

1. Introduction

Finances drive the ability to plan, implement, and operate facilities and improvements. Quantifying the expense and revenue of facilities, operations, and properties identifies available funding and required financing. This section includes the Pasco Tri-Cities Airport (PSC) capital improvement plan (CIP), and a financial implementation analysis (FIA).

The CIP is a planning document in which airport improvement alternatives identified in **Chapter 5** are assigned cost estimates, and an order of implementation. The FIA reviews Airport financial records, Port of Pasco (Port) policies, and airline agreements to establish PSC's baseline financial condition. The FIA reviews the CIP, in conjunction with Federal Aviation Administration (FAA) approved aviation activity forecasts in **Chapter 3**, to generate expected revenue available for airport improvement projects. Other potential sources of capital are identified to make up balance.

The CIP and FIA are developed with input from airport management, Port commissioners, and airport tenants. The result of the CIP and FIA is a financial plan that the Airport may use to implement improvement projects. The CIP and FIA will assist in federal, state, and local grant applications, budget preparations, and improvement project timing. Financial feasibility analysis enables the Airport to gauge the expected return on investment of planned airport improvement projects prior to implementation.

The chapter is organized into the following sections.

- Existing Airport Financial Structure
- Capital Improvement Plan
- Financial Implementation Analysis Summary



2. Existing Airport Financial Structure

The existing airport financial structure is a summary of revenues and expenses at PSC in 2010. Revenues include: landing fees; passenger terminal building rent from retailers, airlines, and car rental agencies; fuel flowage fees; advertising fees; hangar, land, and warehouse rental fees; and reimbursement from the Transportation Security Agency (TSA) for space occupied. Expenses include personnel salaries and benefits, supplies necessary for airport operation and administration, contractual services from consultants and local governments, utilities, repairs, and routine maintenance.

Airport financial structure influences tenant rent, staffing levels, and expenditures that support related businesses in the local economy. PSC management budgets so that revenues exceed expenses, and the Airport makes profit. Revenue generated that exceeds expenses can be used to improve airport services and facilities, enhance airport user and tenant experience, and pay for airport improvement projects. A summary of the Airport's 2010 financial structure is presented in **Table 6-1**.

Table 6-1: 2010 Financial Structure	
Revenues	
Airline Revenue	\$1,300,000
Non-Airline Revenue	\$3,800,000
Non-Operating Revenue	\$3,000
Total Revenues	\$5,103,000
Expenses	
Personnel Expenses	\$1,550,000
Supplies	\$80,000
Contractual Services	\$350,000
Utilities	\$230,000
Repairs and Maintenance	\$260,000
Other Operating Expenses	\$190,000
Local Government Services	\$1,000,000
Total Expenses	\$3,660,000
Operating Net Cash Flow (Revenues – Expenses)	\$1,443,000

Source: Lebowitz & Horton, 2011, numbers are rounded.

Values in 2010 Dollars

Expected net cash flow surpluses may be carried forward to earn interest, and pay for capital improvement projects. Additional sources of airport funding are discussed in **Section 3**.

3. Capital Improvement Plan

The CIP includes projects planned from 2012 through 2032. Projects are assigned a year to indicate preference and priority; however, the Airport may alter project implementation scheduling. Projects identified in **Chapter 5** will be required when the Airport meets certain activity levels. Aviation activity forecasts in **Chapter 3** are used to identify when activity levels will meet the level necessary for an improvement project; however, projects may need to be delayed or expedited as actual activity varies from forecasted activity.

The CIP is organized in three phases, which include Near-term, the Intermediate-term, and Long-term projects. Near-term projects are expected to be implemented between 2012 and 2016, Intermediate-term projects are expected to be implemented between 2017 and 2024, and Long-term projects are expected to be implemented between 2025 and 2032.

Airport improvement projects are funded through a variety of sources. The Airport receives annual airport improvement program (AIP) entitlement money from the FAA for being a commercial service non-hub airport in the FAA National Plan of Integrated Airport Systems. The Airport can request additional FAA funding from the AIP Discretionary program for projects that are more expensive than available AIP Entitlement funds. AIP Discretionary money is not guaranteed, and PSC competes with airports in nationwide for AIP Discretionary funding. Regulations and requirements for the use of AIP entitlement and discretionary funding are included in FAA Order 5100.38C, *Airport Improvement Program Handbook*.

