CHAPTER SIX

Financial Analysis

6.0 OVERVIEW

As presented herein, an investment totaling approximately $9.4 million is required between fiscal years 2014 and 2018 to complete all necessary aviation safety, preservation and capacity enhancement projects programmed in the near-term capital improvement plan. The following funding sources are required in order to complete this program as more fully described later in this chapter:

Table 6-1: Capital Improvement Funding Source Summary

Funding Source	Amount	Percent of Total
FAA Discretionary	$2,574,493	27%
FAA Entitlement	$5,000,000	53%
Wisconsin DOT	$403,750	4%
Airport Commission	$1,393,750	16%
Total	**$9,371,993**	**100%**

Of equal importance to the Airport'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 Chippewa Valley Regional Airport (EAU).

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

- Projections of enplaned passengers as presented in Chapter Two to derive Federal Aviation Administration (FAA) Airport Improvement Program (AIP) entitlements required to complete the program.
- A funding plan for the capital improvement plan utilizing AIP entitlement and discretionary funds as well as the State of Wisconsin, Bureau of Aeronautics, Grant-in-Aid Program; and Airport Commission Funds.
- EAU's existing financial structure, the Airport Ownership and Operations Agreement and agreements with its major tenants.
- Actual revenues and expenses for the period FY2008 through FY2011.
- Estimated revenues and expenses for the Airport for FY 2012
- Budgeted revenues and expenses for the Airport for FY 2013.
- Projections of revenues, expenses, and net cash flows from the operation of the Airport between FY 2014 through FY 2018 based on historical actual (FY2008–2011), estimated (FY2012) and budgeted (FY2013).
- A detailed cash flow analysis for the planning period FY2014 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 airport 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.

Airport Capital Improvement Plan

All airports receiving federal AIP funding are required to maintain a current Capital Improvement Plan (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 for the short-term planning horizon (FY2014-2018) and includes projects currently addressed in the Airport's existing CIP.

The recommended CIP and its corresponding cost estimates are based on a planning level of detail and are presented in **Table 6-2**. 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 as shown in Table 6-2 are based on current year (2012) construction dollar values and also include contingencies, design costs, and construction management costs. Each project was analyzed for AIP funding eligibility and a preliminary funding scenario was developed for each project from AIP, State, and Airport Commission funds.

Table 6-2: Capital Improvement Plan

Year	Project	Total Cost	Project Funding Sources FAA Entitlement	FAA Discretionary	Wisconsin DOT	Local
2014	Acquire front-mounted sweeper	$75,000	$67,500	$0	$3,750	$3,750
	Pavement Marking Rehabilitation Reimbursement	306,993	306,993	0	0	0
	Airport Layout Plan Update	100,000	90,000	0	5,000	5,000
	Design Taxiway C reconstruction	300,000	270,000	0	15,000	15,000
	Acquire Snowblower	200,000	180,000	0	10,000	10,000
	Capital Equipment	40,000	0	0	0	40,000
	Terminal Access Road Overlay	80,000	0	0	0	80,000
	Year 2014 Total Project Costs	**$1,101,993**	**$914,493**	**$0**	**$33,750**	**$153,750**
2015	Reconstruct Taxiway C (Runway 4/22 to Runway 14 end)	$2,500,000	$1,085,507	$1,164,493	$125,000	$125,000
	Design Runway 14/32 & Taxiway A Rehabilitation	150,000	0	135,000	7,500	7,500
	Capital Equipment	40,000	0	0	0	40,000
	Non-AIP Pavement & Airfield Maintenance Projects	40,000	0	0	0	40,000
	Year 2015 Total Project Costs	**$2,730,000**	**$1,085,507**	**$1,299,493**	**$132,500**	**$212,500**
2016	Construct Runway 14/32 & Taxiway A Rehabilitation	$2,000,000	$1,000,000	$800,000	$100,000	$100,000
	Capital Equipment	40,000	0	0	0	40,000
	Hangar Renovation and Reconstruction	550,000	0	0	0	550,000
	Non-AIP Pavement & Airfield Maintenance Projects	40,000	0	0	0	40,000
	Year 2016 Total Project Costs	**$2,630,000**	**$1,000,000**	**$800,000**	**$100,000**	**$730,000**
2017	Install wildlife fencing (part 139)	$1,250,000	$1,000,000	$125,000	$62,500	$62,500
	Wildlife study recommendations	250,000	0	225,000	12,500	12,500
	Capital Equipment	40,000	0	0	0	40,000
	Non-AIP Pavement & Airfield Maintenance Projects	40,000	0	0	0	40,000
	Year 2017 Total Project Costs	**$1,580,000**	**$1,000,000**	**$350,000**	**$75,000**	**$155,000**
2018	Purchase SRE	$500,000	$450,000	0	$25,000	$25,000
	ARFF Station Renovation/Relocation	750,000	550,000	$125,000	37,500	37,500
	Capital Equipment	40,000	0	0	0	40,000
	Non-AIP Pavement & Airfield Maintenance Projects	40,000	0	0	0	40,000
	Year 2018 Total Project Costs	**$1,330,000**	**$1,000,000**	**$125,000**	**$62,500**	**$142,500**
	TOTAL PROJECT COSTS FY 2014 – FY 2018	***$9,371,993***	***$5,000,000***	***$2,574,493***	***$403,750***	***$1,393,750***

Sources: Chippewa Valley Regional Airport
Mead & Hunt, Inc.

Funding for the Program

Table 6-3 presents an overall funding strategy for completion of EAU's Five Year (FY2014-2018) Airport Development Program based on a phased approach to accomplishing all necessary construction and other related program elements described above. The Program requires an investment of approximately $9.371 million with allocations of $5.0 million (FAA Entitlement), $2.6 million (FAA Discretionary), $0.4 million (State of Wisconsin), and $1.4 million (Airport Commission Funds).

Table 6-3: Capital Improvement Plan Funding Analysis

Year	Capital Improvement Costs	Required FAA Entitlements	Anticipated FAA Discretionary	Anticipated State Funds	Local Funds
2014	$1,101,993	$914,493	$0	$33,750	$153,750
2015	2,730,000	1,085,507	1,299,493	132,500	212,500
2016	2,630,000	1,000,000	800,000	100,000	730,000
2017	1,580,000	1,000,000	350,000	75,000	155,000
2018	1,330,000	1,000,000	125,000	62,500	142,500
CIP TOTAL	***$9,371,993***	***$5,000,000***	***$2,574,493***	***$403,750***	***$1,393,750***

Sources: Chippewa Valley Regional Airport
Mead & Hunt, Inc.

FAA funding participation in the proposed plan is based on the AIP as reauthorized in 2012. This analysis assumes continuance of AIP 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 revenues and to minimize costs to the Airport and local funding requirements. Further description of both funding sources and anticipated timing of funding allocations are discussed in greater detail below.

Federal AIP Grants

Federal grants for the FY 2014-2018 EAU Capital Improvement Plan are anticipated to be made available through the FAA's AIP program. On February 14, 2012, President Obama signed into law the FAA Modernization and Reform Act of 2012, the current AIP legislation which provides both Entitlement funds and Discretionary grant allocations for eligible projects undertaken by an airport sponsor. As a general rule, only those airport projects that are related to non-revenue producing facilities, such as those listed in EAU's proposed capital improvement program, are eligible for federal funding for up to 90 percent of total project costs.

The AIP is authorized by Chapter 471 of Title 49 of the United States Code (U.S.C.). Title 49 U.S.C., Section 47104(a) authorizes the FAA Administrator to make grants for airport planning and development in the United States and certain other entities. AIP grants assist the development of public-use airports served by air carriers, commuters, air cargo and general aviation and as noted above are awarded based upon formula (Entitlements) as well as through a prioritization process (Discretionary). For purposes of considering entitlement grant-in-aid funding, EAU is categorized as a non-hub primary airport.

Pursuant to AIP funding guidelines, each primary airport funding apportionment is based upon the number of passenger boardings at an airport. If Congress enacts legislation allocating full funding, the minimum amount apportioned to the sponsor of a primary airport is $650,000, and the maximum is $22,000,000 (Title 49 U.S.C., Section 47114I(1)(B)). These allocations are calculated as follows:

- $7.80 for each of the first 50,000 passenger boardings
- $5.20 for each of the next 50,000 passenger boardings
- $2.60 for each of the next 400,000 passenger boardings
- $0.65 for each of the next 500,000 passenger boardings
- $0.50 for each passenger boarding in excess of 1 million

Also, in any fiscal year in which the total amount made available under Title 49 U.S.C., Section 48103 is $3.2 billion or more the amount to be apportioned to a sponsor is increased by doubling the amount that would otherwise be apportioned under the formula. Under this scenario, the minimum apportionment to an airport sponsor is increased to $1,000,000 rather than $650,000, and the maximum apportionment to a sponsor is increased to $26,000,000 rather than the $22,000,000. The FAA Modernization and Reform Act of 2012 provides annual authorized funding levels for AIP in the amount of $3.35 billion per year for federal fiscal years 2012 through 2015. Provided the annual appropriation by Congress is equal to or greater than $3.2 billion, the minimum entitlement for primary airports (i.e., an airport with a minimum of 10,000 enplaned passengers) will total $1.0 million a year during this period.

Table 6-4 forecasts FAA Entitlement funds for EAU during the period FY2014-18 based on the enplaned passenger forecasts developed as part of this master planning effort as well as the Entitlement formula described above. The projected entitlement funds presented in Table 6-4 are based on total enplanements at EAU from the calendar year two years prior (i.e., entitlements for FY 2014 are based on enplanements from FY 2012). Notwithstanding the potential for reductions in federal aid, EAU's AIP entitlements for the period FY 2014 through FY 2018 are expected to be $1.0 million each year.

Table 6-4: Projected Airport Entitlement Funds

Fiscal Year	Projected Enplanements	Entitlement Funds
2014	22,067	$1,000,000
2015	23,170	$1,000,000
2016	24,376	$1,000,000
2017	25,595	$1,000,000
2018	26,875	$1,000,000
TOTAL PROJECTED REVENUE		***$5,000,000***

Sources: FAA Air Carrier Activity Information System
Mead & Hunt, 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 CIP as presented in Table 6-2 anticipates FAA discretionary funds totaling approximately $2.6 million being 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 the important airfield preservation and safety enhancements that will result through undertaking this work.

State of Wisconsin Department of Transportation Funds

Because EAU is considered a Primary Commercial Service Airport with scheduled air carrier service and enplanes greater than 10,000 or more passengers annually, it is eligible to receive individual grants from the State of Wisconsin Department of Transportation, Bureau of Aeronautics (Bureau). Although EAU may use these funds for any federally eligible work to be undertaken on the airport, it is required to ensure that its projects are reflected in the Bureau's Five Year Airport Capital Improvement Program.

Transportation user fees (including aviation user fees) deposited in the State's Transportation Trust Fund provides the revenue to support the Bureau's Grant-in-Aid Program. Funds are issued based upon a finding of need approved by the Governor and are appropriated based upon individual airport needs and Bureau priorities. For projects receiving federal financial aid, the airport owner and Bureau share equally the non-federal costs. For projects not involving federal financial aid, the Bureau normally pays 80 percent of the cost of airside development and 50 percent of landside development projects. The recommended plan proposes securing $0.4 million in grant-in-aid funding from the Bureau to provide its portion of the non-federal share for projects being completed through the AIP.

