

Chapter 4

Financial Implementation Analysis

4.1. Introduction

This chapter presents a financial implementation analysis for the Terminal Area Plan (TAP). The analysis is generally composed of two elements: establishment of an achievable funding plan and a financial feasibility analysis. The financial feasibility analysis assesses the estimated financial impact of the project(s) and funding plan on airline rates and charges, airport operating costs, and overall net cash flow for the Airport. The financial analysis was conducted on a fiscal year basis (fiscal years ending September 30), with financial projections through FY 2026.

The financial analysis for the TAP was conducted as follows:

- The TAP project was included in the Airport’s five-year Capital Improvement Program (CIP), which includes estimated costs and implementation years.
- Potential funding sources were identified and the potential availability of funding from those sources was analyzed, as applicable.
- Projections of operating expenses and nonairline revenues were developed.
- Airline revenues and rates and charges were projected to enable an assessment of the effect of the potential funding plan on key financial results, such as airline rates and charges, cost per enplaned passenger (CPE), and cash flow.

4.2. Capital Improvement Program Projects and Funding

Table 4-1 presents the estimated cost of the TAP project components along with anticipated implementation years. The TAP consists of a design element, followed by construction of the project. Terminal design is assumed to begin in FY 2022. As described in previous chapters of this study, the TAP has been planned in two phases, with space requirements based on forecast passenger activity levels. It is anticipated that the full space requirements through Phase 2 of the project would be needed by FY 2025. Therefore, for purposes of this financial analysis, it was assumed that both phases would be constructed in FY 2024, with FY 2025 representing the date of beneficial occupancy of the renovated/expanded terminal (first full fiscal year following construction completion).

Table 4-1: Terminal Area Plan Schedule and Estimated Cost

Project	Implementation Year	Estimated Cost
Terminal Design and Soft Costs	FY 2022	\$3,830,883
Construct Terminal Expansion Phase 1 and 2	FY 2024	17,500,000
Total Terminal Area Plan		\$21,330,883

Notes:

Fiscal Year (FY) ending September 30.

1 Soft Costs for the terminal project include inspecting/testing, insurance, bonding, and owner’s contingency.

Source: Mead & Hunt, 2021.

Separate from the TAP, the Authority plans to undertake several additional Airport projects over the next five years, as defined in its CIP. Determination of an appropriate funding plan for the TAP requires evaluating the TAP

Financial Implementation Analysis

in the context of the Airport’s overall CIP. **Table 4-2** presents the Airport’s CIP for FY 2022 through FY 2026, including TAP elements in FY 2022 and FY 2024.

Table 4-2: Five-Year Capital Improvement Program

Projects by Year	Estimated Cost	Estimated Funding Sources				
		AIP Entitlement Grants	AIP Discretionary Grants	Infrastructure Act Grants ¹	Reimbursable Local Funds ²	Local Funds
FY 2022						
Other Projects TBD	\$0	\$0	\$0	\$0	\$0	\$0
Rehabilitate Runway (Mill and Overlay)	7,202,000	1,248,000	5,503,875	0	0	450,125
Parking Lot Expansion - South Lot	800,000	0	0	0	800,000	0
Parking Lot Rehabilitation	550,000	0	0	0	550,000	0
Terminal Design and Soft Costs ³	3,830,883	0	0	0	3,830,883	0
Acquire SRE Equipment (MTE MB5)	684,213	0	0	0	684,213	0
Acquire SRE Equipment (High Speed Blower)	770,000	0	0	0	770,000	0
AWOS Required Upgrade	100,000	0	0	0	100,000	0
General Aviation Pilot Lounge	150,000	0	0	0	150,000	0
Admin Projects	38,000	0	0	0	38,000	0
Security Projects	20,000	0	0	0	20,000	0
Operational Projects	210,000	0	0	0	210,000	0
Total FY 2022	\$14,355,096	\$1,248,000	\$5,503,875	\$0	\$7,153,096	\$450,125
FY 2023						
Other Projects TBD	\$0	\$0	\$0	\$0	\$0	\$0
Control Tower/Airspace/Siting Analysis	75,000	0	0	70,313	0	4,687
Control Tower Design & Permitting	350,000	0	0	328,125	0	21,875
Construct SRE Storage Building	2,144,180	0	0	849,562	1,294,618	0
Design/Construct Short Term Parking	207,472	0	0	0	207,472	0
Total FY 2023	\$2,776,652	\$0	\$0	\$1,248,000	\$1,502,090	\$26,562
FY 2024						
Construct Control Tower, Site Prep, Parking	\$6,500,000	\$1,792,875	\$0	\$1,248,000	\$0	\$3,459,125
Airport Master Plan Update	750,000	703,125	0	0	0	46,875
Construct Terminal Expansion Phase 1 and 2	17,500,000	0	16,406,250	0	0	1,093,750
Total FY 2024	\$24,750,000	\$2,496,000	\$16,406,250	\$1,248,000	\$0	\$4,599,750
FY 2025						
New General Aviation Hangar Area	\$1,400,000	\$64,500	\$0	\$1,248,000	\$0	\$87,500

Financial Implementation Analysis

Projects by Year	Estimated Cost	Estimated Funding Sources				
		AIP Entitlement Grants	AIP Discretionary Grants	Infrastructure Act Grants ¹	Reimbursable Local Funds ²	Local Funds
Design/Construct South Parking Lot/Exit Road	751,500	704,531	0	0	0	46,969
Total FY 2025	\$2,151,500	\$769,031	\$0	\$1,248,000	\$0	\$134,469
FY 2026						
Acquire SRE Equipment	\$750,000	\$0	\$0	\$703,125	\$0	\$46,875
Airfield Pavement Maintenance	500,000	0	0	468,750	0	31,250
Design/Construct Rental Car QTA Facility	2,840,989	0	0	0	0	2,840,989
	\$4,090,989	\$0	\$0	\$1,171,875	\$0	\$2,919,114
Total Capital Improvement Program	\$48,124,237	\$4,513,031	\$21,910,125	\$4,915,875	\$8,655,186	\$8,130,020

Notes:

Fiscal Year (FY) ending September 30.

