Asheville Regional Airport Master Plan Update

Chapter 8 Financial Analysis

This chapter analyzes the capacity of the Greater Asheville Regional Airport Authority (Authority) to undertake the recommended short-term capital improvement plan (CIP) described in Chapter 7 of this report for Fiscal Years (FY) 2013-2017. The primary objective of this short-term plan is to complete a multi-year phased construction program designed to provide a runway and taxiway system configuration for the Asheville Regional Airport (Airport) that conforms to current Federal Aviation Administration (FAA) design and safety standards. It is further envisioned that during this period a new Aircraft Rescue and Firefighting (ARFF) facility will be constructed and additional snow removal equipment (SRE) and a replacement ARFF vehicle will be purchased. These projects will require approximately $71.1 million in federal, state, Authority, and Passenger Facility Charge (PFC) funds to complete. The following funding sources detailed in **Table 8-1** are preliminarily programmed at this time to finance this short-term phase of the Master Plan as more fully described later in this chapter:

Table 8-1: Short-Term CIP Proposed Funding Sources

Funding Source	Amount	Percent of Total
FAA Discretionary	$ 40,109,411	56.4%
FAA Entitlement	$ 13,419,318	18.9%
North Carolina Department of Transportation	$ 3,700,000	5.2%
Passenger Facility Charges	$ 13,000,016	18.3%
Airport Funds	$ 858,583	1.2%
TOTAL	**$ 71,087,328**	**100.0%**

Source: Greater Asheville Regional Airport Authority
Table 7-1, Asheville Regional Airport Master Plan Update (2013)

Of equal importance to the Authority's ability to garner sufficient funding to complete this capital program is the need to understand its capability to generate sufficient revenues to fund ongoing operations and obligations. To this end, this chapter includes an analysis of historical and forecasted operating revenues and expenditures for the Authority.

In the context of examining both the proposed development plan and operating capacity of the Authority, the following factors were considered in developing this financial feasibility analysis:

- Projections of enplaned passengers as presented in Chapter Two coupled with actual enplanement data for the period FY 2010-2012 to derive estimated FAA Airport Improvement Program (AIP) entitlements and PFC revenues required to complete the program.
- A funding plan for the five year capital improvement plan utilizing FAA AIP entitlement and discretionary funds as well as the North Carolina Department of Transportation (NCDOT) Division of Aviation State Aid to Airports Program resources; PFC revenues; and Authority funds.
- The financial structure of the Airport and its agreements with airlines and other major tenants.
- Actual revenues and expenses for the period FY 2007 through FY 2012.
- Estimated actual revenues and expenses for the Airport for FY 2013.
- Preliminary budgeted revenues and expenses for the Airport for FY 2014.
- Projections of revenues, expenses, and net cash flows from the operation of the Airport between FY 2015 through FY 2018 based on historical actual (FY 2007–2012), estimated actual (FY 2013), and the Authority's preliminary budget for FY2014.
- A cash flow analysis for the planning period FY 2015 through FY 2018 identifying the sources and uses of funds applied to the CIP.

The techniques utilized in this analysis are consistent with industry practices for similar studies which are used to evaluate the feasibility of large-scale capital improvement plans. While it is believed that the approach and assumptions are reasonable, it should be recognized that some assumptions regarding future trends and events might not materialize. Achievement of the proposed capital improvement plan as well as the operating results described herein is dependent upon the occurrences of future events and variations may be material.

8.1 Capital Improvement Plan

All airports receiving federal 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 calculates total project costs and funding sources.

The recommended short-term CIP and its corresponding cost estimates are based on a planning level of detail and are presented in **Table 8-2**, Capital Improvement Plan. The projects and cost estimates presented in this plan reflect data contained in Chapter 7 of this report. While accurate for master planning purposes, actual project costs will likely vary from these planning estimates once project design and engineering estimates are developed. Costs shown are based on current year (2013) construction dollar values and also include contingencies, design, and construction management costs. Airport staff analyzed each project for AIP, NCDOT Division of Aviation, and PFC funding eligibility and has projected known amounts available from these sources at this point in time to complete the projects described herein. It incorporates all projects recommended as part of this Master Plan Update for the short-term planning horizon (FY 2013-2017) and includes projects currently addressed in the Airport's existing CIP and PFC application 11-05-C-00-AVL as approved by the FAA in April 2011.

Table 8-2: Capital Improvement Plan

Year	Project	Total Cost	Projected Funding Sources: FAA* Entitlement	FAA* Discretionary	NCDOT	PFC	Airport Authority
2013	ARFF Facility	$4,534,750	$2,933,979	$0	$1,300,000	$300,771	$0
	Airfield Improvements Program – Phase I (design)	$2,340,195	$560,000	$1,260,000	$0	$520,190	$0
	Year 2013 Total Project Costs	**$6,874,945**	**$3,493,979**	**$1,260,000**	**$1,300,000**	**$820,966**	**$0**
2014	Airfield Improvements Program – Phase II (taxiway sitework/utilities)	$10,485,000	$2,725,339	$5,774,661	$600,000	$1,385,000	$0
	Terminal Road Replacement (Phase I)	$244,300	$0	$0	$0	$244,300	$0
	Aviation Way/Terminal Drive Airport Entrance Redesign**	$0	$0	$0	$0	$0	$0
	Year 2014 Total Project Costs	**$10,729,300**	**$2,725,339**	**$5,774,661**	**$600,000**	**$1,629,300**	**$0**
2015	Airfield Improvements Program – Phase III (taxiway paving/electrical)	$13,397,284	$2,000,000	$6,500,000	$600,000	$4,297,284	$0
	Year 2015 Total Project Costs	**$13,397,284**	**$2,000,000**	**$6,500,000**	**$600,000**	**$4,297,284**	**$0**
2016	Airfield Improvements Program – Phase IV (runway sitework/utilities)	$20,047,250	$2,000,000	$13,000,000	$600,000	$4,447,250	$0
	ARFF truck	$1,000,000	$0	$574,750	$0	$0	$425,250
	Snow Removal Equipment – Broom and Blower	$1,300,000	$900,000	$0	$0	$0	$400,000
	Year 2016 Total Project Costs	**$22,347,250**	**$2,900,000**	**$13,574,750**	**$600,000**	**$4,447,250**	**$825,250**
2017	Airfield Improvements Project – Phase V (runway paving/electrical)	$17,405,216	$2,000,000	$13,000,000	$600,000	$1,805,216	$0
	Snow Removal Equipment – Plow Trucks	$333,333	$300,000	$0	$0	$0	$33,333
	Year 2017 Total Project Costs	**$17,738,549**	**$2,300,000**	**$13,000,000**	**$600,000**	**$1,805,216**	**$33,333**
	TOTAL PROJECT COSTS FY 2013 - 2017	**$71,087,328**	**$13,419,318**	**$40,109,411**	**$3,700,000**	**$13,000,016**	**$858,583**

Notes: *FY 2013 $1.519 million in prior entitlements are to be carried forward for FY 2013 projects.
**It is assumed the NCDOT will fund improvements to the Airport entrance redesign as a part of the NC-280/I-26 interchange redesign project.

