:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the District to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under any law to which it is subject and the Bond Resolution;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the District to account as if it were the trustee of an express trust for the Bondholders;

(iv) by action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of the Bondholders; or

(v) by pursuing any other available remedy at law or in equity or by statute.

In the enforcement of any remedy under the Bond Resolution, the Trustee shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for Principal Amount, redemption premium, interest, or otherwise, under any provision of the Bond Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Resolution and under such Bonds, without prejudice to any other right or remedy of the owners of Bonds, and to recover and enforce a judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any money available for such purpose, in any manner provided by law, the money adjudged or decreed to be payable.

(b) Except with respect to the rights of a Credit Provider or a Liquidity Provider as provided in a Supplemental Resolution or a written agreement between the District and a Credit Provider or a Liquidity Provider, in no event, upon the occurrence and continuation of an Event of Default described in Section 7.01 of the Master Bond Resolution, shall the Trustee, Bondholders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

No Obligation to Levy Taxes

Nothing contained in the Master Bond Resolution or any Supplemental Resolution shall be construed as imposing on the Authority, on behalf of the District, any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Bonds.

Defeasance

Bonds or portions thereof that have been paid in full or are deemed paid in full shall not be secured by or entitled to the benefits of the Master Bond Resolution except for the purposes of payment from money or Federal Securities held by a Paying Agent or other bank or trust company in trust.

A Bond shall be deemed to be paid for all purposes of the Master Bond Resolution when payment of the principal, interest and premium or other amounts, if any, either shall have been (a) made or caused to be made in accordance with the terms of the Bonds and the Master Bond Resolution or (b) provided for by irrevocably depositing with the Paying Agent or other bank or trust company in trust exclusively for such payment, (i) money sufficient to make such payment and/or (ii) noncallable Federal Securities maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient money to make such payment. As to any deposit of Federal Securities, the Paying Agent or other bank or trust company shall have received a verification report prepared by an Independent certified public accountant, or other verification agent, satisfactory to the Authority, to the effect that the payment of the principal of and redemption premium, if any, and interest on such Bonds has been provided for.

Notice of redemption shall be made at the time of such defeasance or prior to such date required by the Supplemental Resolution under which such Bonds were issued. The District may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Resolution under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Master Bond Resolution subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient money and/or Federal Securities to provide for the payment of such Bonds.

Supplemental Resolutions Not Requiring Consent of Bondholders

The Authority, on behalf of the District, may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Resolutions supplementing and/or amending the Master Bond Resolution or any Supplemental Resolution as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds and to set forth the terms of such Bonds and the special provisions that shall apply to such Bonds;

(b) to provide for the issuance of Subordinate Obligations and to set forth the terms of such Subordinate Obligations and the special provisions that shall apply;

(c) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Bond Resolution or any Supplemental Resolution, provided such supplement or amendment is not materially adverse to the Bondholders;

(d) to add to the covenants and agreements of the District in the Master Bond Resolution or any Supplemental Resolution other covenants and agreements, or to surrender any right or power reserved or conferred upon the District, provided such supplement or amendment shall not adversely affect the interests of the Bondholders;

(e) to subject to the lien and pledge of the Master Bond Resolution additional revenues, receipts, properties, or other collateral;

(f) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Resolution at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Resolution;

(g) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds that are issued or are proposed to be issued, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness that the Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds;

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Revenues and Net Revenues into different funds;

(m) to make an Irrevocable Commitment to use Passenger Facility Charges, Federal Direct Payments, or money available under a grant to pay Annual Debt Service on Bonds; and

(n) to modify, alter, amend or supplement the Master Bond Resolution or any Supplemental Resolution in any other respect that is not materially adverse to the Bondholders.

Before the Authority, on behalf of the District, may execute any Supplemental Resolution, there shall have been delivered to the District and the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution: (y) is authorized or permitted by the Master Bond Resolution and any applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the District in accordance with its terms and (z) will not cause interest on any of the Bonds that is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence shall not be required for a Supplemental Resolution executed and delivered in accordance with Section 9.02(a) of the Master Bond Resolution.