Finally, funding totaling $1.4 million is required from the Airport's Fund Balance and cash flow in order to complete this short-term plan.

Conclusions and Recommendations – Capital Plan

To ensure to the greatest extent possible that the required funding is provided to complete this plan as detailed herein, it is recommended that EAU undertake the following initiatives:

- Discuss with the FAA the need for the requested AIP discretionary aid to complete the Taxiway C Rehabilitation, Runway 14/32 and Taxiway A Rehabilitation, Wildlife fencing and Wildlife Study Recommendations projects.
- Enter into a dialogue with the State of Wisconsin, Department of Transportation, Bureau of Aeronautics about the feasibility of fully funding its overall share of the plan ($0.404 million).
- Adopt a five year capital improvement plan which includes the funding required from the Airport Fund Balance and/or future contributions from member localities to provide sufficient funds to provide overall 16 percent share of this short term plan ($1.4 million).
- Initiate preliminary planning and engineering work associated with the reconstruction of airport hangars (100% locally funded).

The most critical elements for the successful implementation of this plan are receipt of grant-in-aid funding from the FAA and the State of Wisconsin, Department of Transportation, Bureau of Aeronautics. Collectively, these sources are expected to provide approximately $8.0 million or 84 percent of all funding for this five year program. Assuming these entities allocate the amount of funding requested it is reasonable to assume that completion of this program is attainable within the proposed timeframe.

6.1 FINANCIAL STRUCTURE

The Chippewa Valley Regional Airport (CVRA) Ownership and Operation Agreement stipulates that Eau Claire County shall serve as the Commission's fiscal agent and is therefore responsible for maintaining its budget as well as revenue and expenditure accounts. In its role as fiscal agent for the Airport, the County reports the Airport's financial results within its combined financial statements and maintains discrete financial records to account for itemized revenues, expenses and segregated funds of the Airport.

The County also prepares an annual report on the Airport's financial condition and reports the results of its financial performance as a separate Enterprise Fund activity within its annual audit. Both the Commission's and County's fiscal years run concurrently with the calendar year and the County utilizes the full accrual basis of accounting to report the Commission's financial results. In September of each year, the Commission submits its proposed budget for the ensuing budget year to Eau Claire County to facilitate its budget process and both Chippewa County and Eau Claire County, member jurisdictions which comprise the Commission, currently provide annual funding to underwrite the cost of providing airport services and facilities through the adopted Ownership and Operation Agreement. The Commission provides periodic updates on its financial performance to both member jurisdictions throughout each fiscal year and reviews/sets its schedule of fees and charges for use of airport facilities and incorporates these fee schedules within its Annual Business Plan. This plan sets the five-year strategic direction for the Commission in terms of business development and furthering the Airport's role as a catalyst for economic activity in the greater Chippewa Valley region.

At the core of developing an understanding of the Airport's overall ability to fund the capital development program being recommended in this plan is the need to develop an awareness of the Airport's current financial condition and recent revenue and expenditure trends. Currently, fifteen (15) distinct Operating Revenue and forty-eight (48) Operating Expenditure codes are utilized by the County to track the Airport's finances. For purposes of establishing a baseline understanding of historical financial data and performance, these distinct categories were aggregated into broader functional areas. Although these data have been aggregated, they reconcile to all County financial data for the Airport for the period FY2008-2011 (actual), FY2012 (estimated), and FY2013 (budget). This analysis offers a baseline evaluation of the Airport's revenues and expenses over the past six years in order to provide a framework for understanding future impacts associated with implementation of the selected Master Plan CIP as well as ongoing required expenditures and revenue streams. 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 financial performance of EAU.

6.2 HISTORICAL AIRPORT REVENUES

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

AIRLINE REVENUE

- Landing Area – Airline Landing Fees
- Terminal Area – Terminal Fees & Rents and Terminal Area Apron Charges

INTERLOCAL REVENUE -- JURISDICTIONS

NON-AIRLINE REVENUE

- Airfield Area – G.A. Landing Fees, FBO Lease, Hangar Rentals, Fuel Flowage Fees, Tie-Down Fees, Land Lease Revenues, Utility Revenues
- Terminal Area – Terminal Area Rental/Other Charges, Rental Auto Concessions, Food and Beverage Services, Advertising, FAA Fee
- Parking Area – Public Parking Facility
- Administration – LEO Reimbursement

Table 6-5 depicts the Airport's historical revenues from FY2008 through FY2011 along with Estimated and Budgeted Revenues for FY2012 and 2013. During this six year period, total airport operating revenue experienced modest growth increasing from $1,155,956 in FY2008 to $1,276,700 in FY2013 (Budget); representing an increase of approximately $120,700 translating to a 2.0 percent compounded annual growth rate for this period. Major sources of revenue for the Airport include: Interlocal Revenue (40%), Airline fees (12%), Public Parking Facility (20%) and Non-Airline Airfield/GA Revenue (28%). In FY2013, fees collected from airline activities as well as non-airline revenues are expected to total $762,966 providing 81 percent of the needed resources to meet the Airport's annual operating expenses of $940,926 (**Table 6-8**). Thirty-five percent ($177,960) of the total $513,734 transfer from Chippewa and Eau Claire Counties is anticipated to be used to bring the Airport to a breakeven financial position while the remaining funds ($335,774) are available for use on existing/future Airport capital improvement projects (**Table 6-6**).

Airline Landing and Terminal Area Fees

The Commission does not currently have in effect a formal Airport and Airline Use Agreement for carriers serving the Airport; however, it uses a Compensatory ratemaking methodology to setting airline rates and charges. It currently charges SkyWest Airlines, $21.45 per square foot for space occupied within the terminal complex and a landing fee of $1.17 per 1,000 pounds of gross landed weight for each revenue producing flight. For the six year period between FY2008 (Actual) and FY2013 (Budget) total airline landing and terminal fee revenue is expected to increase from $147,089 to $149,995 representing a compounded annual growth rate of 0.4 percent. Collections of terminal area fees have outpaced landing fees during this period as evidenced by the fact that rents and charges grew from $78,680 to $107,995 while landing fees actually declined from $68,409 to $42,000. This variance in terminal fees is due to the completion of upgrades to the air carrier terminal facility in 2009 which provided an additional 30 linear feet of airline ticket counter space and 420 square feet of airline office space for use and lease by airline tenants. During the same period, EAU, like most U.S. air carrier airports, experienced significant fluctuations in airline service resulting in decreased aircraft landed weights leading to lower airline landing fee collections.

Table 6-5: Historic Airport Revenue

Revenue Type	Historical 2008	2009	2010	2011	Estimate 2012	Budget 2013	CAGR FY08-FY13
AIRLINE REVENUES							
LANDING AREA							
Airline Landing Fees	$68,409	$43,958	$59,094	$40,216	$43,960	$42,000	-9.2%
TERMINAL AREA							
Terminal Fees and Rents	78,680	81,758	86,764	103,198	104,977	107,995	6.5%
Terminal Area Apron Charges	-	-	-	-		-	
Total Airline Revenue	***$147,089***	***$125,716***	***$145,858***	***$143,414***	***$148,937***	***$149,995***	***0.4%***
INTERLOCAL REVENUE -- JURISDICTIONS	***$468,119***	***$474,611***	***$484,103***	***$493,785***	***$503,661***	***$513,734***	1.9%
NON-AIRLINE REVENUES							
NON-AIRLINE AIRFIELD/G.A. REVENUE							
G.A. Landing Fees	$8,400	$8,400	$8,400	$8,400	$0	$0	N/A
FBO Lease	87,646	$99,214	99,314	125,139	123,139	123,339	7.1%
Hangar Rentals	108,232	108,307	111,357	100,319	105,363	110,928	0.5%
Land Lease Revenues	8,002	8,143	8,406	8,257	8,700	17,700	17.3%
Utility Revenues	9,874	7,216	6,010	6,042	5,500	5,500	-11.0%
Fuel Flowage Fees	97,107	84,705	109,753	110,967	100,000	100,000	0.6%
Tie-Down Fees	132	144	144	144	144	144	1.8%
NON-AIRLINE TERMINAL AREA							
Rental Auto Concessions	58,495	53,768	61,837	80,111	72,000	75,000	5.1%
Food and Beverage Services	34,414	30,082	27,605	26,839	24,000	24,000	-7.0%
FAA Fee	8,461	7,760	9,429	12,280	12,160	12,160	7.5%
Advertising	8,973	6,961	13,304	7,317	3,600	4,200	-14.1%
PARKING AREA							
Public Parking Facility	110,338	50,146	94,755	106,973	140,000	140,000	4.9%
ADMINISTRATION							
LEO Reimbursement	674	1,651	-	-	-	-	N/A
Total Non-Airline Revenue	***$540,748***	***$466,497***	***$550,314***	***$592,788***	***$594,706***	***$612,971***	***2.5%***
TOTAL AIRPORT REVENUE	**$1,155,956**	**$1,066,824**	**$1,180,275**	**$1,229,987**	**$1,247,304**	**$1,276,700**	**2.0%**
Annual Enplanements	18,158	13,192	17,976	19,062	22,335	22,845	4.7%
AIRLINE COST PER ENPLANEMENT	$8.10	$9.53	$8.11	$7.52	$6.67	$6.57	-4.1%

Sources: Chippewa Valley Regional Airport, Mead & Hunt, Inc.

CAGR = Compound Annual Growth Rate. This percentage represents the smoothed annualized gain over a given time period

Interlocal Revenue – Jurisdictions

Annual funding contributions by Chippewa County and Eau Claire County, the member jurisdictions which comprise the Chippewa Valley Regional Airport Commission, are established pursuant to the Chippewa Valley Regional Airport Ownership and Operating Agreement. As set forth in Article 15 of the current version of this agreement: "Effective January 1, 2009, Eau Claire County and Chippewa County will contribute base amounts equivalent to 2 percent more than their 2008 contributions and then increase the base in each subsequent year 2010 through 2013 over the prior year by 2 percent. The Chippewa County contribution shall be applied toward debt service and capital projects."

YEAR	CHIPPEWA COUNTY CONTRIBUTION	EAU CLAIRE COUNTY CONTRIBUTION
2009	$116,811	$357,800
2010	$119,147	$364,956
2011	$121,530	$372,255
2012	$123,961	$379,700
2013	$126,440	$387,294

Through this established funding formula, overall contributions by both jurisdictions have increased from $468,119 in FY2008 to $513,734 in FY2013 (Budget); approximately $45,600 greater than in FY2008 resulting in a growth rate of 2 percent per year as prescribed through the Operating Agreement (**Table 6-6**). During the period FY2008-2013 (Budget) interlocal jurisdictional contributions made through the Ownership and Operations Agreement totaled $2.938 million. Approximately $1.257 million, or 43% of this amount, was required to be allocated to meeting operating expenses of the Airport while $1.681 million, or 57%, was made available for its capital improvement program, primarily the air carrier terminal project. Accordingly, while the Airport still relies on its member jurisdictions to provide operating revenue to meet annual operating expenses, the majority of the funding stream provided by member jurisdictions is invested in capital projects aimed at enhancing aviation safety, security, preservation or capacity.