Sources: Greater Asheville Regional Airport Authority
Delta Airport Consultants, Inc.
FAA PFC Record of Decision letter dated April 21, 2011

As presented in **Table 8-2**, the overall funding strategy for the completion of the Airport's five-year (FY 2013-2017) Airport Development Program is based on a phased approach to accomplish all necessary construction and equipment acquisition program elements. It is important to note that these estimates represent the amount of project costs that are currently believed to be available from the FAA, state, PFC revenues, and the Authority; not necessarily the level at which projects included in the program will ultimately be funded by these sources or eligible for grant-in-aid support. The FAA has informed the Airport that it intends to provide the level of discretionary funding recommended in this plan; however, given that the AIP is subject to annual Congressional appropriation, the FAA is not capable of fully committing to the total allocation of this sum.

FAA funding participation in the proposed plan is based on the AIP as reauthorized in 2012. To this end, this analysis assumes continuance of AIP and PFC funding through the planning period absent major changes to appropriation levels by Congress. However, in the past, the AIP has experienced fluctuations in levels of funding and interruptions in availability of resources. Despite historical fluctuations in authorized appropriations and current potential threats to existing funding levels, the controlling objectives of this proposed plan are to maximize the use of resources from the AIP and PFC revenues and to minimize costs to the Airport. The Authority currently has available $1.3 million in NCDOT Division of Aviation funds to complete the ARFF station project and is programming $600,000 per year in state aid going forward for the airfield improvement program.

8.1.a Federal AIP Grants

Table 8-3, Projected Airport Entitlement Funds and Passenger Facility Charge Revenue, compares and contrasts forecasts of FAA Entitlement funds against programmed allocations during the period FY 2013-2017. The forecast presented in this table reflects actual enplanements during the period 2010-2012, Airport estimates for 2013-14, and forecasted enplanements for the period 2015-2017 assuming a 1.7 percent growth rate during this two-year period. The forecast entitlement funds presented in the table also indicates the availability of $14.1 million in resources for the period compared to $13.4 million in programmed funds. Given the uncertainty surrounding future funding of AIP and passenger enplanement levels, it is prudent to utilize programmed funding levels in lieu of forecast estimates. However, in doing so, it is important to recognize that the Airport's PFC program and/or Airport Authority funds will be required to underwrite the $0.72 million variance in these amounts since no additional FAA discretionary or NCDOT Division of Aviation funding appears available at this time. It is also worth noting that the Airport is also utilizing prior-year unencumbered FAA entitlement funds totaling $1,519,318 to provide the total $13.4 million required from this funding source for its program. These "carryover" funds are available for the Airport's use because projects undertaken in previous fiscal years did not require use of all allocated entitlement funds. FAA policy allows an airport sponsor to rollover these available balances into subsequent years to complete its approved CIP.

Table 8-3: Projected Airport Entitlement Funds						
Fiscal Year	Projected Enplanements	Forecast Entitlement Funds	Programmed Entitlement Funds	Forecast PFC Funds	Programmed PFC Funds	Total Programmed Funds
Prior Year Carryover		$1,519,318	$1,519,318			$1,519,318
2013	300,000	$2,701,795	$1,974,661	$1,185,300	$1,050,000	3,750,000
2014	320,000	$2,663,934	$2,725,339	$1,264,320	$1,150,000	3,150,000
2015	325,440	$2,340,000	$2,000,000	$1,285,813	$1,169,550	3,169,550
2016	330,972	$2,444,000	$2,900,000	$1,307,672	$1,189,432	4,089,432
2017	336,599	$2,472,288	$2,300,000	$1,329,903	$1,209,653	3,209,653
2018	342,321			$1,352,511	$1,230,217	1,230,217
2019	348,141			$1,375,504	$1,251,130	1,251,130
2020	354,059			$1,398,887	$1,272,400	1,272,400
2021	360,078			$1,422,668	$1,294,030	1,294,030
2022	366,199			$1,077,437	$1,316,029	1,316,029
2023	372,425			$0	$867,574	867,574
TOTAL:		**$14,141,335**	**$13,419,318**	**$13,000,016**	**$13,000,016**	**$26,419,334**

Source: Delta Airports Consultants, Inc.

The AIP program also allows for discretionary funding to be made available from the FAA to provide financial support for major capacity or safety-related projects. The Airport's CIP also anticipates FAA discretionary funds of approximately $40.1 million will be made available for this program over the next five years. The likelihood of receiving the required level of discretionary funding is considered extremely high given that the airfield improvement program is designed to provide an airport configuration that conforms to FAA safety design standards.

8.1.b North Carolina Department of Transportation

The recommended plan proposes securing $3.7 million in grant-in-aid funding from the NCDOT Division of Aviation. As previously noted the Airport currently has $1.3 million in state funds amassed from prior year allocations to complete the ARFF facility and is reasonably certain that the NCDOT Division of Aviation will provide $600,000 a year in aid to underwrite its share of the airfield program.

8.1.c Passenger Facility Charge Revenue

The FAA authorized the Airport to collect a PFC in 1994 and is currently in the midst of completing work in conjunction with its fifth application which the FAA approved in April 2011. Collectively, the Airport is authorized to impose approximately $22.8 million in PFC fees and use $20.7 million through February 2018. With its April 2011 determination, the FAA has approved $2,134,568 for impose-only authorization for the runway improvement program. For purposes of this short-term plan, the Airport is required to file with the FAA a PFC Use Application prior to utilizing dedicating funding for the airfield improvement program. The Airport is currently levying and collecting a $4.50 PFC.

During the next five years, programmed PFC collections for the Airport are projected to total $5.8 million as compared to a forecast level of $6.3 million. The variance in these estimates is a function of a more conservative "low-growth" model for the programmed scenario capturing the effects of the recent downturn in enplanements and a slower recovery period. This is in comparison to the “forecast” plan which anticipates a 1.7 percent growth pattern during the period FY 2015-2017.

Regardless of which level of PFC revenue is achieved, the $13.0 million revenue required for this plan will require the Airport to seek authorization to collect this level of funds for both its short-term plan and extend collection authorization into 2023. As noted in **Table 8-4** on the following page, a shortfall of approximately $7.2 million in forecast PFC revenue will exist in the plan on a “pay-as-you” go basis beginning in FY 2017; therefore, additional PFC impose/use authority will need to be sought into FY 2023 to provide the needed funds from this source. In addition, the Airport will need to temporarily utilize available funds or seek short-term financing to provide sufficient local funding for this plan.

The Airport is in the process of evaluating its PFC program to seek approval to amend both its impose and use authority to provide the necessary funds from this source to finance this five year plan.

8.1.d Airport Authority Funding

Airport Authority funding totaling $0.86 million is programmed for FY 2016-2017 for acquisition of an ARFF apparatus and snow removal equipment vehicles. In addition, the Authority will need to evaluate the feasibility of providing short-term funding support totaling approximately $7.2 million for the airfield improvement program to temporarily supplement PFC revenue funding for the plan. Alternatively, the Authority could choose to seek short-term financing for these resources and utilize PFC collections to retire the debt associated with this action.

8.2 Funding Plan Analysis

Table 8-4, Capital Improvement Plan Funding Analysis, depicts the required annual allocations of funding from the FAA, NCDOT Division of Aviation, PFC revenues, and Airport Authority in order to complete the short-term CIP. As previously stated, the most critical elements for the successful implementation of this plan are receipt of AIP discretionary grant-in-aid funds, additional PFC impose/use authorization, and Airport Authority funding to cover the short-term lag in PFC collections for the airfield development program. Assuming both the FAA and NCDOT Division of Aviation allocate the amount of funding requested, and additional PFC impose/use authorization is granted by the FAA, it is reasonable to assume that completion of this program is attainable within the proposed timeframe. Equally important for the Airport Authority is to examine its ability to provide the airfield development program $7.2 million to the program and utilize the additional PFC impose/use collection period to refund this sum.

