

8 FINANCIAL PLAN

This section presents financial projections for the Authority, based on the Airport's Capital Improvement Program (CIP) and the aviation activity forecasts presented in **Chapter 3**. The Airport's Fiscal Year (FY) ends December 31. Financial projections were developed for the first two planning periods: Phase 1 (1-5 years, or FY 2015 through FY 2019) and Phase 2 (6-11 years, or FY 2020 through FY 2025). The FY 2013 numbers included in this chapter are presented in the 2013 Audited Financial Statements and the FY 2014 amounts are presented in the 2014 budget, approved on December 19, 2013.

8.1 AUTHORITY'S FINANCIAL STRUCTURE

The Akron-Canton Regional Airport Authority was created by resolution of the County Commissioners of Stark and Summit counties of Ohio in 1964. A Board of Trustees, made up of representatives from Stark and Summit counties, governs the Authority.

For financial statement presentation purposes, the Authority has one fund – a proprietary fund. The Authority's proprietary fund type is an Enterprise Fund, used to account for operations financed and operated in a manner similar to private business enterprises, where the intent is that costs – expenses, including depreciation – of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. This also applies to situations in which it is decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to the Authority's fund is determined by their measurement focus, which emphasizes the determination of net income. The Authority's statements are prepared on the accrual basis and present all assets and liabilities of the Authority, financial and capital and short-term and long-term. They also present revenues and expenses of the Authority during the year, regardless of when cash was received or paid. A significant portion of day-to-day operations and planning relates to fiscal management. The Authority legally adopts staff-prepared operating and capital budgets.

The airlines serving CAK operate under the air carrier lease agreement that expires on May 31, 2019. The airline fees and rents are fixed in Schedule A of the air carrier lease agreement. However, according to Section 4.06 Extraordinary Rate/Fee Adjustments of the air carrier lease agreement, they can be adjusted by a maximum of 10 percent in the event that any of the cost or revenue components of the Authority's cost centers vary materially from the estimates used in setting the fees and rents included in Schedule A.

8.2 CAPITAL IMPROVEMENT PROGRAM

All airports receiving federal Airport Improvement Program (AIP) funding are required to maintain a current CIP with the FAA, which identifies projects to be undertaken at an airport over a specified period of time. This plan further estimates the order of implementation as well

as total project costs and funding sources. It incorporates all projects recommended as part of this Master Plan Update from FY 2014 through FY 2025.

The recommended CIP and its corresponding cost estimates are based on a planning level of detail and presented in **Table 8-1**. While accurate for master planning purposes, actual project costs will likely vary from these planning estimates once project design and engineering estimates are developed. The cost estimates presented in the table are in 2014 dollars, inflated at 2.8 percent annually and also include contingencies, design costs and construction management costs. As shown in the table, the CIP is estimated at approximately \$136.2 million in 2014 dollars and approximately \$162.4 million in inflated dollars.

Table 8-1 – CIP
(Page 1 of 2)
(in 000s)

Year	Description	Project Costs		Funding Sources						
		2014 \$	Inflated ¹	Entitlement	Discretionary	TSA	PFC Pay Go	PFC Leverage	3rd Party	Authority
2014	Entrance/Access Roads - Construction Phase 1	\$3,000	\$3,000	\$1,215	\$0	\$0	\$135	\$0	\$0	\$1,650
2014	Terminal Mod - Ticket Wing Exp/Reno - Design	94	94	42	0	0	5	0	0	47
2014	Sand / Chemical Storage Building - Design	100	100	90	0	0	10	0	0	0
2015	Environmental Assessment	400	411	370	0	0	41	0	0	0
2015	Entrance/Access Roads - Construction Phase 2	649	668	270	0	0	397	0	0	0
2015	Covered Baggage Handling Area - Design	259	267	0	0	0	267	0	0	0
2015	Remote Parking Lot - Design	357	367	0	0	0	367	0	0	0
2015	Obstruction Removal Phase 1	75	77	69	0	0	8	0	0	0
2015	Terminal Mod - Constr. (Ticket Wing Expansion)	2,500	2,570	1,503	0	0	1,067	0	0	0
2015	Property Acquisition - Part 77 Surface Protection	705	725	652	0	0	72	0	0	0
2015	Access Control System Upgrade Design	120	123	111	0	0	12	0	0	0
2015	Sand / Chemical Storage Building - Construct	520	535	481	0	0	53	0	0	0
2015	Snow Removal Equipment - High Speed Broom	450	463	416	0	0	46	0	0	0
2015	Rehabilitate Taxiway B - Design	316	325	292	0	0	32	0	0	0
2016	ILS Upgrade - Design	38	40	36	0	0	4	0	0	0
2016	Remote Parking Lot - Construction	4,464	4,717	0	0	0	0	0	0	4,717
2016	Terminal Modifications - Design	2,397	2,533	2,097	0	0	233	0	0	203
2016	Covered Baggage Handling Area - Construction	2,881	3,044	0	0	0	3,044	0	0	0
2016	Access Control System Upgrade build	750	793	713	0	0	79	0	0	0
2016	Snow Removal Equipment - Snow Plow A	400	423	380	0	0	42	0	0	0
2016	Rehabilitate Taxiway B - Build	1,000	1,057	951	0	0	106	0	0	0
2017	CBIS Facility - Design	1,049	1,140	103	0	23	1,015	0	0	0
2017	ILS Upgrade - Construction	313	340	306	0	0	34	0	0	0
2017	Terminal Modifications - Construction Phase 1	16,975	18,441	4,979	0	0	1,475	8,298	0	3,688
2017	Snow Removal Equipment - Snow Melting Unit	425	462	0	0	0	462	0	0	0
2017	Snow Removal Equipment - Plow Loader	350	380	342	0	0	38	0	0	0
2017	Snow Removal Equipment - Snow Plow B	400	435	0	391	0	0	0	0	43
2018	CBIS Facility - Construction	11,659	13,020	1,172	0	260	0	11,588	0	0
2018	Remain Overnight (RON) Apron - Construction	2,055	2,295	0	2,066	0	230	0	0	0
2018	Terminal Modifications - Construction Phase 2	5,038	5,627	2,785	0	0	309	0	0	2,532
2018	Snow Removal Equipment	450	503	0	452	0	0	0	0	50
2018	Pavement Rehabilitation - Design	220	246	0	221	0	0	0	0	25
2018	General Aviation Expansion - Design	100	112	0	101	0	0	0	0	11
2019	Terminal Modifications - Construction Phase 3	878	1,008	908	0	0	101	0	0	0
2019	Snow Removal Equipment	425	488	439	0	0	49	0	0	0
2019	Pavement Rehabilitation - Construct	1,500	1,722	0	0	0	1,722	0	0	0
2019	General Aviation Expansion - Phase I	750	861	775	0	0	86	0	0	0
	Total 2014-2019	\$64,061	\$69,408	\$21,499	\$3,231	\$283	\$11,542	\$19,887	\$0	\$12,966