Non-Airline Airfield & General Aviation Revenue

This category of revenue includes fees collected for Fuel Flowage, Hangar Rental, and revenue derived from FBO operations, and provides 48 percent of the Airport's operating revenue base. Total revenue generated by these activities increased from $319,393 in FY2008 to $357,611 in FY2013 (Budget) due primarily to increases in FBO revenue.

Hangar rentals, the FBO lease and fuel flowage fees generate the preponderance of revenue for non-airline airfield revenue for the Airport. In terms of hangar rental income, the Commission owns and leases 40 T-hangar units and 6 box hangars to general aviation aircraft owners. Rental income derived from these leases increased slightly between 2008 and 2013 (Budget) from $108,232 to $110,928 as annual collections fluctuated due to changes in the overall occupancy rate for these units. Funds derived from these leases are utilized by the Commission to retire long-term debt issued for the construction of two hangars. In 2010, EAU, like most airports, witnessed decreases in overall aviation activity, including the lease of hangar space, due to the economic recession.

Table 6-6: Interlocal Revenue Analysis

	Historical						
	2008	**2009**	**2010**	**2011**	**Estimate 2012**	**Budget 2013**	**Total**
Total Airport Operating Expenses	**$960,312**	**$891,043**	**$902,320**	**$888,590**	**$892,789**	**$940,926**	**$5,475,980**
Total Airline Revenue	$147,089	$125,716	$145,858	$143,414	$148,937	$149,995	**$861,009**
Total Non-Airline Revenue	$540,748	$466,497	$550,314	$592,788	$594,706	$612,971	**$3,358,024**
Total Airport Operating Revenue	**$687,837**	**$592,213**	**$696,172**	**$736,202**	**$743,643**	**$762,966**	**$4,219,033**
Total Interlocal Revenue	$468,119	$474,611	$484,103	$493,785	$503,661	$513,734	**$2,938,013**
Required Interlocal Revenue to Breakeven	$272,475	$298,830	$206,148	$152,388	$149,146	$177,960	**$1,256,947**
Interlocal Revenue Available for CIP	**$195,644**	**$175,781**	**$277,955**	**$341,397**	**$354,515**	**$335,774**	**$1,681,066**
%Interlocal Used for Operating Costs	58.2%	63.0%	42.6%	30.9%	29.6%	34.6%	**43%**
%Interlocal Used for CIP	41.8%	37.0%	57.4%	69.1%	70.4%	65.4%	**57%**

Source: Mead & Hunt, Inc.

Heartland Aviation, Inc. provides general aviation services to based and transient aircraft at EAU under contract with the Commission. Heartland provides fuel, maintenance, charter, flight instruction, aircraft rental, air ambulance and overnight hangar rental services at a facility located to the immediate northeast of the air carrier terminal. Per the terms and conditions of its agreement with the Commission, Heartland occupies the general aviation terminal and adjoining hangar, including a maintenance facility, and owns/manages two 12,000 gallon above ground fuel (Jet-A and 100LL) storage tanks in the Airport's fuel farm through 2027. Between 2008 and 2013 (Budget), actual FBO Revenue increased at an annualized rate of 7 percent growing from $87,646 in 2008 to $123,339 in 2013.

The Commission also assesses a fuel flowage fee of $0.08/per gallon on Jet-A fuel and $0.07/per gallon on 100-LL for all fuel dispensed at the Airport. This fee is anticipated to yield $100,000 in revenue for the Commission in FY2013 (Budget). Should this level of income be achieved, collection of these fees will remain relatively unchanged for the period FY2008-2013. While being held constant over this six year period, EAU observed a decrease of approximately 13 percent in this source of revenue between 2008 and 2009 from $97,107 to $84,705. Again, the economic recession created decreased aviation activity which manifested itself in the form of decreased fuel revenue and fuel flowage fees during this period and it is only recently that the Airport has experienced increases in aircraft activity and corresponding gains in this source of revenue growing significantly in 2010 only to level back off at $100,000 in FY2012.

"K-row" and "F4" hangar tenants reimburse the Commission for the cost of utilities serving their units and the Commission also maintains 17 land leases and ground leases for several hangar facilities. Collectively, these sources of revenue provided approximately 1.5 percent ($17,876) in revenue for operation of EAU in FY2008 (Actual) compared to 1.8 percent ($23,200) in FY2013 (Budget).

Terminal Area Rentals

This category of revenue represents fees received by the Commission for rent of all terminal area space, except for airline operations, including Rental Car Concessions, Food/Beverage Service, FAA Fees and Display Advertising Concession fees. During the period FY2008 (Actual) through FY2013 (Budget), these sources of revenue are expected to increase from $110,343 to $115,360 representing a 1 percent annual compound growth rate. Revenues derived from rental car operations grew at 5 percent per year during this six year period from $58,495 to $75,000. The Commission receives a percentage of all revenue generated through rental car transactions, office/parking rental fees, and rental car agency terminal leases. Concession fees are also collected from an off-Airport rental car provider.

In terms of food/beverage services, the Commission recently entered into a new six year concession agreement with an operator which provides for a minimum annual base rent payment of $36,000 each year adjusted for inflation in years three and five of the agreement. While this newly signed lease will enhance the flow of food/beverage concession revenue to the Commission during the coming five years, collections fell from $34,414 in FY2008 to $24,000 in FY2013 (Budget).

Display advertising concession fees represent revenue generated through the lease of air carrier terminal building space to businesses in the greater Chippewa Valley region seeking to advertise their products and services to EAU passengers and guests. The Commission's current contract for this service is held by MediaUSA and provides for 30 percent of sales or $4,200/year, whichever is greater, to be paid to the Commission from the lease of space in the terminal for display advertisements.

Fees collected from the Federal Aviation Administration (FAA) are for use/occupancy of office space at EAU. In 2011, the Commission entered into a new agreement with the FAA for lease of space which sets annual payments at $12,160 through 2016.

Public Parking Area

The Commission currently provides an at-grade surface parking lot comprised of 95 short-term and 348 long-term parking spaces for passengers and guests of EAU. The daily rate is set at $5.00/day and fees are collected through a series of kiosks located in the parking facility or inside the terminal building. During the period FY2008 (Actual) through FY2013 (Budget), collection of public parking fees is anticipated to increase from $110,138 to $140,000, resulting in a compound annual growth rate of 5 percent.

Other Areas

Prior to FY2010, the Transportation Security Administration (TSA) reimbursed the Commission for providing Law Enforcement Officer (LEO) support during air carrier operations. As shown in Table 6-5, the TSA terminated its reimbursement payments to EAU for LEO support in 2009.

Summary of Historical and Projected Airport Revenue

As shown in Table 6-5, total revenues at EAU between FY2008 and FY2013 (Budget) increased from $1,155,956 to $1,276,700; representing a compounded annual growth rate of approximately 2 percent. Estimates of the Airport's future revenues were developed based on historical trends from FY2008 through FY2011, estimated totals for FY2012, the FY2013 adopted budget and an analysis of future revenue potential. **Table 6-7** presents estimated and budgeted revenues for FY2012 and FY2013 as well as projected revenues for the period from FY2014 through FY2018, the end of the short-term planning period for the Airport's CIP. It is expected revenue growth will increase during this period at 1 percent each year resulting in overall revenue levels growing from approximately $1.294 million to $1.344 million. Expected trends for major sources of airport revenue are summarized below:

Table 6-7: Projected Airport Revenues

	Estimate 2012	Budget 2013	Projected 2014	2015	2016	2017	2018	CAGR FY13-FY18
AIRLINE REVENUES								
LANDING AREA								
Airline Landing Fees	$43,960	$42,000	$42,420	$42,844	$43,273	$43,705	$44,142	1.0%
TERMINAL AREA								
Terminal Fees and Rents	104,977	107,995	$103,831	$105,908	$108,026	$110,186	$112,390	0.8%
Terminal Area Apron Charges	-	-						
Total Airline Revenue	***$148,937***	***$149,995***	***$146,251***	***$148,752***	***$151,298***	***$153,892***	***$156,532***	***0.9%***
INTERLOCAL REVENUE -- JURISDICTIONS	***$503,661***	***$513,734***	***$514,000***	***$514,000***	***$514,000***	***$514,000***	***$514,000***	**0.0%**
NON-AIRLINE REVENUES								
NON-AIRLINE AIRFIELD/G.A. REVENUE								
G.A. Landing Fees	-	-	-	-	-	-	-	N/A
FBO Lease	$123,139	$123,339	$123,339	$123,339	$123,695	$124,056	$124,423	0.2%
Hangar Rentals	105,363	110,928	113,147	115,409	117,718	120,072	122,473	2.0%
Land Lease Revenues	8,700	17,700	18,054	18,415	18,783	19,159	19,542	2.0%
Utility Revenues	5,500	5,500	5,610	5,722	5,837	5,953	6,072	2.0%
Fuel Flowage Fees	100,000	100,000	101,000	102,010	103,030	104,060	105,101	1.0%
Tie-Down Fees	144	144	144	144	144	144	144	0.0%
NON-AIRLINE TERMINAL AREA								
Rental Auto Concessions	72,000	75,000	77,250	79,568	81,955	84,413	86,946	3.0%
Food and Beverage Services	24,000	24,000	36,000	36,724	36,724	37,462	37,462	9.3%
FAA Fee	12,160	12,160	12,403	12,651	12,904	13,162	13,426	2.0%
Advertising	3,600	4,200	4,200	4,200	4,200	4,200	4,200	0.0%
PARKING AREA								
Public Parking Facility	140,000	140,000	142,800	145,656	148,569	151,541	154,571	2.0%
Total Non-Airline Revenue	***$594,706***	***$612,971***	***$633,947***	***$643,839***	***$653,559***	***$664,223***	***$674,360***	***1.9%***
TOTAL AIRPORT OPERATING REVENUE	**$1,247,304**	**$1,276,700**	**$1,294,198**	**$1,306,590**	**$1,318,857**	**$1,332,115**	**$1,344,893**	**1.0%**
Annual Enplanements	22,335	23,452	23,355	23,865	24,376	25,113	25,850	2.8%
AIRLINE COST PER ENPLANEMENT	$6.67	$6.57	$6.26	$6.24	$6.21	$6.13	$6.06	-1.6%

Sources: Chippewa Valley Regional Airport, Mead & Hunt, Inc.

CAGR = Compound Annual Growth Rate. This percentage represents the smoothed annualized gain over a given time period

Airline Landing & Terminal Area Fees – Future collections of airline fees are partially influenced by the Airport's current airline cost per enplaned passenger calculation. This key indicator, delineated in Tables 6-5 and 6-7, conveys the relative "cost of doing business" for an airline at an airport as it reflects an airline's ability to spread its operating expense associated with renting and utilizing airport facilities among its passengers. For FY2013, the airline cost per enplaned passenger ratio for EAU is expected to be $6.57 which is below other comparable non-hub commercial service airports. EAU has witnessed a decline of 4.1 percent per year in this metric between FY2008-13 indicating that the Airport is taking reasonable measures to provide a cost effective and competitive operating environment to support commercial air service. Given the strides made in reducing airline rates and charges, future rate increases for the period FY2014-18 were moderated and are proposed to grow at 1 percent/year from $146,251 to $156,532. Assuming this rate structure is attained, other sources of airport revenue grow as projected and forecasted enplanements are achieved, EAU's cost per enplaned passenger will decrease to just over $6.00 in FY2018 yielding an even more favorable cost environment for its airline partner(s).