Table 8-4: Capital Improvement Plan Funding Analysis

Year	Capital Improvement Costs	Required FAA Entitlements	Anticipated FAA Discretionary	Anticipated State Funds	Annual PFC Collections	Required PFC Funds	Annual PFC Balance	Airport Authority Funds
2013	$6,874,945	$3,493,979	$1,260,000	$1,300,000	$1,050,000	$820,966	$229,034	$0
2014	$10,729,300	$2,725,339	$5,774,661	$600,000	$1,150,000	$1,629,300	($250,266)	$0
2015	$13,397,284	$2,000,000	$6,500,000	$600,000	$1,169,550	$4,297,284	($3,378,000)	$0
2016	$22,347,250	$2,900,000	$13,574,750	$600,000	$1,189,432	$4,447,250	($6,635,818)	$825,250
2017	$17,738,549	$2,300,000	$13,300,000	$600,000	$1,209,653	$1,805,217	($7,231,381)	$33,333
CIP TOTAL	**$71,087,328**	**$13,419,318**	**$40,109,411**	**$3,700,000**	**$5,768,635**	**$13,000,016**	**n/a**	**$858,583**

Source: Delta Airport Consultants, Inc.

8.3 Conclusions and Recommendations – Capital Plan

To ensure there is sufficient funding to complete the plan as detailed herein, it is recommended that the Airport undertake the following initiatives:

- Confirm the Airport's adopted CIP includes the funding required for acquisition of the ARFF and SRE apparatus in FY 2016-2017 in the amount of $0.858 million.
- Evaluate available reserves and contingency funds to determine whether sufficient capacity exists to temporarily allocate $7.2 million toward the short-term plan to provide sufficient local resources for this plan. If sufficient capacity does not exist, evaluate options for short-term financing to provide these needed funds.
- Initiate a new PFC application process in FY 2013 to enable the collection and use of an additional $7.2 million to provide resources for projects to be undertaken in FY 2014-2017. This initiative is estimated to extend the Airport's authorization to collect PFC funds from May 2017 to approximately November 2023.

8.4 Financial Structure

The Authority was established in 1980 by the provisions of Article 20 of Chapter 160A of the General Statutes of North Carolina and by the Agreement of November 29, 1979 and between the County of Buncombe and the City of Asheville. It was organized for the sole purpose of managing, operating, and maintaining of the Airport. On June 28, 2012, the General Assembly of North Carolina passed Session Law 2012-121 which changed the structure of the entity to an independent airport authority with more regional representation and governance. The law also changed the official name to the Greater Asheville Regional Airport Authority. Pursuant to the State statute, the agreement with Buncombe County and the City of Asheville is no longer applicable.

The Authority is governed by seven members: two registered voters of the County appointed by the Board of Commissioners of Buncombe County, two registered voters of the City of Asheville appointed by the City Council, two registered voters of the County of Henderson appointed by the Board of Commissioners of Henderson County, and one member appointed by the other six members of the Authority. Members of the Authority serve four-year terms and any member may serve a total of two consecutive terms, after which said member may not be reappointed to the Authority until four years after his or her most recent appointment.

The Authority employs a Managing Director (the Executive Director), who is the chief administrative and executive officer of the Authority. The Executive Director manages the Airport under the Authority's control with a staff of 60 employees. The staff is responsible for the day-to-day financial, administration, and operational matters pertaining to the Airport and for the contractual arrangements with various aeronautical and non-aeronautical businesses at the Airport. The Authority's Finance and Accounting Department acts as the fiscal agent for the Airport and is responsible for maintaining its budgetary as well as revenue and expenditure accounts. The Authority maintains discrete financial records to account for the itemized revenues and expenses of the Airport and also prepares an Annual Financial Report on the Airport's financial condition. The Authority's fiscal year runs from July through June and it utilizes the accrual basis of accounting for reporting financial results. As such, revenues are recognized when they become available and measurable and expenditures are posted when liabilities are incurred. The Authority has one Enterprise Fund for Airport operations. The daily operations of the Airport are funded through the collection of user fees such as parking receipts, rental car privilege fees, landing fees, space rental, and concessions fees.

The Authority deploys a proactive property management and lease administration program to ensure that the Airport charges market-based fees and rental rates to its users/tenants, which enables it to provide aviation services and amenities in the most cost-effective and self-sufficient basis possible. The Authority has in effect an airline lease and use agreement with scheduled airlines serving the Airport based upon a compensatory model of ratemaking. It further maintains multi-year rental car concession agreements and contracts with a firm to manage its public parking concession operation. The Authority also has in effect several agreements with firms to provide general aviation services including a long-term agreement for a full service FBO. The current airline agreement establishes landing fees, terminal building rentals, and terminal building joint use and common use fees. Air carrier tenants are presently charged $36.02/square foot per year for both exclusive and non-exclusive space for use of terminal facilities while the airline landing fee is calculated at a rate of $1.51 per thousand pounds of certified landed weight. In addition, the Authority holds a myriad of land and hangar leases and receives revenue from the operation of the public parking facility. These activities generate the majority of operating revenue for the Airport.

The purpose of this analysis is to offer the Airport a baseline evaluation of revenues and expenses over the past seven years in order to provide a framework for understanding future impacts associated with implementation of the short-term (FY 2013-2017) Master Plan CIP as well as ongoing expenditures and revenue streams. It seeks to provide on a very broad basis reasonable guidelines for matching projected financial resources with financial needs. It is not intended to serve as a true airport profit and loss statement; instead, it offers insight to emerging trends that could impact the future performance of the Airport and the affordability of the proposed CIP.

8.4.a Historical and Projected Airport Revenues

To aid this analysis as well as provide a clearer understanding of historical trends, the following broad revenue categories established by the Authority were utilized:

Airline Revenue

- Airline landing fees.
- Terminal Area – Terminal fees and rents, terminal area apron charges, loading bridge fees, and turn fees (non-scheduled airlines).

Non-Airline Revenue

- Airfield/General Aviation (GA) Revenue – Percentage fee, hangar rentals, Fixed Base Operator (FBO) land/apron rent and parcel fee, and fuel flowage fees.

- Terminal Area Concessions – Terminal space rentals (non-airline), food/beverage/gift, advertising, ground transportation fees, brochure sales, and ATM/guest services/baggage carts/ miscellaneous charges.
- Rental Cars – Rental auto concessions (MAG/fees and off airport), counter & office, ready/return, service facility, and Common Area Maintenance (CAM) fees.
- Parking Area – Public parking facility, commuter parking, and tenant employee parking.
- Other – Building leases, land leases, and other leases and fees.
- Administration – Interest income.

Table 8-5 on the following page depicts the Airport's historical operating revenues from FY 2007 through FY 2012 along with projected operating revenues for FY 2013. During this six-year period, total airport operating revenue grew from $7,313,562 in FY 2007 to an expected $8,309,941 in FY 2013, representing an increase of approximately $0.99 million translating to a two percent compounded annual growth rate (CAGR).