Table 8-1
(Page 2 of 2)
(in 000s)

Year	Description	Project Costs		Funding Sources						
		2014 \$	Inflated ¹	Entitlement	Discretionary	TSA	PFC Pay Go	PFC Leverage	3rd Party	Authority
2020	Environmental Assessment	\$600	\$708	\$637	\$0	\$0	\$71	\$0	\$0	\$0
2020	Westside Parallel Taxiway Phase-1 - Design	474	560	0	504	0	56	0	0	0
2020	Sanitary Sewer and Pump Stations in Tml Area	623	735	0	0	0	0	0	147	588
2020	Rehabilitate T/W A & F - Design	150	177	159	0	0	18	0	0	0
2020	Glycol Recovery System Upgrade - Design	120	142	127	0	0	14	0	0	0
2020	Snow Removal Equipment	421	497	447	0	0	50	0	0	0
2021	Westside Parallel Taxiway Phase-1 - Construction	3,161	3,836	0	3,452	0	384	0	0	0
2021	Baggage Claim Expansion - Design	773	938	759	0	0	178	0	0	0
2021	Rehabilitate T/W A & F - Construct	2,000	2,427	2,184	0	0	243	0	0	0
2021	Glycol Recovery System Upgrade - Construct	750	910	819	0	0	91	0	0	0
2021	Snow Removal Equipment	425	516	464	0	0	52	0	0	0
2022	TW "E" Relocation / TW C & K removal - Design	286	356	0	320	0	36	0	0	0
2022	Baggage Claim Expansion - Construct	8,586	10,709	8,674	0	0	2,035	0	0	0
2022	Rehabilitate Runway 5/23 - Design	650	811	730	0	0	81	0	0	0
2022	Snow Removal Equipment	425	530	477	0	0	53	0	0	0
2023	Parking Garage - Design	5,000	6,411	0	0	0	0	0	0	6,411
2023	Signage and Marking - Design and Construction	200	256	0	231	0	26	0	0	0
2023	TW "E" Relocation / TW C&K Removal - Constr.	1,904	2,441	0	2,197	0	244	0	0	0
2023	General Aviation Utilities and Roadway Improv.	1,479	1,897	0	0	0	0	0	1,707	190
2023	Rehabilitate Runway 5/23 - Construct	4,500	5,770	2,337	2,856	0	260	0	0	317
2023	Airfield Drainage Rehabilitation - Design	316	405	365	0	0	41	0	0	0
2023	Snow Removal Equipment	425	545	490	0	0	54	0	0	0
2024	Parking Garage - Construction Phase 1	32,860	43,311	0	0	0	0	0	0	43,311
2024	Rehabilitate Runway 1/19 - Design	650	857	771	0	0	86	0	0	0
2024	Airfield Drainage Rehabilitation - Construct	750	989	890	0	0	99	0	0	0
2024	Snow Removal Equipment	425	560	504	0	0	56	0	0	0
2025	Rehabilitate Runway 1/19 - Construct	3,800	5,149	4,622	12	0	515	0	0	0
2025	Snow Removal Equipment	425	576	0	518	0	58	0	0	0
	Total 2020-2025	\$72,177	\$93,014	\$25,457	\$10,089	\$0	\$4,797	\$0	\$1,854	\$50,817
	Total 2014-2025	\$136,238	\$162,422	\$46,956	\$13,320	\$283	\$16,339	\$19,887	\$1,854	\$63,783

¹ Project costs were inflated at 2.8% which reflects the 5-year average of *Engineering News-Record's* Construction Cost Index.
Source: Authority and CHA Companies

Table 8-2 presents the CIP's estimated funding sources for the planning period. Potential funding sources for any proposed improvements at CAK come in the form of grants, should the project meet eligibility requirements. Additional financing options are available, such as: passenger facility charges (PFCs), customer facility charges (CFCs), third party financing and Authority funds.

Table 8-2 – CIP Funding Sources
(in 000s)

Year	Project Costs		Funding Sources						
	2014 \$	Inflated	Entitlement	Discretionary	TSA	PFC Pay Go	PFC Leverage	3rd Party	Authority
2014	\$3,194	\$3,194	\$1,347	\$0	\$0	\$150	\$0	\$0	\$1,697
2015	6,352	6,530	4,166	0	0	2,363	0	0	0
2016	11,928	12,606	4,178	0	0	3,508	0	0	4,920
2017	19,512	21,197	5,729	391	23	3,023	8,298	0	3,732
2018	19,522	21,802	3,957	2,840	260	539	11,588	0	2,618
2019	3,553	4,079	2,122	0	0	1,958	0	0	0
2020	2,388	2,818	1,371	504	0	208	0	147	588
2021	7,109	8,625	4,226	3,452	0	947	0	0	0
2022	9,946	12,405	9,881	320	0	2,204	0	0	0
2023	13,824	17,724	3,192	5,283	0	624	0	1,707	6,918
2024	34,685	45,716	2,165	0	0	241	0	0	43,311
2025	4,225	5,725	4,622	530	0	572	0	0	0
Total	\$136,238	\$162,422	\$46,956	\$13,320	\$283	\$16,339	\$19,887	\$1,854	\$63,783

Source: Authority and CHA Companies

The following sections list available sources and detail the eligibility requirements for each. The amount of funding available from these sources will depend primarily on future levels of aviation activity at CAK and future federal funding reauthorizations.