Interlocal Revenue – Jurisdictions – Over the course of the past five years, both Eau Claire and Chippewa Counties have undergone major restructuring and cost containment initiatives in response to the national economic recession. These efforts have translated into little to no growth in operating expenditures for core County functions and operations. Given these restructuring and cost containment efforts coupled with the fact that the Ownership and Operation Agreement is slated for renegotiation in calendar year 2013, this model assumes no growth in interlocal revenue for the Airport during the period FY2014-18 ($514,000/year).

Non-Airline Airfield & General Aviation Revenue – These sources of revenue are expected to remain relatively constant during the short-term planning period (FY2014-18). The Airport's lease with Heartland Aviation provides for a 1.5 percent increase per year beginning in FY2016 for the 2010 building addition. Estimates of future fuel flowage fees are expected to increase 1 percent each year while Hangar rental income will increase at a rate of 2 percent per year (based upon the forecast of general aviation activity as delineated in Chapter 2).

Non-Airline Terminal, Parking & Administrative Fees – The short-term airline passenger enplanement forecast expects annual growth to be 5 percent per year. Given this trend, the Airport can assume corresponding increases in passenger-related revenue. Fees from public automobile parking operations and rental car concessions should grow between 2 and 3 percent each year given this rate of increase in passengers. Food and Beverage fees are forecast to increase 9 percent given the new contract for this concessionaire. Likewise, rental income from the lease of Airport property for use of its land and occupancy of its office area for FAA operations should grow by 2 percent each year.

As previously noted, overall revenue levels for the Airport are expected to increase from approximately $1.294 million to $1.344 million during the short-term planning period (FY2014-18). Should aviation activity deviate from the forecast levels of activity indicated in Chapter 2, the Airport should expect corresponding expansion or contraction of its revenue base.

6.3 HISTORICAL OPERATING EXPENSES

The Airport's historical operating expenses for FY2008 through FY2013 (Budget) are presented in **Table 6-8**. During this six year period, total airport operating expenses decreased approximately $20,000 from $960,312 in FY2008 to $940,926 in FY2013 (Budget). The Airport's ability to achieve reductions in expenditures during this period is certainly noteworthy especially given the severity of the economic recession which occurred during this same time, mounting pressures on funding public pensions and rapidly increasing health care costs for employers.

Although the County's financial reporting system has established 48 distinct expenditure categories to account for Airport operations, Personnel expenses (including wages, salaries and employee benefits), Utilities (Water, Sewer, Electric, Gas/Fuel & Oil), Buildings & Grounds Maintenance, Debt Service, Insurance and Fuel account for approximately 79 percent of all Airport expenditures and are the focus of this analysis.

Wages, Salaries & Benefits

Included in the broad classification of Wages, Salaries & Benefits are nine distinct accounting codes representing personnel expenditures for the 5.5 full time equivalent (FTE) County employees who provide Airport Management and Building/Facilities Maintenance services. Between FY2008 and FY2013 (Budget), these collective costs decreased $33,236 from $456,478 to $423,242. Over the course of this six year period, wages, salaries and benefits totaled $2,584,635 and represented 47 percent of all Airport expenditures. In order to achieve decreases in wages, salaries and benefits, the County reduced its workforce from 6.5 FTEs to the current level of 5.5 FTEs. With this reduction in staffing, EAU posted decreased health insurance premiums, retirement costs and other employer related costs for personnel. At the same time, overtime for EAU increased 12 percent each year from $12,592 in FY2008 to $16,000 in FY2013 (Budget).

Utilities

Utility Service expenses are comprised of charges for water, sewer, electric and gas/fuel oil. These expenditures comprise 17 percent of the EAU's overall operating expenses averaging approximately $155,248 per year during the past six years. Expenditures in these categories have ranged from a low of $142,129 in FY2009 to a high of $170,000 in FY2013 (Budget), yielding a compounded annual increase of 2.1 percent during this period.

Buildings & Grounds Maintenance

This category of expenditure represents the cost of maintaining and repairing all of the Airport's grounds and facilities as well as snow removal. Expenses in this category grew at an annual rate of 4.8 percent between the years of FY2008 and FY2013 (Budget) increasing from $47,360 to $59,900. In FY2011, expenditures in this account spiked to $69,598 due to extraordinary snow removal operations required during this winter period and repairs required as the result of lightning damage throughout the period. Average annual expenditures for Buildings & Grounds Maintenance Services during this period were $57,441 constituting 6.3 percent of total airport costs.

Table 6-8: Historical Airport Operating Expenses

	Historical						CAGR
					Estimate	Budget	FY08-
	2008	2009	2010	2011	2012	2013	FY13
OPERATING EXPENSES							
Regular Salaries & Wages	$293,425	$292,350	$279,908	$261,851	$275,732	$302,817	0.6%
Overtime	12,592	10,155	16,287	15,374	13,000	16,000	4.9%
Health Insurance	81,011	83,276	75,661	65,886	69,268	53,375	-8.0%
Retirement	32,734	31,694	31,548	22,075	16,746	18,810	-10.5%
Other Benefits (FICA, Clothing, Life, Unemp)	36,716	34,758	39,323	39,445	30,578	32,240	-2.6%
SubTotal: Salaries, Wages & Benefits	***$456,478***	***$452,233***	***$442,727***	***$404,631***	***$405,324***	***$423,242***	***-1.5%***
Office Equipment & Supplies	$6,232	$6,321	$5,721	$7,007	$9,483	$8,575	6.6%
Firefighting Supplies	637	1,016	1,066	276	4,500	4,500	47.8%
Law Enforcement Services	674	1,651	-	-	-	-	N/A
Vehicle Fuel	23,820	22,655	20,787	27,069	-	30,000	4.7%
Professional Services	16,294	4,437	7,775	10,865	10,500	9,800	-9.7%
Telephone & Data	5,797	5,993	5,305	5,823	6,000	6,000	0.7%
Travel	5,876	1,942	5,754	5,325	6,000	6,000	0.4%
Marketing & Airline Recruitment	13,768	16,866	18,101	17,224	30,000	30,000	16.9%
Insurance	34,010	33,841	30,052	29,765	32,000	34,000	0.0%
Utilities (Water, Sewer, Electric, Gas/Fuel Oil)	153,118	142,129	150,100	157,150	162,073	170,000	2.1%
Buildings & Grounds Maintenance	47,360	38,061	64,834	69,598	63,000	59,900	4.8%
Motor Vehicle Maintenance	10,374	6,988	11,047	8,987	12,000	12,000	3.0%
Principal/Trust Fund	56,861	60,024	50,666	53,082	55,532	58,266	0.5%
Interest/Trust Fund	65,179	62,015	59,243	56,826	54,377	51,643	-4.5%
ATCT Expenses	63,834	34,871	29,142	33,067	42,000	37,000	-10.3%
SubTotal: Non-Personnel Services & Charges	***$503,834***	***$438,810***	***$459,593***	***$483,959***	***$487,465***	***$517,684***	***0.5%***
TOTAL AIRPORT OPERATING EXPENSES	**$960,312**	**$891,043**	**$902,320**	**$888,590**	**$892,789**	**$940,926**	**-0.4%**

Sources: Chippewa Valley Regional Airport, Mead & Hunt, Inc.

CAGR = Compound Annual Growth Rate. This percentage represents the smoothed annualized gain over a given time period

Debt Service

Presently, the Airport is retiring debt on two separate borrowings; one issued by the City of Eau Claire on behalf of the Airport in 2004 for construction of the K-row hangars and the other a loan made by the Wisconsin Trust Fund Loan Program for construction of the facility currently occupied/operated by Heartland Aviation. The loan for the K-row hangars has a Principal amount of $679,000 and is payable through 2039 at an interest rate of 4.0 percent. The State Trust Fund Loan was issued in 2012 in the amount of $867,408 and is payable through 2022 at an interest rate of 5.0 percent. Annual Principal and Interest payments for both loans total $109,909 per year and represent 12 percent of all operating expenses.

Insurance

Included in this category of expenditures are all airport property, fire and liability insurance premiums and policy deductibles for EAU. For the overall period FY2008-2013(Budget), premiums and deductible expenses remained relatively flat averaging $33,000 per year.

Fuel

This category accounts for the purchase of all fuel for County-owned vehicles utilized in the maintenance of EAU's grounds and airfield area including the fourteen vehicles comprising the Airport's snow removal fleet and Aircraft Rescue and Firefighting (ARFF) vehicles. For the period FY2008-2013 (Budget), motor fuel outlays increased 4.7 percent per year averaging $20,722 per year and constituted 2 percent of all Airport expenses. In 2012, it is expected that the Airport will not incur fuel costs due to the fact that it is relocating its fuel dispensing system and withheld bulk purchases during the year. Once the fuel farm is re-established, it is expected that these expenditures will resume.

Summary of Historical & Projected Airport Expenses

As depicted in Table 6-8, total Airport operating expenses decreased during the period FY2008 through FY2013 (Budget). The ability of the EAU to achieve overall level expenditures is attributed to the fact that the total number of FTEs was decreased from 6.5 FTEs to 5.5 FTEs which resulted in little to no growth in overall wages for the period. In addition, the Commission made adjustments to both its health care and retirement plans which controlled overall expenses. Non-personnel expenditures also remained constant during this period despite building and grounds maintenance, utilities and fuel outlays increasing.

