

CHAPTER SEVEN

FINANCIAL FEASIBILITY

7.1 INTRODUCTION AND PURPOSE

The financial feasibility analysis is used to evaluate Flagler County Airport's historical and projected revenue and expenditures. This is to determine the financial viability of fully implementing the Airport Master Plan's capital improvement program (CIP) to take advantage of the potential economic impact that airport development offers to the County. The objective of this updated financial analysis is twofold:

- Estimate the capital and operating costs for the various components that comprise the capital improvement program
- Determine if it is feasible for the Airport to generate sufficient revenues to repay capital and operating costs

In order to achieve these objectives, several subtasks were performed:

- Projections of potential operating revenues
- Comparison of operating revenues/capital and operating costs
- Identification of funding shortfalls
- Identification of potential additional funding sources
- Feasibility/cash flow analysis

7.2 REVENUE SOURCES

Flagler County Airport collects revenues from a variety of sources. These sources include Airport revenues and federal, state, and local (city/county) commitments. Airport revenues consist of income generated from the following activities:

- Land and building leases
- Hangar rental
- Fixed base operation (fuel sales)
- Water and sewer fee
- User fee
- Special event and/or operative fees (banner tow, car parking, etc.)
- Miscellaneous revenue (interest, etc.)

Projected revenues for the period fiscal year (FY) 2005 to 2009 are delineated in **Table 7-1**, and are predicated on the FY 2005 anticipated revenues with a conservative 3 percent real growth rate over the remainder of the period. Increased revenues from new Airport activities already under contract are reflected in the table commencing in FY 2005. Grants from the Federal Aviation Administration (FAA) and/or Florida Department of Transportation (FDOT) for capital improvements are not included in these income figures.

**TABLE 7-1
 PROJECTED REVENUE ANALYSIS (FY 2005-2009)**

Account Description	Budget				
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Charges for Services:					
Hangar Rent (Hangars 1-6)	\$13,680.00	\$14,090.40	\$14,513.11	\$14,948.51	\$15,396.96
Restaurant Rent	\$11,217.00	\$11,553.51	\$11,900.12	\$12,257.12	\$12,624.83
Lrg Hgr Rent (A,B,Corp,ES)	\$59,956.00	\$61,754.68	\$63,607.32	\$65,515.54	\$67,481.01
Tie Down Rent	\$10,320.00	\$10,629.60	\$10,948.49	\$11,276.94	\$11,615.25
Sale of Aviation Fuel	\$825,080.00	\$849,832.40	\$875,327.37	\$901,587.19	\$928,634.81
Sale of Oil	\$2,100.00	\$2,163.00	\$2,227.89	\$2,294.73	\$2,363.57
Land Leases/Rentals	\$33,135.00	\$34,129.05	\$35,152.92	\$36,207.51	\$37,293.73
Hangar/Office Rent	\$186,716.00	\$192,317.48	\$198,087.00	\$204,029.61	\$210,150.50
Sale of Jet Fuel	\$229,540.00	\$261,146.20	\$268,980.59	\$277,050.00	\$285,361.50
T-Hangar Rent	\$89,520.00	\$92,205.60	\$94,971.77	\$97,820.92	\$100,755.55
Airport User Fees	\$4,000.00	\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04
Reimb Airport Water Use	\$19,400.00	\$19,982.00	\$20,581.46	\$21,198.90	\$21,834.87
Total	\$1,484,664.00	\$1,553,923.92	\$1,600,541.64	\$1,648,557.89	\$1,698,014.62

Revenues the Airport generates now and in the future will continue to come primarily from commissions on services provided, hangar and building rental fees, land leases, and fuel sales. However, the greatest opportunity to generate significant revenues to implement the recommended development will be associated with the use of undeveloped and underutilized land areas within the existing Airport property as well as contiguous property currently in negotiation. The success of the Airport to qualify for bank loans and attaining financial sustainability rests with the successful marketing and development of a business park and general aviation services.

