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Robert M. Clinger III, former Republican candidate for the Horry County Council District #2 seat, issued comments regarding the proposed Myrtle Beach Airport Terminal project. Mr. Clinger, who is the co-founder of Highland Global, LLC and co-founder of Thinking Outside the Boxe, also sent a similar set of comments to The Sun News Editorial Board and a letter to the members of the Horry County Council. Mr. Clinger's comments come as the Council debates providing an additional \$6.2 million for design and contractor fees in hopes of securing a final cost for the project, which is already expected to cost in excess of \$228 million.

Myrtle Beach, SC (PRWEB) July 19, 2006 — Robert M. Clinger III, former Republican candidate for the Horry County Council District #2 seat, issued comments regarding the proposed Myrtle Beach Airport Terminal project. Mr. Clinger, who is the co-founder of Highland Global, LLC (www.HighlandGlobal.com) and co-founder of Thinking Outside the Boxe (www.ThinkingOutsideTheBoxe.com), also sent a similar set of comments to The Sun News Editorial Board and a letter to the members of the Horry County Council. Mr. Clinger's comments come as the Council debates providing an additional \$6.2 million for design and contractor fees in hopes of securing a final cost for the project. Mr. Clinger's comments are as follows:

The proposed Myrtle Beach airport terminal is an issue that stirs great debate on both sides of this controversy. To some, this project is mere folly — an excessive project plagued by an as yet uncertain but still rising price tag and a perceived waste of over \$12 million during the last several years with little to show for the expense. To opponents of the project, merely suggesting that Council spend an additional \$6.2 million in pursuit of such folly is outrageous. But to others, this project is crucial to the future of Myrtle Beach, our prospects for economic growth, the tourism industry, and our ability to distinguish ourselves as a world-class resort destination for both domestic and international travelers.

As the Council assesses whether to provide additional funding to move this project forward in hopes of finally securing a cost, I would encourage members of the Council to answer the following two questions as part of their analysis and decision-making process:

1. Is this airport terminal project in the best interests of the people of Horry County?
2. Is this project financially responsible and economically sound?

I will readily confess that I, and many others, would love to have a brand new airport for our area. The renderings thus far project a world-class facility of which we could all be proud. Having contemplated this matter at great length as part of my campaign and now as a private citizen seeking to contribute to our county, however, I still have serious reservations regarding this project, particularly with respect to its financial responsibility.

With a project cost still not locked-in, the final cost may yet rise significantly beyond the current \$228 million estimate. Horry County does not have \$228 million lying around to fund this project. Granted, the Council has worked hard with our representatives in Washington, D.C. to secure \$43 million in funding from the FAA. The remainder of the project's cost must be funded in one way or another. The proposed low risk funding sources from the airport's website (dated January 20, 2006) provide roughly \$214 million and range from utilizing the airport's cash balance of \$23 million to leasing the airport property for \$18 million.

The proposed funding also includes roughly \$70 million in bonds that will be floated with an additional \$15 million of bond capacity. Should some of the funding opportunities not materialize the deficit may yet be funded through increasing the debt capacity. As some members of Council have noted during their public meetings, for every one dollar we borrow to fund other projects, the actual cost of the project when factoring in interest on the debt is two dollars. There are certainly very serious ramifications stemming from these actions.

Should our economy experience a lengthy downturn (perhaps as a result of high oil prices and weak economic activity) that reduces tourism traffic through the terminal resulting in a decline in airport revenues, the airport may be faced with an operating deficit and, therefore, be unable to service the debt obligations. Faced with this situation, it is reasonable to conclude that a future Council may be inclined to provide a bailout of the airport to prevent the project from falling into the hands of its creditors. As the taxpayers ultimately bear this financial responsibility, any such bailout would likely involve an increase in property taxes or spending cuts that deprive other projects and public works of funding. Horry County and the taxpayers do not need a financial situation similar to that facing the City of Myrtle Beach and the convention center hotel.

In addition, the estimated cost of \$228 million is over double the original \$100 million cost estimate proposed when this project was first discussed a few years ago. From a business perspective, a project with a cost that doubles is rarely as attractive to the decision makers as under the original cost assumption—particularly when a large portion of that project is financed through debt issuance. This reduces the net present value of the project and substantially reduces the rate of return on the project most likely to a level that does not compensate for the corresponding level of financial and operating risk. Considering these factors, the new terminal project hardly seems a financially sound investment.