As a commercial service airport, PSC is eligible for revenue from passenger facility charges (PFCs). PFCs are levied on commercial airline tickets on a per-passenger basis. The Airport is authorized to use PFCs for improvement projects that benefit the traveling public by providing safety, capacity, and efficiency. PFC funding levels vary based on the number of enplaning passengers at the Airport. The preferred passenger enplanement forecast has been used to generate expected PFC funding.

Federally funded projects require the Airport to contribute a local match of at least five percent of the project cost.

Additional funding may come from the Washington State Department of Transportation Aviation (WSDOT Aviation). WSDOT Aviation funding, called the Airport Grants Program (WSDOT Aviation AGP), works similarly to AIP Discretionary funding, where the Airport competes with other Washington Airports. The maximum amount of a WSDOT Aviation AGP is 250,000 dollars, with the airport sponsor contributing at least five percent of the project cost.

Projects not eligible for FAA funding and other sources require full payment by the Airport. These funds are identified on the CIP as Cash Reserve, and are funded by surplus cash flow, defined in **Section 2**. The Airport may use PFCs as a local match if the project meets PFC eligibility requirements.

The CIP identifies potential funding sources for airport improvement projects based on 2011 accepted practices. Funding requirements and availability may change based on local, national, and global events. Available funding is to be confirmed prior to project implementation.

The CIP includes 140 million dollars of airport improvement projects over a 20-year period. Cost estimates have been developed in 2010 dollars, and inflated at three percent annually. Project cost estimates are for planning purposes only, and require a detailed cost estimate prior to implementation so the Airport can obtain the funding necessary to implement the projects. A summary of the CIP cost estimates and expected funding sources is included in **Table 6-2**.

CIP Phase	Project Cost	PFC	AIP		Cash Reserve	Unidentified
			Entitlement	Discretionary		
Near-term	\$25.4	\$6.8	\$8.9	\$6.6	\$3.1	\$0
Inter.-term	\$30.3	\$5.6	\$14.7	\$1.8	\$8.3	\$0
Long-term	\$82.5	\$15.2	\$14.6	\$0.0	\$0.9	\$51.7
Total	\$138.2	\$27.6	\$38.2	\$8.4	\$12.3	\$51.7

It is estimated that 55 percent of CIP projects will be paid for with AIP and PFC programs. The Port will contribute eight percent of funding for local match, and for improvement projects that are ineligible for AIP and PFC funding. The remaining 45 percent of the CIP is unidentified. Potential funding sources for these projects include WSDOT Aviation AGP funds, AIP discretionary funds, and Port cash reserves.

The CIP presents cost estimates and funding sources by project. Cost estimates were developed in 2010 dollars, and adjusted for inflation at a rate of three percent annually. The CIP is included in **Table 6-3**.