8.2.1 Federal Grants

Grants administered by the FAA through the AIP are a critical capital funding source to implement the projects recommended in this Master Plan Update. Although the future status of the AIP is currently uncertain, for the purpose of this Master Plan Update, it is assumed that the AIP will continue to be authorized and appropriated at levels consistent with H.R. 658, the FAA Modernization and Reform Act of 2012.

The U.S. DOT classifies CAK as a small hub primary airport. Therefore, the AIP formula stipulates that the Authority is entitled to receive 90 percent in federal funding for AIP-eligible projects. AIP funds can be used for most Airport improvement needs, but not operating costs. However, AIP funds are typically not available for revenue-generating projects, so it may be difficult for the Authority to use these funds for projects designated to generate revenue.

As shown on **Table 8-2**, federal grants are estimated to be approximately \$60.6 million from FY 2014 through FY 2025. Of this amount, approximately \$47.0 million is assumed to be funded with entitlement grants, approximately \$13.3 million with discretionary grants and approximately \$283,000 in Transportation Security Administration (TSA) grants, all of which are described in detail below.

Entitlement Grants: The FAA’s AIP consists of entitlement funds and discretionary funds. Entitlement funds are distributed through grants by a formula currently based on the number of enplanements at individual airports. In cases where entitlement funds are not used during the current federal fiscal year, these funds are redistributed to other airport sponsors as discretionary funds and become what is known as protected entitlement funding in the next federal fiscal year. **Table 8-3** presents the Authority’s AIP entitlement calculation. This calculation is based on the FAA-approved preferred forecast for enplanements, as presented in **Chapter 3**, annualized to reflect budgeted 2014 activity levels of 800,000 enplanements. This adjustment acknowledges the lower-than-anticipated 2013-2014 enplanements, resulting from airline route adjustments and the loss of service from Frontier Airlines. As shown in the table, it is estimated that the Authority will receive approximately \$47 million in entitlement AIP grants from FY 2014 through FY 2025.

Table 8-3 – AIP Entitlement Calculation
(in 000s)

	2014	2015	2016	2017	2018	2019	2020-2025
Enplanements for Entitlement	800	823	847	872	897	923	6,128
FAA Formula ¹							
\$7.80 for 1st 50,000 Enplanements	\$390	\$390	\$390	\$390	\$390	\$390	\$2,340
\$5.20 for next 50,000 Enplanements	260	260	260	260	260	260	1,560
\$2.60 for next 400,000 Enplanements	1,040	1,040	1,040	1,040	1,040	1,040	6,240
\$0.65 for next 500,000 Enplanements	195	210	226	242	258	275	1,903
\$0.50 for the remaining Enplanements	0	0	0	0	0	0	100
Total Calculated Entitlements	\$1,885	\$1,900	\$1,916	\$1,932	\$1,948	\$1,965	\$12,143
Total Calculated Entitlements x 2	\$3,770	\$3,800	\$3,831	\$3,863	\$3,896	\$3,930	\$24,286
2 Year Lag in Receipt of Grants ²	\$3,955	\$3,845	\$3,770	\$3,800	\$3,831	\$3,863	\$23,892
Cumulative AIP Entitlement Grants		\$7,800	\$11,570	\$15,370	\$19,202	\$23,065	\$46,956

¹ The FAA formula is defined in 49 United States Code § 47114.

Discretionary Grants: At the beginning of each federal fiscal year, the FAA sets aside the amount of discretionary funds to cover the Letter of Intent (LOI) payment schedules. The total discretionary funds in all LOIs subject to future obligation are limited to approximately 50 percent of the forecast discretionary funds available for that purpose. The authorizing statute directs the FAA to allocate certain discretionary funding to specific airport types and set aside categories such as noise, reliever airports, military airport program and projects relating to capacity, safety, security and noise. However, the FAA has some discretion in funding specific projects within these discretionary funding set-aside categories. The FAA approves discretionary funds for use on specific projects, after consideration of project priority and other selection criteria. The recommended CIP projects include runway rehabilitation, apron and

taxiway construction, taxiway relocation, snow removal equipment, and signage and markings, all of which meet the eligibility requirements for discretionary funding. As mentioned, the Authority currently estimates receiving approximately \$13.3 million in discretionary funding.

TSA Grants: The TSA was created as part of the Aviation and Transportation Security Act, passed by U.S. Congress and signed into law by President George W. Bush on November 19, 2001. The TSA is responsible for security in all modes of transportation in the United States and provides the security screening of passengers and baggage at the Airport. The TSA collects certain security fees to pay for the cost of the capital, operating and maintenance expenses associated with providing aviation security for the national aviation transportation system. These fees include the September 11 Security Fee and the Aviation Security Infrastructure Fee. The CIP project eligible for TSA funds includes portions of the checked baggage in-line screening (CBIS) project.

Table 8-4 presents the federal grants assumed to fund the eligible portions of the CIP. As shown in the table, available entitlement, discretionary and TSA funds are sufficient to fund the eligible portions of the CIP through 2025. However, annual grant collections in 2017 and 2018 may not be sufficient to fund certain project costs requiring short-term funding until the project costs can be reimbursed.

