

CHAPTER 7

FINANCIAL FEASIBILITY ANALYSIS

7.1 INTRODUCTION

This financial feasibility analysis provides a conceptual demonstration of the Airport's ability to fund the projects presented in the Master Plan. The financial feasibility of the proposed capital plan is presented for the Columbia Regional Airport based upon the assumptions identified. The principal assumptions of this analysis are that the FAA continues their current capital funding programs and that Airport activity grows as identified in the aviation demand forecast chapter of this report. Part of this aviation demand assumption is that the Airport continues to have over 10,000 annual enplaned passengers, which qualify it as an FAA "Primary" airport. Such a status generates higher amounts of FAA funding, as well as increased eligibility for terminal improvements.

7.2 FINANCIAL BACKGROUND

The principal objective in this financial plan is to assess the feasibility of the proposed capital improvements at Columbia Regional Airport. This analysis covers a 20-year planning period including the short, intermediate, and long term and indicates the ability of the Columbia Regional Airport to undertake the improvements proposed in the Master Plan Capital Improvement Program (CIP). The analysis considers into several elements including the following:

- The Airport's historical financial structure including revenue sources, expense categories, debt service obligations, and recent trends in operating expenses and revenues.
- The phased plan of scheduled/proposed capital projects covering the Master Plan period presented in the previous chapter. The phasing plan also includes a proposed funding plan for the near term.
- A funding sources overview including traditional sources such as the Federal Aviation Administration (FAA) and Airport revenue, as well as consideration of external funding.
- An analysis of Passenger Facility Charge (PFC) revenue and its use in funding future Airport improvements.

An airport's financial structure can vary, perhaps significantly, from year to year as changes occur in air traffic, number of tenants, rates charged, construction costs, level of operating expenses, and other factors. Financial projections for the intermediate and long-term planning phases, in particular, should be viewed as tentative and updated frequently in the future. The capital project financial plan presented in this chapter, while representative of today's best estimate, is subject to a wide variety of influences and may prove to need adjustment in the future for several reasons including, but not limited to, the following:

- The priorities in identified capital improvements may change. For example, market conditions may cause changes in maintenance of existing facilities, require new facilities, or redefine priorities.
- Safety and security improvements, whether they are reflected in the CIP or not, may require immediate funding and force postponement of other projects.
- Cost estimates to provide improvements can fluctuate particularly when considering factors such as technological advancements, economies of scale related to undertaking several

improvements at once, and the cost of raw materials such as concrete, steel, and other building materials.

- Emergency repairs or changes required by new regulations may require funds that had been programmed for other projects be reallocated.

It is recommended that the financial plan, including the CIP, be utilized as a working tool, which should be updated as necessary. Capital improvements, their associated costs, and financial projections should be re-examined periodically throughout the planning period even though the figures contained herein present a reasonable forecast of needed initiatives to implement the master plan recommendations.

7.2.1 Airport Financial Structure

The City of Columbia (City) owns and operates the Columbia Regional Airport. The City supports the Airport with a Transportation Sales Tax fund. However, to the degree possible, the Airport operates as a business with operating revenues from users/tenants and capital grants from the State and FAA funding most costs. For example, the Airport's operating funds are typically obtained from user fees and tenant rents, while capital improvements are externally supported. While future sources of revenue cannot be guaranteed, this analysis assumes the continued financial support of the City, State, and FAA.

Note that while the Airport is owned and operated by the City, in reality the principal businesses at the Airport (such as airlines and fixed base operators) are private. Therefore, the public's Airport interface is largely with third parties and not the City. This means the Airport is essentially a proprietor and therefore dependent upon its tenants and users to be successful; the continued success of the tenants and users is also assumed.

The Airport operates under the financial requirements of the City of Columbia. It also complies with certain business requirements of the FAA regarding open access to users, non-exclusive rights, and the setting of fees and charges.

The Airport is an "Enterprise Fund" of the City. This type of accounting is used for types of City operations that are financed and operated in a manner similar to private business firms. Generally, these operations provide goods or services to the public and the cost of operation and improvement is recovered primarily through user charges. Further, the FAA requires that airports provide annual accounting results separate from other public agencies, as provided by the Enterprise Fund method of accounting.