Table 8-5: Historic Airport Revenue

	2007	2008	2009	2010	2011	2012	Projected 2013
AIRLINE REVENUES							
LANDING AREA							
Airline Landing Fees	$523,786	$493,246	$372,404	$394,142	$477,342	$587,645	$513,204
TERMINAL AREA							
Prior Year True-Up	$0	$0	$0	$434,914	$0	$0	$0
Terminal Fees and Rents	$783,795	$846,250	$898,621	$895,228	$1,056,167	$1,066,701	$1,058,791
Terminal Area Apron Charges	$218,074	$262,826	$195,312	$241,219	$252,243	$224,988	$182,782
Turn Fees Non-Scheduled Airlines	$0	$0	$0	$0	$0	$0	$11,070
Total Airline Revenue	**$1,525,655**	**$1,602,322**	**$1,466,337**	**$1,965,503**	**$1,785,752**	**$1,879,334**	**$1,765,847**
NON-AIRLINE REVENUES							
AIRFIELD/GA REVENUE							
Percentage Fee	$444,797	$466,263	$380,104	$272,927	$191,946	$30,964	$38,324
Hangar Rentals	$160,286	$211,876	$175,832	$359,124	$403,463	$393,025	$401,832
FBO Land/Apron Rent & Parcel Fee	$0	$0	$29,403	$115,644	$235,999	$467,004	$461,491
Fuel Flowage Fees	$0	$0	$1,827	$19,658	$51,790	$64,616	$75,473
TERMINAL AREA CONCESSIONS							
Terminal Space Rentals Non-Airline	$250,300	$228,431	$173,369	$187,123	$197,462	$206,205	$208,505
Food, Beverage, Gift	$33,826	$34,906	$41,466	$57,379	$52,610	$110,572	$109,680
Advertising	$75,348	$60,836	$69,941	$54,057	$71,505	$84,107	$90,900
Ground Transportation Fees	$5,739	$12,190	$18,353	$26,680	$7,150	$37,062	$22,400
Brochure Sales	$9,611	$7,356	$7,374	$21,648	$19,333	$21,405	$24,445
ATM, Guest Services, Bag Cart, Misc.	$1,731	$5,916	$4,556	$2,931	$6,331	$4,980	$5,492
RENTAL CARS							
Rental Auto Concessions (MAG/Fees)	$1,107,917	$1,261,216	$1,116,753	$1,203,264	$1,310,500	$1,414,279	$1,447,577
Rental Auto Concessions – Off Airport	$83,725	$0	$0	$0	$29,972	$23,183	$22,164
Counter & Office	$101,114	$70,250	$126,551	$142,517	$147,514	$148,974	$169,449
Ready/Return	$42,174	$45,406	$44,110	$43,732	$45,263	$46,876	$48,518
Service Facility	$41,988	$4,873	$192,145	$202,223	$208,696	$216,128	$223,706
CAM Fee	$0	$830	$58,358	$55,391	$72,284	$75,437	$66,853
All Companies (Storage Lot)	$0	$49,633	$0	$0	$0	$0	$0
PARKING AREA							
Public Parking Facility	$2,148,207	$2,288,792	$2,307,314	$2,289,550	$2,520,421	$2,586,409	$2,400,000
Commuter Parking	$13,686	$21,674	$14,445	$14,540	$16,602	$18,852	$15,800
Tenant Employee Parking	$0	$10,010	$8,395	$10,245	$11,260	$13,075	$13,841
OTHER							
Building Leases	$104,611	$100,542	$96,486	$126,329	$122,433	$124,220	$126,372
Land Leases	$57,620	$43,861	$38,968	$28,810	$23,228	$24,723	$24,936
Other Leases & Fees	$460,706	$541,678	$513,765	$491,837	$540,331	$556,428	$516,336
ADMINISTRATION							
Interest Income	$644,521	$492,503	$112,577	$28,124	$32,230	$24,230	$30,000
Total Non-Airline Revenue	**$5,787,907**	**$5,959,042**	**$5,532,092**	**$5,753,733**	**$6,318,323**	**$6,692,484**	**$6,544,094**
TOTAL AIRPORT OPERATING REVENUE	**$7,313,562**	**$7,561,364**	**$6,998,429**	**$7,719,237**	**$8,104,075**	**$8,571,818**	**$8,309,941**
Annual Enplanements	286,775	282,538	288,941	319,692	364,843	356,098	330,000
AIRLINE COST PER ENPLANEMENT	$5.32	$5.67	$5.07	$6.15	$4.89	$5.28	$5.35

Note: CAGR = Compound Annual Growth Rate Sources: Greater Asheville Regional Airport Authority, Delta Airport Consultants, Inc.

As of FY 2013, non-airline sources of revenue are expected to account for approximately 79 percent of the Airport's revenue base. For FY 2013 it is anticipated that the primary sources of non-airline revenue for the Airport will be Parking (29.2 percent Total Revenue), Rental Cars (23.8 percent Total Revenue), and Airfield/GA Revenue (11.8 percent Total Revenue). Collectively, revenue derived from these sources is expected to provide $5,385,028 or 64.8 percent of funds to support Airport operations during the current fiscal year. These activities have historically been the largest generators of non-airline revenues. On a broader perspective, the following activities/initiatives contributed to the Airport being able to generate a compound annual growth rate of 2 percent during this period:

- The Airport entered into a new long-term FBO Operating Agreement in February 2011.
- Parking Rate changes for hourly/daily use were implemented in January 2012.
- Airline leases were renegotiated during FY 2009 to a compensatory ratemaking methodology which changed how the Authority calculates airline rents and fees.
- A five year rental car concession agreement, with an additional five year renewal option was entered into in 2008.
- Lease agreements with Advantage West/Western North Carolina Regional Economic Development and WNC Aviation were negotiated in 2009.
- A new concession contract for food/beverage/gift concessions was entered into in 2011.
- In 2010, new FAA and TSA rental agreements were negotiated.

With the exception of the food/beverage/gift concession and TSA contracts, these long term agreements are expected to provide for annual rental adjustments based upon changes in the consumer price index (CPI) or other established metric.

It is noteworthy that the Airport provides a favorable operating environment for air carriers as reflected in its airline cost per enplaned passenger calculation which is a key efficiency benchmark for airlines/airports to gauge reliance on airline rents and fees. This indicator is utilized to convey the relative "cost of doing business" for an airline at an airport as reflected in an airline's ability to spread its expense associated with renting and utilizing airport facilities among its passengers. For FY 2013, the airline cost per enplaned passenger ratio for the Airport is forecast to be $5.35 which is reasonably consistent with other comparable commercial service airports. Overall fees paid by airlines to AVL grew at a compounded annual growth rate of two percent during the period FY 2007 to FY 2013 (projected): however, their cost per enplaned passenger ratio grew very modestly from $5.32 to $5.35.

Estimates of the Airport's future revenues were developed based on historical trends from FY 2007 through FY 2012, the Airport's FY 2013 projected results, its preliminary FY 2014 budget, and an analysis of future revenue potential. **Table 8-6** presents FY 2012 actual revenues, expected results for FY 2013, preliminary budget estimates for FY 2014, and projected revenues for the period FY 2015 through FY 2018, which is the end of the short-term planning period for the Airport's CIP. It is expected that during this period revenue growth will continue for the Airport at a compounded annual growth rate of one percent resulting in overall revenue levels increasing from approximately $8.5 million to $9.2 million.

