Bradley Airport Competitiveness at Risk

Background

- Bradley International Airport receives no taxpayer funds, and it is entirely self-sufficient based upon its revenues
  - The majority of these revenues are generated by the airlines (i.e. landing fees, terminal rent, etc.)
  - The CAA, as a quasi-public agency that lacks the state's sovereign immunity, must also purchase insurance for its operations, and it must maintain healthy reserves at all times to achieve strong bond ratings (and lower rates)
  - As such, the CAA can only affect its own destiny by generating more revenues or cutting costs
    - In the context of the COVID-19 pandemic and the global retraction of the aviation industry, generating additional revenues is virtually impossible
    - Cutting costs is the only way that the CAA can maintain fiscal stability

Competitive Implications

- The CAA has taken drastic cost-cutting steps throughout the course of the pandemic to stay solvent
  - One outlier remains unaddressed due to statutorily imposed requirements
- All CAA employees are statutorily required to participate in the State Employees Retirement System (SERS)
- SERS costs ensure that CAA payroll costs are disproportionately higher than other airports, making Bradley International Airport's competitors more attractive to airlines looking to expand services
- The CAA annually meets with airlines to review the Bradley budget, and SERS costs have become a topic of contention
  - Airlines ultimately bear fringe benefit expenses through the airport rates and charges that are established to recoup such costs, and the airlines use these airport rates and charges to calculate their average cost per enplaned passenger (CPE)
    - The CPE is the primary cost metric that airlines use to compare the costliness of operating at each individual airport, and it is a driving factor in an airline's decision to expand or retract services at any given airport
- All of the airlines plan to emerge from the pandemic much smaller, with fewer staff, fewer aircraft, and fewer routes
  - Airports must present the best business case to attract the ever-shrinking share of airline assets
    - As airlines set the foundation for their "new normal," excessive fringe benefit rates will ensure that airlines prioritize other competitor airports for route growth, putting BDL's future at risk

Bradley International Airport (2019)

Current Defined Benefit Plan	Current Defined Benefit Plan
Regular employees	**Hazardous duty employees**
93.36% = total fringe benefit rate	122.93% = total fringe benefit rate
64.3% = SERS contribution rate	**88.47%** = SERS contribution rate

T.F. Green Airport (2018)

Old Defined Benefit Plan	Current Defined Contribution Plan
Almost completely phased out	**Vast majority of employees**
30.9% = employer contribution rate	**8%** = employer contribution rate

Boston Logan International Airport (2018)

Current Defined Benefit Plan
23.7% = employer contribution rate

JFK International Airport (2018)

Current Defined Benefit Plan
32.6% = employer contribution rate

Unclassified CAA Employees

- The CAA seeks to provide current, unclassified CAA employees with the ability to opt out of the SERS and ensure that all future, unclassified CAA employees be automatically enrolled into a separate CAA-established 401(a)-type plan
  - This would put the CAA on equal footing with one of its primary regional competitors, T.F. Green
- If all current Tier 3 and Tier 4 unclassified CAA employees opted out of SERS and opted into a 401(a) plan (assumed employer contribution of 8% - same benefit level as T.F. Green), **the CAA would immediately save $1.26 million**
- **Approximately $175,000 of additional savings per year** as current unclassified employees naturally attrit and positions are subsequently filled with new hires participating in the 401(a) plan
- **Final, total savings: $2.74 million**