7.2.2 Historical Financial Results

The Airport's historical financials from 2000 through 2008 are presented in this section. The largest sources of operating revenue are rentals and landing fees. Total operating revenue has fluctuated over the period from a low of \$434,980 in 2008 to a high of \$588,194 in 2005. Historical operating expenses consist largely of personnel services. Total operating expenses have fluctuated from a low of \$1,152,644 in 2002 to a high of \$1,589,740 in 2008, representing an increase of approximately 38 percent in the period shown.

Operating revenues minus operating expense (without depreciation) shows a negative result for the seven years shown. Addition of non-operating revenues and inclusion of non-operating expenses and capital contribution results in a surplus of revenue in five out of the seven most recent years. The bottom line of the table provides the End of Year Retained Earnings, which

remains positive through the 2002 - 2008 period shown. These historical financial amounts are shown on Table 7-1.

Table 7-1
HISTORICAL FINANCIAL RESULTS

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Operating Revenues							
Commissions	\$ 140,047	\$ 134,082	\$ 136,895	\$ 122,916	\$ 123,717	\$ 90,754	\$ 106,282
Rentals	192,303	226,609	225,069	235,421	246,548	216,908	166,432
Landing Fees	115,747	125,407	128,345	129,831	118,932	104,865	112,017
Law Enforcement Fees	18,934	19,632	15,997	17,803	15,170	8,562	5,778
Passenger Facility Charges	-	45,620	77,529	82,223	67,435	40,965	44,471
Total Operating Revenues	467,031	551,350	583,835	588,194	571,802	462,054	434,980
Operating Expenses							
Personnel Service	781,626	796,189	825,971	846,688	892,534	929,131	986,345
Supplies and Materials	98,430	82,899	105,964	108,449	107,684	147,218	133,528
Travel and Training	3,669	5,256	4,255	4,332	14,197	14,524	10,754
Intergovernmental Charges	139,067	135,492	139,193	140,504	144,112	153,594	170,863
Utilities, Services, and Other	129,852	155,218	215,285	168,606	173,089	242,406	288,250
Total Operating Expenses	1,152,644	1,175,054	1,290,668	1,268,579	1,331,616	1,486,873	1,589,740
Operating Income w/o Depreciation	\$ (685,613)	\$ (623,704)	\$ (706,833)	\$ (680,385)	\$ (759,814)	\$ (1,024,819)	\$ (1,154,760)
Depreciation	(434,322)	(483,486)	(493,603)	(539,664)	(582,429)	(577,367)	(512,932)
OPERATING INCOME	(1,119,935)	(1,107,190)	(1,200,436)	(1,220,049)	(1,342,243)	(1,602,186)	(1,667,692)
Non-Operating Revenues							
From other governments	-	-	-	-	-	7,717	-
Investment revenue	59,653	8,868	10,309	8,961	14,851	37,490	39,773
Miscellaneous revenue	4,295	3,988	32,855	11,820	8,321	6,425	17,580
Total Non-Operating Revenue	63,948	12,856	43,164	20,781	23,172	51,632	57,353
Non-Operating Expenses							
Interest Expense	14,128	10,781	7,380	4,726	1,950	86	-
Loss on Disposal of Assets	-	1,750	17,000	-	-	-	4,500
Total Non-Operating Expenses	14,128	12,531	24,380	4,726	1,950	86	4,500
Operating Transfers							
From other funds	554,000	569,235	633,465	820,970	869,000	1,000,000	1,200,000
To other funds	-	(19,740)	(973)	(14,000)	(6,848)	-	-
Total Operating Transfers	554,000	549,495	632,492	806,970	862,152	1,000,000	1,200,000
Capital Contribution	1,443,323	324,976	569,216	1,002,606	311,465	1,863,507	2,056,127
CHANGE IN NET ASSETS	\$ 927,208	\$ (232,394)	\$ 20,056	\$ 605,582	\$ (147,404)	\$ 1,312,867	\$ 1,641,288
Memo: End Year Retained Earnings	\$ 3,029,189	\$ 2,796,795	\$ 2,816,851	\$ 3,422,433	\$ 3,275,029	\$ 4,587,896	\$ 6,229,184
Source: Airport							

Operating revenues over the past seven years have shown a decreasing trend, while operating expenses have shown an increasing trend. Reversal of these trends is desirable through:

- Increasing revenues by raising rates and charges, rents, or other user fees
- Decreasing expenses
- Seeking new sources of on-Airport revenue or increased public financial support

The Airport's increasing passenger traffic appears to offer an opportunity to raise operating revenues. Without change in its operating results, the Airport may find it difficult to fund the capital improvements envisioned in this long-term capital plan. However, the Airport has accumulated retained earnings that may be available to fund near-term capital improvements.