Table 8-4 – Application of Federal Grants
(in 000's)

	2014	2015	2016	2017	2018	2019	2020-2025	Total
Available Federal Grants								
Entitlement	\$3,955	\$3,845	\$3,770	\$3,800	\$3,831	\$3,863	\$23,892	\$46,956
Discretionary	0	0	0	391	2,840	0	10,089	13,320
TSA	0	0	0	23	260	0	0	283
Total Available Federal Grants	\$3,955	\$3,845	\$3,770	\$4,214	\$6,931	\$3,863	\$33,981	\$60,560
Federally Eligible Portion of CIP¹								
Entitlement	(\$1,347)	(\$4,166)	(\$4,178)	(\$5,729)	(\$3,957)	(\$2,122)	(\$25,457)	(\$46,956)
Discretionary	\$0	\$0	\$0	(\$391)	(\$2,840)	\$0	(\$10,089)	(\$13,320)
TSA	\$0	\$0	\$0	(\$23)	(\$260)	\$0	\$0	(\$283)
Difference	\$2,608	(\$321)	(\$408)	(\$1,929)	(\$126)	\$1,742	(\$1,565)	(\$0)
Cumulative		\$2,286	\$1,879	(\$50)	(\$176)	\$1,565	\$0	

¹ Represents federally eligible portion of the CIP as presented in Table 8-1.

8.2.2 State Grants

The Ohio Airport Grant Program provides financial assistance to publicly-owned airports that do not receive FAA passenger or air cargo entitlements. Since the Authority receives FAA entitlements, they are not eligible for the Ohio Airport Grant Program. Therefore, it is not a funding source for the CIP. Even though the Authority is not eligible for the grant program, they are eligible for the State Infrastructure Bank (SIB) loan program offered by the Ohio Department of Transportation (ODOT). The Authority has used the SIB loan program by issuing loans backed by Passenger Facility Charges (PFCs) and Airport net revenues. SIB loans are described in greater detail in **Section 8.3** of this chapter.

8.2.3 Passenger Facility Charges

PFCs are authorized by Title 14 of the Code of Federal Regulations, Part 158 and are administered by the FAA. PFCs collected from qualified enplaned passengers are used to fund eligible projects. An airport operator can impose a PFC of \$1, \$2, \$3, \$4 or \$4.50 per eligible, enplaned passenger. Once a PFC is imposed, it is included as part of the ticket price paid by passengers enplaning at the airport – collected by the airlines and remitted to the airport operator, less an allowance for airline processing expenses. The PFC legislation stipulates that if a medium to large hub airport institutes a PFC of \$1, \$2, or \$3, they must forego 50 percent of their AIP entitlement funds. This increases to 75 percent if they charge a \$4 or \$4.50 PFC. Since CAK is classified as a small hub airport, it does not have to forego any of its annual AIP entitlement funds.

Projects eligible for PFC funding: preserve or enhance the capacity, safety or security of the air transportation system; reduce noise or mitigate noise effects; or furnish opportunities for enhanced competition between or among air carriers. PFCs cannot be used for revenue-generating facilities at airports, such as restaurants and other concession space, rental car facilities, public parking facilities or construction of exclusively-leased space or facilities.

Currently, the Authority has two active PFC applications. In March 2005, the FAA approved the Authority's PFC Application #05-06-C-00-CAK to collect a \$4.50 per enplaned passenger charge to pay for the eligible portions of the debt service associated with SIB Loan III and revenue bonds issued to fund terminal modifications completed in 2006. In August 2010, the FAA approved PFC Application #10-07-C-00-CAK to collect \$4.50 per enplaned passenger to reimburse the Airport for several projects, including the extension and safety upgrade to Runway 5-23.

These applications were approved to collect \$34.96 million in PFC revenues. As of June 30, 2014, \$7.88 million is yet to be collected. These applications are currently due to expire in October 2016. However, the Authority is in the process of modifying certain project amounts, which will extend the expiration to January 2017. In addition, the Authority is in the process of preparing a new PFC application to primarily fund future terminal modifications and portions of the Checked Baggage Inspection System (CBIS). The Authority anticipates submitting this application to the FAA in September 2014 with an expiration date for PFC collection of December 31, 2024.

Table 8-5 presents the PFC calculation for the Authority, based on the FAA-approved preferred forecast for enplanement projections presented in **Chapter 3**, annualized to reflect budgeted 2014 activity levels of 800,000 enplanements.

Table 8-5 – Application of PFCs
(in 000's)

	2014	2015	2016	2017	2018	2019	2020-2025	Total
Enplanements	800	823	847	872	897	923	6,128	
Enplanements for PFC (98%) ¹	784	807	830	854	879	905	6,006	
\$4.50 per Enplanement ²	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	
Annual PFCs	\$3,528	\$3,630	\$3,736	\$3,844	\$3,956	\$4,070	\$27,025	
LESS: Carrier Compensation	(\$63)	(\$65)	(\$66)	(\$68)	(\$70)	(\$72)	(\$480)	
PLUS: Investment Earnings	43	45	46	47	49	50	331	
Total PFC Revenue	\$3,508	\$3,610	\$3,716	\$3,823	\$3,935	\$4,048	\$26,876	\$49,516
Plus: FY 2013 PFC Balance	\$3,456	\$0	\$0	\$0	\$0	\$0	\$0	\$3,456
Less: PFC "Pay Go" Portion of CIP ³	(\$150)	(\$2,363)	(\$3,508)	(\$3,023)	(\$539)	(\$1,958)	(\$4,797)	(\$16,339)
Less: PFC Applied to SIB Loans	(\$1,828)	(\$1,830)	(\$1,830)	(\$2,359)	(\$2,359)	(\$2,359)	(\$18,815)	(\$31,381)
Annual Difference	\$4,986	(\$583)	(\$1,623)	(\$1,560)	\$1,037	(\$269)	\$3,263	\$5,252
Cumulative Difference		\$4,403	\$2,780	\$1,221	\$2,257	\$1,989	\$5,252	

¹ The 98% is based on the Authority's historic PFC collections.