Table 8-6: Projected Airport Revenue

	2012	Projected 2013	Preliminary 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
AIRLINE REVENUES							
LANDING AREA							
Airline Landing Fees	$587,645	$513,204	$548,000	$564,440	581,373	$598,814	$616,779
TERMINAL AREA							
Terminal Fees and Rents	$1,066,701	$1,058,791	$1,030,000	$1,060,900	$1,092,727	$1,125,509	$1,159,274
Terminal Area Apron Charges	$224,988	$182,782	$200,000	$206,000	$212,180	$218,545	$225,102
Turn Fees Non-Scheduled Airlines	$0	$11,070	$30,000	$30,900	$31,827	$32,782	$33,765
Total Airline Revenue	**$1,879,334**	**$1,765,847**	**$1,808,000**	**$1,862,240**	**$1,918,107**	**$1,975,650**	**$2,034,920**
NON-AIRLINE REVENUES							
AIRFIELD/GA REVENUE							
Percentage Fee	$30,694	$38,324	$25,000	$25,500	$26,010	$26,530	$27,061
Hangar Rentals	$393,025	$401,832	$409,066	$419,293	$429,775	$440,519	$451,532
FBO Land/Apron Rent & Parcel Fee	$467,004	$461,491	$462,673	$471,926	$481,365	$490,992	$500,812
Fuel Flowage Fees	$64,616	$75,473	$70,000	$72,100	$74,263	$76,491	$78,786
TERMINAL AREA CONCESSIONS							
Terminal Space Rentals Non-Airline	$206,205	$208,505	$213,411	$217,679	$222,033	$226,473	$231,003
Food, Beverage, Gift	$110,572	$109,680	$100,000	$103,000	$105,060	$107,161	$109,304
Advertising	$84,107	$90,900	$100,000	$200,000	$210,000	$220,500	$231,525
Ground Transportation Fees	$37,062	$22,400	$23,000	$23,460	$23,929	$24,408	$24,896
Brochure Sales	$21,405	$24,445	$24,750	$25,740	$26,770	$27,840	$28,954
ATM, Guest Services, Bag Cart, Misc.	$4,980	$5,492	$5,165	$5,268	$5,374	$5,481	$5,591
RENTAL CARS							
Rental Auto Concessions	$1,414,279	$1,447,577	$1,352,510	$1,345,584	$1,372,496	$1,399,946	$1,427,945
Rental Auto Concessions – Off Airport	$23,183	$22,164	$21,000	$24,000	$24,480	$24,970	$25,469
Counter & Office	$148,974	$169,449	$176,796	$182,984	$189,388	$196,017	$202,877
Ready/Return	$46,876	$48,518	$50,218	$51,976	$53,795	$55,678	$57,626
Service Facility	$216,128	$223,706	$231,534	$239,638	$248,025	$256,706	$265,691
CAM Fee	$75,437	$66,853	$66,631	$67,964	$69,323	$70,709	$72,124
PARKING AREA							
Public Parking Facility	$2,586,409	$2,400,000	$2,350,000	$2,397,000	$2,444,940	$2,493,839	$2,543,716
Commuter Parking	$18,852	$15,800	$21,000	$21,420	$21,848	$22,285	$22,731
Tenant Employee Parking	$13,075	$13,841	$13,900	$14,178	$14,462	$14,751	$15,046
OTHER							
Building Leases	$124,220	$126,372	$137,752	$143,262	$148,993	$154,952	$161,150
Land Leases	$24,723	$24,936	$25,208	$25,964	$26,743	$27,545	$28,372
Other Leases & Fees	$556,428	$516,336	$541,800	$555,345	$569,229	$583,459	$598,046
ADMINISTRATION							
Interest Income	$24,230	$30,000	$20,000	$20,000	$20,000	$20,000	$20,000
Total Non-Airline Revenue	**$6,692,484**	**$6,544,094**	**$6,441,414**	**$6,653,281**	**$6,808,299**	**$6,967,254**	**$7,130,256**
TOTAL AIRPORT OPERATING REVENUE	**$8,571,818**	**$8,309,941**	**$8,249,414**	**$8,515,521**	**$8,726,406**	**$8,942,904**	**$9,165,176**
Annual Enplanements	356,098	330,000	320,000	325,440	330,972	336,599	342,321
AIRLINE COST PER ENPLANEMENT	$5.28	$5.35	$5.65	$5.72	$5.80	$5.87	$5.94

Sources: Greater Asheville Regional Airport Authority, Delta Airport Consultants, Inc.

Airline Landing Fees – Scheduled commercial airlines operating at the Airport are currently charged a landing fee of $1.51 per thousand pounds of gross landed weight. For FY 2013, it is anticipated that $513,204 in revenue will be derived from airline aircraft operations constituting approximately 6.2 percent of the Airport's revenue base. In FY 2009, the Authority renegotiated its airline use agreement resulting in a change to its ratemaking methodology. As a result of this change, the annual landing revenue is determined based upon budgeted airfield costs for the ensuing year factored by the expected percentage of commercial airline operations. The corresponding rate is set by taking this amount and dividing it by the number of expected enplanements. Projections of future landing fee collections for the period FY 2014 through FY 2018 assume growth of three percent each year increasing from $548,000 in FY 2014 to $616,779 in FY 2018.

Airline Revenues – Terminal – This category of revenue represents fees the Authority charges airlines operating at the Airport for the use and occupancy of exclusive and non-exclusive space in its air carrier terminal building, use of Airport-owned aircraft loading bridges, and the airline aircraft parking apron area. Leasing activities associated with airline use and occupancy of the terminal building is expected to produce 15.1 percent of total revenue for the Airport or approximately $1.3 million in FY 2013. Through its current airport use agreement, the Authority assesses five charges for airline use and occupancy of its air carrier terminal building. For the FY 2013 adopted budget, the square foot terminal building rental rate was $36.02, the common use per passenger facility fee was set at $2.58, the apron fee turn was $26.67, and the passenger loading bridge fee was $7.09 per passenger. Going forward, it is expected that total terminal fees and rents will increase from $1,030,000 to $1,159,274 while terminal apron charges will grow from $200,000 to approximately $225, 102. Turn fees for non-scheduled airlines will also increase from $30,000 to $33,765 mirroring the 3 percent annual growth rate for terminal fees and rents as well as terminal area apron charges.

Airfield/GA Revenue – This category of revenue includes fees collected for hangar rent, fuel flowage fees, FBO land/apron rent and revenue derived from FBO operations. These sources of revenue increased from $605,083 in FY 2007 to an anticipated level of $977,120 in FY 2013 due primarily to establishment of a new FBO agreement in 2011. During this period, the Airport witnessed a CAGR of 13 percent in these fees. Although FBO revenues were the primary driver of increased revenue for this category, it is noteworthy that fuel flowage fees, the per-gallon charge the Authority assesses for fuel dispensed at the Airport, grew at the highest pace to approximately $75,473 in FY 2013.

Based upon historical trends and recently established FBO agreement, the Authority can expect airfield/GA revenue to continue to increase at an annual growth rate of two percent resulting in total revenue from these sources of $1,058,191 by FY 2018.

Terminal Area Concessions – Terminal Area Concessions represents fees received by the Authority for rent of all terminal area space except for airline operations and includes non-airline terminal space rentals, food/beverage/gift sales, advertising, ground transportation fees, brochure sales, and miscellaneous charges for services. Revenue from these activities increased from $376,555 in FY 2007 to an expected level of approximately $461,422 in FY 2013, which translates to a CAGR of two percent during this period. Terminal space rentals – non-airline, which consists of fees from the FAA and the

Transportation Security Administration (TSA) for use of Airport office space and the air traffic control tower (ATCT), generates approximately 50 percent of revenue for this category and is utilized to offset the cost of providing custodial, maintenance and utility services to these areas. The food/beverage/gift concession was renegotiated in 2011 and generates approximately 21 percent of revenue for this category. Advertising fees increased 3 percent per year from $75,348 in FY 2007 to an estimated $90,900 in FY 2013. Brochure sales increased more robustly during this period increasing 17 percent each year from $9,611 to an anticipated level of $22,400 in FY 2013. Historically, revenue derived from the sum of these activities has grown at two percent per year and it is expected that in FY 2013 this will translate to $461,422 in revenue for the Airport. Moving forward, it is assumed the Authority will assume operation of the advertising concession and continue a market based ratemaking approach for these concession agreements. The net result of these activities should equate to increased levels of growth in revenue derived from display advertising. While these gains will be partially offset in the earlier years of this transition by increased operating expenses, in the long-run the Airport stands to gain significant increases in fees from this source. Collectively, rentals/fees received from non-airline use of the terminal areas are projected to increase from $466,326 to approximately $631,273 in FY 2018 representing an annual growth rate of eight percent.