7.3 POTENTIAL CIP FUNDING SOURCES

Potential funding sources for the development items identified in the previously provided Capital Improvement Plan (CIP) include the FAA, State, passenger facility charges, City contribution, Airport revenue, and "other." Each of these potential funding sources is discussed in more detail below.

7.3.1 Federal Aviation Administration

Airport sponsors are eligible for FAA funding for specifically approved airport projects through the FAA's Airport Improvement Program (AIP). The Federal government has been involved in supporting aviation development since 1916. The Airport and Airway Improvement Act of 1982 established the current Federal funding mechanism, known as AIP, which provides funding for eligible airport planning, development, and noise compatibility projects at public-use airports. While the law has been reauthorized several times, and the amount appropriated and the funding formulas adjusted to reflect the current national priorities, the basic program has remained essentially the same.

The AIP provides entitlement funds for commercial service and cargo airports based on the number of annual enplaned passengers and cargo handled at a specific airport. Other appropriations of AIP funds go to states, general aviation airports, and other commercial service airports, as well as noise compatibility planning and programs. Any remaining AIP funds at the national level are designated as discretionary funds and may be used by the FAA for funding eligible projects, which typically enhance airport capacity, safety, and/or security. In some years, discretionary funding has been specifically directed to certain national priorities such as a recent program to improve runway safety areas.

President Clinton signed the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) into law in April 2000. This legislation increased funding for the nation's airports to ensure that tax revenues collected from aviation users and deposited into the Airport and Airway Trust Fund would be dedicated to aviation spending. This four-year bill authorized the Airport Improvement Program at \$2.5 billion in FY 2000, \$3.2 billion in 2001, \$3.3 billion in 2002, and \$3.4 billion in 2003.

President Bush signed the current FAA reauthorization bill, titled Vision 100 – Century of Aviation Reauthorization Act, on December 16, 2003. For the purposes of this analysis, it is assumed that the Federal government will continue to participate in funding airport capital projects over the next 20 years based on the levels similar to those authorized in Vision 100.

7.3.2 State of Missouri

The State of Missouri provides funding to public airport sponsors for certain airfield capital projects. Funds are not provided by the State to match FAA grants. This financial plan assumes State funding will continue in the same form. While, it is possible that the Airport will request additional State funding for projects of critical importance to the Central Missouri region; however, no such

projects are identified in this report. Note that a State program to loan funds for projects such as hangars is also available.

7.3.3 Passenger Facility Charge

The Aviation Safety and Capacity Expansion Act of 1990 authorized the Secretary of Transportation to grant public agencies the authority to impose a passenger facility charge (PFC) to fund eligible airport projects. The initial legislation set the maximum PFC level at \$3.00 per enplaned passenger. AIR-21 increased the maximum PFC level from \$3.00 to \$4.50. Although the FAA is required to approve PFCs, the program allows for local collection of PFC revenue through the airlines operating at an airport and provides more spending flexibility to airport sponsors versus AIP funds.

The Airport currently imposes a PFC at the \$4.50 level and this charge is expected to continue. However, the Airport is collecting for certain past and on-going projects so there is no immediate availability of PFC revenue. At current passenger levels, approximately \$100,000 is collected from PFCs annually.

7.3.4 City Contribution

The City has a Transportation Sales Tax fund, which has \$1,200,000 annually available to support the Airport and similar uses. The Airport requires these funds to support its operation and development.

7.3.5 Airport

The Airport funds some or all of the cost of capital projects by generating revenue from tenants, users, or other sources. These Airport funds can come from annual surplus, reserves, or borrowing. While capital projects are usually funded from a variety of sources, in the end, Airport and City contributed funds have a role in almost every project, particularly as seed money to initiate projects and to provide the match of FAA or State funds.

