

## 6.0 FINANCIAL IMPLEMENTATION ANALYSIS

The primary objective of the Financial Implementation Analysis for the Bismarck Airport (BIS) Master Plan is to evaluate the Airport's capability to fund the projects in the current Airport Capital Improvement Plan (ACIP), to fund projects recommended in the preferred airport alternative, and to finance Airport operations during the same period. The Financial Implementation Plan is organized in three phases of development:

- Phase I, a three-year Short-Term period (2018-2020)
- Phase II, a five-year Mid-Term period (2021-2025)
- Phase III, a ten-year Long-Term period (2026-2035).

The analysis includes development of a detailed Financial Implementation Plan. Objectives for developing the Financial Implementation Plan include presenting the results of the implementation evaluation and providing practical guidelines for matching an appropriate amount and timing of financial sources with the planned use of funds.

## 6.1 OVERALL APPROACH

The overall approach for the Financial Implementation Analysis included these steps:

- Gather and review key Airport documents related to historical financial results, ACIPs, operating budgets, regulatory requirements, City policies, airline agreements and other operating agreements with Airport users
- Interview key Airport officials to understand the existing operating and financial environment, relationships with the airlines, and overall management philosophy
- Review the Aviation Activity Forecast developed in this Master Plan (Chapter Two)
- Review the Airport Capital Improvement Program project cost estimates and development schedules anticipated for the planning period and project the overall financial requirements for the program
- Determine and analyze the sources and timing of capital funds available to meet the financial requirements for operating the Airport and financing the Airport Capital Improvement Program

- Analyze historical operations and maintenance expenses, develop operations and maintenance expense growth assumptions, review assumptions with Airport management, and project future operations and maintenance expenses for the planning period
- Analyze historical revenue sources, develop revenue growth assumptions, reviewing assumptions with Airport management, and project future airline and non-airline revenues for the planning period
- Document the results of the review in a Financial Analysis Summary that evaluates the financial reasonableness of the Airport Capital Improvement Program.

## **6.2 CAPITAL FUNDING SOURCES**

In the past, the Airport has used a combination of Federal Aviation Administration (FAA) Airport Improvement Program (AIP) entitlement and discretionary grants, North Dakota Aeronautics Commission grants, Passenger Facility Charges (PFCs), City Capital Contributions and cash reserves/net operating revenues to fund capital improvements. These funding sources, as well as additional sources of capital funding, will continue to be important to finance the Airport's Master Plan ACIP during the planning period.

### **6.2.1 Airport Improvement Grants**

The Airport receives grants from the FAA to finance the eligible costs of certain capital improvements. The FAA allocates these federal grants to commercial passenger service airports through the AIP. AIP grants include passenger entitlement grants, which are allocated among airports by a formula that is based on passenger enplanements and discretionary grants which are awarded in accordance with FAA guidelines. After several years of continuing budget resolutions and other short-term legislative measures implemented by Congress, the FAA Reauthorization Act of 2018 was enacted on October 5, 2018. The Act authorized funding for the AIP through September 30, 2023.

Under current AIP authorization legislation, eligible projects are funded on an up to 90 percent AIP grant/10 percent local match basis for small and non-hub airports. Under this authorization, projections indicate the Airport is projected to receive current entitlements of about \$2.2 million in 2018 and future annual grants which are projected to grow to \$2.9 million by 2035 - the end of the planning period. Non-hub airports (those with annual enplanements between 10,000 passengers and approximately 428,000 passengers) can accumulate and carryover up to three years of unspent entitlements plus the current year before the awards are revoked. In 2018, the Airport had no unspent entitlements to carry over for use in 2018. The implementation analysis assumes the application of annual AIP passenger entitlement funds will result in the following funding levels for each phase:

- Phase I: \$6.7 million
- Phase II: \$11.8 million
- Phase III: \$27.2 million

To approve and award AIP discretionary grants, the FAA ranks eligible projects based on a project's priority and importance to the national air transportation system. Every year from 2014 through 2017, BIS received discretionary funding to support its Runway 13-31 Rehabilitation project. It is reasonable to assume that the Airport will receive additional discretionary funding during the planning period for higher priority, eligible projects, such as runway and taxiway projects, drainage improvements to eliminate wildlife hazards and aircraft rescue and firefighting (ARFF) truck acquisition.