² The PFC formula is defined in 49 United States Code § 40117.

³ Represents PFC eligible portion of the CIP as presented in Table 8-1.

As shown in the table, the Authority is estimated to collect approximately \$49.5 million in PFCs from FY 2014 through FY 2025, which is sufficient to fund the PFC-eligible portions of the debt service associated with the SIB loans and the CIP.

8.2.4 Third Party Financing

Many airports use private third party investment when the planned improvements will be primarily used by a private business or other organization. Such projects are not ordinarily eligible for federal funding. Projects of this kind typically include hangars, fixed-based operator facilities, fuel storage, exclusive aircraft parking aprons, industrial aviation-use facilities, non-aviation office/commercial/industrial developments and other similar projects. Private development proposals are considered on a case-by-case basis. Often, airport funds for infrastructure, preliminary site work and site access are required to facilitate privately developed projects on airport property.

As shown on **Table 8-1**, approximately \$1.9 million in third party investment is assumed from FY 2014 through FY 2025 to fund a portion of the terminal area sanitary sewer and pump stations

project and the general aviation utilities and roadway improvements project on the west side of the airfield.

8.2.5 Customer Facility Charges

The CIP includes the construction of Phase 1 of a parking garage in FY 2024. This phase of the parking garage will add approximately 2,200 spaces (1,780 public; 420 rental car). This analysis assumes that approximately 20 percent of the Phase 1 parking garage project would be eligible for a customer facility charge (CFC) to fund the rental car portions of the garage. The Authority currently does not have a CFC program in place at the Airport, so it is not used as a funding source for the CIP. However, it is used as a funding source for the debt service likely to be issued to fund the parking garage, discussed in greater detail in **Section 8.3** of this chapter. As of 2014, the Authority is in early discussions with the rental car companies about the implementation of a CFC program. It is recommended that the Authority continue this pursuit and accrue the collected CFCs for the future development of a parking garage.

8.2.6 Authority Funds

The Authority generates revenue through airline revenues, terminal concessions, ground and facility leases, fuel flowage fees, landing fees, ramp fees and parking revenue. Typically, such revenues are used to cover operations and maintenance expenses along with debt service obligations. However, any surplus revenues can be applied directly to the CIP. As shown on **Table 8-2**, approximately \$63.8 million in Authority funding is required to fund the CIP.

8.3 FINANCIAL FEASIBILITY

This section of the financial analysis presents the existing debt service, projected operating expenses and projected revenues resulting from the daily operation of the Authority. In addition, the expense and revenue increases resulting from the implementation of the CIP are layered into projections to determine if it is feasible for the Authority to undertake the program in the FY 2015 through FY 2025 planning period.

8.3.1 Long-Term Debt

As previously mentioned, the Authority uses ODOT's SIB loan program. In 1995, Ohio was one of eight states selected for designation under the SIB pilot program, authorized by the 1995 National Highway System Bill. This bill allowed ODOT to use 10 percent of its federal highway and transit funding to capitalize the SIB. In addition to highway funds, the program was capitalized with a portion of the state of Ohio's general revenue and motor fuel tax funds. Repayments from these loans will be made to ODOT and then re-loaned to subsequent projects, creating a SIB revolving loan program. The SIB revolving loan program increases the number of transportation projects completed in the state that otherwise would not have been considered.

The purpose of the SIB program is to encourage economic development and public investment in public transportation facilities that contribute to the multi-modal and intermodal transportation capabilities of the state, develop a variety of financing techniques to expand the

availability of funding resources, reduce direct state costs, maximize local participation in financing projects and improve the efficiency of the state transportation system by using and developing the advantages of each transportation mode to the fullest extent.

The Authority has used four different SIB loans with ODOT backed by PFCs and Airport net revenues. In addition to the SIB loans, the Authority has one outstanding revenue bond issuance. The Authority's outstanding loans are described in greater detail as follows:

- SIB Loan III was issued in 2006 whereby ODOT agreed to loan the Authority \$6,845,000 for the purpose of assisting in the financing of the terminal expansion that was completed in that same year. This loan bears an interest rate between 4.25% and 5.00% annually and is due to mature in 2016. As of December 31, 2013, \$2,400,000 of this loan was outstanding. The primary source of payment for this loan is PFCs and airport revenues.
- SIB Loan IV was issued in 2012. ODOT agreed to loan the Authority \$3.11 million to help finance a remote parking lot that opened in that same year. Principal payments began in 2014, bearing an interest rate of 3 percent annually and are due to mature in 2022. The primary source of payment for this loan is Airport revenues.
- The Authority, along with Huntington Bank, refunded the 2007 Airport Revenue Bonds. These bonds bear interest at a variable rate and mature on January 1, 2031. The primary source of payment for this loan is PFCs and Airport revenues.

As shown in **Table 8-1**, there are approximately \$63.8 million in Authority funds needed to fund the CIP. Since the Authority does not currently have the cash on hand to fund that entire amount, future debt issuances are assumed primarily to fund the terminal modifications, CBIS, and parking garage. While this analysis does not make any recommendations on the type of debt structure the Authority needs to undertake, it does assume the issuance of a 30-year debt instrument to fund approximately \$26.2 million of the terminal modifications and CBIS in 2017 and approximately \$43.3 million of the parking garage in 2024. These bonds are assumed to bear an interest rate of 5 percent, which is the average revenue bond index for June 2013 through June 2014. The primary source of payment for the future bonds is assumed to be PFCs, CFCs, and Airport revenues. **Table 8-6** presents the Authority's debt service requirements.