7.3.6 Other Sources

In addition to the “traditional” sources of airport capital funds listed above, there are other potential suppliers of money to construct capital improvements. These include tenants, users, investors, and other sources. Tenants often construct their own facilities particularly hangar and air cargo facilities. Airport users such as airlines sometimes contribute funds for projects or agree to increased rents to recover the costs of improvements. Private capital can also be used for facilities such as cargo buildings or hangars; in a similar manner, vehicle parking lots or other revenue generating facilities can be privatized with the use of outside capital.

7.4 DEVELOPMENT PLAN FUNDING SUMMARY

Based on the funding sources and assumptions identified in Chapter 6, the overall financial plan for the Master Plan CIP is presented in Table 7-2 and summarized as follows:

- Total capital project costs over the 20-year period are estimated at \$65.0 million.
- AIP Entitlement and Discretionary funds of \$41.4 million are eligible from the FAA.
- State funds are estimated to be \$6.3 million.

- Approximately \$17.3 million in local funds will be needed from the Airport's earnings and reserves or the Transportation Sales Tax Fund. The Airport can also implement a PFC to collect a portion of these funds. Because of the 'match' nature of FAA funds, these local funds will allow the recommended capital projects to be implemented.

Table 7-2
MASTER PLAN CAPITAL IMPROVEMENT PROGRAM SUMMARY

Source	Amount	Share
Federal	\$41,392,962	63%
MoDOT	\$6,289,920	10%
Local	\$17,336,298	27%
Total	\$65,019,180	100%

In this CIP funding analysis, approximately 63 percent of the cost is eligible for FAA funding. The remaining 37 percent is split between State (10 percent) and Airport (27 percent) sources.

The most critical part of the capital improvement program is the first seven years because the largest and most important projects have been identified in this period. A total of \$48.6 million of projects are seen as relatively near-term needs. However, these projects are largely Runway Safety Area and runway/taxiway improvements, which have the highest priority for FAA funding. Identification of the first seven years of project funding shows that all of the Airport's expected \$ 1.0 million annually in FAA Entitlement funds (including annual carry-over amounts) could be used for identified projects. In addition, approximately \$34.3 million in FAA Discretionary funds are needed, as well as \$3.4 million of State funds to rehabilitate and expand apron areas. Finally, \$3.9 million in local matching funds are required. While these are substantial amounts, the continued safety and expansion of Airport operations suggest they be requested and programmed in the period shown. The identification of capital costs by eligibility for the next seven years is shown on Table 7-3.

Table 7-3
2010-2016 CAPITAL FUNDING ELIGIBILITY

YEAR	ENTITLEMENT	DISCRETIONARY	STATE	LOCAL
2010	\$ 1,000,000	\$ 3,773,750	\$ -	\$ 251,250
2011	\$ 1,000,000	\$ 9,995,876	\$ -	\$ 578,730
2012	\$ 1,000,000	\$ 3,265,405	\$ -	\$ 224,495
2013	\$ 1,000,000	\$ 4,190,800	\$ 3,412,800	\$ 652,400
2014	\$ 1,000,000	\$ 8,785,488	\$ -	\$ 515,026
2015	\$ -	\$ -	\$ -	\$ 1,777,833
2016	\$ 1,000,000	\$ 4,239,453	\$ -	\$ 931,601
TOTAL	\$ 6,000,000	\$ 34,250,772	\$ 3,412,800	\$ 4,931,335

In 2015 and 2016, a number of vehicle-related and non-airfield projects are identified. These revenue-producing or non-airfield projects are not eligible for or have reduced priority for FAA or State aid. Therefore, past the first five years, obtaining funding may be more difficult. However, if air traffic grows as expected, operating funds should be generated to support these proposed capital improvements.

7.5 EXPECTED SOURCES OF CAPITAL FUNDS

This section will identify and quantify the expected sources of capital funds. As previously indicated, FAA funds represent the majority of expected capital; however, a number of sources are identified as indicated below.

7.5.1 Federal Aviation Administration

The Federal Aviation Administration levies user charges on aviation that are returned to airports to pay for eligible projects. There are three types of FAA funding that may be used to pay for Master Plan projects; each is described below.