The implementation analysis assumes that \$6.7 million of AIP discretionary funds will be required during Phase I for the rehabilitation of Taxiway C North and one of several projects to improve airfield drainage to eliminate wildlife hazards. The implementation analysis also assumes that AIP discretionary grants of about \$20.5 million will be available for continued airfield drainage improvements, the rehabilitation of Runway 3-21, the rehabilitation of Taxiway D and the acquisition of a new ARFF truck during the five-

year Phase II period. An additional \$9.4 million of AIP discretionary funds are assumed for Phase III for additional airfield drainage improvements. Since the future availability of AIP discretionary grants is not certain until an actual grant is awarded, there is the potential for ACIP projects with discretionary funds indicated as a funding source in the implementation plan to be delayed until such funds become available.

Further, the FY 2018 omnibus appropriations bill included an additional amount of \$1 billion for “Grants-In-Aid for Airports” to remain available through September 30, 2020. This “supplemental” \$1 billion is funded through the General Fund of the Federal Government, administered by the Office of Management and Budget (OMB), not the Airports & Airways Trust Fund, which is used to fund AIP Entitlement and Discretionary Grants. Congress directed the FAA to give priority for allocating the grants-in-aid funding to non-primary airports, those not located within OMB-determined Metropolitan or Micropolitan areas. Congress also gives priority to projects at small and non-hub airports. BIS was awarded a \$9.8 million grant from this supplemental appropriation to fund the final phase of its Runway 13-31 Rehabilitation project.

The Airport continues to work with the FAA to identify projects included in its ACIP that may be candidates for future funding from this additional supplemental appropriation. As the award of such funds remains undetermined, this implementation analysis does not assume the receipt of additional “supplemental” funds. However, if the Airport is awarded funding through this supplemental appropriation, the additional funding is likely to replace the AIP entitlement funds assumed to fund projects so that AIP entitlement funds could be made available to fund other eligible projects in the ACIP.

The implementation analysis further assumes that the current AIP program will continue to be extended through 2035. Therefore, the analysis also assumes future program

authorizations will provide substantially similar funding levels as it currently does and as it has historically provided since the program was established in 1982.

### **6.2.2 North Dakota Aeronautics Commission Grants**

The North Dakota Aeronautics Commission (the Commission) disburses funding annually to public airports across the state for airport improvement projects. These grant funds are derived primarily through aviation fuel taxes, aircraft excise taxes and aircraft registration. The Commission has established a priority rating of airport projects and uses these ratings to assist in awarding state grants.

In the Commission's rating system, FAA AIP projects are given priority in determining state funding. Airport sponsors may apply for state grant funding at 50 percent of the local share of project costs. For BIS, the Commission has historically funded 5 percent of AIP project costs. The implementation analysis assumes the Commission will continue to fund 5 percent of AIP project costs. Additionally, the analysis assumes that for certain higher priority projects for which no AIP funds are available, the Commission will participate in 50 percent of the project costs with the Airport funding the remaining 50 percent. The implementation analysis assumes the following funding levels from the ND Aeronautics Commission:

- Phase I: \$1.3 million
- Phase II: \$8.8 million
- Phase III: \$4.5 million

### **6.2.3 Passenger Facility Charges**

The Aviation Safety and Capacity Expansion Act of 1990 established the authority for commercial service airports to apply to the FAA to impose and use a PFC of up to \$3.00 per eligible enplaned passenger as funding for certain eligible projects. With the passage of AIR-21 in June 2000, airports could apply for an increase in the PFC collection amount from \$3.00 per eligible enplaned passenger to \$4.50. The proceeds from PFCs are

eligible to be used for AIP eligible projects and for certain additional projects. Approved projects must meet one of the following PFC objectives:

- That preserve or enhance capacity, safety or security
- That mitigate the effects of aircraft noise
- That enhance airline competition.