AIP – Airport Improvement Program; AWOS – Automated Weather Observing System; SRE – Snow Removal Equipment; QTA – Quick Turnaround.

1 Infrastructure Investment and Jobs Act of 2021.

2 Certain local funding is reimbursable through COVID-19 federal relief funding.

3 Soft Costs for the terminal project include inspecting/testing, insurance, bonding, and owner’s contingency.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2022.

As presented, the CIP serves as a critical planning tool for the Federal Aviation Administration (FAA) in establishing priorities and budgeting expenditures at the Airport when compared with the needs of other airports. From the local perspectives of the City of Hailey, Blaine County, and the Airport Authority Board, the CIP identifies improvement needs and allows budgeting/financial decisions to be made with a comprehensive understanding of financial implications. The CIP presented herein represents a five-year plan for projects, costs, and funding at the time this report was published. The CIP is regularly reviewed and revised as necessary, so CIP information presented in this report is subject to change.

The overall funding strategy is to maximize opportunities to receive federal funds, within the context of and in recognition of the amount of local funds available to support capital needs. While the FAA uses the CIP for programming purposes, neither the federal government, the City of Hailey nor Blaine County are financially obligated to provide funding for the CIP. **If federal matching funds are unavailable for a project, it is unlikely that local funding will cover its cost and the project will be deferred until non-local funding becomes available.**

Capital Improvement Program Funding Sources

Airport development is often funded by a combination of public and private sources. The funding plan presented herein does not represent a final plan of finance. Additional actions would need to be undertaken prior to the use of some of these funding sources for specific projects. It is assumed that costs of the combined CIP will ultimately be financed from sources including federal Airport Improvement Program (AIP) and Infrastructure Act grants, and local (Airport/Authority) funds. **Table 4-3** summarizes the estimated CIP funding sources by year. **Table 4-4** summarizes anticipated funding sources for the TAP.

Table 4-3: Capital Improvement Program Funding Summary

Funding Source	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
AIP Entitlement Grants	\$1,248,000	\$0	\$2,496,000	\$769,031	\$0	\$4,513,031
AIP Discretionary Grants	5,503,875	0	16,406,250	0	0	21,910,125
Infrastructure Act Grants ¹	0	1,248,000	1,248,000	1,248,000	1,171,875	4,915,875
Reimbursable Local Funds ²	7,153,096	1,502,090	0	0	0	8,655,186
Local Funds	450,125	26,562	4,599,750	134,469	2,919,114	8,130,020
Total	\$14,355,096	\$2,776,652	\$24,750,000	\$2,151,500	\$4,090,989	\$48,124,237

Notes:

Fiscal Year (FY) ending September 30.

AIP – Airport Improvement Program.

1 Infrastructure Investment and Jobs Act of 2021.

2 Certain local funding is reimbursable through COVID-19 federal relief funding.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2022.

Table 4-4: Terminal Area Plan Funding Summary

Project	Estimated Cost	Estimated Funding Sources				
		AIP Entitlement Grants	AIP Discretionary Grants	Infrastructure Act Grants ¹	Reimbursable Local Funds ²	Local Funds
Terminal Design and Soft Costs ³	\$3,830,883	\$0	\$0	\$0	\$3,830,883	\$0
Construct Terminal Expansion Phase 1 and 2	\$17,500,000	\$0	\$16,406,250	\$0	\$0	\$1,093,750
Total Terminal Area Plan	\$21,330,883	\$0	\$16,406,250	\$0	\$3,830,883	\$1,093,750

Notes:

Fiscal Year (FY) ending September 30.

AIP – Airport Improvement Program.

1 Infrastructure Investment and Jobs Act of 2021.

2 Certain local funding is reimbursable through COVID-19 federal relief funding.

3 Soft Costs for the terminal project include inspecting/testing, insurance, bonding, and owner's contingency.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2022.

The following subsections describe the nature and availability of funding sources anticipated to be used for the overall Airport CIP, including the TAP.

Federal Airport Improvement Program Grants

The Airport and Airway Improvement Act of 1982 authorizes federal funding for the AIP from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility planning and programs. The Airport and Airway Trust Fund is funded through user taxes on airfares, air freight, and aviation fuel.

The FAA distributes AIP funds in the form of grants to airport sponsors to finance eligible costs of certain airport improvements. AIP grants include passenger entitlement grants and discretionary grants. AIP grants may be used to fund eligible land acquisition, noise mitigation, airfield improvements, airport roadways, planning studies, and safety and security systems and equipment. All AIP grants are subject to a prescribed local match requirement. For

most nonhub airports (such as SUN), the FAA share of eligible costs is up to 90.0 percent, with local matching funds contributing at least 10.0 percent. However, Idaho is one of the states with certain nontaxable and public land areas whereby an upward adjustment in the percentage of federal shares of eligible project costs has been listed in FAA Order 5100.38D, *Airport Improvement Program Handbook* (AIP Handbook). According to Appendix Y of the AIP Handbook, the federal share for AIP grants at nonhub airports in Idaho (including SUN) is 93.75 percent, with a sponsor match requirement of 6.25 percent.

