Presentation to the

2014 Aviation Conference

Running Your Airport Like a Business

March 4, 2014

Agenda

- Business Planning Background
- Airport Revenues & Rule of Thumbs
- Airport Business Decisions
- Airport Expenses & Reduction Options
- Corporate Aviation Decisions
- Airport Marketing
- Recommendations
Airport Business Plan (BP)

➔ Where the MP / ALP focuses on airfield development & infrastructure, the written strategic BP identifies techniques to maximize Airport revenues and minimize expenses.

➔ BP addresses the issues and problems that challenge the Airport’s future economic viability.

➔ In this day and age of financial challenges, Master Plans and Business Plans have a hand in glove relationship.

➔ An airport must be run like a business and Business Plans are an important step.

➔ Goal: Provide Airports with useful and understandable information and guidance to achieve self-sufficiency or to enhance financial results.
Airport Business Process

Airport Business Plan

Create Mission Statement → Set Goals → Define Objectives → Develop Strategies → Select Preferred Course of Action

Re-Evaluate Refine → Adjust → Implement Projects → Test Construct Evaluate Effectiveness → Implement Projects Test Construct Evaluate Effectiveness

Airport Improvement Program

Your Airport’s Mission

To Provide a Transportation Service

To Promote Regional Economic Development

To Provide Business Opportunities On, And In The Vicinity Of, The Airport

L.R. Kimball
ARCHITECTURE • ENGINEERING • COMMUNICATIONS TECHNOLOGY
AVIATION | CIVIL | CONSTRUCTION SERVICES | DATA SYSTEMS | ENVIRONMENTAL
FACILITIES ENGINEERING | GEOSPATIAL | NETWORKS | PUBLIC SAFETY | TRANSPORTATION
The Airport’s business goals may focus on:

- Satisfying the aviation demands of the Airport Service Area.
- Increasing based aircraft, specifically business / corporate
- Obtaining / Maintaining Airport financial self sufficiency
- Securing a FBO
- Attracting private investment
- Creating more jobs / career opportunities
- Increasing the tax base
- Capturing greater market share of economic development

Your Airport

**Airport’s Business Opportunities**

- Aviation Museum
- Hangar Development
- Aviation Business Center
- Military Contractors
- Fixed Based Operator
- Foreign Trade Zone
- Charter Service
- Airport Restaurant
- Medevac Service
Airport Business Planning

Focus on:
- Business Overview – current conditions
- Market Assessment - service area
- Management Plan – mission, vision, and goals
- Financial Plan – historical and projections
- Non-traditional revenue streams
- Development Plan - satisfying demand
- Marketing Plan – market overview and strategy
- Key Recommendations / Implementation Plan

Benefits of Business Planning

1. Tool for creating common focus among all individuals involved with Airport
2. Identifies operating obstacles and challenges
3. Defines operating priorities – goals in line with aviation demand
4. Provides for common understanding of financial results /cash flow and describes significant contributors to bottom-line
5. Defines initiatives essential for growth
6. Provides tool for benchmarking sales strategies, pricing, and marketing to other airports
7. Defines success and longevity for short- and long-term
Airport Capital Improvement Plan (ACIP) Test

1. Mount or project the 5 Year ACIP
2. Within 15 seconds, cite the Airport Business Goal or Objective which is to be satisfy by that project.
3. If a “safety or security” project, then so state and move on to the next project.

Typical Response

Typical Airport response is:
“Gee, we must be doing projects .....  
→ for the sake of doing projects.”
→ because our share is only 5 %.”
→ because someone has said we need to do this project.”
→ because that pavement is gray and it needs to be black.”
Traditional TOP 5 GA REVENUE GENERATORS

for PUBLICLY OWNED Public Use Airports*

1. HANGAR RENTALS
2. FUEL SALES
3. FACILITY RENTALS (FBO)
4. PILOT SUPPLIES, VENDING, & CONCESSIONS
5. TIEDOWN RENTAL

* L.R. Kimball GA Survey

Traditional TOP 5 GA REVENUE GENERATORS

for PRIVATELY OWNED Public Use Airports*

1. FUEL SALES
2. HANGAR RENTALS
3. FBO SERVICES (MAINT., REPAIR, ETC)
4. TIEDOWN RENTAL
5. PILOT SUPPLIES, VENDING, & CONCESSIONS