PFCs may also be used to pay debt service on bonds (including principal, interest and issue costs) and other indebtedness incurred to carry out eligible projects. In addition to funding future planned projects, the legislation permits airports to collect PFCs to reimburse the eligible costs of projects that began on or after November 5, 1990.

BIS currently collects PFC revenues through an approved application at the \$4.50 collection level. Current collections at the \$4.50 collection level are approximately \$1.1 million per year. This open application includes PFC collection and use authority for the local funds required for the Airport's multi-year Runway 13-31 Rehabilitation project. It is estimated that PFC collections through the year 2029 in the total amount of approximately \$15 million will be used to reimburse the Airport for pre-2018 eligible project costs.

The implementation analysis assumes that the Airport will use approximately \$737 thousand in PFC collections in 2018 for the completion of the Runway 13-31 Rehabilitation project. The analysis then assumes that the Airport will submit new PFC applications to fund future projects or to be reimbursed for previously funded eligible project costs. The implementation analysis assumes that PFCs will be used on a pay-as-you-go basis to fund new projects of approximately \$9.6 million in Phase III.

The implementation analysis assumes that the Airport will submit PFC applications and amendments, as required, to see that the collection of PFC revenue continues

uninterrupted beyond the authorized expiration date through the end of the planning period in 2035.

#### **6.2.4 Other City Capital Contribution**

BIS is municipally owned. The airport is an enterprise fund of the City of Bismarck, North Dakota. The City periodically provides funding to the airport for capital projects from its local capital budget. The City previously provided funding to support construction of the Airport's new passenger terminal building that opened in 2005. The implementation analysis assumes the City will provide approximately \$10 million toward future expansion of the passenger terminal building planned during the Phase II planning period.

#### **6.2.5 Private Third Party Funding**

Certain on-airport development projects may be funded through private third-party funding. This is frequently the case for general aviation hangar development where a third party will assume the capital development costs of a hangar, and in exchange, the Airport receives rent through a ground lease. The implementation analysis assumes private third-party funding in Phase III of the planning period of approximately \$4.5 million for the development of the corporate hangar area and fuel farm expansion. If private third-party funding does not materialize in time, the associated projects may have to be modified, delayed, or cancelled until such funding is committed.

#### **6.2.6 Other Unidentified Funding**

The amount and timing of the traditional airport capital funding sources described in the preceding paragraphs are insufficient to finance a number of capital projects planned for implementation during the planning period. These projects include new concourse and terminal expansion including associated passenger boarding bridges and apron expansion, Snow Removal Equipment (SRE), building pavement expansion, Bravo Hangar area development, and a future parking garage. Consequently, non-traditional funding sources will be needed to finance the cost of projects totaling about \$48 million

during the Phase II planning period, and \$56.7 million during the Phase III planning period. The source of this “other” funding has not yet been determined and represents a shortfall for the capital project implementation plan. This other funding could include sources such as future private third-party funding, federal economic stimulus grants, City and local economic development funding, State funding and other possible sources that are not certain at this time. If other funding sources cannot be identified and obtained in time to fund the projects, the associated projects will have to be modified, delayed, or cancelled until such funding can be identified. Consequently, this source of capital funding has been referenced in the Financial Implementation Analysis as “Other Unidentified Funding”.