AIP passenger entitlement grants are allocated to airports using a formula set forth in the FAA AIP Handbook, which is based on the number of enplaned passengers served at an airport on an annual basis. In FY 2019, entitlement grants available to the Airport totaled \$1.248 million. In accordance with the AIP entitlement formula, the Airport could expect to receive higher levels of entitlement grant funds as enplaned passengers increase each year. However, for purposes of this analysis, it was conservatively assumed that the Airport would receive \$1.248 million in entitlement grants each year through FY 2026. **Table 4-5** presents the estimated availability and use of AIP entitlement grants assumed in this analysis.

Table 4-5: Airport Improvement Program Entitlement Grants

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Carryover	\$0	\$0	\$1,248,000	\$0	\$478,969
Annual Entitlement	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000
Used for Capital Funding	(1,248,000)	0	(2,496,000)	(769,031)	0
Remaining	\$0	\$1,248,000	\$0	\$478,969	\$1,726,969

Note: Fiscal Year (FY) ending September 30.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2021.

Unlike entitlement grants that are allocated by a prescribed formula, AIP discretionary grants are distributed for individual projects based on funding availability and the priority of projects at airports nationwide. The CIP funding plan presented in Table 4-2 includes approximately \$21.9 million in discretionary funding through the planning period, including approximately \$16.4 million for the TAP. Based on an eligibility analysis conducted for Phases 1 and 2 of the TAP, approximately 77 percent of the total project cost is eligible for AIP grant funding. 93.75 percent of the eligible project cost was assumed as AIP discretionary grant funding since all available AIP entitlement grants have been allocated to other projects in FY 2024.

These funding estimates assume the Airport will continue to receive discretionary funding through FY 2026 for higher priority eligible projects. However, the future availability of AIP discretionary grants is not certain until an actual grant is awarded. Therefore, CIP projects for which discretionary funding is anticipated to be used may have to be delayed or postponed until such funds become available, unless other funding sources are identified.

Infrastructure Investment and Jobs Act Grants

The Infrastructure Investment and Jobs Act (IIJA) was signed into law on November 15, 2021. The IIJA is a \$1.2 trillion infrastructure bill that is positive for airports, particularly with the inclusion of \$20 billion for airport funding over the next five years (through FY 2026). It also includes approximately \$5 billion for FAA air traffic facilities and equipment. Additional benefits of the IIJA include its expansion of the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan program to airport projects and includes funding that may help specific airport projects, such as surface transportation access or energy-related initiatives.

Airport grants from the IIJA are not AIP grants but are allocated to airports based on the AIP entitlement formula published in the FAA AIP Handbook. As such, the annual allotment of IIJA grant funds is expected to be essentially equal to annual AIP entitlement grant funds for SUN. Consistent with the AIP entitlement grant assumptions noted previously, annual IIJA grant funds were assumed to total \$1.248 million per year. Similar to AIP entitlement grants, IIJA grant funds available to the Airport would increase each year based on growth in enplaned passengers but were assumed to remain fixed through FY 2026 for a conservative analysis. **Table 4-6** presents the estimated availability and use of IIJA grants assumed in this analysis.

Table 4-6: Infrastructure Investment and Jobs Act Grants

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Carryover	\$0	\$1,248,000	\$1,248,000	\$1,248,000	\$1,248,000
Annual Allotment	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000
Capital Funding	0	(1,248,000)	(1,248,000)	(1,248,000)	(1,171,875)
Remaining	\$1,248,000	\$1,248,000	\$1,248,000	\$1,248,000	\$1,324,125

Note: Fiscal Year (FY) ending September 30.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2021.

Local Funds

Local funding (i.e., Airport funds or cash) is assumed to be used to fund projects or portions of projects that are not funded through the other funding sources described in this section. Based on the CIP funding plan presented herein, required local funding totals approximately \$16.8 million through FY 2026 (\$8.1 million local funds and \$8.7 million reimbursable local funds).

Certain local funding requirements may be reimbursed through federal aid to airports in response to COVID-19 (federal relief funding), including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law in March 2020. The CARES Act allocates \$10 billion in grants for airports with an anticipated \$7.4 billion allocated as direct payments to commercial service airports based on a prescribed formula. An additional \$2 billion is allocated to airports based on the AIP entitlement formula. The grants are 100 percent federal share, requiring no local match. CARES Act grant funds may be used for any activity for which airports can lawfully use airport revenues, such as eligible operating and local funding expenses. Based on the prescribed allocation formulas in the CARES Act, the Authority may receive up to \$18.4 million in CARES Act grants, to be expended through FY 2024.

Table 4-7 presents the availability and anticipated use of CARES Act grants assumed in this analysis. With anticipated COVID-19 federal relief reimbursement funding of approximately \$8.7 million, approximately \$8.1 million of local funds in the form of Airport cash would be required to fund remaining CIP costs through FY 2026.

Table 4-7: Coronavirus Aid, Relief, and Economic Security Act Grants

	FY20/FY21	FY 2022	FY 2023	FY 2024
Available	\$18,400,000	\$16,140,172	\$6,987,076	\$2,484,986
Operational Reimbursement	(2,259,828)	(2,000,000)	(3,000,000)	(2,484,986)
Local Funds Reimbursement	0	(7,153,096)	(1,502,090)	0
Remaining	\$16,140,172	\$6,987,076	\$2,484,986	\$0

Note: Fiscal Year (FY) ending September 30.