Estimates of the Airport's future operating expenses were developed based on historical trends from FY2008 through FY2011; estimated totals for FY2012; and the FY2013 adopted budget. **Table 6-9** presents estimated expenses for FY2012 and the adopted 2013 budget as well as projected expenses for the period from FY2014 through FY2018, the end of the short-term planning period for the Airport's CIP. It is expected during this period, expenses will increase at a compounded annual growth rate of 3.2 percent from $970,028 in FY2014 to $1,098,840 in FY2018. Future salary and benefit expenditures are expected to be greatly impacted by increases in overtime, health insurance premiums and retirement plan contributions resulting in this category of costs to increase from $439,213 in FY2014 to $503,727 in FY2018, representing a compounded annual increase of 3.5 percent. Although the Airport achieved level

Table 6-9: Projected Airport Operating Expenses

	Estimate 2012	Budget 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	CAGR FY13-FY18
OPERATING EXPENSES								
Regular Salaries & Wages	$275,732	$302,817	$311,902	$321,259	$330,896	$340,823	$351,048	3.0%
Overtime	13,000	16,000	16,960	17,978	19,056	20,200	21,412	6.0%
Health Insurance	69,268	53,375	57,111	61,109	65,387	69,964	74,861	7.0%
Retirement	16,746	18,810	20,033	21,335	22,722	24,198	25,771	6.5%
Other Benefits (FICA, Clothing, Life, Unemp)	30,578	32,240	33,207	34,203	35,230	36,286	37,375	3.0%
Subtotal: Salaries, Wages & Benefits	***$405,324***	***$423,242***	***$439,213***	***$453,620***	***$469,692***	***$486,385***	***$503,727***	***3.5%***
Office Equipment & Supplies	$9,483	$8,575	$8,832	$9,097	$9,370	$9,651	$9,941	3.0%
Firefighting Supplies	4,500	4,500	4,635	4,774	4,917	5,065	5,217	3.0%
Vehicle Fuel	-	30,000	31,500	33,075	34,729	36,465	38,288	5.0%
Professional Services	10,500	9,800	10,094	10,397	10,709	11,030	11,361	3.0%
Telephone & Data	6,000	6,000	6,180	6,365	6,556	6,753	6,956	3.0%
Travel	6,000	6,000	6,180	6,365	6,556	6,753	6,956	3.0%
Marketing & Airline Recruitment	30,000	30,000	30,000	30,000	30,000	30,000	30,000	0.0%
Insurance	32,000	34,000	35,020	36,071	37,153	38,267	39,415	3.0%
Utilities (Water, Sewer, Electric, Gas/Fuel Oil)	162,073	170,000	175,100	180,353	185,764	191,336	197,077	3.0%
Buildings & Grounds Maintenance	63,000	59,900	62,895	66,040	69,342	72,809	76,449	5.0%
Motor Vehicle Maintenance	12,000	12,000	12,360	12,731	13,113	13,506	13,911	3.0%
Principal/Trust Fund	55,532	58,266	61,048	63,964	66,962	70,220	73,578	4.8%
Interest/Trust Fund	54,377	51,643	48,861	45,945	42,947	39,689	36,331	-6.8%
ATCT Expenses	42,000	37,000	38,110	39,253	40,431	41,644	42,893	3.0%
Subtotal: Non-Personnel Services & Charges	***487,465***	***517,684***	***530,815***	***544,430***	***558,548***	***573,189***	***588,373***	***2.6%***
TOTAL AIRPORT OPERATING EXPENSES	**$892,789**	**$940,926**	**$970,028**	**$1,000,314**	**$1,031,839**	**$1,064,660**	**$1,098,840**	**3.2%**

Sources: Chippewa Valley Regional Airport, Mead & Hunt, Inc.

CAGR = Compound Annual Growth Rate. This percentage represents the smoothed annualized gain over a given time period

growth in these costs over the past six years, this trend is not believed to be sustainable given ongoing increases for medical insurance and retirement plan contributions as well as evolving pressures for the Airport to absorb increasing overtime expenditures due to the limited number of staff available for general maintenance and snow removal operations. Because of the ongoing susceptibility of EAU to lightning strikes, damage to airfield lighting and information technology systems is expected to continue during the planning period causing the Buildings & Grounds Maintenance category of expenditures to increase 5 percent each year from $62,895 in FY2014 to $76,449 in FY2018. Likewise, the volatile nature of fuel prices dictates the need to continue to increase this line item by 5 percent each year growing from $31,500 in FY2014 to $38,288 in FY2018. For planning purposes, it is assumed that all remaining non-personnel services and charges will increase 3 percent each year generally mirroring historical changes in the consumer price index.

6.4 CASH FLOW ANALYSIS

This section discusses the Airport's historical and projected cash flow from Operating Activities for the purposes of demonstrating the Airport's ability to generate revenue sufficient to cover operating expenses and produce resources to fund the required local share for its short-term capital plan through FY2018.

Table 6-10 provides a summary of cash flow from airport operating activities for the period FY2008-2013 (Budget). For purposes of this analysis, operating expenses are subtracted from Airport revenues to provide available net revenue for completion of capital projects. Other revenues, Passenger Facility Charge (PFC) funds and Airport Grants are then added to net operating revenues to provide total funds available to support the Capital Improvement Program (**Revenue Available for Capital Improvement Projects**). This amount is then adjusted by the actual amount of capital expenditures for a given year to yield **Net Revenue Available for Local Only Capital Program/Reimburse Fund Balance**. As shown, the Commission utilized a total of $367,293 of its Fund Balance during the period FY2008-13 to meet its operating and/or capital plan funding needs. At the same time, airport activities generated $305,096 in new revenues which were utilized to partially offset this use of fund balance. Since the Commission has historically utilized PFC collections to reimburse use of its fund balance for capital projects, it is anticipated that going forward this $62,197 variance will be closed and the balance of funds on hand held by the Commission in reserve will be restored.

As shown in **Table 6-11**, the Airport is projected to produce net revenues adequate to cover all projected operating, debt service payments and capital project expenses for the period FY2014-18. Continued accumulation of reserve funds by the Airport is highly recommended given the volatility of the airline industry and corresponding impacts this may have on EAU's revenue base. Furthermore, the mid-term capital plan recommended in this study indicates a need for approximately $0.950 million in sponsor-provided funding for completion of proposed aviation safety, security, capacity and preservation projects proposed between FY2019 and 2028 dictating the need to build further reserve funds to meet these needs. Finally, it is important to note that should the forecasted revenues and expenditure levels be attained for the next 5 years, the Commission will be positioned to complete reconstruction of airport hangar facilities which are beyond their useful life void of additional debt.

Table 6-10: Airport Cash Flow From Operating Activities

	Historical						
	2008	2009	2010	2011	Estimate 2012	Budget 2013	Total
CASH FLOW - OPERATING ACTIVITIES							
Non-Airline Revenue	$540,748	$466,497	$550,314	$592,788	$594,706	$612,971	$3,358,024
Airline Revenue	147,089	125,716	145,858	143,414	148,937	149,995	861,009
Interlocal Revenue	468,119	474,611	484,103	493,785	503,661	513,734	2,938,013
Use of Fund Balance	-	261,595	105,698	-	-	-	367,293
Total Airport Revenue	***$1,155,956***	***$1,328,419***	***$1,285,973***	***$1,229,987***	***$1,247,304***	***$1,276,700***	***$7,524,339***
Less: Total Operating Expenses	$960,312	$891,043	$902,320	$888,590	$892,789	$940,926	5,475,980
Net Operating Revenue Available for Capital Improvement Projects	***$195,644***	***$437,376***	***$383,653***	***$341,397***	***$354,515***	***$335,774***	***$2,048,359***
Other Revenue	20,703	13,651	23,504	15,841	10,000	10,000	93,699
PFC Revenue	63,911	50,403	75,972	80,964	100,000	105,000	476,250
Airport Grant	-	-	-	14,963	-	-	14,963
Subtotal Other Revenue	***$84,614***	***$64,054***	***$99,476***	***$111,768***	***$110,000***	***$115,000***	***$584,912***
Revenue Available for Capital Improvement Projects	***$280,258***	***$501,430***	***$483,129***	***$453,165***	***$464,515***	***$450,774***	***$2,633,271***
Required Funding for Capital Improvement Plan	120,844	501,428	483,125	170,852	381,151	670,775	2,328,175
Net Revenue Available for Local Only Capital Program/Reimburse Fund Balance	***$159,414***	***$2***	***$4***	***$282,313***	***$83,364***	***-$220,001***	***$305,096***

Source: Mead & Hunt, Inc.

Table 6-11: Projected Airport Cash Flow From Operating Activities

	Projected					
	2014	2015	2016	2017	2018	Total
CASH FLOW - OPERATING ACTIVITIES						
Airport Revenue	$1,294,198	$1,306,590	$1,318,857	$1,332,115	$1,344,893	$6,596,652
Operating Expense	970,028	1,000,314	1,031,839	1,064,660	1,098,840	5,165,680
Net Revenue Available for Capital Improvement Projects	***$324,170***	***$306,277***	***$287,018***	***$267,454***	***$246,053***	***$1,430,972***
Required Allocation for Capital Improvement Plan	153,750	212,500	730,000	155,000	142,500	1,393,750
Net Revenue Available for Capital Improvement Projects	***$170,420***	***$93,777***	***($442,982)***	***$112,454***	***$103,553***	***$37,222***

Source: Mead & Hunt, Inc.

6.5 AIRPORT COST CENTER ANALYSIS

To better understand and analyze the sources and uses of revenue from airport activities, cost centers were developed that provide an allocation methodology based upon where airport revenues are derived and correspondingly where expenses are incurred. The delineation of revenues and expenses in this fashion results in the formation of two cost centers: the Airfield and General Aviation Cost Center (see **Table 6-12**) and the Terminal Area Cost Center (see **Table 6-13**).

For purposes of establishing these cost centers, revenues were allocated 100 percent to one of the two centers based upon where these funds were generated on the airport. Several sources were utilized to allocate expenses between the two cost centers as described below:

100% Terminal:

- Special Assessment
- Airline Recruitment
- Marketing

100% Airfield and General Aviation:

- ATCT Expenses
- Principal Trust Fund
- Interest Trust Fund

For purposes of allocating Insurance Expenses, the 2012 Property Insurance Statement of Values file for EAU was utilized to generate an allocation between the two cost centers based upon values for property, equipment, and fixtures. Utility Expenses (water & sewer, electricity, gas & fuel oil) were allocated utilizing files provided by Airport management which captured the percentage breakdown of terminal/airfield & general aviation electricity costs. This ratio was also applied to other utility expenses for the Airport.

The 2008 and 2009 EAU Employee Time Study Surveys were utilized to determine a breakdown of time spent by employees working in the respective cost centers as follows:

- **Administrative Personnel (62.2% Terminal and 37.8% Airfield & General Aviation):** This allocation was utilized for Laundry Services, Service on Machines, Office Supplies, Postage & Box Rent, Printing & Duplication, Reference Materials, Legal Notice Publication, Membership Dues and Office Equipment.
- **Maintenance Personnel (52.7% Terminal and 47.3% Airfield & General Aviation):** This allocation was utilized for Motor Vehicle Maintenance, Grounds Maintenance, Building Maintenance, Refuse Collection, Firefighting supplies and Vehicle fuel.
- **Total Personnel (55.6% Terminal and 44.4% Airfield & General Aviation):** This allocation was applied to Regular Salaries and Wages, Overtime, Health Insurance, Retirement and all Other Benefits.