- **Entitlement** – FAA entitlement funds are “earned” by airports based on the number of enplaned passengers using a sliding scale. An airport’s first 50,000 passengers per year earn \$7.80 per passenger and the second 50,000 earn \$5.20 per passenger. Additional passengers over certain levels earn \$2.60 and \$0.65 with passengers over 1,000,000 earning \$0.50 each. The total earnings per airport are doubled if the AIP is funded over \$3.2 billion per year, which has occurred in recent years. However, the minimum payment for FAA Primary airports (those that enplane at least 10,000 passengers per year) is one million dollars. The Airport qualifies for the minimum \$1 million amount and is expected to be entitled to \$20 million over the next 20 years. Entitlement funds provide for 95 percent of the cost of FAA eligible projects.
- **Discretionary** – Airport capacity, safety, and security projects are funded on a national priority system based on need. Many of the most expensive projects in the CIP such as the rehabilitation and extension of the crosswind runway are expected to be funded from discretionary funds. Other CIP projects may be eligible for FAA discretionary dollars, but are less highly ranked or have portions of the project that may be funded from discretionary funds. Discretionary funds provide for 95 percent of the cost of eligible projects.
- **Special FAA Funding** – The FAA has additional funds reserved for unique types of projects that may be applicable to the Airport’s CIP. Navigation aids are one of these special areas, but none of the Airport’s current capital projects appears to apply.

7.5.2 State of Missouri

The State funds certain airfield capital projects. Based on the projects in the Master Plan CIP, this results in almost \$6.3 million in State funds over 20 years.

7.5.3 Passenger Facility Charges

The Airport can charge a PFC of up to \$4.50 per enplanement for authorized projects. In the last six years, the Airport has generated approximately \$40,000 to \$80,000 annually from PFCs, depending upon enplanement levels. Based on recent year’s traffic of approximately 23,000 annual enplanements, the Airport can generate approximately \$100,000 annually from the PFC.

Assuming enplaned passenger levels average over 23,000, the Airport has a minimum potential of \$2.0 million in PFC funds over 20 years. These PFC funds can be used for many projects such as terminal improvements that are not eligible for FAA AIP funding; therefore, the Airport can manage its FAA and PFC funds to collect the maximum amount of external capital. Because of a nationwide concern over the need for increased airport capital funding, various airport associations are requesting that Congress increase the PFC cap from \$4.50 to \$7.50. If the PFC level were increased, even more funds would be available from this source.

7.5.4 Airport

The Airport will fund all remaining capital project amounts from annual earning or reserves. The Airport principally collects revenues from rental cars and tenants such as airlines. As necessary, rate increases or new charges can be implemented to obtain the necessary capital funds. Borrowing can also occur, but such funds are ultimately repaid with operating earnings. Increased air traffic should also generate more revenue.

7.5.5 City

Certain of the \$1,200,000 City Transportation Sales Tax funds are available to fund capital projects. This allocation is made annually as part of the Airport/City budget planning process.

7.5.6 Third Party

Many projects are potentially able to be funded in all or part with private or third party funding. No projects are identified in this Master Plan for private funding; however, certain improvements such as parking lot expansion, conventional hangars, rental car parking, rental car service facilities, fuel farm improvements, additional air cargo facilities, and T-hangars could be funded privately. In the past, the Airport has not utilized extensive external funding. In the future, such sources may be desirable in the absence of Federal, State, local, or other funds.

The total CIP exceeds \$65 million in cost over 20 years; however, the various sources of funds are believed sufficient to fund all the identified projects.

7.6 EXISTING AND FUTURE DEBT SERVICE

The Airport has currently no outstanding bond issues or loans. Due to the size of the proposed capital program and the City's method of supporting the Airport via the Transportation Sales Tax, no future debt is envisioned in this analysis.

7.7 SPECIFIC ISSUES OF STATE FUNDING

The Missouri Department of Transportation (MoDOT), Aviation Section, administers Federal and State-local programs for funding airport planning, construction, and maintenance projects. The following is a description of each MoDOT, Aviation Section funding program.

7.7.1 State Block Grant Program (SBGP)

In Missouri, airport entitlement and discretion grants for general aviation (GA) airports are administered through MoDOT, Aviation Section, as part of its State Block Grant Program (SBGP). Under this program, FAA Airport Improvement Program (AIP) funds are distributed to State of Missouri GA airports in accordance with FAA provisions. A priority system is used to distribute funds in accordance with the degree of need. NPIAS airports that are under the authority of the Missouri State Block Grant Program may be funded with Federal apportionment, discretionary, and non-primary entitlement, as applicable. The current funding level established under Federal legislation may provide up to 95 percent funding for a project, while the sponsor is responsible for a 5 percent local match.