To be fair, I am cognizant of the concerns of many citizens who contend that this airport is crucial in order for Myrtle Beach to become the world-class destination that many envision. There are many business leaders and public figures, all well-respected, who have grand visions for this area for the future. I share many of these visions and have high hopes for Horry County in the coming decade. And there are many who have staked everything, including their reputations, on achieving their visions which are based on increased tourism traffic from higher dollar travelers arriving through the new terminal. But we must also recognize that there are many residents of this County who do not share these visions and who do not see any tangible gains (but rather only problems such as increased traffic) accruing to them from the new terminal project.

We must respect the views of those opposed to this project and work to address their concerns. After all, we share a common bond in that we are all concerned for the good of the County, however our judgments and visions might differ. We must not let these grand visions cloud our judgment when it comes to making decisions that are financially responsible and economically sound. Nor should our decisions place an undue financial burden upon subsequent generations and taxpayers in Horry County—a burden that may require substantial financial austerity programs for the County in the future.

To those individuals, businesses, and special interest groups who are adamant that this new terminal project must be completed, I would encourage them to consider taking on a portion of that risk either through contributions to finance the terminal or direct debt/equity investment in the project. Such direct investment could have characteristics of an option whereby the investors receive a return only if the new terminal project meets certain financial performance targets. County Council could also propose that businesses and special interest groups consider corporate sponsorship of individual gates at the airport. Just as airlines have clubs in major airports or businesses have private skyboxes at stadium venues, the new terminal could feature themed gates paid for under long-term contracts and direct investment by the sponsors that help defray the cost of the project.

In the final analysis, the airport decision is a question of what we want versus what we need. I would urge great caution and financial jurisprudence in this matter going forward and encourage Council to reassess this entire project. I believe that, for now, our interests would be better served by upgrading the existing facility at a much lower cost. However, I have trouble reconciling that this project may die over \$6.2 million required for the additional work necessary to get a final rendering and cost. I would encourage the County Council to defer this decision, thus putting the entire project on hold, until January 2007. This will provide time for additional analysis and consideration of the project and allow for the results of the RIDE II referendum.

It is important to note that the new terminal would be accessible through either Highway 17 Business at the main entrance to the former Air Force Base or via the Backgate. The Backgate currently requires a large infrastructure investment to allow for easier access and to ease congestion. If the RIDE II initiative fails, there is likely to be little funding available from other sources for addressing the problems at the Backgate. Additional airport traffic at the already congested Backgate would only perpetuate the existing problem. I believe our interests would be better served by awaiting the outcome of the RIDE II initiative before we commit to additional expenses of the terminal project.

I know that the Council wants to do what is right for the people of Horry County, and I commend all the hard work that they, Chairwoman Gilland, and numerous others have put into this project. No matter one's position on this issue, let's all join together in affirming our common commitment to responsibly bettering Horry County now and for the future.

About Mr. Clinger

Robert M. Clinger III earned a Bachelor of Science degree in Business Administration/Finance, summa cum laude, from Coastal Carolina University in May 2000. Mr. Clinger received the distinguished President's award from Coastal Carolina University as well as the Outstanding Student of Finance award. In 2005, Mr. Clinger earned the Accredited Valuation Analyst (AVA) designation from the National Association of Certified Valuation Analysts (NACVA).

In 2004, Mr. Clinger co-founded Highland Global, LLC a strategic advisory and financial analysis firm serving privately held and family controlled businesses both domestically and internationally. He has strong experience in the fields of business valuation, financial analysis, and strategic planning for senior management of privately-owned and family-held businesses domestically and internationally.

In addition to providing valuations associated with mergers and acquisitions, Mr. Clinger is actively involved in conducting detailed financial/fundamental analysis and in-depth economic and industry research and analysis with respect to the privately-held company. The scope of this work also includes financial/fundamental analysis, cash flow analysis, and forecasting for merger and acquisition transactions, corporate financings, business plans, etc.

Mr. Clinger has also written numerous articles regarding economics, valuations, and merger & acquisition issues and is the author of two books, *The Seven Deadly Sins of Business Valuation* and *The Seven Deadly Sins of Business Valuation for Closely Held and Family Controlled Companies*. His article, "Direct Market Data Method: Value Disparity Issues (Part I)," appeared in the March/April issue of the *National Association of Certified Valuation Analysts' (NACVA) The Value Examiner*. Part II of the article is scheduled for publication in the July/August issue of *The Value Examiner*.

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