Table 6-12: Historical Airfield & General Aviation Cost Center – Historical Operating Revenues and Expenses

	Historical						CAGR
	2008	2009	2010	2011	Estimate 2012	Budget 2013	FY08-FY13
AIRFIELD & GA AREA OPERATING REVENUE							
Airline Landing Fees	$68,409	$43,958	$59,094	$40,216	$43,960	$42,000	-9.3%
G.A. Landing Fees	8,400	8,400	8,400	8,400	0	0	N/A
FBO Lease	87,646	99,214	99,314	125,139	123,239	123,339	7.1%
Hangar Rentals	108,232	108,307	111,357	100,319	105,363	110,928	0.5%
Fuel Flowage Fees	97,107	84,705	109,753	110,967	100,000	100,000	0.6%
Utility Revenues	9,874	7,216	6,010	6,042	5,500	5,500	-11.0%
Land Lease Revenues	8,002	8,143	8,406	8,257	8,700	17,700	17.2%
Tie-Down Fees	132	144	144	144	144	144	1.8%
TOTAL AIRFIELD & GA AREA OPERATING REVENUE	***$387,802***	***$360,087***	***$402,478***	***$399,484***	***$386,906***	***$399,611***	***0.6%***
AIRFIELD & GA AREA OPERATING EXPENSES							
Regular Salaries & Wages	$130,281	$129,803	$124,279	$116,262	$122,425	$134,451	0.6%
Overtime	5,591	4,509	7,231	6,826	5,772	7,104	4.9%
Health Insurance	35,969	36,975	33,593	29,253	30,755	23,699	-8.0%
Retirement	14,534	14,072	14,007	9,801	7,435	8,352	-10.5%
Other Benefits (FICA, Clothing, Life, Unemp)	16,302	15,433	17,459	17,514	13,577	14,315	-2.6%
SubTotal: Salaries, Wages & Benefits	***$202,676***	***$200,791***	***$196,571***	***$179,656***	***$179,964***	***$187,919***	***-1.5%***
Office Equipment & Supplies	$2,359	$2,392	$2,165	$2,652	$3,589	$3,246	6.6%
Firefighting Supplies	301	480	504	130	2,126	2,126	47.8%
Law Enforcement Services	318	780	-	-	-	-	N/A
Vehicle Fuel	11,255	10,704	9,822	12,790	-	14,175	4.7%
Professional Services	7,235	1,970	3,452	4,824	4,662	4,351	-9.7%
Telephone & Data	2,574	2,661	2,355	2,585	2,664	2,664	0.7%
Travel	2,609	862	2,555	2,364	2,664	2,664	0.4%
Insurance	23,807	23,689	21,036	20,836	22,400	23,800	0.0%
Utilities-Water& Sewer	9,839	9,682	10,720	10,644	12,538	13,000	5.7%
Utilities-Electric	19,979	17,885	17,651	17,800	20,241	20,800	0.8%
Utilities-Gas/Fuel Oil	20,049	13,700	12,435	13,056	14,760	16,400	-3.9%
Buildings & Grounds Maintenance	22,378	17,984	30,634	32,885	29,768	28,303	4.8%
Motor Vehicle Maintenance	4,902	3,302	5,220	4,246	5,670	5,670	3.0%
Principal/Trust Fund	56,861	60,024	50,666	53,082	55,532	58,266	0.5%
Interest/Trust Fund	65,179	62,015	59,243	56,826	54,377	51,643	-4.5%
ATCT Expenses	63,834	34,871	29,142	33,067	42,000	37,000	-10.3%
SubTotal: Non-Personnel Services & Charges	***$313,478***	***$263,002***	***$257,601***	***$267,789***	***$272,991***	***$284,108***	***-1.9%***
TOTAL AIRFIELD & GA AREA OPERATING EXPENSES	***$516,154***	***$463,793***	***$454,172***	***$447,445***	***$452,955***	***$472,027***	***-1.8%***
REVENUES OVER EXPENDITURES	**-$128,352**	**-$103,706**	**-$51,694**	**-$47,961**	**-$66,049**	**-$72,416**	**-10.8%**

Table 6-13: Terminal Area Cost Center – Historical Operating Revenues and Expenses

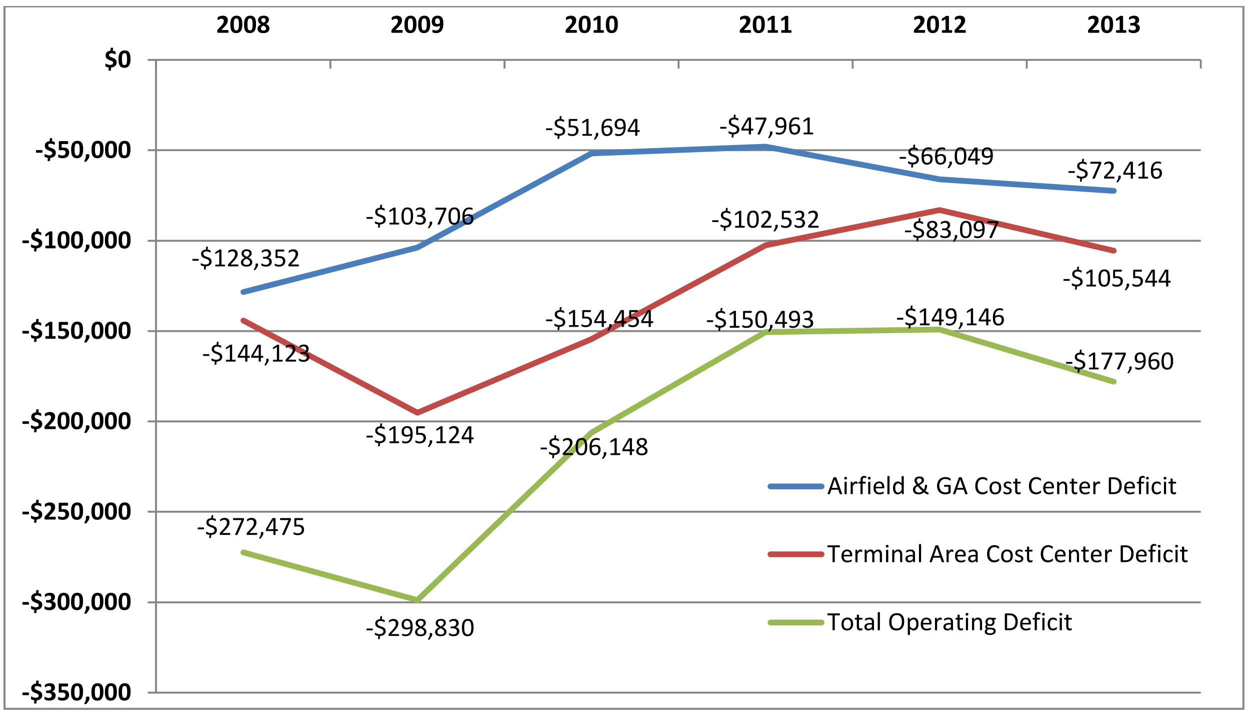
	Historical						CAGR
	2008	2009	2010	2011	Estimate 2012	Budget 2013	FY08-FY13
TERMINAL AREA OPERATING REVENUE							
Terminal Fees and Rents	78,680	81,758	86,764	103,198	104,977	107,995	6.5%
Rental Auto Concessions	58,495	53,768	61,837	80,111	72,000	75,000	5.1%
Food and Beverage Services	34,414	30,082	27,605	26,839	24,000	24,000	-7.0%
Advertising	8,973	6,961	13,304	7,317	3,600	4,200	-14.1%
Public Parking Facility	110,338	50,146	94,755	106,973	140,000	140,000	4.9%
FAA Fee	8,461	7,760	9,429	12,280	12,160	12,160	7.5%
LEO Reimbursement	674	1,651	-	-	-	-	N/A
TOTAL TERMINAL AREA OPERATING REVENUE	***$300,035***	***$232,126***	***$293,694***	***$336,718***	***$356,737***	***$363,355***	***3.9%***
TERMINAL AREA OPERATING EXPENSES							
Regular Salaries & Wages	$163,144	$162,547	$155,629	$145,589	$153,307	$168,366	0.6%
Overtime	7,001	5,646	9,056	8,548	7,228	8,896	4.9%
Health Insurance	45,042	46,301	42,068	36,633	38,513	29,677	-8.0%
Retirement	18,200	17,622	17,541	12,274	9,311	10,458	-10.5%
Other Benefits (FICA, Clothing, Life, Unemp)	20,414	19,325	21,864	21,931	17,001	17,925	-2.6%
SubTotal: Salaries, Wages & Benefits	***$253,802***	***$251,442***	***$246,156***	***$224,975***	***$225,360***	***$235,323***	***-1.5%***
Office Equipment & Supplies	$3,873	$3,929	$3,556	$4,355	$5,894	$5,329	6.6%
Firefighting Supplies	336	536	562	146	2,374	2,374	47.9%
Law Enforcement Services	356	871	-	-	-	-	N/A
Vehicle Fuel	12,565	11,951	10,965	14,279	-	15,825	4.7%
Professional Services	9,059	2,467	4,323	6,041	5,838	5,449	-9.7%
Telephone & Data	3,223	3,332	2,950	3,238	3,336	3,336	0.7%
Travel	3,267	1,080	3,199	2,961	3,336	3,336	0.4%
Marketing & Airline Recruitment	13,768	16,866	18,101	17,224	30,000	30,000	16.9%
Insurance	10,203	10,152	9,016	8,930	9,600	10,200	0.0%
Utilities-Water& Sewer	25,299	29,046	33,948	35,636	35,685	37,000	7.9%
Utilities-Electric	51,376	53,655	55,896	59,593	57,609	59,200	2.9%
Utilities-Gas/Fuel Oil	26,576	18,161	19,450	20,421	21,240	23,600	-2.3%
Buildings & Grounds Maintenance	24,982	20,077	34,200	36,713	33,233	31,597	4.8%
Motor Vehicle Maintenance	5,472	3,686	5,827	4,741	6,330	6,330	3.0%
SubTotal: Non-Personnel Services & Charges	***$190,356***	***$175,808***	***$201,992***	***$214,275***	***$214,474***	***$233,576***	***4.2%***
TOTAL TERMINAL AREA OPERATING EXPENSES	***$444,158***	***$427,250***	***$448,148***	***$439,250***	***$439,834***	***$468,899***	***1.1%***
REVENUES OVER EXPENDITURES	**-$144,123**	**-$195,124**	**-$154,454**	**-$102,532**	**-$83,097**	**-$105,544**	**-6.0%**

Sources: Chippewa Valley Regional Airport, Mead & Hunt, Inc.