Table 6-3: Capital Improvement Plan (2012-2018)												
Year	Project	Estimated Cost	Funding Percentage					Funding Source				
			PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified	PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified
2012	Runway End 12 Pavement Rehabilitation	\$983,714	49%	51%	0%	0%	0%	\$483,714	\$500,000	\$0	\$0	\$0
	Runway 3R-21L Reconstruction	\$2,160,000	0%	83%	0%	17%	0%	\$0	\$1,800,000	\$0	\$360,000	\$0
	Terminal Building-Concept Budget Report	\$330,000	100%	0%	0%	0%	0%	\$330,000	\$0	\$0	\$0	\$0
	Long-term Parking Lot Rehabilitation (Phase III & IV)	\$650,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$650,000	\$0
	Annual Pavement Maintenance	\$80,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$80,000	\$0
2013	Terminal Building-TSA Checkpoint and Restroom Relocation	\$3,500,000	75%	25%	0%	0%	0%	\$2,639,000	\$861,000	\$0	\$0	\$0
	East GA Apron Rehabilitation (1 of 3)	\$950,000	0%	91%	0%	9%	0%	\$0	\$861,000	\$0	\$89,000	\$0
	Parking Lot Expansion (1 of 7) <i>Rental Car/Overflow Lot</i>	\$770,000	100%	0%	0%	0%	0%	\$0	\$0	\$0	\$770,000	\$0
	Airport Equipment-Sweeper	\$350,000	100%	0%	0%	0%	0%	\$350,000	\$0	\$0	\$0	\$0
	Annual Pavement Maintenance	\$80,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$80,000	\$0
2014	Terminal Building-Concourse Expansion (Near-term)	\$3,500,000	100%	0%	0%	0%	0%	\$3,500,000	\$0	\$0	\$0	\$0
	VOR Removal/Relocation	\$2,500,000	0%	72%	23%	5%	0%	\$0	\$1,800,000	\$575,000	\$125,000	\$0
	Runway 12-30 Lighting	\$1,690,000	0%	0%	95%	0%	5%	\$0	\$0	\$1,610,000	\$80,000	\$0
	Annual Pavement Maintenance	\$80,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$80,000	\$0
2015	East GA Apron Rehabilitation (2 of 3)	\$2,000,000	0%	90%	0%	10%	0%	\$0	\$1,800,000	\$0	\$200,000	\$0
	Annual Pavement Maintenance	\$80,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$80,000	\$0
2016	East GA Apron Rehabilitation (3 of 3)	\$2,000,000	0%	90%	0%	10%	0%	\$0	\$1,800,000	\$0	\$200,000	\$0
	Parking Lot Expansion (2 of 7) <i>Access Road</i>	\$700,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$700,000	\$0
	Annual Pavement Maintenance	\$90,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$90,000	\$0
2017	Taxiway D Realignment	\$7,090,000	0%	25%	70%	5%	0%	\$0	\$1,746,000	\$5,000,000	\$344,000	\$0
	Parking Lot Expansion (3 of 7) <i>Long-term Lot (1 of 3), Access Road</i>	\$2,330,000	100%	0%	0%	0%	0%	\$2,330,000	\$0	\$0	\$0	\$0
	Airports GIS	\$600,000	0%	95%	0%	5%	0%	\$0	\$570,000	\$0	\$30,000	\$0
	Annual Pavement Maintenance	\$90,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$90,000	\$0
2018	Terminal Building-Renovation and Expansion of Ticketing, Baggage Handling, Bag Claim, and Restrooms (1 of 2)	\$5,650,000	25%	75%	0%	0%	0%	\$1,412,000	\$4,238,000	\$0	\$0	\$0
	Parking Lot Expansion (4 of 7) <i>Long-term Lot (2 of 3), Short-term Lot (1 of 2)</i>	\$1,590,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$1,590,000	\$0
	Airport Equipment-Snow Plow (SRE)	\$350,000	5%	95%	0%	0%	0%	\$17,000	\$333,000	\$0	\$0	\$0
	Annual Pavement Maintenance	\$90,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$90,000	\$0