Table 8-6 – Long-Term Debt
 (in 000s)

Year	SIB Loans			Revenue Bonds	Future Debt	Total	Less:		Net Debt Service
	II	III	IV				PFC	CFC	
2013	\$189	\$881	\$0	\$1,422	\$0	\$2,493	(\$2,019)	\$0	\$474
2014	\$0	\$880	\$227	\$1,422	\$0	\$2,528	(\$1,828)	\$0	\$701
2015	\$0	\$882	\$453	\$1,422	\$0	\$2,757	(\$1,830)	\$0	\$927
2016	\$0	\$882	\$453	\$1,422	\$0	\$2,757	(\$1,830)	\$0	\$927
2017	\$0	\$0	\$453	\$1,422	\$1,862	\$3,737	(\$2,359)	\$0	\$1,378
2018	\$0	\$0	\$453	\$1,422	\$1,862	\$3,737	(\$2,359)	\$0	\$1,378
2019	\$0	\$0	\$453	\$1,422	\$1,862	\$3,737	(\$2,359)	\$0	\$1,378
2020- 2025	\$0	\$0	\$1,133	\$8,532	\$17,319	\$26,983	(\$14,156)	(\$1,229)	\$11,598

Source: Authority (SIB loans and revenue bonds), MAC Consulting, LLC (future debt)

8.3.2 Operating Expenses

Operating expenses of the Authority include the cost of sales, services and administrative expenses. These include items such as salaries, contract services, materials and supplies, utilities, fuel, insurance and administrative. The FY 2013 operating expenses reflect the actual expenses presented in the 2013 Audit and the FY 2014 operating expenses reflect the amounts presented in the 2014 Budget. **Table 8-7** presents operating expenses by line item for FY 2013 through FY 2025.

Table 8-7 – Operating Expenses
 (in 000's)

	Actual	Estimate	Projected					Projected
	2013	2014	2015	2016	2017	2018	2019	2020- 2025
Salaries	\$3,684	\$3,937	\$4,031	\$4,128	\$4,227	\$4,329	\$4,433	\$28,921
Contract Services	1,382	1,500	1,536	1,573	1,611	1,649	1,689	11,019
Materials & Supplies	651	775	794	814	834	854	907	5,999
Utilities	829	886	907	933	956	978	1,086	7,289
Fuel	119	135	138	142	145	148	152	991
Insurance	70	77	79	81	83	85	87	568
Administrative	1,959	2,037	2,086	2,136	2,187	2,240	2,293	14,964
Total	\$8,694	\$9,347	\$9,571	\$9,807	\$10,042	\$10,283	\$10,648	\$69,752
Percent Increase		7.5%	2.4%	2.5%	2.4%	2.4%	3.5%	
CAGR FY 2014 - FY 2019							2.6%	

Sources: Authority FY 2013 and FY 2014, MAC Consulting, LLC, FY 2015-FY 2025

As shown in the table, operating expenses were approximately \$8.7 million in FY 2013 and are budgeted to increase approximately 7.5 percent to approximately \$9.3 million in FY 2014. Operating expenses are forecast to be approximately \$10.6 million in FY 2019, reflecting a compound annual growth rate of 2.6 percent from FY 2014 through FY 2019. Operating expenses are projected based on a review of historical trends and the anticipated effects of inflation assumed at 2.4 percent annually, reflecting a 10-year average of the Consumer Price Index (CPI). Terminal expenses are forecast to increase an additional 9 percent in FY 2019 and 4 percent in FY 2022 to account for the completion of the terminal modifications and the CBIS included in the CIP.

8.3.3 Operating Revenues

The Authority distinguishes between operating and non-operating revenues. Operating revenues generally result from providing services in connection with the principal ongoing operations and include revenues from space rental and fees, landing fees, parking and other miscellaneous income. Transactions that are capital, financing or investing related are reported as non-operating revenues. This includes items such as federal funds, PFCs and interest revenue.

Major sources of operating revenue at the Authority are derived from non-airline and airline revenues. In the 2014 Budget, non-airline revenues account for 78 percent of total revenue. A summary of major non-airline tenant leases is presented in **Table 8-8**.

Table 8-8 – Major Non-Airline Tenants

Lessee	Expiration	Area (sq. ft. / acres)	Annual Rental Rate
Terminal			
Clear Channel (Interspace Advertising)	11/14/24	Terminal Advertising	30% gross revenues
MSE International LLC	10/31/16	Food and Retail	4%-10% based on item purchased
Rental Car (Avis, Budget, Clerac LLC, Hertz)			
Concession	1/31/16		Greater of \$72,000 min or 10% gross
Counter	1/31/16	4 at 324 sq. ft. each	\$5,184 per counter
Service Center			
Avis	9/30/17	24,000	\$7,440
Budget	1/31/16	24,000	\$8,160
Clerac LLC (Enterprise)	2/28/23	27,366	\$8,757
Hertz	6/30/21	87,400	\$27,094
Standard Parking	3/31/22	Parking Concession	Annual Minimum \$3,600,000 Concession fee graduated scale less Shuttle Bus Fees
Ground Leases			
Aviation Insurance Managers	5/31/19	34,560	\$12,787
Crosco Inc.	8/31/15	102,000	\$34,680
FirstEnergy Properties Inc.	10/31/17	105,000	\$38,850
G-Force	10/31/18	54,000	\$19,980
Goodrich Corporation	12/31/14	89,250	\$27,668
Goodyear Tire	12/31/14	176,248	\$49,349
JAK Aviation LTD	5/31/19	55,354	\$20,071
Jet Tech (ACE)	11/30/16	50,960	\$17,326
Jet Tech (ACW)	11/30/16	47,840	\$16,266
Kuchar, LLC	9/30/14	34,282	\$11,656
McKinley Air Transport Inc.	6/30/18	163,508	\$60,498
Timken Company	6/30/16	47,960	\$16,306
Ultimate Air Center	7/16/18	86,190	\$31,890
Commercial & Industrial			
356th Fighter Group	3/31/14		\$18,000
5590 Lauby Rd. LLC	8/31/26	6.543 acres	\$20,284
CAK Land Holdings, LLC	10 yr rate adjust	Parcel #1 \$41,108.26, Parcel #2 \$46,136.74	
General RV	7/25/17	1.911 acres	\$22,000
Harry London's Candies	4/30/35	31.964 acres	\$93,454
John Delleganese	3/31/28	6.7106 acres	\$19,326
Port Jackson Industrial Park	10/31/23	43.3096 acres	\$91,903
Prologis	10 yr rate adjust		\$11,005
Government			
FAA	indefinite	10,086	\$46,095
Ohio National Guard	6/30/35		\$35,000
TSA	1/31/16	3,105	\$46,333