7.7.2 MoDOT Capital Improvement Program (CIP)

The CIP grant program assists eligible sponsors in the planning, purchasing, construction, and maintenance of airports. State funds may also be used to help finance pilot information systems and safety related equipment and services. Safety related equipment and services do not require cost sharing. The source of money for the CIP program is the State Aviation Trust Fund, which obtains revenue from a portion of the State sales tax on jet fuel and a 9-cent per gallon tax on aviation gasoline. The program is open to all publicly owned airports, as well as those privately – owned airports that are designated by the FAA as a ‘reliever airports.’ State funds are issued on a cost sharing grant basis of 90 percent State, while the local share is 10 percent. NPIAS airports may also participate in the State Aviation Trust Fund Program. This program provides up to 90 percent State funds and has a 10 percent local match. For Airports not identified in the NPIAS, these airports are only able to participate in the State Aviation Trust Fund Program. The maintenance program is now handled through the MoDOT CIP program.

7.7.3 MoDOT STAR Lending Program

The State Transportation Assistance Revolving Fund is a program that provides flexible financing for capital projects. It was created to assist in the planning, acquisition, development, and construction of transportation facilities other than highways in the State. The Revolving Loan Program provides low interest loans to publicly owned airports for improvements that are not eligible projects under AIP funding. These loans can be used for revenue producing projects such as T-hangars and fuel facilities.

7.8 OTHER ISSUES OF AIRPORT CAPITAL FUNDING

Analysis of the expected sources of CIP funding for Columbia Regional Airport indicate that sufficient money should be available over the 20-year planning period. In addition, there are a number of other reasons why the proposed capital program appears feasible. The additional reasons where or why additional funding may be obtained are presented in this section.

- **Many Capital Projects Are Demand Driven** – Several of the CIP projects identified are needed immediately to rectify safety and capacity issues; while others are needed as demand increases. Therefore, many projects can be constructed as required and not by the arbitrary time schedule presented. This ‘build on demand’ arrangement provides a natural brake on unnecessary building and, on the other hand, a stimulus to needed projects based upon actual Airport activity levels.

- **The Capital Plan Is Flexible** – Construction of the projects identified in the CIP can be accelerated or decelerated as funding becomes available or as other factors influence both the facility and its financial situation. In reality, projects that are more important can be implemented and less important ones delayed, as necessary, to match available funding.
- **Partial or Staged Funding Is Possible** – In a similar manner, certain projects can be scaled back in scope or built on an incremental schedule to match the available funding.
- **Innovative Funding Methods Are Available** – This analysis addresses the “traditional” sources of airport capital project funding. If necessary, the Airport can develop new and/or innovative sources such as leasing or partial privatization. That is, use of private sector type tools, in order to fund necessary infrastructure, can occur. Parking, hangar, and rental car facilities appear most likely to benefit from innovative funding methods.
- **Increased Support from Other Governmental Agencies Is Possible** – In extreme cases, Federal, State, and/or local funds may be requested to remedy serious Airport capital issues that are beyond the ability of the Airport to fund. In recent times, hurricanes, floods, tornados, and other natural disasters have resulted in special funding for airports, as have unusual security issues that are beyond the scope of normal airport operations.

In summary, both tradition project funding and other means may be used to meet the demands of aviation activity at the Airport.

7.9 SUMMARY

This analysis indicates that funding will likely be available to plan, design, and construct the projects identified in the Master Plan. A total of 53 CIP projects have been identified of which all are programmed within the next 20 years.

This financial analysis is based on continued FAA and State funding at current levels. However, there is a competition for FAA funds, so the Airport will need to aggressively market its CIP to the FAA, State, and other relevant agencies as opportunities arise.

Based on the assumptions and the financial analyses presented herein, the CIP is considered practicable and it is anticipated that the Columbia Regional Airport will be able to construct necessary aviation facilities. Of course, the continued monitoring of the Airport’s financial status is necessary to adapt and adjust as conditions change.