Supplemental Resolution Requiring Consent of Bondholders

(a) Except for any Supplemental Resolution entered into as described in the section above entitled "Supplemental Resolutions Not Requiring Consent of Bondholders" and any Supplemental Resolution entered into pursuant to paragraph (b) below, the holders of not less than 51% in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Resolution deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding any of the terms or provisions contained in the Master Bond Resolution or in a Supplemental Resolution; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and paragraph (b) below is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of paragraph (b) below, shall, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) except as expressly permitted by the Master Bond Resolution, the creation of a lien upon or pledge of the Net Revenues created by the Master Bond Resolution, ranking prior to or on a parity with the claim created by the Master Bond Resolution, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Resolution. Nothing described in this paragraph, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Resolution as described in the section above entitled "Supplemental Resolutions Not Requiring Consent of Bondholders," including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(b) The Authority, on behalf of the District, may, from time to time and at any time, execute a Supplemental Resolution that amends the provisions of an earlier Supplemental Resolution under which a Series or multiple Series of Bonds were issued. If such Supplemental Resolution is executed for one of the purposes described in the section above entitled "Supplemental Resolutions Not Requiring Consent of Bondholders," no notice to or consent of the Bondholders shall be required. If such Supplemental Resolution contains provisions that affect the rights and interests of less than all Series of Bonds Outstanding and the provisions described in the section above entitled "Supplemental Resolutions Not Requiring Consent of Bondholders" are not applicable, then this paragraph (b) rather than paragraph (a) above shall control and, subject to the terms and provisions contained in this paragraph (b) and Article X of the Master Bond Resolution and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series that are affected by such changes shall have the right from time to time to consent to any Supplemental Resolution deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding any of the terms or provisions contained in such Supplemental Resolution and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon.

(c) If at any time the Authority shall desire to enter into any Supplemental Resolution for any of the purposes described above, the Authority shall cause notice of the proposed execution of the Supplemental Resolution to be given by Mail to all Bondholders or, under paragraph (b) above, all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that a copy thereof is on file at the office of the District for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Resolution but it shall be sufficient if such Bondholders approve the substance thereof.

(d) The Authority may execute and deliver such Supplemental Resolution in substantially the form described in such notice, but only if there shall have first been delivered to the District (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel required by the last paragraph in the section above entitled "Supplemental Resolutions Not Requiring Consent of Bondholders."

(e) If Bondholders of not less than the percentage of Bonds required above shall have consented to and approved the execution and delivery thereof as herein provided, no Bondholders shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding paragraphs (c) through (e) above, the Authority may, at its discretion, execute and deliver a Supplemental Resolution that contains such modifications, alterations, amendments or supplements prior to receipt of the required consents in writing of the Holders; provided, that such Supplemental Resolution or the applicable provisions of such Supplemental Resolution subject to the consents of the Holders shall not become effective until such time as there has been delivered to the District (i) the required consents, in writing, of Holders and (ii) the opinion of Bond Counsel required by the last paragraph of Section 9.02 of the Master Bond Resolution. In the event the Authority decides to execute and deliver a Supplemental Resolution in accordance with this paragraph (f), the notice required in paragraph (c) above shall make reference to a final and executed Supplemental Resolution as opposed to a proposed Supplemental Resolution.

(g) For the purposes of Article IX of the Master Bond Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may approve a Supplemental Resolution and may consent to a modification or amendment of the Master Bond Resolution or any Supplemental Resolution and other modifications permitted as described in this section in the manner described herein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the District.

Appointment of Trustee

The Bank of New York Mellon Trust Company, N.A., was appointed by the Authority as Trustee under the Resolution. The Trustee, including any successor Trustee shall, at the time of appointment, be a bank, trust company, or association organized under state or federal law and which is a member of the Federal Reserve System with a capital stock, surplus and undivided profits aggregating in excess of $25,000,000. The same bank, trust company, or association may serve any or all of the roles of Bond Registrar, Paying Agent, and Trustee.

* * * *

SUMMARY OF THE SECOND SUPPLEMENTAL BOND RESOLUTION

The following is a summary of certain provisions of the Second Supplemental Bond Resolution adopted on January 17, 2019 by the Charleston County Aviation Authority. This summary is not to be regarded as a complete statement of the Second Supplemental Bond Resolution to which reference is made for a complete statement of the actual terms thereof. Copies of the draft form of the Second Supplemental Bond Resolution are on file with the Trustee.

Debt Service Accounts

The District shall deposit into the Series 2019 Debt Service Account the amount of money required by Sections 4.04 and 4.06 of the Master Bond Resolution to be used to pay principal of and interest on the Series 2019 Bonds.