Source: Authority records

Airline revenues account for 22 percent of total FY 2014 budgeted revenues and include revenues generated from the airlines for landing fees, apron rentals and terminal rentals (i.e., ticket counter, bag room, office and hold room). The airline fees and rents are fixed in Schedule A of the air carrier lease agreement. The Authority has entered into signatory leases with American Airlines, Delta Air Lines, Southwest Airlines and United Airlines. The airline agreements expire on May 31, 2019, which occurs during the projection period. The methodologies outlined in the current airline agreements are assumed to be in place throughout the projection period.

Table 8-9 presents a summary of the airline rates and charges at the Authority for FY 2014 through FY 2019 and for FY 2025.

Table 8-9 – Airline Rates and Charges

	Estimate	Projected					Projected 2025
	2014	2015	2016	2017	2018	2019	
Airfield							
Landing Fee	\$1.75	\$1.80	\$1.86	\$1.93	\$2.01	\$2.06	\$2.37
Apron	\$1,024.67	\$1,055.42	\$1,087.08	\$1,130.56	\$1,175.78	\$1,204.00	\$1,388.12
Terminal Rentals							
Common Use Baggage Claim	\$30.02	\$30.93	\$31.85	\$33.13	\$34.45	\$35.28	\$40.67
Ticket Counter	\$33.68	\$34.69	\$35.73	\$37.16	\$38.65	\$39.58	\$45.63
Operations	\$28.48	\$29.33	\$30.21	\$31.42	\$32.68	\$33.46	\$38.58
Passenger Holding Room	\$28.48	\$29.33	\$30.21	\$31.42	\$32.68	\$33.46	\$38.58
Passenger Holding Room with Bridge	\$30.09	\$30.99	\$31.92	\$33.20	\$34.52	\$35.35	\$40.76
Air Freight	\$17.30	\$17.82	\$18.36	\$19.09	\$19.86	\$20.33	\$23.44
Office Space	\$28.48	\$29.33	\$30.21	\$31.42	\$32.68	\$33.46	\$38.58
Airline Cost per Enplanement	\$3.07	\$3.09	\$3.11	\$3.14	\$3.20	\$3.38	\$3.44

¹ Rates are effective June 1 of each year.

Source: Authority FY 2014 - FY 2018, MAC Consulting, LLC FY 2019 through FY 2025

Table 8-10 presents operating revenues for FY 2013 through FY 2025. As shown in the table, operating revenues were approximately \$12.2 million in FY 2013 and are forecast to be approximately \$13.5 million in FY 2019, reflecting a compound annual growth rate of 4.0 percent.

Table 8-10 – Operating Revenues
 (in 000's)

	Actual	Estimate	Projected					Projected
	2013	2014	2015	2016	2017	2018	2019	2020- 2025
Airfield								
Landing & Apron Fees - Scheduled	\$1,776	\$1,640	\$1,698	\$1,764	\$1,843	\$1,933	\$2,009	\$13,510
Landing Fees - Itinerant	59	55	56	57	58	60	61	390
Subtotal	\$1,835	\$1,695	\$1,755	\$1,821	\$1,901	\$1,992	\$2,069	\$13,900
Percent Increase		-7.6%	3.5%	3.8%	4.4%	4.8%	3.9%	
Terminal								
Parking Facility	\$5,990	\$5,300	\$5,454	\$5,612	\$6,215	\$6,396	\$6,581	\$43,693
Auto Rental Facility	1,867	1,700	1,749	1,800	1,852	1,906	1,962	13,023
Airline Leased Area	850	817	841	866	898	933	1,115	7,462
Food & Beverage Facility	225	208	214	220	227	233	240	1,594
Security Reimbursement	110	102	104	106	108	110	113	725
Other	200	174	177	181	184	188	192	1,234
Subtotal	\$9,241	\$8,301	\$8,540	\$8,786	\$9,485	\$9,767	\$10,202	\$67,730
Percent Increase		-10.2%	2.9%	2.9%	8.0%	3.0%	4.5%	
Hangar								
Fixed Based Operations	\$229	\$230	\$235	\$239	\$244	\$249	\$254	\$1,635
Corporate Flight Operations	270	250	255	260	265	271	276	1,776
Private Hangars	119	119	121	124	126	129	131	845
National Guard	35	35	36	36	37	38	39	249
Fuel Farm	6	6	6	6	7	7	7	42
Subtotal	\$659	\$640	\$653	\$666	\$679	\$693	\$707	\$4,546
Percent Increase		-2.9%	2.0%	2.0%	2.0%	2.0%	2.0%	
Other								
Leased Land	\$345	\$340	\$347	\$354	\$361	\$368	\$375	\$2,416
356th Fighter Group	18	18	18	19	19	20	20	128
Unclassified	132	120	122	125	127	130	132	852
Subtotal	\$495	\$478	\$488	\$497	\$507	\$517	\$528	\$3,396
Percent Increase		-3.4%	2.0%	2.0%	2.0%	2.0%	2.0%	
Total	\$12,231	\$11,114	\$11,435	\$11,770	\$12,572	\$12,970	\$13,506	\$89,572
Percent Increase		-9.1%	2.9%	2.9%	6.8%	3.2%	4.1%	
CAGR FY 2014 - FY 2019							4.0%	