CAGR = Compound Annual Growth Rate. This percentage represents the smoothed annualized gain over a given time period

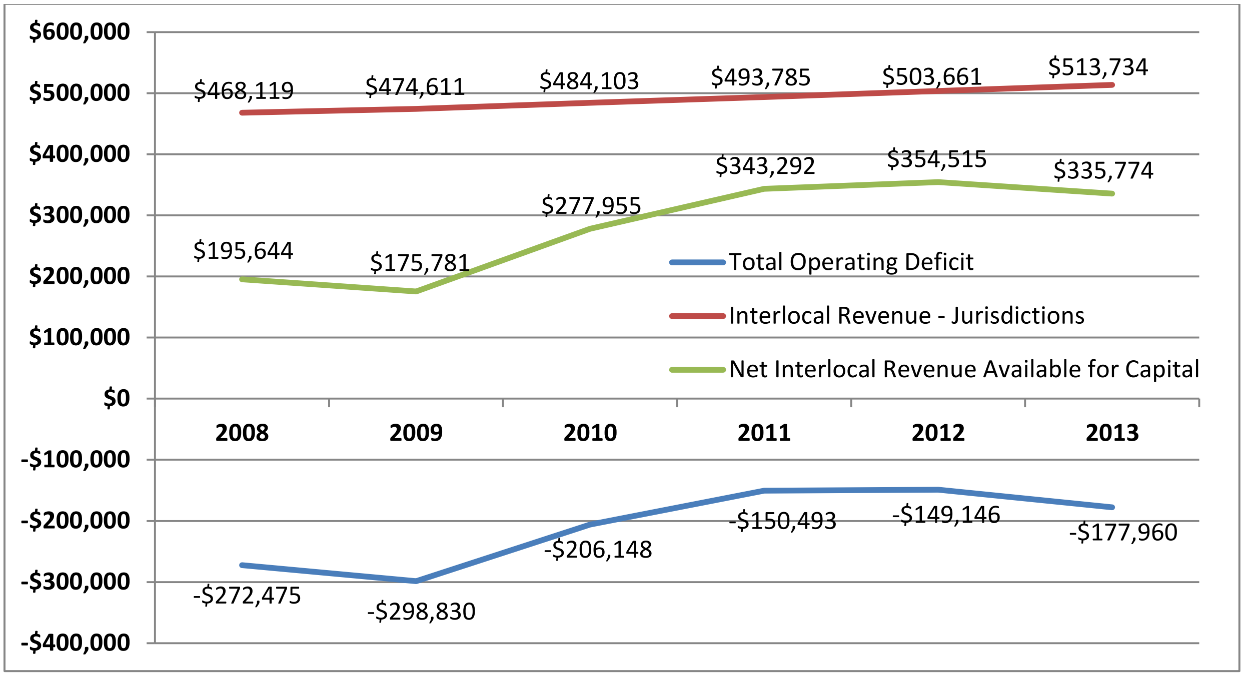
This delineation of revenues and expenditures offers the Airport a cost accounting basis to drive future budget development and demonstrate more clearly to its member jurisdictions how their annual funding allocations are invested. The results of this cost allocation methodology are presented in **Chart 6-1** and reveal that both cost centers, and the Airport as a whole, lack sufficient airport revenue-generating activity to be self-sufficient at this time. Losses for the Terminal Cost Center ranged from a high of $195,124 in FY2009 to a low of $83,097 in FY2012. Collectively, the losses experienced in this cost center between FY2008 and FY2013 (Budget) totaled $784,873. The Airfield & General Aviation Cost Center also experienced losses; however, not on the scope and magnitude as the Terminal Area Cost Center. Losses in this cost center ranged from $128,352 in FY2008 to $47,961 in FY2011 and totaled $470,179 for this six year period.

Chart 6-1: Cost Center Comparison



Both cost centers experienced a combined loss of $1.255 million between FY2008 and FY2013 (Budget), averaging $0.225 million/year and requiring 43 percent of the $2.938 million provided by Eau Claire and Chippewa Counties during this period to be utilized to meet operating expense obligations. The balance, $1.682 million, was allocated to fulfilling the Airport's capital improvement plan. The total annual Airport operating budget deficit is shown alongside total interlocal revenues in **Chart 6-2**. After interlocal funds are applied to the operating budget deficit, the chart also presents the net amount of interlocal revenue remaining for capital projects. Clearly, ongoing financial support by both jurisdictions is needed in order for the Airport to remain solvent and provide aviation amenities and services to residents and guests of the greater Chippewa Valley region.

Chart 6-2: Net Interlocal Revenue Available for Capital Projects



6.6 BENCHMARKING ANALYSIS

This section presents a summary of the EAU Benchmarking Analysis which was conducted as part of the overall Master Plan Update effort. The full Benchmarking Analysis report can be found in an appendix to this Master Plan report. The report assesses and evaluates the financial and operational performance of EAU against an identified group of peer facilities. Results developed through this analysis will enable EAU to identify strengths as well as opportunities for improvement in creating and maintaining fair and reasonable rate-making methodologies for patrons, airlines, concessionaires and businesses seeking to conduct business at the Airport. It will also aid in determining if adjustments to rates and charges and/or operating expenditure levels are warranted thereby enabling EAU to remain competitive and consistent with current trends and practices. Finally, it provides a baseline summary of rates and charges for EAU.

The completion and use of this benchmarking analysis is just one example of how the Chippewa Valley Regional Airport Commission is deploying best management practices in its governance and operation of EAU. The Commission has established a Vision Statement to guide its direction as a key enterprise in the Chippewa Valley region and actively engages in both strategic and business planning to improve performance, guide results and ensure that the services it provides meet and exceed customer expectations. The foundational direction for use of such proactive managerial tools and techniques is rooted in the Chippewa Valley Regional Airport Ownership and Operation Agreement which obligates the Commission to prepare an annual business plan for a five-year time period. This plan not only guides the direction of the Commission's operation but also establishes marketing and promotional plans aimed at increasing revenue and enhancing the economic vitality of the region. Given this directional guidance provided by the Commission's two member jurisdictions, Chippewa and Eau Claire Counties, EAU is in the process of implementing a strategic plan built around the principles of public awareness, public service and economic development and has strategies and action plans built around each core principle.

Moreover, the Commission has established 11 broad goals and 15 outcomes centered on the Airport's core business focus areas of commercial air service, general aviation services and its airport partners. Each outcome has a distinct performance goal and measure established, and data is tracked on an annual basis to gauge progress toward achievement of the established metric.

The identification of comparable peer airports as well as the development of an appropriate survey instrument to gauge EAU's performance against these target facilities furthers the Commission's commitment to ensuring that it provides quality services and amenities for its customers. The establishment of an appropriate peer market was critical to generating meaningful and useful results for any benchmarking analysis. The identified peer benchmark airports were selected based on comparable demographic measures such as airline activity and enplanements, general aviation services, concession operations, airport staffing and governance structures. Several key databases were also utilized in concert with the survey instrument to compile the requisite data for this analysis including:

- Fiscal Year 2011 U.S. Department of Transportation, FAA, Form 5100-127 Operating & Financial Summaries
- U.S. Department of Transportation, FAA, Airport Master Record Forms (5010-1 & 5010-2)
- Calendar Year 2011, U.S. Department of Transportation, FAA, Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports

EAU is classified by the FAA as a non-hub (primary) airport; therefore, to ensure that the identified peer group was mirrored as closely as possible to EAU, only non-hub airports enplaning less than 50,000 passengers were used for this study. For comparative purposes, the survey instrument and database review sought to obtain a myriad of background data from each peer facility including:

- Form of Governance
- Type of Airport Use Agreement
- Reporting Period (Fiscal Year vs. Calendar Year)
- Enplaned Passengers (Air Carrier & Charter)
- Aircraft Operations by Type
- Breakdown of Airport Full-Time Equivalent (FTE) Employees
- General Aviation Fees and Charges
- Airline Fees and Charges
- Scope of Concessionaire Operations and Fees
- Airport Operating Expenses and Debt Service Levels
- Annual Funding Contributions from Local Government

Information collected from the survey and utilized in this study reflects actual activity levels, revenues and expenses for calendar year 2011 or fiscal year 2011 depending on the particular airport. To maintain confidentiality, survey airports are randomly identified with letter identifiers (e.g. "B", "C", and "D"). Where possible, the effect of the spread between enplanements and aircraft operations among airports has been mitigated by expressing benchmark indicators as per enplanement or operation values.

Relevance of Peer Markets

Twelve peer airports were identified for purposes of this survey. Survey instruments were submitted to each in late August of 2012 and nine of the twelve airports responded. Total annual enplanements for peer airports ranged from a low of 17,978 to a high of 26,764. Total aircraft operations ranged from 2,403 to 135,591 averaging 38,540 per Airport. Fifty-six percent of the responding airports are operated by an independent authority, commission or special district as opposed to a County or City.

Airport Statistics

For the study period, EAU enplaned 19,062 passengers representing the fourth lowest volume of passengers for the peer group; slightly below the average level of enplanements (21,309) for all survey respondents. EAU posted the 5th highest level of total aircraft operations (30,217); however, this volume is below the average for its peers (38,540).

Staff Efficiency

A standard measure for gauging the productivity and efficiency of an airport workforce is to evaluate the number of enplaned passengers per full-time equivalent (FTE) airport employee. For FY2011, EAU has reported 3,466 enplanements per FTE compared to an average of 4,093 among its peers. On the surface, these data would suggest that EAU is not as efficient as these other nine facilities; however, one facility, “Airport G”, reported that it only has two employees and contracts with its governing body to provide maintenance and janitorial services at an annual cost of approximately $195,000 per year. Because of this arrangement, “Airport G” has 11,932 enplanements per FTE. Discounting this Airport from the mix of respondents yields an average of 3,113 enplanements per FTE for the remaining surveyed airports. Based on this adjustment, EAU enjoys a higher level of staff efficiency than the remaining eight peer airports. While EAU’s overall staffing level is close to being on par with its peers, 5.5 FTEs compared to an average of 7.0 FTEs, its 2.5 FTE Maintenance staffing lags the benchmark average of 4.0 FTEs.

Airline Fees and Charges

Airlines at EAU are assessed fees in two primary areas to compensate for use of airport facilities: landing fees and terminal building space rental. The current EAU landing fee of $1.17 per 1,000 pounds of landed weight is consistent with the benchmark average of $1.18 per 1,000 pounds of landed weight. Given these data, EAU’s existing landing fee structure is on par with its peers.

Regarding terminal rates, EAU assesses $21.45 per square foot for terminal rent versus a benchmark average of $23.58 per square foot. Given this $2.13 variance, coupled with the Terminal Cost Center currently experiencing an ongoing deficit, it is appropriate for EAU to consider adjusting its terminal building fee structure above the current rate of $21.45/square foot. The impact to airline rates and charges and revenue for the Airport is presented in the Sensitivity Analysis section of this chapter.

Airline Cost per Enplaned Passenger

A fundamental business strategy for airport operators, especially non-hub facilities such as EAU, is to strive to maximize non-airline sources of revenue in order to keep the cost of doing business for airlines as low as possible. One of the most important measures included in a benchmark survey is the airline cost per enplaned passenger metric which assesses attainment of this strategy. This indicator reflects how much airlines operating at an airport are being charged by the airport operator for each enplaned passenger.

Based upon the data obtained through this analysis, the average airline cost per enplaned passenger for the benchmark airports is $9.42 while the airline operating at EAU incurs $7.52 per enplaned passenger. Accordingly, EAU's cost structure for airline operations is low compared to peer facilities. While EAU's airline landing fee rate mirrors its market peers, some opportunity exists to modify its terminal building rental structure to move closer in line with its adopted market of peers and ensure its Terminal Cost Center is more financially self-sufficient.

Because EAU's cost per enplaned passenger is low relative to its peers, one would expect that the extent to which it relies on airline revenues to meet operating expenses would also be low. To this end, airline revenue at EAU is 14 percent of total revenue, compared to an average of 30 percent for surveyed facilities.

Airline Passenger Related Revenue

The most critical sources of passenger related operating revenue for an air carrier airport are funds derived from public parking, rental cars and restaurant/catering activities.

Public parking revenue at EAU of $5.61 per passenger is well above the benchmark average of $2.14 per enplaned passenger. Moreover, EAU's rental car revenue volume of $4.20 per passenger corresponds with the average level generated at benchmarked facilities. EAU's restaurant/catering revenue per passenger of $0.66 is well above the benchmark average of $0.06. In total, EAU's passenger related revenue exceeds the average for the non-hub benchmark airports at $22.72 versus $7.20 indicating that it is maximizing revenue within a reasonable rate structure for these concession activities.