Sources: Friedman Memorial Airport Authority and Mead & Hunt, 2021.

4.3. Financial Feasibility Analysis

A financial feasibility analysis was conducted to estimate the financial impact of the TAP and overall CIP funding plan on airline rates and charges, airline costs,¹ and net cash flow for the Airport.

Aviation Activity Forecasts

Forecasts of enplaned passengers and aircraft landed weight were developed to support the feasibility analysis and are presented in **Table 4-8**. The enplaned passenger forecast for FY 2022 includes year-to-date passenger records through December 2021 and generally reflects a return to FY 2019 levels, followed by continued moderate growth in FY 2023. Forecast enplaned passenger growth from FY 2024-FY 2026 reflects historical average growth at the Airport from 1996 to 2019. The enplaned passenger forecast used for purposes of this financial analysis is conservative compared to the planning activity levels used to support the TAP space requirements.

Aircraft landed weight projections from FY 2022 to FY 2026 assume annual growth of 2.5 percent for airline landed weight, 1.5 percent for general aviation and air taxi landed weight, and no growth for military landed weight. Total Airport landed weight is projected to increase approximately 2.0 percent annually through the period.

Table 4-8: Historical and Forecast Key Aviation Activity Statistics

Activity	Actual			Forecast				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Enplaned Passengers								
Alaska	14,362	10,691	13,935	16,554	17,230	17,568	17,923	18,277
Delta	53,702	29,309	49,506	58,811	61,212	62,412	63,672	64,933
United	23,454	15,943	19,053	22,634	23,558	24,020	24,505	24,990
Total Airport	91,518	55,943	82,494	98,000	102,000	104,000	106,100	108,200
<i>Annual Change</i>		-38.9%	47.5%	18.8%	4.1%	2.0%	2.0%	2.0%
Landed Weight¹								
Airline	119,420	97,939	148,478	152,190	155,995	159,895	163,892	167,989
General Aviation	172,570	161,048	192,386	195,272	198,201	201,174	204,192	207,255
Air Taxi	46,153	47,525	61,597	62,521	63,458	64,410	65,376	66,357
Military	4,149	2,732	1,316	1,316	1,316	1,316	1,316	1,316
Total Airport	342,292	309,244	403,776	411,298	418,970	426,794	434,776	442,916
<i>Annual Change</i>		-9.7%	30.6%	1.9%	1.9%	1.9%	1.9%	1.9%

Notes:

Fiscal Year (FY) ending September 30.

¹ Landed weight by aircraft category in thousands of pounds.

Sources: Friedman Memorial Airport Authority, 2021 and Ricondo & Associates, Inc., 2021.

¹ When airlines pay the required Airport rates and charges, it is a cost to the airline and revenue for the Airport.

Terminal Space

The TAP involves renovation and expansion of the existing terminal. Changes in terminal space impact some operational expenses, as well as terminal rental rates and associated airline revenue. **Table 4-9** presents the existing terminal space and anticipated total terminal space upon completion of the TAP in FY 2024.

Table 4-9: Historical and Forecast Key Aviation Activity Statistics

Terminal Space	Existing Area (sq. ft.)	Space Changes (sq. ft.) ¹	Future Area (sq. ft.) ²
Usable Space			
Baggage Claim	2,773	6,107	8,880
Departure Lounge	5,313	819	6,132
Public Restrooms	1,624	763	2,387
Public Waiting/Queuing	9,962	1,920	11,882
Rental Car	585	395	980
Security	1,807	785	2,592
Support/Administration	1,043	(867)	176
Ticketing/Outbound Baggage	4,103	7,100	11,203
TSA	1,035	131	1,166
Total Space	28,245	17,153	45,398
Unusable Space (Support/Admin)	(1,043)	867	(176)
Usable Space³	27,202	18,020	45,222
<i>Increase in Total Space from Existing</i>			61%
<i>Increase in Usable Space from Existing</i>			66%
Airline Rentable Space			
Preferential Space			
Airline Offices	905	3,279	4,184
Baggage Makeup	1,587	1,598	3,185
Ticketing (Counters/Queuing)	671	1,749	2,420
Common Use Space			
Secured Holdroom	4,947	2,365	7,312
Baggage Claim	2,773	4,927	7,700
Total Airline Rentable Space	10,883	13,918	24,801
<i>Increase in Airline Rentable Space from Existing</i>			128%

Notes:

1 Net change in space due to completion of the Terminal Area Plan.

2 Future space beginning in FY 2025 upon completion of the Terminal Area Plan.

3 Usable space excludes support and administration space and is included for purposes of calculating the terminal rental rate per the Airline Agreement.

Sources: Friedman Memorial Airport Authority (existing space); Mead & Hunt, 2022 (future space).

Projected Operating Expenses

Table 4-10 presents projected operating expenses based on the Airport’s FY 2022 budget.