Series 2019 Reserve Account

At the time of issuance of the Series 2019 Bonds, a portion of the proceeds of the Series 2019 Bonds shall be deposited into the Series 2019 Reserve Account. The Series 2019 Reserve Account shall be established, held, invested, and used as an integral part of the Debt Service Reserve Fund as provided in Section 4.08 of the Master Bond Resolution and shall be available to make payments on all Bonds participating in the Common Reserve Account of the Debt Service Reserve Fund. In the event a Reserve Fund Surety Policy is ever deposited to the Common Reserve Account of the Debt Service Reserve Fund, the Series 2019 Reserve Account shall be credited with the portion of any Reserve Fund Surety Policy in accordance with the terms of such Reserve Fund Surety Policy. In the event amounts in the Common Reserve Account of the Debt Service Reserve Fund exceed the Reserve Requirement for the Common Reserve Account of the Debt Service Reserve Fund, such excess shall be transferred to the Series 2019 Debt Service Account.

At the time of issuance of the Series 2019 Bonds, the Reserve Requirement with respect to the Series 2019 Bonds shall be equal to the amount set forth on the Certificate of Final Terms.

Designation of Certain Customer Facility Charges (CFCs) as Revenues With Respect to Series 2019 Bonds

Pursuant to the definition of "Revenues" in Article I of the Master Bond Resolution, the Authority confirms the designation of Customer Facility Charges received in each of the Fiscal Years ending in 2019 through 2022 as Revenues for purposes of the Master Bond Resolution and further designates Customer Facility Charges received in each of the Fiscal Years ending in 2023 through 2028 as Revenues for purposes of the Master Bond Resolution. In addition, Customer Facility Charges received in each Fiscal Year after Fiscal Year 2028 are designated and included as Revenues for purposes of the Master Bond Resolution until such time as the Authority by Supplemental Resolution excludes and removes Customer Facility Charges from Revenues for purposes of the Master Bond Resolution; provided, however, that the Authority shall take no action by Supplemental Resolution or otherwise to exclude and remove Customer Facility Charges from Revenues for purposes of the Master Bond Resolution unless the Authority first obtains a certificate to the effect that the District will be in compliance with Sections 6.03(a) and (b) of the Master Bond Resolution when Customer Facility Charges are no longer designated as Revenues. Satisfaction of the requirements set forth under the definition of "Released Revenues" is not required for Customer Facility Charges received after Fiscal Year 2028 to be excluded and removed as Revenues pursuant to the immediately preceding sentence. The District shall provide notice under the Continuing Disclosure

Undertaking in the event that Customer Facility Charges received after Fiscal Year 2028 are excluded and removed as Revenues for purposes of the Master Bond Resolution.

Deposit of Passenger Facility Charges

Upon receipt by the District, all PFCs shall be set aside and immediately deposited directly to the credit of the accounts in the PFC Revenue Fund in the following order:

(a) First, to the PFC Debt Service Account, in each of the Fiscal Years 2019 through 2028, inclusive, all or such portion of PFCs received in such Fiscal Year as designated by the District up to any maximum that may be used for the payment of bond capital, financing, and interest set forth by the PFC Final Agency Decision in such Fiscal Year.

(b) Second, to the PFC Project Account all PFCs so received by the District in each Fiscal Year not otherwise required to be applied by paragraph (a) above.

Application of Money in PFC Debt Service Account and PFC Project Account

(a) Amounts credited to the PFC Debt Service Account shall be applied by the District to the payment of Annual Debt Service of the Series 2013 Bonds and any other Series of Bonds eligible for payment from PFCs under the PFC Final Agency Decision by transferring (i) on a pro rata basis of PFC-eligible Annual Debt Service for each such Series of Bonds amounts on deposit in the PFC Debt Service Account to the Debt Service Account for each such Series of Bonds in each Fiscal Year, or (ii) such other method as is consistent with the PFC Final Agency Decision. Any amounts remaining in the PFC Debt Service Account on the last day of the Fiscal Year shall be credited to the PFC Project Account.

(b) Amounts credited to the PFC Project Account may be applied to any lawful purpose relating to the Airport System as the Director of Airports may from time to time determine, including transfer to the PFC Debt Service Account.

(c) The Director of Finance may create Subaccounts to help facilitate administration of the PFC Debt Service Account and the PFC Project Account.

(d) Unless otherwise provided herein, the PFC Revenue Fund and the Accounts created therein will be administered pursuant to the terms of the Master Bond Resolution and any applicable Supplemental Resolution.