### **6.2.7 Cash Reserves/Airport Net Operating Revenue**

At the beginning of 2018, the Airport had accumulated about \$4.6 million in unrestricted cash reserves available for operations and capital project funding. The implementation analysis assumes that Airport cash reserves/net operating cash flow will be used throughout the planning period to fund about \$56.7 million in project costs. This will include some local grant match requirements, projects or project components ineligible for federal or state funding, or projects for which federal and/or state funding may not be available. The implementation analysis assumes the following funding needed from the Airport’s cash reserves/airport operating revenue:

- Phase I: \$4.6 million
- Phase II: \$16.9 million
- Phase III: \$35.2 million

## **6.3 FINANCIAL ANALYSIS AND IMPLEMENTATION PLAN FOR THE MASTER PLAN CAPITAL IMPROVEMENT PROGRAM**

This section, along with the Schedules 6-1 through 6-5 presented at the end of this chapter, documents the analysis of the financial reasonableness of implementing the

Master Plan Capital Improvement Program during the planning period from 2018 through 2035.

### **6.3.1 Estimated Project Costs and Development Schedule**

The Airport Capital Improvement Program (ACIP) Estimated Project Costs and Development Schedule (Schedule 6-1) is derived from previous results of the Master Plan analysis. The ACIP for capital expansion and improvement projects is projected on an annual basis for the Phase I planning period (2018-2020), in total for the Phase II planning period (2021-2025), and in total for the Phase III planning period (2026-2035). For each of these planning periods, Schedule 6-1 (provided at the end of Chapter 6) presents the Capital Improvement Program including estimated costs and anticipated development schedule for the identified projects.

As shown in Schedule 6-1, the estimated cost of projects is \$233,957,160 in 2018 dollars. The estimated costs for projects scheduled during the period 2018 through 2035 are adjusted by an assumed 3 percent rate of annual inflation. The resulting total project costs escalated for inflation are \$293,097,945. **Table 6-1** presents a summary of the schedule and compares 2018 base year costs with escalated costs adjusted for inflation for each of the planning periods.

### **6.3.2 Sources and Uses of Capital Funding**

Funding sources for the ACIP depend on many factors, including the following:

- Eligibility of AIP and PFC projects
- The ultimate type and use of facilities to be developed
- Management's current and desired levels of the Airport's airline cost per enplaned passenger
- The availability of other financing sources
- The priorities for scheduling project completion.

For master planning purposes, assumptions were made related to the funding source of each capital improvement.

<b>Table 6-1: Summary of 2018 Base Year and Total Escalated Costs for the Master Plan Airport Capital Improvement Program</b>		
<b>Planning Periods</b>	<b>2018 Base Year Costs</b>	<b>Total Escalated Costs</b>
Phase I Projects (2018-2020)	\$29,101,161	\$29,837,855
Phase II Projects (2021-2025)	101,644,339	116,104,942
Phase III Projects (2026-2035)	103,211,660	147,155,148
<b>Total Project Costs</b>	<b>\$233,957,160</b>	<b>\$293,097,945</b>

Note: Addition errors are due to rounding of calculated amounts.

Source: Leibowitz & Horton AMC analysis

The Projected Capital Funding Sources (Schedule 6-2) (provided at the end of Chapter 6) lists each of the ACIP projects, their estimated costs (escalated annually for inflation), and the assumed funding sources and amounts. During the planning period, it was assumed that AIP entitlement grants would partially fund the following projects:

- Runway/taxiway rehabilitation
- Airfield drainage improvements
- Acquisition of SRE
- Rehabilitation, expansion, and new construction of SRE buildings and pavement
- Rehabilitation and expansion of ARFF buildings
- Acquisition of land for runway protection zones (RPZ)
- Service road extensions
- Aircraft parking aprons
- And instrument approach improvements.