7.3 EXPENSES

Historic expenses are classified for the purpose of this summary as personnel and operating expenses in the form of contractual services, professional services, and general operating expenses. Personnel expenses are those expenses associated with full and part-time Airport employees, which include salaries, taxes, and benefits. Operating expenses include utilities, supplies, maintenance, insurance, and other miscellaneous expenses associated with the operations of the Airport. **Table 7-2** details projected expenses, excluding anticipated costs for capital improvements, for the period FY 2005-2009 based on budgeted costs for FY 2005 and a 3 percent inflation factor for the remainder of the period. However, unforeseen expenses associated with the dramatic growth currently affecting the County and Airport are not accounted for in this analysis.

**TABLE 7-2
 PROJECTED EXPENSES ANALYSIS (FY 2005-2009)**

Account Description	Budget				
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personnel Expenses:					
Regular Salaries	\$175,480.00	\$180,744.40	\$186,166.73	\$191,751.73	\$197,504.29
Other Salaries & Wages	\$18,730.00	\$19,291.90	\$19,870.66	\$20,466.78	\$21,080.78
Overtime	\$20,830.00	\$21,454.90	\$22,098.55	\$22,761.50	\$23,444.35
FICA	\$16,183.00	\$16,668.49	\$17,168.54	\$17,683.60	\$18,214.11
Retirement Expense	\$14,915.00	\$15,362.45	\$15,823.32	\$16,298.02	\$16,786.96
Life & Health Insurance	\$53,272.00	\$54,870.16	\$56,516.26	\$58,211.75	\$59,958.11
Workers Comp Expense	\$5,274.00	\$5,432.22	\$5,595.19	\$5,763.04	\$5,935.93
Total	\$304,684.00	\$313,824.52	\$323,239.26	\$332,936.43	\$342,924.53
Operating Expenses:					
Professional Services	\$2,500.00	\$2,575.00	\$2,652.25	\$2,731.82	\$2,813.77
Other Contracted Services	\$4,220.00	\$4,346.60	\$4,477.00	\$4,611.31	\$4,749.65
Governmental Services	\$1,000.00	\$1,030.00	\$1,060.90	\$1,092.73	\$1,125.51
Travel Expenses	\$1,200.00	\$1,236.00	\$1,273.08	\$1,311.27	\$1,350.61
Communications Recurring	\$5,460.00	\$5,623.80	\$5,792.51	\$5,966.29	\$6,145.28
Postage Expense	\$300.00	\$309.00	\$318.27	\$327.82	\$337.65
Utilities Expense	\$38,000.00	\$39,140.00	\$40,314.20	\$41,523.63	\$42,769.33
Rentals & Leases	\$1,960.00	\$2,018.80	\$2,079.36	\$2,141.74	\$2,206.00
General Liability Ins	\$8,600.00	\$8,858.00	\$9,123.74	\$9,397.45	\$9,679.38
Vehicle Insurance	\$1,200.00	\$1,236.00	\$1,273.08	\$1,311.27	\$1,350.61
Bldg/Equip Repairs	\$20,000.00	\$20,600.00	\$21,218.00	\$21,854.54	\$22,510.18
Vehicle Repair	\$1,500.00	\$1,545.00	\$1,591.35	\$1,639.09	\$1,688.26
Maintenance Agreements	\$8,100.00	\$8,343.00	\$8,593.29	\$8,851.09	\$9,116.62
Small Tools & Equip	\$500.00	\$515.00	\$530.45	\$546.36	\$562.75
Printing & Binding	\$150.00	\$154.50	\$159.14	\$163.91	\$168.83
Other Current Charges	\$14,000.00	\$14,420.00	\$14,852.60	\$15,298.18	\$15,757.12
Office Supplies	\$1,000.00	\$1,030.00	\$1,060.90	\$1,092.73	\$1,125.51
Gas, Oil & Lubricants	\$4,000.00	\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04
Other Operating Expenses	\$4,000.00	\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04
Aviation Oil & Jet Fuel	\$794,590.00	\$854,024.50	\$879,645.24	\$906,034.59	\$933,215.63
Equipment (Tractor, golf cart)	\$22,500.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Publications/Memberships	\$900.00	\$927.00	\$954.81	\$983.45	\$1,012.96
Conference/Seminar Regist	\$400.00	\$412.00	\$424.36	\$437.09	\$450.20
Total	\$936,080.00	\$986,584.20	\$1,015,881.73	\$1,046,058.18	\$1,077,139.93
Debt Service: \$1,000,000 @ 5% for 20 yrs					
Principal	\$29,873.14	\$31,401.50	\$33,008.08	\$34,696.82	\$36,471.97
Interest	\$49,321.58	\$47,793.22	\$46,186.64	\$44,497.90	\$42,722.75
Total	\$79,194.72	\$79,194.72	\$79,194.72	\$79,194.72	\$79,194.72
Grand Total	\$1,319,958.72	\$1,379,603.44	\$1,418,315.71	\$1,458,189.33	\$1,499,259.18
Personnel Expenses:					