Rental Cars – Based upon the current concession agreement between the Authority and its rental car concession operators, four distinct sources of revenue are provided to the Airport from this activity including concession fees, facility rent (ticket counter and ready/return parking spaces), rental car service facility rent and CAM fees associated with this facility. Collectively, revenue from these sources comprises 23.8 percent of all operating revenue and grew at a CAGR of five percent during the period FY 2007 to FY 2013 (projected) from $1,376,918 to $1,978,267. Land rent associated with the rental car service facility, which opened in 2009, generated the greatest source of revenue gain for this category. This facility, which is being financed through a customer facility charge, provides all rental car concession companies with an on-site car wash, fueling and vehicle storage area.

The Authority's rental car concession agreement is effective through July 31, 2013; however, the Authority has the option of renewing this agreement for an additional five year term. The Authority is currently evaluating this option and the appropriate concession fee structure for this period. Concession fee revenue has experienced a decline since 2012; therefore, preliminary estimates for FY 2014 are proposed to be at the same level as FY 2013 collections. For the period FY 2014 to 2018, it is expected that revenue derived from rental car operations will increase two percent per year from $1,898,689 to $2,051,731.

Parking Area – Parking facility revenues represent fees collected from the Airport's 1,465-stall surface parking facility as well as 240-space tenant employee parking area. The Authority currently operates its public parking facility through a management agreement with Standard Parking Company, Inc. Parking facility revenue increased from $2,161,893 in FY 2007 to an expected level of $2,429,641 in FY 2013; translating to a CAGR of two percent during this period. Future projections of public parking revenue are based on projections of passenger activity and previous results. While a rate increase was instituted in January 2012, this model does not assume further increases during this planning period. Accordingly, parking revenue is projected to increase from an expected level of $2,384,900 in FY 2014 to $2,581,492 in FY 2018 continuing its historical rate of growth of two percent per year.

Other Revenue – Lease of Authority-owned buildings and land as well as collection of fees for shared terminal services and other services provided to tenants comprise this category of revenue. These activities include reimbursement for law enforcement officer (LEO) services provided by the Authority to tenants, lease of land to the U.S. Forest Service, and lease of the Lacy Griffin Building. Historically, these activities have generated on average approximately $733,000 each year for the Airport or approximately 10 percent of all non-airline revenue. These sources of revenue are projected to increase from an expected level of $704,760 in FY 2014 to $787,568 in FY 2018 continuing its historical rate of growth of three percent per year.

Summary of Airport Revenue – Total operating revenues for the Airport are projected to increase from $8,249,414 in FY 2014 to $9,165,176 in FY 2018, representing a CAGR of approximately one percent. These projections were developed by examining several key business factors that have an impact on major elements of Airport revenue. While such estimates are believed reasonable, actual levels of future revenue may differ from these projections. Examples of factors that could impact future levels of Airport revenue include changes in the level of passenger and GA activity, which could impact key revenue sources such as rental car concessions, automobile parking and fuel flowage fees.

While not discussed in detail as part of this analysis, it is critical that the Authority examine its ability to utilize vacant Airport property for non-aeronautical purposes and generate revenues from these activities on par with what it accomplished with its on-site rental car service facility. Development of these alternative streams of revenue diversifies the Airport's revenue base making it less susceptible to downturns in core aviation business lines such as passenger activity levels and GA operations. Success in these areas could yield a greater level of revenue than projected in this analysis. The Airport Layout Plan (ALP) that has been developed as part of this study identifies Authority-owned property with the potential for such use and revenue generation.

8.4.b Historical and Projected Operating Expenses

The Airport's historical operating expenses for FY 2007 through FY 2013 (projected) are presented in **Table 8-7**, Historical Airport Operating Expense. During this seven year period, total Airport operating expenses grew at a CAGR of seven percent, increasing from $4,921,211 in FY 2007 to an expected level of $7,342,180 in FY 2013. Escalating costs for employee salaries and benefits, operating supplies, and contractual services were the primary reasons for this rate of growth during this period.

Salaries, wages, benefits, operating supplies, contractual services, promotional activities, utilities, repairs, and maintenance have consistently represented the largest categories of expenditures for the Airport. It is expected that during FY 2013 salaries, wages, and benefits will total $4,136,847 and represent approximately 56 percent of all operating expenses. It is common for airports to allocate in excess of 50 percent of its annual operating budget for personnel costs due to the highly regulated environment in which it operates requiring staffing to meet federal standards for fire rescue, law enforcement and airport operations. The next largest components of total Airport operating expenditures are contractual services

($747,508), utilities ($453,509), operating supplies ($389,093), repairs and maintenance ($333,200) and promotional activities ($290,992).

The Authority tracks expenditures through the use of 81 line item accounts categorized into 15 broader functional areas:

- Personnel Services
- Operating Supplies
- Printing & Binding
- Rentals & Leases
- Contractual Services
- Professional Services
- Communications and Freight
- Travel and Training
- Utilities
- Promotional Activities
- Insurance
- Repairs and Maintenance
- Books, Publications, Subscriptions and Memberships
- Other Current Charges and Obligations
- Emergency Repair

Due to the scope and magnitude of several expenditures/obligations in the Authority's budget, this analysis offers further evaluation and consideration of the following areas:

- Personnel Services
- Contractual Services
- Utilities
- Operating Supplies
- Repairs and Maintenance
- Promotional Activities

These operating expense categories represent all expenses associated with the day-to-day operations of the Airport. Major expense categories, and the assumptions used to project expenses for each, are discussed in the following sections.