It was assumed that AIP discretionary grants, including supplemental appropriation funds, would partially fund the completion of the rehabilitation of Runway 13-31, other runway and taxiway rehabilitation, airfield drainage improvements, and the acquisition of a new ARFF truck. North Dakota Aeronautics Commission grants are assumed to provide a

portion of the funding for AIP eligible projects as well as funding for hangar disposition, new concourse and terminal expansion, deicing fluid collection and general aviation development. General aviation development includes aircraft apron rehabilitation and expansion and taxiway extension. PFC pay-as-you-go revenues were assumed to fund a portion of AIP eligible projects and acquisition of SRE equipment. Private third-party funding has been identified for the development of the corporate hangar area and fuel farm expansion. Available cash reserves were assumed to fund some local grant match requirements, projects or project components ineligible for federal or state funding, or projects for which federal and/or state funding may not be available. A summary of the sources of capital funding by type and uses of capital funding by planning period for the ACIP is presented in **Table 6-2**.

### **6.3.3 Projected Operations and Maintenance Expenses**

Operations and maintenance expense projections for the planning periods are based on the Airport's 2018 and 2019 budgets, the anticipated impacts of inflation, aviation traffic increases, facility improvements and the recent experience of other airports with similar levels of aviation activity.

#### **6.3.3.1 *Operations and Maintenance Expense Projection Assumptions***

Operations and maintenance expense growth assumptions, as reflected in Actual, Budgeted and Projected Operations and Maintenance Expenses (Schedule 6-3), were developed to project the Airport's operating expenses during the planning period. Actual amounts for 2015 through 2017 and budgeted amounts for 2018 and 2019 provide a comparison with expenses projected for the period 2020 through 2035.

<b>Table 6-2: Summary of Sources and Uses of Capital Funding for the Master Plan Airport Capital Improvement Program</b>				
<b>Sources of Capital Funding</b>	<b>Phase I (2018-2020)</b>	<b>Phase II (2021-2025)</b>	<b>Phase III (2026-2035)</b>	<b>Totals</b>
AIP Entitlement Grants	\$6,699,183	\$11,845,633	\$27,217,636	<b>\$45,762,452</b>
AIP Discretionary Grants	16,515,048	20,528,976	9,402,323	<b>46,446,347</b>
North Dakota Aeronautics Commission Grants	1,293,469	8,772,330	4,516,398	<b>14,582,198</b>
Passenger Facility Charges	736,713	0	9,584,727	<b>10,321,440</b>
Other City Capital Contribution	0	10,000,000	0	<b>10,000,000</b>
Private Third-Party Funding	0	0	4,525,365	<b>4,525,365</b>
Other Unidentified Funding	0	48,024,466	56,719,719	<b>104,744,185</b>
Cash Reserves/Net Ops Cash Flow	4,593,441	16,933,536	35,188,979	<b>56,715,957</b>
<b>Total Sources of Capital Funding</b>	<b>\$29,837,855</b>	<b>\$116,104,942</b>	<b>\$147,155,148</b>	<b>\$293,097,945</b>
<b>Uses of Capital Funding</b>				
Runway/Taxiway Improvements	\$18,568,705	\$16,255,317	\$659,949	<b>\$35,483,971</b>
Apron Improvements (Commercial and General Aviation)	692,639	9,881,248	13,033,593	<b>23,607,480</b>
Terminal Building Improvements	0	64,202,527	44,310,866	<b>108,513,393</b>
Roadway and Parking Improvements	1,909,416	0	33,908,811	<b>35,818,227</b>
General Aviation Facility Improvements	42,624	1,555,202	4,713,922	<b>6,311,748</b>
Land Acquisition	0	0	4,009,315	<b>4,009,315</b>
Drainage Improvements	7,095,091	13,092,280	20,660,209	<b>40,847,581</b>
ARFF Building and Equipment	0	3,398,957	0	<b>3,398,957</b>
SRE Building and Equipment	1,284,292	6,813,022	17,017,259	<b>25,114,573</b>
Other Improvements	245,088	906,389	8,841,223	<b>9,992,700</b>
<b>Total Uses of Capital Funding</b>	<b>\$29,837,855</b>	<b>\$116,104,942</b>	<b>\$147,155,148</b>	<b>\$293,097,945</b>

Note: Addition errors are due to rounding of calculated amounts.