Sources: Authority FY 2013 and FY 2014, MAC Consulting, LLC, FY 2015-FY 2025

FY 2014 operating revenues are budgeted to decrease 9.1 percent below FY 2013 actuals, primarily as a result of the enplanements and landed weight decreasing during the same time period. FY 2015 through FY 2025 operating revenues are projected based on the following:

- Historical trends and lease provisions.
- Airline rates and charges are fixed per the airline agreement through FY 2018 and are increased thereafter with anticipated effects of inflation assumed at 2.4 percent annually, reflecting a 10-year average of the CPI. Passenger hold room space is estimated to increase in FY 2019, due to the terminal expansion and baggage claim space in FY 2022, due to the completion of the CBIS. This analysis assumes the new space will be leased and airline revenues are projected to increase accordingly.
- Terminal concession revenues are projected to increase with prospective enplanement growth.
- Rental car concession revenues are projected to increase with prospective originating passenger growth. Currently, the rental car concession leases expire in January 2016. This analysis assumes these leases are renegotiated with similar terms as the existing leases.
- The remaining operating revenues were inflated at 2 percent annually to reflect a more conservative growth rate than that used for operating expenses.
- Parking revenues are assumed to increase when the remote parking lot is completed in FY 2017 and the parking garage in FY 2026. Upon completion of the remote lot, total public spaces at CAK will increase from 4,383 spaces to 5,196 spaces, or 19 percent. Therefore, in FY 2017, parking revenues were increased conservatively by 10 percent to account for the increased spaces. Upon completion of the parking garage, it is the intention for the remote lot to be abandoned. With the reduction of those spaces and the increase in spaces due to the completion of the parking garage, total public spaces at CAK will increase from 5,196 to 5,720, or 10 percent. Since the parking garage will provide spaces more convenient to the terminal, the Authority will likely charge a higher hourly and daily rate. Therefore, in FY 2026 parking revenues were increased an additional 10 percent. Parking revenues for the remainder of the years are projected to increase with prospective originating passenger growth.
- It was assumed that the Authority would renegotiate the remaining leases that expire during the planning period with terms and conditions that would implement changes in rate structures and business practices, as necessary, to maintain positive financial performance.

8.3.4 Pro Forma Cash Flow

Table 8-11 presents the pro forma cash flow of the Authority for the planning period, based on the projection of operating revenues, operating expenses and long-term debt discussed above. As a result of the analysis reviewed here, net income remains positive during the planning period.

Table 8-11 – Net Income
(in 000's)

	Actual	Estimate	Projected					Projected
	2013	2014	2015	2016	2017	2018	2019	2020- 2025
Operating Revenue	\$12,231	\$11,114	\$11,435	\$11,770	\$12,572	\$12,970	\$13,506	\$89,572
Less: Operating Expenses	(8,694)	(9,347)	(9,571)	(9,807)	(10,042)	(10,283)	(10,648)	(69,752)
Operating Income	\$3,537	\$1,767	\$1,864	\$1,964	\$2,530	\$2,687	\$2,858	\$19,821
Plus: Interest	\$10	\$10	\$10	\$10	\$11	\$11	\$11	\$70
Less: CAK Share of Long-Term Liabilities	(474)	(701)	(927)	(927)	(1,378)	(1,378)	(1,378)	(11,598)
Adjusted Operating Income	\$3,073	\$1,076	\$947	\$1,047	\$1,163	\$1,320	\$1,492	\$8,292
Operating Fund								
Beginning Balance		\$6,445	\$5,824	\$6,771	\$2,898	\$18,268	\$5,381	\$50,776
Plus: Adjusted Operating Income		\$1,076	\$947	\$1,047	\$1,163	\$1,320	\$1,492	\$8,292
Plus: Construction Fund Deposit		\$0	\$0	\$0	\$26,236	\$0	\$0	\$43,311
Less: PFC Leveraged CIP		\$0	\$0	\$0	(\$8,298)	(\$11,588)	\$0	\$0
Less: Airport Share of CIP		(\$1,697)	\$0	(\$4,920)	(\$3,732)	(\$2,618)	\$0	(\$50,817)
Ending Balance		\$5,824	\$6,771	\$2,898	\$18,268	\$5,381	\$6,873	\$51,563

According to **Table 8-2**, the Authority is responsible for funding approximately \$63.8 million in project costs. As of December 31, 2013, the Authority had an operating fund balance of \$6.4 million. With the combination of a healthy operating fund balance and a positive net cash flow, the Authority has cash on hand to fund its portion of the CIP through 2019. However, the construction of terminal modifications in 2017 and the parking garage in 2024 require the Authority to commit approximately \$26.2 million in FY 2017 and \$43.3 million in FY 2024, straining the financial health of the Airport. As previously discussed, this analysis assumes the Authority would issue bonds to fund those projects, the debt service of which would be funded primarily with PFCs, CFCs, and airport revenues.

8.4 SUMMARY

The financial feasibility of future projects will be determined by existing and future leases, funding levels and participation rates of federal grant programs, the availability of PFC and CFC revenues and other funding sources, bonding capacity and the ability to generate internal cash flow from operations at CAK.

The financial projections were prepared on the basis of available information and assumptions set forth in this chapter. It is believed that such information and assumptions provide a reasonable basis for the projections to the level of detail appropriate for an airport master plan. Some of the assumptions used to develop the projections may not be realized and unanticipated events or circumstances may occur. Therefore, the actual results will vary from those projected and such variations could be material.

Based on these assumptions, the CIP – as it is presented – can be funded through 2025 by the Authority with the assistance of additional grants, PFCs, CFCs and bond funding. As the Authority has done so in the past, it should continue to monitor its financial situation to determine which projects should be undertaken and when. In addition, the Authority should review and evaluate current leases and service incentives to enhance revenues and provide financial solvency, while improving the facilities.