Table 4-10: Projection of Operating Expenses

Expenses by Cost Center and Categories	Actual		Preliminary	Budget	Projected			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Expenses By Cost Center								
Airfield	\$1,182,069	\$883,779	\$1,388,304	\$1,820,228	\$2,015,005	\$2,096,402	\$2,077,088	\$2,159,844
Terminal	907,201	1,068,043	1,204,433	1,036,121	1,153,199	1,206,134	1,533,967	1,603,567
Ground Transportation	1,087,335	1,158,772	908,486	924,869	660,256	672,543	647,879	659,658
General Aviation	339,087	269,712	310,175	375,962	398,511	410,446	412,958	425,434
Other	98,261	108,175	80,270	84,620	89,267	93,152	95,486	99,629
Total Expenses	\$3,613,953	\$3,488,481	\$3,891,668	\$4,241,799	\$4,316,238	\$4,478,677	\$4,767,377	\$4,948,132
						CAGR (FY 2022 – FY 2026):		3.9%
Expenses by Category								
Employee Wages/Benefits	\$1,667,980	\$1,712,551	\$1,633,382	\$1,989,564	\$2,089,043	\$2,193,495	\$2,303,169	\$2,418,328
Supplies	144,720	165,669	191,986	199,000	204,970	211,119	217,453	223,976
Utilities	146,061	149,289	143,079	152,750	158,860	165,214	215,595	224,219
Services and Contracts	880,670	881,306	978,415	1,169,965	1,095,227	1,119,399	1,144,297	1,169,942
Repairs and Maintenance	449,698	362,009	471,057	508,350	540,866	557,058	649,232	668,674
Insurance	50,692	53,257	53,124	55,920	57,598	59,326	61,105	62,938
Other Operating Expenses	142,840	164,400	420,624	166,250	169,675	173,067	176,526	180,054
Misc. Capital Expenditures	131,292	0	0	0	0	0	0	0
Total Expenses	\$3,613,953	\$3,488,481	\$3,891,668	\$4,241,799	\$4,316,238	\$4,478,677	\$4,767,377	\$4,948,132

Notes:

Fiscal Year (FY) ending September 30.

CAGR – Compound Annual Growth Rate.

Sources: Friedman Memorial Airport Authority, 2021 (actual/budget) and Ricondo & Associates, Inc., 2022 (projected).

Assumptions regarding the projection of operating expenses through FY 2026 are noted below. Stated growth rates are from Budget FY 2022. Certain terminal-related expenses were assumed to increase in FY 2025 due to an increase in total terminal space of approximately 38 percent associated with completion of the TAP.

- Employee wages/benefits – Annual growth of 5 percent.
- Supplies – Annual growth of 3 percent.
- Utilities – Annual growth of 4 percent; increase of 61 percent for terminal-related utilities in FY 2025.
- Services and contracts – Fixed annual allowance and/or annual growth of 3 percent per year.
- Repairs and Maintenance – Fixed annual allowance and/or annual growth of 2 percent per year; increase of 61 percent for terminal-related repairs and maintenance in FY 2025 due to increase in terminal space.
- Insurance – Annual growth of 3 percent.
- Other operating expenses – Annual growth of 2 percent.

Financial Implementation Analysis

Line-item expenses are classified as either direct or indirect and are allocated to cost centers for purposes of calculating airline rates and charges pursuant to the Airline Operating Agreement and Terminal Building Lease (Airline Agreement). The cost centers shown on Table 4-9 are direct cost centers. Indirect cost centers include administration, maintenance, firefighting, security, and operations. Expenses charged to indirect cost centers are reallocated to direct cost centers based on certain allocation methodologies.

Projected Nonairline Revenue

Nonairline revenue includes all revenue other than revenue from airlines, such as vehicle parking, rental car revenue, terminal concessions, and general aviation revenue. **Table 4-11** presents projected nonairline revenue based on the Airport's FY 2022 budget.

Table 4-11: Projection of Operating Expenses

Revenue Category	Actual		Preliminary	Budget	Projected			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Automobile Rental	\$500,053	\$295,361	\$407,517	\$475,000	\$489,250	\$503,928	\$519,045	\$534,617
Auto Parking	717,833	591,692	799,547	663,000	750,000	772,500	795,675	819,545
Terminal Concession	66,792	46,366	66,275	47,900	50,295	52,810	55,450	58,223
FBO Revenue	972,501	1,046,548	609,551	567,500	620,000	629,300	638,740	648,321
Fuel Flowage Fees	363,004	315,203	430,541	375,000	440,000	446,600	453,299	460,098
Transient Landing Fees	219	112,498	653,799	650,000	669,500	689,585	710,273	731,581
Hangars	653,601	682,899	805,589	705,060	715,636	726,370	737,266	748,325
Tiedown Permit Fees	12,370	19,964	33,243	31,000	31,465	31,937	32,416	32,902
Postal Carrier	13,849	13,343	5,472	0	0	0	0	0
Ground Transportation Permits	27,600	22,680	22,530	29,000	29,000	29,000	29,000	29,000
TSA	76,475	70,195	75,450	75,450	75,450	75,450	75,450	75,450
Miscellaneous/Other Revenue	22,818	53,351	16,896	5,000	5,000	5,000	5,000	5,000
Non-Airline Operating Revenue	\$3,427,115	\$3,270,100	\$3,926,410	\$3,623,910	\$3,875,596	\$3,962,480	\$4,051,614	\$4,143,062
Add: Interest Income	44,499	32,930	11,719	15,000	20,000	20,000	20,000	20,000
Total Nonairline Revenue	\$3,471,615	\$3,303,030	\$3,938,128	\$3,638,910	\$3,895,596	\$3,982,480	\$4,071,614	\$4,163,062
							CAGR (FY 2022 – FY 2026):	3.4%

Notes:

Fiscal Year (FY) ending September 30.