Source: Leibowitz & Horton AMC analysis

The Airport's Operations and Maintenance expenses are classified into the following seven cost centers:

- Administration
- Buildings
- Property and Land
- Equipment and Vehicles
- Security
- ARFF
- Operations.

For each of the following expense categories listed below, projections are based on 2019 budgeted amounts with an assumed 3 percent annual rate of inflation beginning in 2020.

- Personal Services – Salaries and Wages
- Personal Services – Fringe Benefits
- Professional, Legal, and Contracted Service Fees
- Building, Equipment, and Vehicle Services
- Travel and Training
- Other Operating Services
- Operating Supplies
- Other Financing Uses
- Capital Expenses (minor)

### **6.3.3.2      *Projection of Operations and Maintenance Expenses and Operating Expenses Per Enplaned Passenger***

The projection of operations and maintenance expenses is provided in Actual, Budgeted and Projected Operations and Maintenance Expenses (Schedule 6-3) (provided at the end of Chapter 6). As shown in the schedule, total expenses are expected to grow from \$5,283,170 budgeted in 2018 to \$5,301,739 projected in 2020 and total \$15,732,228 during the Phase I planning period. Phase II expenses are projected to total \$28,992,080 reflecting a 3 percent annual growth rate for the five-year period 2021-2025 and Phase

III expenses are projected to total \$72,572,697 reflecting a 3 percent annual growth rate for the ten-year period 2026-2035.

Schedule 6-3 also compares BIS's total operating expenses per enplaned passenger with expenses for non-hub airports with similar levels of aviation activity. BIS's operating expenses per enplaned passenger are projected to increase from \$17.72 budgeted for 2019 to an average of \$18.49 during the Phase III planning period. Over the same period, the overall non-hub industry average grows from \$48.04 in 2019 to \$54.25 during Phase III (Source: *Non-Hub Airports, FAA Operating and Financial Summary Report #127* and FAA Air Carrier Activity Information System enplanement database). These comparisons show that budgeted and projected operating expenses at BIS are substantially lower than other non-hub airports of similar size during all three phases of the planning period. This implies that the Airport currently manages operations and controls expenses in a more cost-efficient manner than other comparable non-hub airports.

#### **6.3.4 Projected Operating Revenues**

Operating revenue projections for the planning periods are based on:

- The Airport's 2018 and 2019 budgets
- Current rates and charges methodology
- Current leasing practices
- The anticipated impacts of inflation
- Aviation traffic increases
- Facility expansions
- The recent experience of other airports with similar levels of aviation activity.

##### **6.3.4.1 Operating Revenue Projection Assumptions**

Operating revenue growth assumptions, as reflected in Actual, Budgeted and Projected Operating Revenues (Schedule 6-4) (provided at the end of Chapter 6), were developed to project the Airport's operating revenues during the planning period. Actual amounts for

2015 through 2017 and budgeted amounts for 2018 and 2019 provide a comparison with projected revenues for 2020 through 2035. This analysis organizes revenues into categories for airline revenues, non-airline revenues, and non-operating revenues. Annual revenue growth assumptions for 2020 through 2035 are provided in the following sections.

### ***Airline Revenues***

**Landing fees** – Airline landing fee projections beginning in 2020 are based on the Airport's 2019 budget with growth thereafter at a 3 percent annual rate of inflation plus increases in aircraft landed weight assuming one half the annual growth rate of the Master Plan forecast of passenger enplanements. This reflects the airlines' practice of managing increased load factors before additional flights are provided.

**Air Carrier Rents and Fees** – At BIS, air carriers pay rent for their space in the terminal building as well as for the usage of the jetways (passenger loading bridges) and pay fees for security and ARFF services. Projections for air carrier operations/rent beginning in 2020 are based on the 2019 budget with growth thereafter at a 3 percent annual rate of inflation.