7.4 CAPITAL IMPROVEMENT PROJECT FUNDING

Airport projects are typically funded by a combination of sources including FAA and FDOT grants, and airport revenues.

Federal Financial Assistance

The FAA, through the Airport Improvement Program (AIP), funds general aviation airports through two means: Discretionary and General Aviation (GA) entitlement funds. Airports typically receive discretionary funding for federally eligible projects that have been identified as “high priority” in the National Plan of Integrated Airport Systems (NPIAS) evaluation. The 1999 reauthorization of the AIP legislation (AIR 21) set aside funding specifically for general aviation airports. Flagler County Airport has routinely qualified for the full \$150,000 dollars per year for eligible FAA projects allowed in this GA entitlement funding program. FAA funds are usually reserved for construction or reconstruction of runways and taxiways, non-exclusive use aprons, navigational aids, federal air traffic control towers, passenger terminal buildings (non-revenue areas only), primary airport access roads, and land acquisition. Most eligible FAA project costs are eligible up to 95 percent, with the remaining 5 percent typically shared evenly between the FDOT and the Airport sponsor.

State Financial Assistance

FDOT funding is available for FDOT eligible projects, and can be utilized to match FAA grants. FDOT eligibility criteria is much broader than FAA’s, including funding of hangars, general aviation terminal buildings, parking lots, and projects referred to as economic development projects (i.e., industrial or business parks). Since Flagler County Airport is classified as a general aviation airport, it is eligible for up to 80 percent funding on most FDOT projects that are not supported by federal dollars. When federal dollars are available, FDOT provides one half of the matching share, typically 2.5 percent. The Joint Automated Capital Improvement Program (JACIP) is a cooperative funding program utilized by the FAA and FDOT for coordination of annual funding and programming of Florida airport projects. Funding from FDOT is dependent upon the Airport’s inclusion of proposed near-term projects within the FDOT five-year work program and the JACIP.

Local Share

The Airport is required to match federal and/or state grants to eligible projects with a proportional amount known as the Local Share. The Airport may generate their local share from the airport’s enterprise fund, commercial loans, or other creative financing avenues.

7.5 PROJECT DEVELOPMENT COST VS. POTENTIAL REVENUES

Based on the full build-out scenario as depicted on the Airport Layout Plan (ALP), the development costs for the preferred development option in current dollars (2004) are summarized in **Table 7-3**. These costs are based upon current (2004) unit prices and include a 10

percent contingency fee. The cost estimates are based upon unadjusted 2004 dollars and are calculated for order-of-magnitude purposes only. Actual construction costs will vary based upon variations in labor, materials, and construction costs, inflation, and other unforeseeable economic factors.

The detailed 20-year capital improvement program cost estimates are listed by Stage I (2005-2009), Stage II (2010-2014), and Stage III (2015-2024). The projects depict projected eligibility costs based upon current federal and state eligibility criteria only, and do not represent a commitment for funding by the respective funding sources. **In addition, it is important to note that projects will be managed as operational demands dictate rather than adhering to a strict timeline as outlined in Table 7-3.** This feasibility analysis focuses on the years 2005 through 2009 because that time period is the most crucial in the long term development of the Airport, and represents the optimal period for which accurate funding/cost figures can be identified. Based on recent requests from businesses for facilities on the field, it is believed that the capital improvements implemented in this time will spur significant growth in revenues in the future.