FBO – Fixed Base Operator; TSA – Transportation Security Administration.

Sources: Friedman Memorial Airport Authority, 2021 (actual/budget) and Ricondo & Associates, Inc., 2022 (projected).

Assumptions regarding the projection of nonairline revenue through FY 2026 are noted below. Stated growth rates are from Budget FY 2022. In some cases, revenues for FY 2023 have been “reset” due to significant anticipated changes compared to the FY 2022 budget.

- Automobile rental – FY 2023 “reset”; annual increase of 3 percent thereafter.
- Auto parking – Annual growth of 3 percent.
- Terminal concession – Annual growth of 5 percent.
- FBO revenue – FY 2023 “reset”; annual growth of 1.5 percent thereafter.
- Fuel flowage revenue – FY 2023 “reset”; annual growth of 1.5 percent thereafter.
- Transient landing fees – Annual growth of 3 percent.
- Hangars – Annual growth of 1.5 percent.
- Tiedown permit fees – Annual growth of 1.5 percent.
- Ground transportation permits – Fixed annual allowance.
- TSA – Fixed annual allowance.
- Miscellaneous/other revenue – Fixed annual allowance.

Airline Revenue

Airline revenues include landing fees and terminal rentals paid in accordance with the Airline Agreement. For purposes of this analysis, it is assumed that any future airline agreement will have provisions similar to those in the current Airline Agreement through FY 2026. **Table 4-12** presents projected airline rates and charges and associated airline revenue through FY 2026.

The annual terminal building per square foot rental rate is calculated by dividing operating expenses allocated to the Terminal cost center (less any discretionary revenue credit)² by total terminal usable space. Airline terminal rental revenue is calculated by multiplying the resulting terminal rental rate by total airline rented space. As shown in Table 4-12, the terminal rental rate is projected to increase through FY 2024 commensurate with annual increases in Terminal cost center expenses. For purposes of this analysis, no discretionary revenue credit is assumed to offset the terminal requirement. As presented in Table 4-9, usable space in the terminal building will be expanded by 66 percent when construction activity associated with the TAP is completed. Airline rentable space is anticipated to increase by 128 percent. The expansion of the terminal building, along with increases in operating expense requirements, are expected to result in additional airline revenues associated with the use and occupancy of the terminal beginning in FY 2025. Increased usable space reduces the terminal rental rate, however, the overall airline revenue requirement increases due to applying the rate to increased airline rented space.

The airline landing fee per thousand pounds of landed weight is calculated by dividing operating expenses allocated to the Airfield cost center (less any airline revenue share credit) by total Airport landed weight (see Table 4-8). Airline landing fee (airfield) revenue is calculated by multiplying the resulting landing fee rate by total airline landed weight. For purposes of this analysis, the airline landing fee rate is assumed to remain at the current level of \$1.75 per thousand pounds of landed weight through FY 2026. A discretionary revenue credit is shown to be applied to the airfield requirement in order to achieve this rate. Without the revenue credit, airline landing fee rates would be higher and would increase commensurate with annual increases in the Airfield cost center requirement.

Projected terminal rental and landing fee rates presented in Table 4-12 are not intended to indicate a formal schedule of future rates and charges to be assessed to the airlines. Airport management calculates appropriate airline rates and charges annually in consultation with the airlines. Projected rates and charges in this analysis are estimated for purposes of determining if the order of magnitude of the rates and charge seems reasonable given

² In accordance with the Airline Agreement, the Authority may provide a discretionary revenue credit to partially offset the terminal and/or airfield requirement. Such revenue credit is offered solely at the discretion of the Authority for an amount to be determined by the Authority.

the described assumptions. In this context, the estimated order of magnitude of the rates and charges presented in Table 4-12 appear reasonable.

Total airline revenue is the sum of terminal rental revenue and landing fee (airfield) revenue. Total airline revenue divided by enplaned passengers represents the average airline cost per enplaned passenger (CPE) for a given year. CPE is a common financial metric used in the airport and airline industry as a measure of cost for an airline to enplane a passenger at an airport. CPE is commonly reported as an average for the airport since different airlines may incur different costs and enplane different levels of passengers at the airport.

As presented on Table 4-12, CPE is projected to increase moderately through FY 2024, with a more significant increase in FY 2025 due to higher terminal rental revenue resulting from opening of the expanded terminal. A CPE above \$10.00 is high based on historical airline costs at the Airport but is reasonable given the large increase in airline rented space occurring as the result of the terminal expansion project recommended by the TAP.