### ***Non-Airline Revenues***

Non-Airline revenue projections beginning in 2020 for the following categories are based on the Airport's 2019 budget with growth at a 3 percent annual inflation rate plus the annual rate of forecast enplanement growth:

- Auto Parking Revenues
- Food and Beverage Concessions
- News and Gift Concessions
- Rental Car Concessions

Non-Airline revenue projections beginning in 2020 for the following categories are based on the Airport's 2019 budget with growth at a 3 percent annual inflation rate thereafter:

- Cargo/Charter/General Aviation Landing Fees
- Fuel Flowage Fees/Fuel Farm
- Aeronautical – Land/Ground Leases
- Other Aeronautical Building Leases
- Non-Aeronautical – Land/Ground Leases
- Other Non-Aeronautical Building Leases
- Advertising
- Rental Car Space Revenue (Parking)
- Lodging, Liquor and Food Tax
- Other Aeronautical Taxes, Permits and Fees
- Other Rent and Concessions
- Other Revenue

**Non-Operating Revenues** – Non-Operating revenue projections beginning in 2020 for Interest Income, Gain/Loss on Disposal of Assets, and Other Revenue are based on the Airport's 2019 budget and are assumed to remain flat throughout the planning period.

#### **6.3.4.2      *Projection of Operating Revenues, Airline Cost Per Enplaned Passenger and Operating Revenues Per Enplaned Passenger***

The projection of operating revenues is provided in Schedule 6-4 at the end of Chapter 6. As shown in the schedule, airline revenues are expected to grow from \$1,768,898 budgeted in 2018 to \$1,983,218 projected for 2020 and total \$5,673,713 during the Phase I planning period. During the Phase II period, airline revenues are projected to total \$10,944,738 and during the Phase III period, revenues are projected to total \$28,007,392. The overall annual growth rate for airline revenues is 3.6 percent during the planning period. Non-Airline revenues are expected to grow from \$3,981,396 budgeted in 2018 to \$4,439,279 projected for 2020 and total \$12,672,915 during the Phase I planning period.

During the Phase II period, non-airline revenues are projected to total \$25,812,675 and during the Phase III period, non-airline revenues are projected to total \$74,741,114. The overall annual growth rate for non-airline revenues is 5.1 percent. Total Airport revenues (including non-operating revenues) are expected to grow from \$5,852,094 budgeted in 2018 to \$6,513,832 projected for 2020 and total \$18,631,098 during the Phase I planning period. During the Phase II period, revenues are projected to total \$37,214,089 and during the Phase III period, revenues are projected to total \$103,661,856. The overall annual growth rate for total Airport revenues is 4.6 percent.

Schedule 6-4 also provides a comparison of the Airport's airline cost per enplaned passenger (CPEP) versus non-hub airports with similar levels of aviation activity. The airline CPEP (all airline fees and rentals divided by enplaned passengers) is a measure that airlines use to compare their cost of operations among the airports they serve. BIS's airline CPEP is projected to grow from \$6.61 budgeted in 2019 to an average of \$7.13 during the Phase III planning period. Over the same period, the overall non-hub industry average grows from \$9.38 in 2019 to \$10.54 during Phase III (Source: Non-Hub Airports, FAA Operating and Financial Summary Report #127 and FAA Air Carrier Activity Information System enplanement database).

This comparison indicates that airline rates and charges at BIS are approximately 30 percent lower than the industry average. This indicates that the Airport has room to grow airline rates and charges in the future if there is a need or justification to do so. Currently, the Airport considers its low CPEP as beneficial in its efforts to attract new airlines and increase service. The Airport should continue to monitor their rates in comparison with the non-hub industry average and other comparable peer airports.