**TABLE 7-3
 CAPITAL IMPROVEMENT PROGRAM STAGING**

YEAR	PROJECT DESCRIPTION	Total Cost	Anticipated Funding Sources		
			FAA	FDOT	Local
2005	(1) Relocated Runway 11/29, Stage I – Site Prep	\$2,400,000	\$2,280,000	\$60,000	\$60,000
	(2) Air Traffic Control Tower, Stage I-Design	\$190,000	\$0	\$152,000	\$38,000
	(3) Partial Parallel Taxiway for 11/29, Stage I-Site Prep	\$150,000	\$142,500	\$3,750	\$3,750
	Subtotal	\$2,740,000	\$2,422,500	\$215,750	\$101,750
2006	(1) Relocated Runway 11/29 Stage II – Paving/Lighting	\$2,700,000	\$2,565,000	\$67,500	\$67,500
	(2) Partial Parallel Taxiway for 11/29 Stage II – Paving/Lighting	\$500,000	\$475,000	\$12,500	\$12,500
	(3) 11 T-Hangars	\$425,000	\$0	\$212,500	\$212,500
	(4) Air Traffic Control Tower	\$1,250,000	\$0	\$1,000,000	\$250,000
	(5) Partial Parallel Taxiway for 6/24	\$1,200,000	\$1,140,000	\$30,000	\$30,000
Subtotal	\$6,075,000	\$4,180,000	\$1,322,500	\$572,500	
2007	(1) Parallel Taxiway for 11/29 Pavement Rehab.	\$310,000	\$294,500	\$7,750	\$7,750
	(2) Roadway & Parking Expansion	\$300,000	\$0	\$150,000	\$150,000
	(3) 11 T-Hangars	\$425,000	\$0	\$212,500	\$212,500
	(4) 60' x 60' Corp. Hangar	\$310,000	\$0	\$248,000	\$62,000
	(5) Two 100' x 100' Corp Hangar	\$1,300,000	\$0	\$1,040,000	\$260,000
	(6) ILS	\$1,700,000	\$0	\$850,000	\$850,000
Subtotal	\$4,345,000	\$294,500	\$2,508,250	\$1,542,250	
2008	(1) 60' x 60' Corp Hangar	\$310,000	\$0	\$248,000	\$62,000
	(2) Two 100' x 100' Corp Hangar	\$1,300,000	\$0	\$1,040,000	\$260,000
	(3) Ramp Pavement Rehab	\$100,000	\$95,000	\$2,500	\$2,500
	(4) Apron Expansion	\$275,000	\$261,250	\$6,875	\$6,875
Subtotal	\$1,985,000	\$356,250	\$1,297,375	\$331,375	
2009	(1) Terminal Building	\$1,600,000	\$150,000	\$725,000	\$725,000
	(2) 60' x 60' Corp Hangar	\$310,000	\$0	\$248,000	\$62,000
	(3) Three 100' x 100' Corp Hangar	\$1,950,000	\$0	\$1,560,000	\$390,000
	(4) Roadway & Parking Expansion	\$50,000	\$0	\$25,000	\$25,000
Subtotal	\$3,910,000	\$150,000	\$2,558,000	\$1,202,000	
Total Stage I (2005-2009)		\$19,055,000	\$7,403,250	\$7,901,875	\$3,749,875
2010	(1) 10 T-Hangars	\$385,000	\$0	\$192,500	\$192,500
	(2) ARFF Station	\$1,550,000	\$0	\$775,000	\$775,000
	Subtotal	\$1,935,000	\$0	\$967,500	\$967,500
2011	(1) 60' x 60' Corp Hangar	\$310,000	\$0	\$248,000	\$62,000
	(2) 100' x 100' Corp Hangar	\$650,000	\$0	\$520,000	\$130,000
Subtotal	\$960,000	\$0	\$768,000	\$192,000	