Table 4-12: Projected Airline Revenues and Rates and Charges

Airline Rates and Charges and Revenues		Budget	Projected			
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Terminal Rental Revenue						
Operating Expenses		\$1,026,064	\$1,153,199	\$1,206,134	\$1,533,967	\$1,603,567
Total Requirement	[A]	\$1,026,064	\$1,153,199	\$1,206,134	\$1,533,967	\$1,603,567
Less: Airline Revenue Share Credit	[B]	\$0	\$0	\$0	\$0	\$0
Net Requirement	[C]=[A]-[B]	\$1,026,064	\$1,153,199	\$1,206,134	\$1,533,967	\$1,603,567
Usable Space	[D]	27,202	27,202	27,202	45,222	45,222
Terminal Rental Rate	[E]=[C]/[D]	\$37.72	\$42.39	\$44.34	\$33.92	\$35.46
Airline Rented Space	[F]	10,883	10,883	10,883	24,801	24,801
Airline Terminal Rental Revenue¹	[G]=[E]x[F]	\$262,500	\$461,373	\$482,551	\$841,270	\$879,440
Airfield Revenue						
Operating Expenses		\$1,876,064	\$2,015,005	\$2,096,402	\$2,077,088	\$2,159,844
Total Requirement	[H]	\$1,876,064	\$2,015,005	\$2,096,402	\$2,077,088	\$2,159,844
Less: Airline Revenue Share Credit	[I]	\$1,156,292	\$1,281,808	\$1,349,512	\$1,316,230	\$1,384,741
Net Requirement	[J]=[H]-[I]	\$719,771	\$733,197	\$746,890	\$760,857	\$775,104
Total Airport Landed Weight (000-lbs)	[K]	411,298	418,970	426,794	434,776	442,916
Landing Fee Rate (per 1,000 lbs)	[L]=[J]/[K]	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75
Total Airline Landed Weight (000-lbs)	[M]	134,286	155,995	159,895	163,892	167,989
Airline Revenue	[N]=[L]x[M]	\$235,000	\$272,991	\$279,815	\$286,811	\$293,981
Total Airline Revenue	[O]=[G]+[N]	\$497,500	\$734,364	\$762,367	\$1,128,081	\$1,173,422
Total Enplanements	[P]	98,000	102,000	104,000	106,100	108,200
Average Airline Cost Per Enplanement (CPE)	[O]/[P]	\$5.08	\$7.20	\$7.33	\$10.63	\$10.84

Notes:

Fiscal Year (FY) ending September 30.

¹ Budget FY 2022 airline terminal rental revenue assume 25-percent rate reduction, including one month of no charge.

Sources: Friedman Memorial Airport Authority, 2021 and Ricondo & Associates, Inc., 2022.

Passenger Facility Charge Revenue

Since 1991, the collection of a PFC has been authorized under 14 CFR Part 158, and the PFC Program has been administered by the FAA. PFCs are collected from qualified passengers to fund eligible airport projects. Since April 1, 2001, airport sponsors can impose a PFC of up to \$4.50 per qualified enplaned passenger.

PFC revenues may be used on a “pay-as-you-go” (paygo) basis or leveraged to pay debt service on bonds or other debt issued for PFC-eligible projects. Because airport sponsors may use PFC revenues for the local matching share of AIP grants, PFCs can help airport sponsors implement AIP-financed projects sooner than they would be able to otherwise. Although the FAA approves the collection of a PFC and the use of PFC revenues, the PFC Program permits local collection of PFC revenues through the airlines operating at an airport and provides more flexibility to airport sponsors than AIP funding. PFC revenues may be used for any AIP-eligible project, although PFC eligibility is generally broader than AIP eligibility, particularly for terminal building projects.

The Authority currently collects a \$4.50 PFC as reimbursement for prior eligible capital expenditures, as included in the Authority’s approved PFC applications. It is assumed that the Authority will continue to apply for, collect, and use PFC revenues at a level of \$4.50 per eligible enplaned passenger at the Airport throughout FY 2026 on a cash reimbursement basis. No PFC paygo expenditures are assumed as a CIP funding source, but the annual collected PFC revenues are recognized by the Authority from a cash flow perspective. **Table 4-13** presents projected PFC revenues based on the enplaned passenger forecast presented on Table 4-8.

Table 4-13: Projected Airline Revenues and Rates and Charges

	Budget	Projected			
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Enplaned Passengers	98,000	102,000	104,000	106,100	108,200
PFC Level	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Less: Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Level	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39
Percent of Passengers Paying a PFC	90%	90%	90%	90%	90%
Enplaned Passenger Paying a PFC	88,200	91,800	93,600	95,490	97,380
PFC Collections From Airlines	\$387,198	\$403,002	\$410,904	\$419,201	\$427,498

Notes:

Fiscal Year (FY) ending September 30.

PFC – Passenger Facility Charge.

Sources: Friedman Memorial Airport Authority, 2022 and Ricondo & Associates, Inc., 2022.

Cash Flow Analysis

A cash flow analysis was conducted to estimate the annual ending cash position for the Authority to assess whether implementation of the TAP and overall CIP results in a positive cash flow. **Table 4-14** presents a projection of annual funds remaining after deducting operating and capital expenditures from all revenue sources through FY 2026.