Table 6-3: Capital Improvement Plan (2019-2026)												
Year	Project	Estimated Cost	Funding Percentage					Funding Source				
			PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified	PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified
2019	Terminal Building-Renovation and Expansion of Ticketing, Baggage Handling, Bag Claim, and Restrooms (2 of 2)	\$5,840,000	70%	30%	0%	0%	0%	\$4,088,000	\$1,752,000	\$0	\$0	\$0
	Parking Lot Expansion (5 of 7) <i>Long-term Lot (3 of 3), Short-term Lot (2 of 2)</i>	\$1,640,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$1,640,000	\$0
	Annual Pavement Maintenance	\$100,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$100,000	\$0
2020	Parking Lot Expansion (6 of 7) <i>Rental Car Lot (1 of 2), Rental Car/Employee Lot (1 of 2)</i>	\$1,420,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$1,420,000	\$0
	Master Plan Update	\$800,000	5%	95%	0%	0%	0%	\$40,000	\$760,000	\$0	\$0	\$0
	Airport Equipment-ARFF	\$700,000	5%	95%	0%	0%	0%	\$35,000	\$665,000	\$0	\$0	\$0
	Annual Pavement Maintenance	\$100,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$100,000	\$0
2021	Taxiway A Realignment-Alternative 1	\$4,690,000	0%	57%	38%	5%	0%	\$0	\$2,685,000	\$1,770,000	\$235,000	\$0
	Parking Lot Expansion (7 of 7) <i>Rental Car Lot (2 of 2), Rental Car/Employee Lot (2 of 2)</i>	\$1,450,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$1,450,000	\$0
	Annual Pavement Maintenance	\$100,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$100,000	\$0
2022	East GA Apron Expansion (1 of 5)	\$1,240,000	0%	95%	0%	5%	0%	\$0	\$1,178,000	\$0	\$62,000	\$0
	Annual Pavement Maintenance	\$100,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$100,000	\$0
2023	East GA Apron Expansion (2 of 5)	\$1,280,000	0%	95%	0%	5%	0%	\$0	\$1,216,000	\$0	\$64,000	\$0
	Annual Pavement Maintenance	\$110,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$110,000	\$0
2024	East GA Apron Expansion (3 of 5)	\$1,320,000	0%	95%	0%	5%	0%	\$0	\$1,254,000	\$0	\$66,000	\$0
	Annual Pavement Maintenance	\$110,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$110,000	\$0
2025	Runway End 03L Approach Lighting and Marking (1 of 2)	\$1,330,000	0%	95%	0%	5%	0%	\$0	\$1,264,000	\$0	\$66,000	\$0
	Environmental Assessment-Runway End 12 and Parallel Taxiway Extension and Runway End 30 Relocation	\$400,000	5%	95%	0%	0%	0%	\$20,000	\$380,000	\$0	\$0	\$0
	Terminal Building-Concourse Expansion (Long-term) (1 of 5)	\$3,390,000	100%	0%	0%	0%	0%	\$3,390,000	\$0	\$0	\$0	\$0
	East GA Apron Expansion (4 of 5)	\$1,360,000	95%	0%	0%	5%	0%	\$1,292,000	\$0	\$0	\$68,000	\$0
	Annual Pavement Maintenance	\$110,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$110,000	\$0
2026	Runway End 03L Approach Lighting and Marking (2 of 2)	\$1,370,000	0%	95%	0%	5%	0%	\$0	\$1,302,000	\$0	\$68,000	\$0
	Runway End 30 Relocation, (1 of 2)	\$2,280,000	5%	95%	0%	0%	0%	\$114,000	\$2,166,000	\$0	\$0	\$0
	Taxiway A End-Around (1 of 2)	\$890,000	5%	95%	0%	0%	0%	\$45,000	\$845,000	\$0	\$0	\$0
	Terminal Building-Concourse Expansion (Long-term) (2 of 5)	\$3,500,000	100%	0%	0%	0%	0%	\$3,500,000	\$0	\$0	\$0	\$0
	East GA Apron Expansion (5 of 5)	\$1,390,000	5%	95%	0%	0%	0%	\$70,000	\$1,320,000	\$0	\$0	\$0
	Annual Pavement Maintenance	\$120,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$120,000	\$0

Table 6-3: Capital Improvement Plan (2027-2032)												
Year	Project	Estimated Cost	Funding Percentage					Funding Source				
			PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified	PFC	AIP Entitlement	AIP Discretionary	Cash Reserves	Unidentified
2027	Runway End 30 Relocation, (2 of 2)	\$2,350,000	5%	95%	0%	0%	0%	\$118,000	\$2,232,000	\$0	\$0	\$0
	Taxiway A End-Around, (2 of 2)	\$920,000	5%	95%	0%	0%	0%	\$46,000	\$874,000	\$0	\$0	\$0
	Terminal Apron Expansion, (1 of 3)	\$8,490,000	50%	50%	0%	0%	0%	\$4,245,000	\$4,245,000	\$0	\$0	\$0
	Terminal Building-Concourse Expansion (Long-term) (3 of 5)	\$3,600,000	65%	0%	0%	0%	35%	\$2,340,000	\$0	\$0	\$0	\$1,260,000
	Annual Pavement Maintenance	\$120,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$120,000	\$0
2028	Runway End 12 and Parallel Taxiway Extension, (1 of 3)	\$3,710,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$3,710,000
	Terminal Apron Expansion, (2 of 3)	\$8,750,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$8,750,000
	Terminal Building-Concourse Expansion (Long-term) (4 of 5)	\$3,710,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$3,710,000
	Master Plan Update	\$1,000,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$1,000,000
	Annual Pavement Maintenance	\$120,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$120,000	\$0
2029	Environmental Assessment-Runway End 21R and Parallel Taxiway Extension	\$400,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$400,000
	Runway End 12 and Parallel Taxiway Extension, (2 of 3)	\$3,820,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$3,820,000
	Terminal Apron Expansion, (3 of 3)	\$9,010,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$9,010,000
	Terminal Building-Concourse Expansion (Long-term) (5 of 5)	\$3,820,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$3,820,000
	Annual Pavement Maintenance	\$130,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$130,000	\$0
2030	Runway End 21R and Parallel Taxiway Extension (1 of 3)	\$2,550,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$2,550,000
	Runway End 12 and Parallel Taxiway Extension (3 of 3)	\$3,930,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$3,930,000
	Annual Pavement Maintenance	\$130,000	0%	0%	0%	100%	0%	\$0	\$0	\$0	\$130,000	\$0
2031	Runway End 21R and Parallel Taxiway Extension (2 of 3)	\$2,630,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$2,630,000
	New Taxiway G (1 of 2)	\$2,050,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$2,050,000
	Annual Pavement Maintenance	\$140,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$140,000
2032	Runway End 21R and Parallel Taxiway Extension, (3 of 3)	\$2,710,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$2,710,000
	New Taxiway G (2 of 2)	\$2,110,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$2,110,000
	Annual Pavement Maintenance	\$140,000	0%	0%	0%	0%	100%	\$0	\$0	\$0	\$0	\$140,000

