Long-Term Debt

(a) Long-term Obligations (in thousands)

		2015	2014
(1)	Airport Revenue Bonds 2014:		
	Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2015, bearing interest at 3.0% to 5.0% (net of unamortized premium of $7,530 in 2015)	$ 72,870	$ -
	Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0% (net of unamortized premium of $1,040 in 2015)	13,469	-
(2)	Airport Revenue Bonds 2004:		
	Series A, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate	34,425	37,625
	Series C, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate	5,450	5,950
(3)	Airport Revenue Bonds 1999:		
	Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 4.75% to 5.875% (net of unamortized discount of $1,267 in 2014)	-	63,403
	Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of $75 in 2014)	-	13,700
(4)	Airport Revenue Bonds 1998, maturing April 1, 2028, with variable annual principal payments commencing April 1, 2001, bearing interest at 4.10% to 5.00% (net of unamortized discount of $298 in 2014)	-	13,842
(5)	Payable to the State, non-interest bearing	3,380	3,380

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	2015	2014
(6) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment and a junior lien on net airport revenues	**1,375**	1,646
(7) Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.552% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	**1,185**	1,395
(8) Bank loan for BNIA capital projects, monthly payments with variable interest based on the 30 day LIBOR rate plus 225 basis points and fixed principal payments, maturing in 2015, secured by certain non-real estate property	**387**	3,357
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	**1,371**	1,616
(10) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by related equipment	**4,012**	4,113
(11) Bank loan for NFIA new terminal project, monthly payments with variable interest based on the 30 day LIBOR rate plus 265 basis points and fixed principal payments, maturing in 2015, secured by certain non-real estate property	**-**	1,424
(12) Capital lease, monthly payments with fixed interest rate of 5.5%, maturing in 2016, secured by related equipment	**5**	10
(13) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related equipment	**2,351**	2,515
	140,280	153,976
Less current portion	**8,169**	12,875
	$ 132,111	$ 141,101

The following is a description of the Authority's long-term debt:

(1) On September 3, 2014, the Authority issued $65,340,000 Series 2014A and $12,430,000 Series 2014B Airport Revenue Bonds at a premium of $9,336,000. These bonds were issued to refund outstanding Series 1999A, 1999B, and 1998 bonds in the amounts of $61,525,000, $13,775,000, and $13,485,000 respectively. The Authority refunded the bonds to take advantage of historically low interest rates. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is $14,828,000.

(2) On January 15, 2004, the Authority issued $63,000,000 Series 2004A and $10,025,000 Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to refund the Series 1994A and the Series 1994C Airport Revenue Bonds of $55,435,000 and $9,765,000 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.

(3) On September 17, 1999, the Authority issued $102,110,000 of additional Airport Revenue Bonds to provide funding for the continued expansion of the BNIA. The bonds were issued as a supplement to the 1994 and 1998 bond issuance with similar provisions. On September 3, 2014, bonds that remained outstanding in the principal amount of $75,300,000 were refunded by a portion of the 2014 Refunding Bonds maturing over the same period at a reduced interest cost to lower the cost of borrowing on the remaining maturities.

(4) On August 25, 1998, the Authority issued $20,375,000 of additional Airport Revenue Bonds to provide funding for the expansion of the BNIA. The bonds were issued as a supplement to the 1994 bond issuance with similar provisions. On September 3, 2014, bonds that remained outstanding in the principal amount of $13,485,000 were refunded by a portion of the 2014 Refunding Bonds maturing over the same period at a reduced interest cost to lower the cost of borrowing on the remaining maturities.

(5) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling $3,380,000. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2031 through 2035 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2014, 2004, and EFC Series 2000 are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

Changes in long-term debt for the years ended March 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Balance, beginning of year	$ 153,976	$ 170,399
Proceeds from issuance of debt	87,105	2,515
Repayment of long-term debt, net of discount and premium amortization	(100,801)	(18,938)
Balance, end of year	140,280	153,976
Less current portion	8,169	12,875
Noncurrent portion	$ 132,111	$ 141,101

Required principal and interest payments for long-term debt, net of unamortized discounts, were as follows (in thousands):

	Loans and Capital Leases		Serial Bonds	Unamortized	
	Principal	Interest	Principal	Premium	Interest
Years Ending March 31,					
2016	$ 1,319	$ 474	$ 6,850	$ 1,276	$ 3,948
2017	967	432	8,315	1,155	3,616
2018	1,016	391	8,500	1,021	3,500
2019	1,066	346	8,995	937	3,164
2020	917	302	9,180	826	2,969
2021 - 2025	1,798	1,165	46,295	2,678	9,589
2026 - 2030	1,397	687	30,695	677	2,391
2031 -2035	4,400	115	-	-	
	$ 12,880	$ 3,912	$ 118,830	$ 8,570	$ 29,177

At March 31, 2015 and 2014, the Authority was in compliance with all loan and bond covenants.

(b) Derivative Instruments

Interest Rate Swaps

To reduce exposure to changing interest rates, the Authority entered into two hedging interest rate swaps with Goldman Sachs Capital Markets, L.P. in connection with its $73,025 Refunding Series 2004A and 2004C variable-rate bonds. The interest rate swaps are forward, floating-to-fixed agreements in notional amounts equal to the outstanding bonds pursuant to which the Authority will pay a specified fixed rate of interest in return for receipts of a variable rate of interest based on a fixed percentage of the prevailing LIBOR rate. The intention of the interest rate swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.646% and 3.55% for Series 2004A and 2004C, respectively.

Risks

Below is a list of risks inherent in the Authority's interest rate swaps:

Basis Risk – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. The Authority experienced an unfavorable basis variance of $2,224,000 and $2,137,000 for the years ending March 31, 2015 and 2014, respectively.

The Series 2004 Bonds were issued to refund the Authority's outstanding Airport Revenue Bonds, Series 1994A and 1994C, which, together with the Authority's interest rate swaps entered into with respect to the Series 2004 Bonds, are expected to achieve debt service savings for the Authority.

Tax Risk – The risk that a change in Federal tax rates will alter the fundamental relationship between auction rates and LIBOR.

Interest Rate Risk – The risk that changes will adversely affect the fair value or cash flows.

Credit Risk – The risk that a counterparty will not fulfill its obligations under the swap. In this event, the Authority would have to pay another entity to assume the position of the defaulting counterparty. The Authority has sought to limit its counterparty risk by contracting with a highly rated entity.

Terms

At March 31, 2015, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,566,000 and $684,000, respectively. At March 31, 2014, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,379,000 and $664,000, respectively. The combined negative fair values of $5,251,000 and $5,043,000 were recorded in accordance with the provisions of GASB 53. At March 31, 2015, the notional amounts of Series 2004A and 2004C swaps were $34,425,000 and $5,450,000, respectively. At March 31, 2014, the notional amounts of Series 2004A and 2004C swaps were $37,625,000 and $5,950,000, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or a 10 year investment maturity.

The Authority evaluated the effectiveness of the interest rate swap derivatives that existed at the end of the reporting period. Due to the risks inherently noted above, the Series 2004A and 2004C interest rate swaps as of March 31, 2012 were considered ineffective because they did not meet the effectiveness criteria under the synthetic instrument method (SIM) quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps are recorded as derivative instrument losses in the statements of revenues, expenses and changes in net position for 2012 and all future periods.