Financial Implementation Analysis

Table 4-14: Net Revenue and Cash Flow

Revenue/Expense Type		Budget	Projected			
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Income						
Airline Revenue		\$497,500	\$734,364	\$762,367	\$1,128,081	\$1,173,422
Nonairline Revenue		3,638,910	3,895,596	3,982,480	4,071,614	4,163,062
PFC Revenue		387,198	403,002	410,904	419,201	427,498
Total Income	[A]	\$4,523,608	\$5,032,961	\$5,155,750	\$5,618,896	\$5,763,981
Federal Grant Revenue						
AIP Entitlement/Discretionary		\$6,751,875	\$0	\$18,902,250	\$0	\$769,031
CARES Act Reimbursement		9,153,096	4,502,090	2,484,986	0	0
CRRSAA Reimbursement		0	1,219,239	0	0	0
ARPA Reimbursement		0	80,761	1,548,350	0	0
Infrastructure Act		0	1,248,000	1,248,000	1,248,000	1,171,875
Total Federal Grants	[B]	\$15,904,971	\$7,050,090	\$24,183,586	\$1,248,000	\$1,940,906
Total Revenue	[C]=[A]+[B]	\$20,428,579	\$12,083,051	\$29,339,336	\$6,866,896	\$7,704,888
Expenses						
Employee Wages/Benefits		\$1,989,564	\$2,089,043	\$2,193,495	\$2,303,169	\$2,418,328
Admin. and Operational Expenses		2,252,235	2,227,196	2,285,183	2,464,208	2,529,804
Total Operating Expenses	[D]	\$4,241,799	\$4,316,238	\$4,478,677	\$4,767,377	\$4,948,132
Capital Expenditures	[E]	\$14,355,096	\$2,776,652	\$24,750,000	\$4,090,989	\$2,151,500
Total Expenses	[F]=[D]+[E]	\$18,596,895	\$7,092,890	\$29,228,677	\$8,858,366	\$7,099,632
Net Revenue	[G]=[C]-[F]	\$1,831,684	\$4,990,161	\$110,659	-\$1,991,471	\$605,256
Cash Flow						
Beginning Balance	[H]	\$9,143,585	\$10,975,269	\$15,965,430	\$16,076,089	\$14,084,619
Net Revenue	[G]	\$1,831,684	\$4,990,161	\$110,659	-\$1,991,471	\$605,256
Ending Balance	[H]+[G]	\$10,975,269	\$15,965,430	\$16,076,089	\$14,084,619	\$14,689,875

Notes: Fiscal Year (FY) ending September 30.

AIP – Airport Improvement Program; PFC – Passenger Facility Charge.

Sources: Friedman Memorial Airport, 2022 and Ricondo & Associates, Inc., 2022.

Income includes all revenue remitted to the Authority from all Airport tenants and users. Federal grant revenue is from AIP grants and federal relief funding. Besides the CARES Act, the Airport has been awarded additional federal aid in response to COVID-19.

- **Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)** – The CRRSAA was signed into law December 27, 2020, with distribution of \$2 billion in federal grants to airports. A majority of the funds were distributed to primary airports based on AIP entitlement formulas. The Authority was allocated approximately \$1.2 million in CRRSAA grants in FY 2020. The Authority intends to use these funds to reimburse eligible operating expenses in FY 2023.
- **American Rescue Plan Act (ARPA)** – The ARPA was signed into law March 11, 2021, with distribution of \$8 billion in federal grants to airports. A majority of the funds are allocated to primary airports with funds distributed based on AIP entitlement formulas. The Authority was allocated approximately \$1.6 million in ARPA grants in FY 2021. The Authority intends to use these funds to reimburse eligible operating expenses in FY 2023 and FY 2024.

As shown on Table 4-14, the resulting analysis shows positive cashflow for the Authority through FY 2026 suggesting the amount of Airport funds (cash) assumed to fund various projects in the CIP is reasonable and feasible in the context of projected revenues and expenses. The large remaining cash position allows the Authority some level of cushion in the event that some revenue sources do not materialize as projected, or if capital or operational expenses are higher than projected. Of primary consideration is the large AIP discretionary grant request for the TAP. If the FAA is unable to grant discretionary funds at the requested/projected level, local Airport funds may be able to cover the funding shortfall. The Authority may also seek discretionary grant funding for the terminal through the IIJA.

4.4. Conclusions and Recommendations

Based on the analyses documented in this Chapter, the implementation of the TAP, as incorporated into the Airport's overall five-year CIP, appears to be financially feasible given the funding sources anticipated to be available to the Authority through FY 2026. As implementation of the CIP progresses, the Authority should continually assess the financial feasibility of each project included in the CIP. Future considerations regarding the funding of the CIP include the following:

- **Enplaned passenger/traffic growth:** As applicable, the financial plan was developed and analyzed in consideration of the assumed aviation activity forecast presented in this chapter. Actual year-to-year enplaned passengers and aircraft operations will likely deviate from this forecast. Significant changes in enplaned passengers and aircraft operations may impact operating revenues and expenses, as well as the amount of PFC revenues, AIP entitlement grant awards, and IIJA grant awards.
- **Availability of AIP funds:** The potential funding plan for the CIP assumes the FAA will continue to authorize and appropriate AIP funds for eligible projects. Because the level of authorized and appropriated AIP funds may vary from year to year, alternative funding sources may need to be identified if grants cannot be obtained for certain eligible projects.
- **Potential increase in maximum PFC level:** Airport industry groups have requested that federal PFC regulations be changed to increase the PFC program's maximum PFC level from its current level of \$4.50 per eligible enplaned passenger. While the FAA Reauthorization Act of 2018 did not address the issue, PFC levels may change in the future but will require Congressional action to take effect. The financial projections and the funding plan reflected in this analysis assume the current \$4.50 maximum PFC level remains in place through FY 2026.

The Authority may consider the following recommendations to further enhance its financial position during the period FY 2022 – FY 2026:

- Conduct periodic assessments of operating and maintenance activities to determine if specific activities are being conducted as efficiently as possible and take advantage of opportunities to implement sustainable practices, development, and technologies which may result in decreased annual operating and maintenance expenses
- Take advantage of funding opportunities that may supplement or replace “typical” airport capital development funding sources. Examples may include public-private partnerships for third-party financing, TSA grants for security-related improvements within the terminal, economic development grants, and tax incentives for private facility development.
- As current leases expire, review terms/rates of current leases to determine the most appropriate lease terms and rates given market conditions, specific land/facility uses, and opportunity costs. In addition, periodic reviews of rates and charges imposed on Airport users should be undertaken.

Page Intentionally Left Blank