Schedule 6-4 also provides a comparison of BIS's total operating revenue per enplaned passenger versus an average for other non-hub airports. The Airport's total operating

revenue per enplaned passenger is projected to grow from \$21.25 budgeted for 2019 to an average of \$26.17 during the Phase III planning period. Over the same period, the overall non-hub industry average grows from \$48.38 in 2019 to \$54.36 (Source: *Non-Hub airports, FAA Operating and Financial Summary Report #127* and FAA Air Carrier Activity Information System enplanement database). These comparisons show that both airline and non-airline revenues are much lower than the non-hub industry averages throughout the planning period.

BIS does have a diverse source of non-airline revenues including aeronautical and non-aeronautical land/ground rents and building rents and terminal related revenues such as concessions, advertising, parking, and rental car concessions. Upon more detailed analysis, it does not appear that any specific category of non-airline revenues is significantly below that of the non-hub industry average. Combined concession revenues from food/beverage and news/gift per enplaned passenger for 2019 are comparable with the non-hub industry average. Parking revenue per enplaned passenger estimated for 2019 is approximately \$5.84, 9 percent below the non-hub industry average. Rental car concession revenue also falls below average at approximately \$3.22 per enplaned passenger versus \$4.77 per enplaned passenger for the non-hub average. This shortfall is despite an above average concession rate of 11.5 percent compared to industry average of 10 percent. This may, however, reflect specific passenger behavior at BIS (lower than average number of passengers who rent vehicles) or a lower daily rental rate for the BIS market.

Other non-airline revenues such as land/ground leases may be low due to the limited availability of space available to rent compared with other similar airports. Additionally, by securing capital funding for facilities such as general aviation aircraft parking aprons from AIP funding, the Airport does not exclusively lease these areas as may be the case at

other airports. Additionally, the airport's current fuel flowage rate is lower than industry average and has not been raised in many years.

The Airport's overall policies for setting/negotiating airline and non-airline user fees and rental rates could be reviewed and adjusted over time to establish rates that are more comparable with other airports having similar levels of aviation activity.

### **6.3.5 Financial Plan Summary for the Master Plan Capital Improvement Program**

The Financial Plan Summary in Schedule 6-5 at the end of Chapter 6 includes a Capital Cash Flow section that presents a summary of projected capital funding (from Schedule 6-2) and scheduled capital expenditures (from Schedule 6-1) with the cash flow that results from implementing the Master Plan Airport Capital Improvement Program. Schedule 6-5 also includes an Operating Cash Flow section that summarizes totals for operating revenues (from Schedule 6-4) and operating expenses (from Schedule 6-3) with the addition of beginning cash reserve balances to provide the cash flow that results from these activities.

In Schedule 6-1 of the Financial Implementation Analysis, practical approaches were provided for scheduling capital expenditures to match the availability of capital funding. Schedule 6-2 provided practical approaches for matching specific capital funding sources with each of the identified projects. As shown in Schedule 6-5, positive year end cash reserves are projected throughout the planning period 2018 to 2035.

Based on the assumptions underlying the Financial Implementation Analysis summarized in the Capital Cash Flow section of Schedule 6-5, implementation of projects in the Master Plan ACIP that are scheduled throughout the planning period are projected to be financially reasonable if the City can identify approximately \$56.7 million in funding for projects with Other Unidentified Funding. If funding sources are not available for these

projects and other alternative sources cannot be identified, then development of these projects will not be feasible during the implementation period that is currently planned.

Implementation of other capital projects during the 2018-2035 planning period that have AIP discretionary grants indicated as a funding source are subject to the availability of those grants provided at the sole discretion of the FAA. If the identified portion of discretionary funding is not awarded by the FAA, then these projects will need to be delayed until funding is available.

Additionally, the Financial Implementation Analysis relies on achievement of the aviation activity and passenger enplanement forecast. Actual aviation traffic may temporarily vary from the projected levels of activity without a significant adverse impact on the capital program. If decreased traffic levels occur and persist, implementation of all the proposed projects may not be financially feasible; however, if the forecast activity levels are not met, then several of the planned capital improvements may not be necessary. The Financial analysis Schedules 6-1 through 6-5 are presented on the following pages.