FBO/General Aviation Revenue

EAU produced $11.75 in revenue (FBO rents, hangar/tie-down rent, fuel flowage fees) per general aviation operation compared to the benchmark average of $11.76. EAU's current fuel flowage fee of $0.07 per gallon for 100LL and $0.08 per gallon for Jet-A mirrors the peer average of $0.07 per gallon. The ratio of FBO/General Aviation revenue to total revenue for EAU is 45 percent which is more than two times greater than the non-hub average of 19 percent.

Operating Expense

EAU's cost structure is very favorable compared to its peers as represented by the fact that its operating expenses per enplanement is $40.85 compared to the average benchmark airport at $45.55. In addition, EAU posted the third lowest level of operating expense ($778,682) compared to its peers; 17 percent below the average ($950,743) for all airports in the survey. This relatively low operating expense level bodes well for EAU in its capacity to maintain sustainable and reasonable rates and fees for its airlines, concessionaires and patrons.

Annual Debt Service

Four of the nine responding airports indicated that they currently have outstanding debt ranging from $18,000 to $1.1 million/year. EAU's current annual debt burden is $109,909 and is associated with construction of general aviation facilities. The survey did not extract the nature/scope for peer facilities; however, EAU has established a rate structure which fully recoups this payment through its leases. This strategy ensures that its debt obligation does not over-burden other users.

Member Jurisdiction Contributions

Five of the responding airports indicated they receive some form of general taxpayer financial support from their member jurisdictions. The annual funding amount ranged from $270,000 to $1.0 million; an average of approximately $525,750 for these airports. In FY2011, Chippewa and Eau Claire Counties transferred $493,785 to EAU for operating and capital expenditures in accordance with the Airport Ownership and Operation Agreement.

6.7 SENSITIVITY ANALYSIS

Currently, rates are assessed by EAU to airlines: landing fees and terminal rents. In negotiating rates with the airlines, it is helpful to understand what other airports in its peer base and geographic area are charging. This exercise has assisted in providing perspective on each of EAU's rates. Potential changes in rates and the impact on revenue is discussed in more detail below.

Landing Fee

The benchmark survey demonstrated that EAU's landing fees are on average consistent with its peers across the country. Should EAU choose to increase the landing fee, the impact of incremental increases in the fee is demonstrated in **Table 6-14**.

Table 6-14: Landing Fee Incremental Revenue

		Incremental Increase In Landing Fee			
	CY 2011	**5%**	**10%**	**15%**	**20%**
Landing fee (per 1,000 lbs)	$1.17	$1.23	$1.29	$1.35	$1.40
Estimated Landed Weight (in 000s)	34,373	34,373	34,373	34,373	34,373
Landing fee revenue	$40,216	$42,227	$44,238	$46,248	$48,259
Incremental revenue		$2,011	$4,022	$6,032	$8,043

Note: Landed weight approximated from 2011 results

A five percent increase in the landing fee up to $1.23 per 1,000 pounds will increase revenue by only $2,011. At the higher end, a 20 percent increase in the landing fee would increase revenue by as much as $8,043.

Terminal Rent

The square footage rate charged by EAU is low compared to benchmark airports. The current rate of $21.45 is $2.13 lower per square foot than the average for the benchmark airports. **Table 6-16** shows the impact of increases in the terminal rent square footage rate.

Table 6-15: Terminal Rent Incremental Revenue

		Incremental Increase In Landing Fee			
	CY 2011	**10%**	**20%**	**30%**	**40%**
Terminal rent per square foot	$21.45	$23.60	$25.74	$27.89	$30.03
Rented square footage	2,887	2,887	2,887	2,887	2,887
Terminal rent revenue	$61,926	$68,119	$74,311	$80,504	$86,696
Incremental revenue		$6,193	$12,385	$18,578	$24,770

Note: Rentable square footage approximated from 2011 results

An increase in the terminal rent square footage rate of 20 percent would provide additional revenue of $12,385 and the rate of $25.74 would be slightly above the benchmark average. It is recommended that EAU consider an upward adjustment in their square footage rate. While this survey indicates that the terminal rent square footage rate is below average, EAU will need to build a strong case to United Express to support the increase.

Sensitivity Analysis Conclusions

Because EAU is consistent with its peer airports in terms of its airline landing fee structure and any significant adjustments would not yield appreciable income, (a 20 percent increase to $1.40 would net the Airport approximately $8,043 in additional revenue) it is not recommended that such a wholesale modification be pursued at this time. An increase in the terminal rent square footage rate of 40 percent would yield approximately $24,770 while a 20 percent adjustment to $25.74 could yield $12,385. Since EAU lags its market peers, some gradual increase to $25.74/square foot is recommended for consideration in the coming budget cycles. While EAU's fuel flowage fee is consistent with industry practice, any upward adjustment of this fee would likely thrust EAU into a non-competitive situation with neighboring and peer airports which could correspondingly decrease fuel sales activity and thereby negate the effects of such a fee increase.

Benchmarking Analysis Summary

Overall, the benchmarking exercise confirms that EAU operates as a very lean and efficient organization. Staffing, operating costs and terminal rents per enplaned passenger are low despite having one of the lowest volumes of passengers. It is also quite noteworthy that EAU can be in a breakeven position financially given its limited revenue streams. While EAU has the fourth lowest total operating revenue compared to its peers, it doesn't burden airlines with costs and instead relies on passenger related and general aviation revenue as well as ongoing funding from Chippewa and Eau Claire Counties to meet both operating and capital expenses. As EAU moves forward with implementation of its Master Plan, it should seek to:

1. Monitor and adjust its airline terminal rates and charges to bring these fees into alignment with its peer facilities and local real estate market conditions.
2. Adjust passenger parking rates on an ongoing basis to ensure that this critical source of passenger related revenue is appropriately contributing to the Airport's operating revenue base.
3. Examine the feasibility of refinancing or pre-paying the two outstanding loans for airport hangar facilities to reduce overall operating costs.
4. Continue to implement its progressive and proactive lease management system to ensure that rates and charges are adjusted to reflect local conditions, consistent with industry practices and aimed at full cost recovery for providing aviation services and amenities to the public.
5. Demonstrate to its member jurisdictions their return on investment (ROI) for the funding they provide for airport operations and capital development.

6.8 RECOMMENDATIONS

This section offers recommendations related to revenue enhancement and cost containment options the Commission can consider pursuing in order to attain a greater level of financial self-sufficiency and correspondingly decrease its reliance on interlocal governmental funding transfers from Chippewa and Eau Claire Counties.

Revenue Enhancements

In examining potential adjustments to rates and charges, it is important to first note that the Commission already proactively monitors its rate base for all leases and concession agreements. Each year, during preparation of its annual budget, the Commission scans terms and provisions for its leases and ensures that charges are adjusted in accordance with these agreements and seeks to adjust other leases by the consumer price index. This best management practice ensures that the Commission is maximizing revenue for the benefit of Airport operations and is also at the same time demonstrating to its member jurisdictions that it is seeking to achieve financial self-sufficiency.

The Commission's rental car concession agreement mirrors rates/fees consistent with industry practices, its fuel flowage fee structure parallels practices at its peer airports and the recently negotiated food/beverage concession agreement will yield enhanced revenue streams in the coming years. Collectively, continued deployment of these practices has the potential to yield 4 percent compound annual growth for Airport revenues (Table 6-7). Consideration of adjusting the public parking rate structure over the course of the next five years could generate some marginal revenue for the Commission. For instance, a rate increase of $1.00/day in FY2015 has the potential to increase parking revenue by approximately $29,600 in that year assuming the forecast level of enplanements for that year (24,376) is achieved.

In terms of airline rates and charges, the Commission must balance its goal of self-sufficiency with ensuring the Airport retains a viable and competitive operating environment for airlines seeking to serve the region. Close monitoring of the Airport's cost per enplaned passenger ratio is recommended to ensure this balance. Given the non-airline revenue generating trends projected for the period FY2014-18, the cost per enplaned passenger ratio is currently slated to decrease from $7.14 to $5.95. While this trend is certainly favorable for the airlines serving EAU, the Commission must consider whether fees collected from the airline sources are covering its cost of providing a fully compliant FAR Part 139 facility. Key to understanding this is perhaps best analyzed in the context of Table 6-12, Historical Airfield & General Aviation Cost Center Operating Revenues and Expenditures. The data contained in this Table indicates that in FY2013 (Budget) the Commission is expected to receive $42,000 in Airline Landing Fees. During the same time, some portion of the Commission's expenses (Regular, Salaries, Wages & Benefits, Grounds Maintenance, and Fuel) is obligated to meeting the requirements of maintaining a compliant Part 139 airfield. Total Operating Expenses for this fiscal year for the Airfield and General Aviation Cost Center are projected to total $423,242. Moreover, expenditures are expected to outpace revenue collections to yield a loss of $105,544 in this same period for this cost center. It is not practical or prudent for the Commission to consider adjusting its airline landing fee to compensate for this anticipated loss as it would require a 172 percent increase in its landing fee rate from $1.07 to $2.91. While full cost recovery is not practical at this juncture, the Commission should continue to adjust its landing fee structure periodically to at least offset a greater portion of its costs incurred to meet FAA requirements for providing an airfield that meets its certification standards for airline operations.

Cost Containment Options

Development of a strategy to pre-pay or refinance the outstanding loans for the Heartland Aviation and K-Row hangars offers perhaps the greatest opportunity for the Commission to capture ongoing budget savings. Currently, debt service for these facilities constitutes 12 percent of the Airport's annual operating budget. While rental income currently provides sufficient resources to make required debt service payments, the Commission could realize a savings of approximately $110,000/year if it could pre-pay this debt utilizing a portion of its existing Reserve in combination with future payments from Chippewa and Eau Claire Counties. In analyzing this option, the Commission should first establish policies related to minimum fund balance/reserves for both Airport operations and capital needs to provide a reserve for contingencies in the event of a significant downturn in revenues or occurrence of unanticipated expenditures. These policies should mirror industry practice and be consistent with recommended practices made by agencies such as the Government Finance Officers Association.

Beyond development of a strategy for pre-payment of debt, there are few additional options for the Commission to weigh in order to control expenses. As noted previously in this analysis, the Commission reduced its workforce by 1.0 full time equivalent employees during the period FY2008-13(Budget) and health care plan/premium adjustments and retirement plan modifications were also made. Since Salaries, Wages and Benefits comprise almost one-half of the Airport's operating expenditures these efficiencies have already been realized as borne out by the fact that overall operating expenses remained constant during the past six years.

6.9 CONCLUSIONS

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, concessionaires and member jurisdictions. The following factors and key indicators substantiate this assessment:

- The Airport maintains a very strong cash balance ensuring the provision of an appropriately funded Reserve for Contingencies
- A proactive lease management and monitoring system is deployed to ensure market rate rents are set and fees are collected in a timely manner. Lease rates are evaluated annually and established through contracts. In addition the Commission tracks major terms and payment requirements of tenants/concessionaires.
- The Commission adopts a Strategic Plan and Annual Business Plan and tracks performance and accomplishment of each plan's goals through key performance indicators.

As the Airport commences work on implementing the recommended capital improvement program contained 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 EAU strive 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.