TABLE 7-3 continued
CAPITAL IMPROVEMENT PROGRAM STAGING

YEAR	PROJECT DESCRIPTION	Total Cost	Anticipated Funding Sources		
			FAA	FDOT	Local
2012	(1) Taxiway Construction	\$300,000	\$285,000	\$7,500	\$7,500
	(2) 10 T-Hangars	\$385,000	\$0	\$192,500	\$192,500
	(3) Complete Parallel Taxiway for 6/24	\$1,000,000	\$950,000	\$25,000	\$25,000
	(4) 60' x 60' Corp Hangar	\$310,000	\$0	\$248,000	\$62,000
	Subtotal	\$1,995,000	\$1,235,000	\$473,000	\$287,000
2013	(1) Taxiway Construction	\$300,000	\$285,000	\$7,500	\$7,500
	(2) 100' x 100' Corp Hangar	\$650,000	\$0	\$520,000	\$130,000
	Subtotal	\$950,000	\$285,000	\$527,500	\$137,500
2014	(1) Taxiway Construction	\$300,000	\$285,000	\$7,500	\$7,500
	(2) 60' x 60' Corp Hangar	\$310,000	\$0	\$248,000	\$62,000
	Subtotal	\$610,000	\$285,000	\$255,500	\$69,500
	Total Stage II (2005-2009)	\$6,450,000	\$1,805,000	\$2,991,500	\$1,653,500
2015 through 2024	Parallel Taxiway for 11/29	\$2,850,000	\$2,707,500	\$71,250	\$71,250
	20-T-Hangars	\$770,000	\$0	\$385,000	\$385,000
	Three 60' x 60' Corp Hangars	\$930,000	\$0	\$744,000	\$186,000
	Apron	\$535,200	\$508,440	\$13,380	\$13,380
	Total Stage III (2015-2024)	\$5,085,200	\$3,215,940	\$1,213,630	\$655,630
	Grand Total (Stages I, II, & III)	\$30,590,200	\$12,424,190	\$12,107,005	\$6,059,005

As indicated in **Tables 7-4** and **7-5**, a conservative estimate indicates that the Airport’s revenue generating potential is significant and likely sufficient to finance the issuance of debt and the associated debt service. However, the financial analysis of the Proposed Development Plan indicates that there will be a shortfall in Airport revenues needed for capital projects. For that reason, the County can secure loans from commercial financial institutions and the General Fund thereby ensuring that the short-term build out of Airport facilities will proceed smoothly. Commencement of Stage II and Stage III projects will depend on Airport user demand.

**TABLE 7-4
 PROJECTED REVENUES VS. EXPENSES (FY 2005-2009)**

	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
Revenues	\$1,484,664.00	\$1,553,923.92	\$1,600,541.64	\$1,648,557.89	\$1,698,014.62
Expenses	\$1,319,958.72	\$1,379,603.44	\$1,418,315.71	\$1,458,189.33	\$1,499,259.18
Funds Available	\$164,705.28	\$174,320.48	\$182,225.93	\$190,368.55	\$198,755.44

**TABLE 7-5
 ANALYSIS OF LOCAL FUND SHARE REQUIREMENTS**

	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
Funds Available	\$164,705.28	\$174,320.48	\$182,225.93	\$190,368.55	\$198,755.44
Current CIP (Local Share)	\$101,750.00	\$572,500.00	\$1,542,250.00	\$331,375.00	\$1,202,000.00
Airport Revenue Overage/(Shortfall)	\$62,955.28	(\$398,179.52)	(\$1,360,024.07)	(\$141,006.45)	(\$1,003,244.56)
Total Funds Needed from Non-Airport Sources					(\$2,839,499.31)

The Flagler County Board of County Commissioners is committed to the development of the Airport as an economic engine for the County, and is cognizant of the great potential of the Airport to become a business showpiece. The loan guarantees secured by the County for the Airport will enable the Sponsor to meet the local share for all projects in CIP.

7.6 SUMMARY

Revenues the Airport generates now and in the future will come primarily from commissions on services provided, hangar and building rental fees, and land leases. The undeveloped and underutilized land areas on the Airport represent the greatest opportunity to significantly generate the necessary revenues to implement the master plan development program. The Sponsor is committed to the development of the Airport in a sound business manner, and has secured the necessary loan guarantees to ensure timely completion of the short term projects identified in this plan. The success of the Airport in attaining financial sustainability rests with the successful marketing and development of the business park.