* L.R. Kimball GA Survey
General Aviation Airport Revenue Ranges

**From Fixed Based Operator**
- Fuel Flowage Fees (6 to 15 cents/gallon)
- Percentage of Gross Revenue (0.5 to 1.5%)

**From Airport Owned Facilities**
- FBO Hangar Rental ($1100 to $2100/month)
- Large Corporate Hangar Rental ($340 to $5,000/month)
- Small Corporate Hangar Rental ($75 to $1,250/month)
- Large T-Hangar Rental ($200 to $650/month)
- Small T-Hangar Rental ($50 to $300/month)
- Tiedown Rental ($20 to $155/month)

**Concessions**
- Restaurant ($1100 to $2000/month)

**Private / Corporate Donations**

**County Subsidies (If necessary)**
- Operations and Maintenance (O&M)
- Capital Improvements (Local Share)
Hangar Investment Decision

10 UNIT NESTED T-HANGAR W/ 45’ DOORS

Typical hangar tenants:
- 3 Hangar Queens
- 3 Aircraft owners who will fly X NM to buy fuel cheaper
- 4 Aircraft owners who will buy fuel from Airport
- Reluctant to pay fair market value for rent ($300+/month)
- Little revenue from fuel sales (25 gal./refill)
- Little revenue from aircraft maintenance

5 NESTED 60’ BOX HANGARS

Typical hangar tenants:
- 5 Corporate / business aircraft
- Typical aircraft is the King Air
- Willing to pay fair market value for rent ($1000+/month)
- Most will buy Airport’s fuel (50 gal.+/refill)
- Most will utilizing Airport’s maintenance service
- Aircraft will justify FBO private investment & runway extension
### Hangar Business Decision

**P3 Revenue Projections**

**Airport Revenue:**
1. Ground Lease: $1,000 (if x 10 corporate hangars x 360) = $36,000 / Year (After full build-out)
2. Fuel Sales: $0.10 / gal x 70,000 gal / corporate aircraft (typical for Corporate based at Airport) x 10 corporate aircraft = $7,000 / Year (After full build-out)

**County Revenue:**
1. Taxes: $5,000 / Year x 10 corporate hangars = $50,000 / Year (After full build-out)

*Assume full build-out immediately.*

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NO. OF HANGARS</th>
<th>AIRPORT REVENUE</th>
<th>COUNTY REVENUE</th>
<th>TOTAL REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>3</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>4</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>5</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>6</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>8</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$121,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10</strong></td>
<td><strong>$1,000,000</strong></td>
<td><strong>$150,000</strong></td>
<td><strong>$1,210,000</strong></td>
</tr>
</tbody>
</table>

Over the 10 Year Build-out, the total revenue for the Airport is $1,060,000 and County is $150,000 or $1,210,000 for both. A very attractive incentive for entering into a private – public partnership.
Public – Private Partnerships (P3)

- **Example: Hangar Development**
  - The Owner / Airport is able to construct taxi lanes and aprons with Federal AIP and / or State Aviation grants which marry-up with the Aviation Investment Company’s (AIC) hangars.
  - The AIC / Developer often pays the Airport's local grant share.
  - The Owner / Airport gains reliable revenue from a long term ground lease and increased fuel and maintenance sales.
  - At the conclusion of the lease, the Owner / Airport takes ownership of the hangars.

Fuel Facility Fee Decision

Aviation Fuel Facility Assets

Likely New EPA Regulations
Fuel Facility Fee Decision

- Typical Airport Investment:
  - 100 LL (10,000 Gal. Tank) : $100K +
  - Jet “A” (10,000 Gal. Tank) : $100K+
  - Fuel Truck: $100K+
  - Self Fueling Station: $25K
  **Minimum investment: $325K**

- Revenue Need to:
  - Amortize initial investment
    - Fuel Flowage Fee: $0.10/gal. min.
    - Fuel Facility Fee: $0.20/gal. min.
  - Sinking Fund for:
    - Maintenance
    - Upgrading
    - EPA regulation changes
    - Facility Replacement

**Example:**
Fuel Facility Investment: $325K
Investment Term: 15 Years @ 5% interest
Annual Payment: $30,840
Annual Fuel Sales: 308K gal. @ $0.10/gal.