Table 8-7: Historical Airport Operating Expenses

	2007	2008	2009	2010	2011	2012	Projected 2013
OPERATING EXPENSES							
Regular Salaries & Wages	$1,726,986	$1,809,627	$2,407,044	$2,230,127	$2,318,335	$2,581,816	$2,742,000
Overtime	$25,625	$24,538	$65,757	$79,413	$68,132	$55,876	$60,500
Benefits	$691,479	$727,992	$810,074	$925,900	$980,903	$1,073,915	$1,187,436
Salary Adjustment/Bonus Pool	$0	$0	$72,847	$68,038	$0	$0	$34,174
Other Benefits (LEO, Longevity, Unemployment, Retiree Health)	$0	$0	$0	$48,108	$101,801	$118,980	$112,737
Subtotal: Salaries, Wages & Benefits	**$2,444,090**	**$2,562,157**	**$3,355,722**	**$3,351,586**	**$3,469,171**	**$3,830,587**	**$4,136,847**
Operating Supplies	$232,363	$242,848	$231,409	$202,924	$216,935	$234,454	$389,093
Printing & Binding	$7,546	$11,982	$11,814	$7,022	$8,345	$8,440	$12,800
Rentals & Leases	$11,285	$14,235	$20,001	$12,974	$14,831	$14,437	$15,020
Contractual Services	$551,494	$631,219	$524,021	$539,787	$576,987	$599,554	$747,508
Professional Services	$265,225	$268,495	$264,930	$205,264	$352,963	$218,066	$282,500
Communications & Freight	$92,445	$50,543	$64,732	$53,949	$60,989	$63,049	$72,348
Travel and Training	$141,703	$140,621	$149,333	$122,227	$106,424	$132,964	$187,240
Promotional Activities	$188,059	$230,316	$230,380	$228,324	$225,035	$258,506	$290,992
Insurance	$191,293	$347,555	$208,601	$195,071	$181,606	$185,334	$201,308
Utilities (Water, Sewer, Electric, Gas)	$387,587	$386,151	$407,337	$361,116	$410,621	$381,202	$453,509
Repairs & Maintenance	$382,601	$390,148	$275,668	$230,533	$273,803	$330,358	$333,200
Books, Publications, Subscriptions, & Memberships	$25,519	$32,312	$26,568	$25,504	$23,753	$31,500	$37,135
Other Current Charges & Obligations	$0	$77,388	$52,364	$59,411	$189,586	$71,844	$82,680
Emergency Repair	$0	$0	$0	$62,005	$21,552	$63,619	$100,000
Subtotal: Services & Materials	**$2,477,121**	**$2,823,813**	**$2,467,158**	**$2,306,111**	**$2,663,430**	**$2,593,327**	**$3,205,333**
TOTAL OPERATING EXPENSES	**$4,921,211**	**$5,385,970**	**$5,822,880**	**$5,657,697**	**$6,132,601**	**$6,423,914**	**$7,342,180**

Source: Greater Asheville Regional Airport Authority, Delta Airport Consultants, Inc.

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Personnel Services – Personnel services expenditures are for the current 60 full time equivalent (FTE) Airport Authority employees who provide Airport management, clerical, public safety, and building/facilities maintenance functions for the Airport. During FY 2009, the Authority assumed responsibility for providing custodial services for the air carrier terminal building and hired additional staff to perform this work. This decision generated the bulk of the cost increase for this category during this period. Between FY 2007 and FY 2013 (projected), personnel services increased from $2,444,090 to $4,136,847. In addition, employee benefits increased 9 percent per year from $691,479 to $1,187,436 due to increases in health care and retirement contributions. These factors, coupled with higher payroll tax payments associated with additional staffing and increased salaries and wages, drove the increase in personnel services during this period resulting in a CAGR of nine percent. As shown in **Table 8-8**, future personnel service costs are projected to increase from $4,493,085 in FY 2014 to $5,944,815 in FY 2018, representing a compounded annual increase of approximately eight percent. These projections were developed based on an estimated rate of inflation and assume the hiring of five new positions in FY 2014. Three of these positions will be assigned to the Airport operations division to assist with increased airfield safety requirements during construction of the airfield improvement program. One position will assume responsibility for the marketing, promotion, and sales of display advertising program for the air carrier terminal while the remaining position will be charged with a myriad of duties related to the Airport's information technology (IT) systems. All five positions have revenue offsets to reduce their overall impact to the operating budget. It is assumed that the position hired for the display advertising program will increase Airport revenues over and above current levels while the IT position will decrease reliance on outside contractors. Finally, the cost of the additional operations staff will be partially offset through the FAA AIP grants issued for the airfield project.

Contractual Services – Expenditures associated with this category include ongoing contracts the Airport maintains for landscaping, computer technical support, automobile parking management, and elevator maintenance. Collectively, these expenditures increased from $551,494 in FY 2007 to $747,508 in FY 2013 (projected) representing a five percent CAGR. As previously noted, the Authority cancelled its janitorial services contract in FY 2009; however, these savings were offset by fees paid for management of the parking area and IT services. Public parking area and IT services represent the majority of expenditures for this category. With the establishment of an Authority position focused solely on IT, it is envisioned that for the period FY 2014 - FY 2018 expenses in this category will moderately grow from $634,001 in FY 2014 to $659,744 in FY 2018 or one percent each year.

Utilities – Public utility service expenses are comprised of charges for electricity, gas, water, and sewer service for Airport facilities. These expenditures have ranged from a low of $387,587 in FY 2007 to $453,509 in FY 2013 (projected), yielding a compounded annual increase of approximately three percent. During this period, electrical costs increased approximately $83,000, gas service decreased $16,000, and water and sewer fees remained relatively unchanged. Utility expenses are projected to increase from $432,015 in FY 2014 to $467,627 in FY 2018, representing a compounded annual increase of approximately two percent. The Authority can expect further increases in utility costs upon completion of the ARFF facility and airfield improvement program. While both projects will include energy conservation measures, the mere number of new airfield lighting fixtures and energy consumption in the ARFF building will increase utility consumption and costs beyond those anticipated for FY 2018.

Table 8-8: Projected Airport Operating Expenses

	2012	Projected 2013	Preliminary 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
OPERATING EXPENSES							
Regular Salaries & Wages	$2,581,816	$2,742,000	$2,879,905	$3,124,779	$3,312,266	$3,511,002	$3,721,662
Overtime	$55,876	$60,500	$67,900	$75,328	$80,601	$86,243	$92,280
Benefits	$1,073,915	$1,187,436	$1,357,240	$1,479,392	$1,612,537	$1,757,665	$1,915,855
Salary Adjustment/Bonus Pool	$0	$34,174	$76,142	$79,188	$82,355	$85,649	$89,075
Other Benefits (LEO, Longevity, Unemployment, Retiree Health)	$118,980	$112,737	$111,898	$115,255	$118,713	$122,274	$125,942
Subtotal: Salaries, Wages & Benefits	**$3,830,587**	**$4,136,847**	**$4,493,085**	**$4,873,942**	**$5,206,472**	**$5,562,834**	**$5,944,815**
Operating Supplies	$234,454	$389,093	$312,277	$326,329	$341,014	$356,360	$372,396
Printing & Binding	$8,440	$12,800	$11,900	$12,257	$12,625	$13,003	$13,394
Rentals & Leases	$14,437	$15,020	$12,316	$12,685	$13,066	$13,458	$13,862
Contractual Services	$599,554	$747,508	$634,001	$640,341	$646,744	$653,212	$659,744
Professional Services	$218,066	$282,500	$247,928	$250,407	$252,911	$255,440	$257,995
Communications & Freight	$63,049	$72,348	$80,323	$82,733	$85,215	$87,771	$90,404
Travel and Training	$132,964	$187,240	$167,885	$172,922	$178,109	$183,452	$188,956
Promotional Activities	$258,506	$290,992	$291,925	$300,683	$309,703	$318,994	$328,564
Insurance	$185,334	$201,308	$229,500	$234,090	$238,772	$243,547	$248,418
Utilities (Water, Sewer, Electric, Gas)	$381,202	$453,509	$432,015	$440,655	$449,468	$458,458	$467,627
Repairs & Maintenance	$330,358	$333,200	$321,969	$328,408	$334,977	$341,676	$348,510
Books, Publications, Subscriptions, & Memberships	$31,500	$37,135	$41,282	$42,108	$42,950	$43,809	$44,685
Other Current Charges & Obligations	$71,844	$82,680	$93,700	$95,574	$97,485	$99,435	$101,424
Emergency Repair	$63,619	$100,000	$90,000	$90,000	$90,000	$90,000	$90,000
Subtotal: Services & Materials	**$2,593,327**	**$3,205,333**	**$2,967,021**	**$3,029,193**	**$3,093,040**	**$3,158,617**	**$3,225,978**
TOTAL OPERATING EXPENSES	**$6,423,914**	**$7,342,180**	**$7,460,106**	**$7,903,134**	**$8,299,512**	**$8,721,450**	**$9,170,793**

Source: Greater Asheville Regional Airport Authority, Delta Airport Consultants, Inc.