(e) The District's obligation to apply PFCs in accordance with the provisions of this Article VI for the period of time provided herein constitutes an Irrevocable Commitment of the District within the meaning of the Master Bond Resolution.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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HOWELL LINKOUS & NETTLES, LLC
Bond Attorneys & Counsellors at Law

The Lining House
106 Broad Street
Charleston, South Carolina 29401

Post Office Box 1768
Charleston, South Carolina 29402

Telephone 843.266.3800
Fax 843.266.3805

Concentrating in Municipal Bonds,
Local Government Law, Economic
Development Incentives,
Affordable Housing Development

13 February 2019

Charleston County Airport District
Charleston, South Carolina

Re: $64,715,000 Charleston County Airport District Airport Revenue Bonds, Series 2019 (Non-AMT) (the "2019 Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel to the Charleston County Airport District (the "District") in connection with the issuance by the District of the 2019 Bonds, each dated the date hereof. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The 2019 Bonds are issued pursuant to the Constitution and laws of the State of South Carolina, including Act No. 1235 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1970, as amended (the "Act"), a Master Bond Resolution adopted by the Charleston County Aviation Authority (the "Authority") on July 23, 2013 (the "Master Resolution"), and a Second Supplemental Bond Resolution adopted by the Authority on January 17, 2019 (the "Supplemental Resolution," and together with the Master Resolution, the "Resolution"). Under the Resolution, the District has pledged certain revenues (the "Net Revenues") for the payment of principal of, premium (if any) and interest on the 2019 Bonds when due.

Regarding questions of fact material to our opinion, we have relied on the representations of the District contained in the Resolution, and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, it is our opinion that, under existing law:

1. The District is validly existing as a political subdivision of the State of South Carolina with the power to perform its obligations under the Resolution and to issue the Bonds.

2. The Resolution has been duly adopted by the Authority and constitutes a valid and binding obligation of the District enforceable against the District.

3. The Resolution creates a valid lien on the Net Revenues and other funds pledged by the Resolution for the security of the 2019 Bonds on a parity with other bonds (if any) issued or to be issued under the Master Resolution.

4. The 2019 Bonds have been duly authorized and executed by the District, and are valid and binding limited obligations of the District, payable solely from the Net Revenues and other funds provided therefor in the Resolution.

5. Interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2019 Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the 2019 Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the 2019 Bonds.

6. Interest on the 2019 Bonds is excluded from present State of South Carolina taxation, except inheritance, estate, gift, transfer and certain franchise taxes. Furthermore, it should be noted that Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in South Carolina a fee or franchise tax computed on the entire net income of such bank, which includes interest on the 2019 Bonds.

The rights of the owners of the 2019 Bonds and the enforceability of the Bonds and the Resolution are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the official statement relating to the 2019 Bonds, or regarding the perfection or priority of the lien on Net Revenues or other funds created by the Resolution. We note that, unless perfected, the lien on Net Revenues may not be effective. Further, we express no opinion regarding tax consequences arising with respect to the 2019 Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking ("Disclosure Undertaking") is executed and delivered as of the 13th day of February 2019, by the **CHARLESTON COUNTY AIRPORT DISTRICT, SOUTH CAROLINA** ("Issuer") in connection with the Issuer's $64,715,000 Airport Revenue Bonds, Series 2019 (Non-AMT).

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the provisions of Securities and Exchange Commission Rule 15c2-12 (the "Rule").

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized terms used in this Section, the following capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Section 3(a) herein, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Undertaking.

"Annual Report" means the annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" means the financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities from time to time by the Governmental Accounting Standards Board, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Undertaking.

"Authority" means Charleston County Aviation Authority, the governing body of the Issuer.

"Beneficial Owner" means a person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bonds" means the $64,715,000 Charleston County Airport District, South Carolina, Airport Revenue Bonds, Series 2019 (Non-AMT)

"Disclosure Representative" means the Director of Finance (as defined in the Resolution), or his or her designee, or such other officer or employee of the Issuer or the Authority as may be designated in writing by the Issuer.

"Dissemination Agent" means any person designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation pursuant to Section 7 hereof.

"EMMA" means the MSRB's Electronic Municipal Market Access system which became effective July 1, 2009.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of EMMA; or (iii) interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Issuer from performance of its obligations under this Disclosure Undertaking.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, and the Failure to File Event notices.

"Issuer" means the Charleston County Airport District, South Carolina.

"MSRB" means the Municipal Securities Rulemaking Board.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 5(a) of this Disclosure Undertaking.

"Official Statement" means the Official Statement dated January 29, 2019, prepared in connection with the Bonds.