4. Financial Implementation Analysis

The FIA explains how PSC will fund the CIP. Funding source risks and assumptions are identified, and financial reasonableness is assessed. The FIA uses baseline data from expected Airport cash flow, summarized in **Section 2**, and expected capital improvement funding sources, summarized in **Section 3**, to assess financial feasibility of airport improvement projects.

The FIA estimates future Airport expense and revenue, using the same three percent rate of inflation as the CIP cost estimates. Airport revenue and expense are used with the preferred enplanement forecast for a given year to provide costs per enplaned passenger (CPEP), and revenues per enplaned passenger (RPEP). Compared to national averages for commercial service non-hub airports, PSC has lower CPEP and RPEP.

4.1 Costs per Enplaned Passenger

In 2010, PSC operating and maintenance expenses were \$3.7 million, and the Airport had 308,380 passenger enplanements. The CPEP in 2010 was \$11.94. According to FAA Operating and Financial Summary Report #127, the national average CPEP for commercial service non-hub airports in 2010 was \$28.15.

Operating and maintenance expenses may increase for reasons including inflation, aviation activity growth, and facility expansion. CPEP is anticipated to grow to \$14.38 in the Intermediate-term, and \$16.12 in the Long-term; however, CPEP at PSC is expected to remain below 40 percent of the national average for commercial service non-hub airports. Low operating and maintenance costs contribute to financial stability.

4.2 Revenues per Enplaned Passenger

PSC operating revenues were \$5.1 million in 2010, with a RPEP of \$16.48. According to FAA Operating and Financial Summary Report #127, the national average RPEP for commercial service non-hub airports in 2010 was \$32.02.

RPEP in the Intermediate-term is forecasted at \$18.08, and RPEP for the Long-term is forecasted at \$21.44. The national average for commercial service non-hub is \$43.77 in the Intermediate-term, and \$55.45 in the Long-term.

The cost-structure of PSC allows the Airport to provide services at a lower cost because the Airport is not spending as much on operating expenses as other commercial service non-hub airports. Comparison of operating cost and operating revenue indicates that in 2010, the Airport had a positive operating cash flow of \$1.4 million. Positive operating cash flow indicates that the Airport is financially stable at its current level of expense and revenue.

The FIA forecasts continue positive operating cash flow in the Intermediate-term and Long-term.

4.3 Summary

The FIA allocates funding sources for the CIP and operating expenses through to 2032. Capital improvement projects in the Near- and Intermediate-term have potential funding sources identified; however, some Long-term capital improvement projects do not have funding sources identified.

The FIA includes assumptions and forecasts that impact project funding sources and project necessity. These assumptions and forecasts include availability of federal funds, and aviation activity levels. Deviation from assumptions and forecasts may require changes to the CIP and FIA. It is recommended that the Airport updated the CIP and FIA annually.

The FIA indicates that projects with AIP discretionary funding sources are not feasible until funding is confirmed. The competitive nature of discretionary funding may delay or advance these projects to a year other than specified. Uncertainty about the future of AIP entitlement funding is a risk identified in the FIA. The CIP anticipates AIP entitlement funding will be \$1,700,000 in 2012, and grow at a rate of three percent per year. Deviation from this assumption will require reevaluation of the FIA, and correction of the CIP.

The CIP relies on continued scheduled commercial passenger airline activity at PSC to sustain PFC revenues. Passenger enplanements influence need and timing for terminal expansion, and automobile parking projects. It is recommended that the PFC revenues forecast be reviewed in future years to assess accuracy.