Operating Supplies – This category of expenditure represents the cost of materials and supplies needed for a host of activities aimed at maintaining and repairing all of the Airport's grounds and facilities. The cost of materials and supplies for the Airport grew at a CAGR of nine percent between FY 2007 and FY 2013 (projected), increasing from $232,363 in the first year of this model to $389,093 by FY 2013. Most of the increases experienced in this category of expenditures are attributable to the Authority's assumption of custodial duties in FY 2009 as well as escalating costs for fuel and snow removal supplies including pavement deicing chemicals. This category is expected to increase from the expected FY 2014 level of $312,277 to $372,396 in FY 2018. Consistent with utility expense trends, the Airport should program additional funds for operating supplies upon completion of the airfield improvement project due to the additional pavement that will need to be cleared during inclement weather.

Repairs and Maintenance – Maintenance and repair expenses represent the cost of maintaining and repairing all of the Airport's grounds, facilities, vehicles, and equipment. Over the past seven years, this category of expenditure decreased by two percent per year from $382,601 in FY 2007 to $333,200 in FY 2013 (projected). Maintenance and repair expenses are projected to increase from $321,969 in FY 2014 to $348,510 in FY 2018 or two percent per year. Although the Authority was successful in reducing repair and maintenance expenses between FY 2007 and FY 2013 (projected), the age of its facilities will necessitate repair and renovation work that will result in modest expenditure increases going forward.

Promotional Activities and Publicity - In order for the Airport to retain and recruit the strongest possible mix of commercial air service for the greater Asheville region, the Authority has invested significant resources into targeted marketing and advertising programs over the past seven years. These efforts, coupled with the investment of non-operating funds for business development and airline marketing incentives, resulted in Allegiant Air launching new service in the market and Delta providing larger aircraft with greater seat capacity. These activities also enhanced the overall awareness of air service and related Airport amenities in the region. Advertising, Promotion and Publicity expenditures increased from approximately $188,059 in FY 2007 to $290,992 in FY 2013 (projected). It is expected that the Authority will continue its air service development and marketing activities, including its website/electronic marketing efforts, throughout the next five years. To this end, it is expected that during this period these operating expenditures will increase three percent per year from $291,925 in FY2014 to $328,564 in FY2018 and the Authority will continue to dedicate non-operating resources for its airline incentive and business development activities.

Summary of Historical and Projected Total Airport Expense – Airport operating expenditures increased from $4,921,211 in FY 2007 to $7,342,180 in FY 2013 (projected) reflecting a CAGR of seven percent. This rate of change was primarily the result of assuming building custodial responsibilities in FY 2009; increases in salaries, wages, and benefits; utilities; operating supplies; increased reliance on contractual services; and an ongoing robust investment in airport promotional and air service development efforts. It is forecasted that expenditure levels will increase from $7,460,106 in FY 2014 to $9,170,793 in FY 2018 representing a CAGR of six percent.

Cash Flow Analysis – The Airport's projected cash flow from operating activities is presented in **Table 8-9** for the period FY 2015 through FY 2018. Given the revenue and expenditure assumptions and trends discussed in this chapter, it is projected that the Airport will generate positive operating cash flow for the period FY 2015 – FY 2017 and will be in a breakeven position in FY 2018.

Table 8-9: Airport Cash Flow From Operating Activities

	Projected 2013	Preliminary 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Revenues						
Operating Revenue & Interest	$8,309,941	$8,249,414	$8,515,521	$8,726,406	$8,942,904	$9,165,176
Expenses						
Operating Expenses	$7,342,180	$7,460,106	$7,903,134	$8,299,512	$8,721,450	$9,170,793
Net Operating Cash Flow*	**$967,761**	**$789,308**	**$612,387**	**$426,895**	**$221,454**	**($5,617)**

Note: *Excludes Non-Operating Revenues & Expenses (Business Development, Airline Incentives, Contingencies, debt service, PFC & CFC Revenues)

As shown in the table, the growth rate for operating expenditures is expected to eclipse gains in operating revenue mitigating positive cash flow by year five of the model. It is possible for this trend to be reversed through the combination of the Authority's efforts to generate additional revenue from non-traditional non-aeronautical sources and periodic rate adjustments for its major concessions such as parking facilities. Furthermore, through the Authority's compensatory ratemaking model for airline fees and charges, sufficient revenues may be raised to offset the cost of providing services and facilities for airlines serving the Airport.

In terms of expenditures, the Authority, like many governmental entities, continues to confront significant increases in employee healthcare premium and defined benefit retirement plan costs. These factors, coupled with the cost impact of the extensive regulatory environment in which it operates, dictates that the Authority has little to no latitude in making significant changes to its cost structure. The extensive web of regulatory matters alone requires the Authority to maintain a core number of staff in order to ensure ongoing compliance. The new positions the Authority is seeking to create during the short-term planning period do have offsetting revenue streams associated with them to minimize the impact to the budget. However, the full effect of these savings and revenue are not expected to be realized until after the short-term plan is complete. Beyond personnel costs, the Authority does utilize best management practices to contain costs through use of preventative maintenance programs on equipment and systems, deployment of energy conservation measures to increase efficiency, and thorough review and justification of line item expenditures in its budget development and implementation processes.

8.5 Conclusion

Based on the foregoing analysis, including the underlying assumptions under which it was made, the short-term CIP recommended for the Airport is expected to be both feasible and implementable.

Moreover, the Airport is capable of sustaining its operations during the next five years void of placing extended or undue burdens on its tenants, operators, and concessionaires. The results of this analysis affirm that from an operational and financial perspective the Airport is well-positioned to be:

> ***"...the premier airport of choice for Western North Carolina travelers by providing an array of choices and amenities, distinctive customer service, value and convenience."*** (Mission Statement)

The following factors and key indicators substantiate this assessment:

- The Airport maintains a very low debt profile requiring approximately $627,000 per year in payments and derived from a dedicated funding stream (Airport rental car customer facility charge program).

- The Airport maintains a strong cash balance position reflective of an organization that acts prudently, has strong business acumen, and takes action that will produce positive results for its constituents.

- A proactive lease management and monitoring system in use ensures market rate rents are set and fees are collected in a timely manner. Lease rates are established to be consistent with market conditions and a database is maintained to track major terms and payment requirements of tenants/concessionaires.

- Best management practices are used by Airport management including:

    - Five year capital planning for vehicles/equipment/buildings, grounds repairs, and maintenance projects not otherwise eligible for federal or state funding.
    - Use of preventative maintenance practices for Airport facilities and grounds.
    - Implementation of strategies aimed at diversifying the Airport's revenue base to minimize reliance on airline rates and charges through lease of Authority property for non-aeronautical uses.
    - An aggressive air service retention and recruitment program including strong Airport advertising and promotional efforts in the region.

- Little to no growth in insurance premiums over the past seven years indicates an organization that stresses safety and mitigation of risk.

As the Airport commences work on implementing the recommended capital improvement program highlighted in this analysis it should remain focused on these unique endowments and seek to further capitalize on the positive benefits they provide. In the end, it is imperative that the Airport strives to continue to provide an economical and sustainable platform for airlines and other key tenants to operate and prosper in order to fulfill the Airport's mission.

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