"Participating Underwriter" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James & Associates, Inc.

"Resolution" means, collectively, the Master Bond adopted by the Authority on July 23, 2013 and a Second Supplemental Bond Resolution adopted by the Authority on January 17, 2019.

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of South Carolina.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, not later than February 1 after the end of the Issuer's fiscal year (currently June 30), commencing with the fiscal year ending June 30, 2019, file with the MSRB an Annual Report. Each February 1 is the "Annual Filing Date." The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided, however, that the Audited Financial Statements of the Issuer for the Fiscal Year ending June 30, 2019, and for each subsequent Fiscal Year may be submitted separately from the remainder of the Annual Report, and later than the Annual Filing Date, if they are not available by that date.

(b) If the Issuer has not provided, or does not expect to provide, an Annual Report by 6:00 PM Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter), a Failure to File Event shall have occurred and the Issuer shall file a Failure to File Event notice with the MSRB substantially in the form attached hereto as Exhibit A stating, among other things, the anticipated filing date for the Annual Report.

(c) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

Section 4. Contents of Annual Reports. Each Annual Report shall contain or incorporate by reference Annual Financial Information with respect to the Issuer, including:

(a) The Audited Financial Statements for the preceding fiscal year (commencing with the fiscal year ending June 30, 2019), prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities from time to time by the Governmental Accounting Standards Board or alternate accounting principles, as described in the Official Statement. If the Audited Financial Statements are not available by the Annual Filing Date, the Annual Report shall include unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent such items are not included in the financial statements referred to in subsection (a) above, the financial and operating data of the Issuer as of a date not earlier than the end of the preceding fiscal year for the type of information included (i) in the tables under the headings "THE CHARLESTON COUNTY AIRPORT DISTRICT – Historical Enplanements" (Airport Enplanements only) and "- Airline Market Shares," and "FINANCIAL MATTERS OF THE DISTRICT - Historical Financial Trends" and "- Historical Debt Service Coverage; Cost Per Enplanement" and (ii) in the subsection "FINANCIAL MATTERS OF THE DISTRICT - Management's Discussion of Recent Financial Results" contained in the Official Statement for the preceding fiscal year.

The Annual Report may consist of more than one document. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer for which the Issuer is an "obligated person" (as defined by the Rule) which have been previously submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the status of the Bonds, or other material events affecting the tax status of the Bond;

(vii) Modifications to rights of Bond holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) Consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Upon the occurrence of a Notice Event, the Issuer shall file a notice of the Notice Event in a timely manner, not in excess of ten business days of such occurrence, with the MSRB.

(c) The Issuer agrees to provide a Notice Event in the event that Customer Facility Charges received after the Fiscal Year ending in 2028 are excluded and removed as Revenues for purposes of the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Notice Event under Section 5(b) hereof.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist in its carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Undertaking.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) This Disclosure Undertaking as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (i) notice of such change shall be given in the same manner as for a Notice Event under Section 5(b) hereof, and (ii) the Annual Report for the year in which the change is made should prepare a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Undertaking, the Trustee appointed under the Resolution may (and at the request of the Beneficial Owners of at least 25 percent aggregate principal amount of the Bonds) or any Beneficial Owner or holder of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the

Issuer to comply with its obligations under this Disclosure Undertaking; provided, however, that any such action may be instituted only in the federal or state courts located in Charleston, South Carolina. A default under this Disclosure Undertaking shall not be deemed an event of default under Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Trustee, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Undertaking is not intended to create any monetary rights on behalf of any person.

Section 12. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of South Carolina.

The Issuer has caused this Disclosure Undertaking to be executed, on the date first written above, by its Disclosure Representative.

CHARLESTON COUNTY AIRPORT DISTRICT,
SOUTH CAROLINA, as Issuer

By:________________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	Charleston County Airport District, South Carolina
Obligated Person:	Charleston County Airport District, South Carolina
Name(s) of Bond Issue(s):	$64,715,000 Airport Revenue Bonds, Series 2019 (Non-AMT)
Date(s) of Issuance:	February 13, 2019
Date(s) of Disclosure Undertaking:	February 13, 2019
CUSIP Number:	______________

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Undertaking of the Issuer. The Issuer anticipates that the Annual Report will be filed by ______________.

Dated: ____________________________

CHARLESTON COUNTY AIRPORT DISTRICT,
SOUTH CAROLINA, as Issuer

____

CHARLESTON COUNTY
AVIATION AUTHORITY

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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