FLIERS FEUD

Traditional TOP 5 GA EXPENSES
for **PUBLICLY OWNED** Public Use Airports*

1. WAGES/PAYROLL/BENEFITS
2. INSURANCE
3. UTILITIES
4. LEGAL AND AUDIT EXPENSES
5. MAINTENANCE

* L.R. Kimball GA Survey
FLIERS FEUD

Traditional TOP 5 GA EXPENSES
for PRIVATLEY OWNED Public Use Airports*

1. WAGES/PAYROLL/BENEFITS
2. INSURANCE
3. REAL ESTATE TAX
4. UTILITIES
5. MAINTENANCE

X X X

*L.R. Kimball GA Survey

Reducing Expenditures

- Insurance
  - Consider a rider with the public sponsoring agency.
- Utilities
  - Consider replacement with energy efficient equipment
  - Shop for the best energy provider deal.
  - Generate your own electric.
- Maintenance
  - Snow Removal
  - Grass Mowing
  - Pavement Repairs
  - Lighting Repairs
- Real Estate Taxes
  - Donate to public entity & lease back
  - Legislation which exempts public use areas (runway, taxiways, approaches)
  - Aviation tax rebate program
  - Challenge assessments

SPECIAL NOTICE
(Some State Aviation Org.)
AVAILABILITY OF LOCAL REAL ESTATE TAX
REIMBURSEMENT GRANTS FOR TAXES PAID
Land Leasing

- Unimproved ($0.30/sf)
  - Raw land, no improvements, no utilities at lease limits
- Pad Ready ($0.75/sf)
  - Site roughly graded
- Improved ($1.50/sf)
  - Pad Ready & utilities at lease limits
- Fully Developed ($2.00/sf+)
  - Improved & pavement in place
- Ground leasing can be priced as the lot square foot or square footage under building (higher price.)

Airport Decision by Corporate Flight Dept.

Your Airport and adjacent Airport “ABC” are options for a Corporation’s designation. What are the three key decision factors for choosing one over the other?

<table>
<thead>
<tr>
<th>Year</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Fuel Price</td>
<td>Fuel Price</td>
<td>Fuel Price</td>
</tr>
<tr>
<td>Today</td>
<td>Lowest Inst. Appr.</td>
<td>Full Service FBO</td>
<td>Fuel Price</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For most corporations with a fleet of different aircraft, runway length is not a key consideration if the runway is 3,500’ or longer.
Marketing Your Airport

- Website
- Newsletter
- Noise Abatement Plan
- Aviation Community Day
- Tourism Flier
- Kids Page
- Young Eagles
- Dynamic Message Sign
- Newspaper Articles
- TV / Radio Interviews
- Ground Breaking Ceremony
- Ribbon Cutting Ceremony
- Rotary / Chamber of Commerce Presentation

Airport Business Plans

Recommendations:
- Maximize Existing Revenues
- Capture New Revenue Sources
- Decrease / Eliminate
  - O&M Subsidies
  - Local Share Subsidies
- Increase Based Aircraft and Itinerant Activity
- Enhance the Airport as an Economic Generator
- Provide a Realistic Balanced Budget
- Encourage Economic Partnerships
- Attract Greater Private Investment
- Make Business Decisions Based on $ Return
Essential Airport Management Documents

- Airport Business Plan
- Minimum standards
- Airport rules and regulations
- Rates and charges policies
- Leasing policies
- Communications policies
- Standardized lease language
- Master plan/airport layout plan (ALP)
- RFP language and evaluation criteria
- Emergency plans

Seize the Economic Opportunity

Thank You
Contact:

Fran Strouse, P.E.
Director Aviation Technical Services
L.R. Kimball
fran.strouse@lrkimball.com
Cell: 717-808-4824
www.lrkimball.com